



# Big Lake Schools, ISD 727

## Public Hearing for Taxes Payable in 2025

DECEMBER 19, 2024

PRESENTED BY:

ANGIE MANUEL,

DIRECTOR OF BUSINESS SERVICES

# Minnesota State Law Requirements

## A Public Meeting...

- Between November 25th & December 30th
- At 6:00 PM or later
- May be part of regularly scheduled meeting
- Must allow for public comments
- May adopt final levy at same meeting

## ...and Presentation of:

- Current year budget
- Proposed property tax levy

# Hearing Agenda

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Background  
Information on  
School Funding



District's Budget



District's Proposed  
Tax Levy for Taxes  
Payable in 2025



Public Comments

# MN Legislature Must Set Funding for Minnesota Public Schools

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Minnesota Constitution ARTICLE XIII

MISCELLANEOUS SUBJECTS

Section 1

**“UNIFORM SYSTEM OF PUBLIC SCHOOLS.** The stability of a republican form of government depending mainly upon the intelligence of the people, it is the duty of the legislature to establish a general and uniform system of public schools. The *legislature shall make such provisions by taxation or otherwise* as will secure a thorough and efficient system of public schools throughout the state.”

# As a Result, Funding is Highly Regulated

## State Sets:

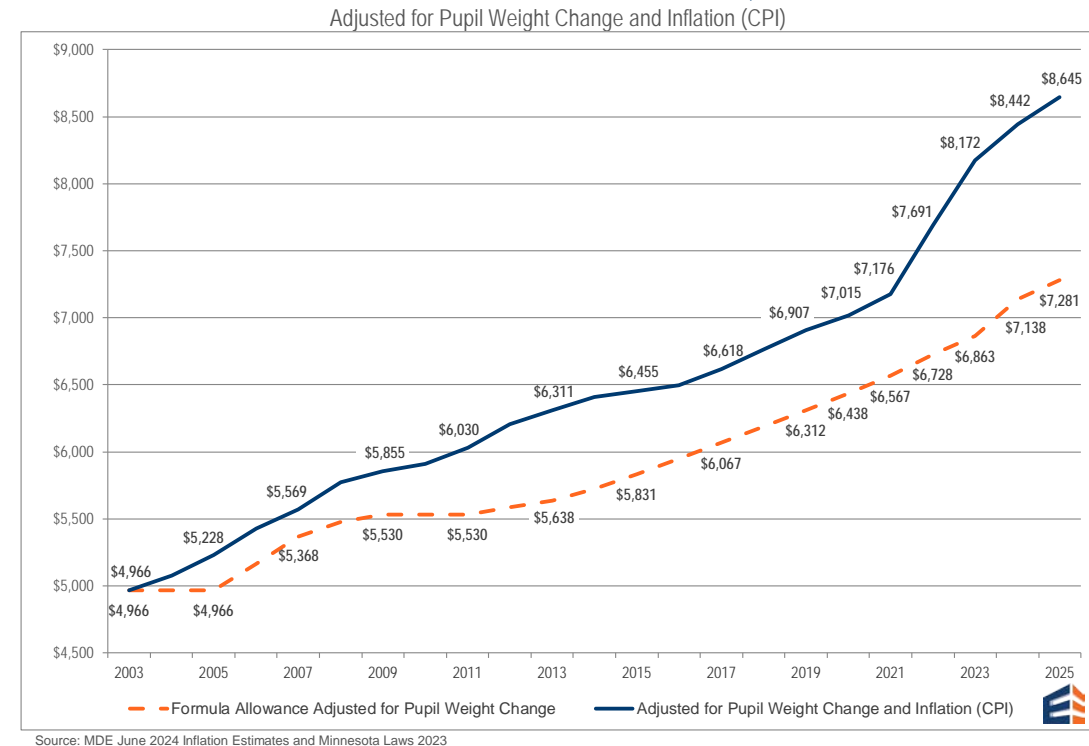
- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy
  - Districts can levy less, but not more than amount authorized by state, unless approved by voters in November

State also authorizes school board to submit referendums for operating & capital needs to voters for approval

# General Education Formula Allowance, 2003-25

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2023-24, an increase of 4.00% or \$275 over previous year was approved
- For Fiscal Year 2024-25, an increase of 2.00% or \$143 over previous year was approved

Per-pupil allowance for Fiscal Year 2024-25 of \$7,281 would need to increase by another \$1,364 (18.7%) to have kept pace with inflation since 2002-03, resulting in an allowance of \$8,645



According to MN Department of Education (MDE):

FY 2023 costs of providing programs were underfunded statewide by \$726 million

Even with recent funding, costs will be underfunded by \$455 million statewide by FY 2027



Primary options to bridge funding gap are to cut regular program budgets or increase referendum revenue, most districts have done both

## Underfunding of Special Education

# Budget Information

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Because approval of school district budget lags certification of tax levy by six months, state requires only current year budget information be presented at this hearing. Fiscal Year 2025-26 budget will be adopted by School Board in June 2025.

**School district budgets are divided into separate funds, based on purposes of revenue, as required by law.**

## **Our District's Funds:**

- General
- Food Service
- Community Service
- Building Construction
- Debt Service
- OPEB\* Trust

*\*Other Post-Employment Benefits*





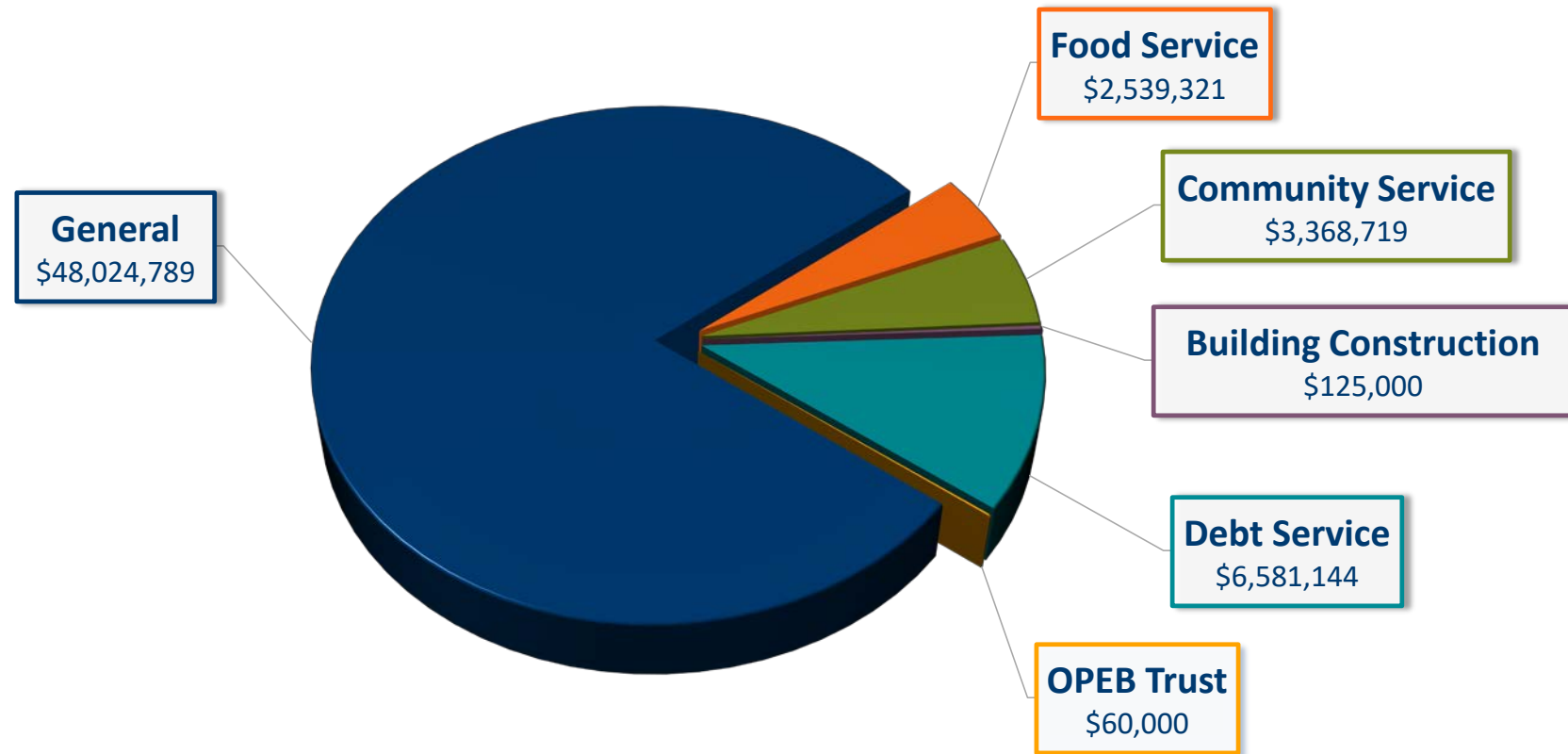
**District Revenues & Expenditures**  
Actual for FY 2024, Budget for FY 2025

FUND	FISCAL 2024 BEGINNING	2023-24 ACTUAL		JUNE 30, 2024 ACTUAL	2024-25 BUDGET		JUNE 30, 2025 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES
<b>General/Restricted</b>	\$1,850,524	\$4,976,525	\$3,749,921	\$3,077,128	\$5,402,322	\$6,760,942	\$1,718,508
<b>General/Other</b>	9,299,812	45,862,069	40,392,061	14,769,820	42,622,467	44,815,514	12,576,773
<b>Food Service</b>	806,335	2,669,658	2,569,467	906,526	2,539,321	2,705,888	739,959
<b>Community Service</b>	1,191,053	3,590,536	3,439,376	1,342,213	3,368,719	3,366,994	1,343,938
<b>Building Construction</b>	18,483,473	694,202	11,102,194	8,075,481	125,000	5,902,274	2,298,207
<b>Debt Service</b>	1,461,559	6,534,351	6,464,050	1,531,860	6,581,144	6,157,924	1,955,080
<b>OPEB* Irrevocable Trust</b>	1,280,635	114,438	75,956	1,319,117	60,000	42,286	1,336,831
<b>Total All Funds</b>	<b>34,373,391</b>	<b>64,441,779</b>	<b>67,793,025</b>	<b>31,022,145</b>	<b>60,698,973</b>	<b>69,751,822</b>	<b>21,969,296</b>

\*Other Post Employment Benefits

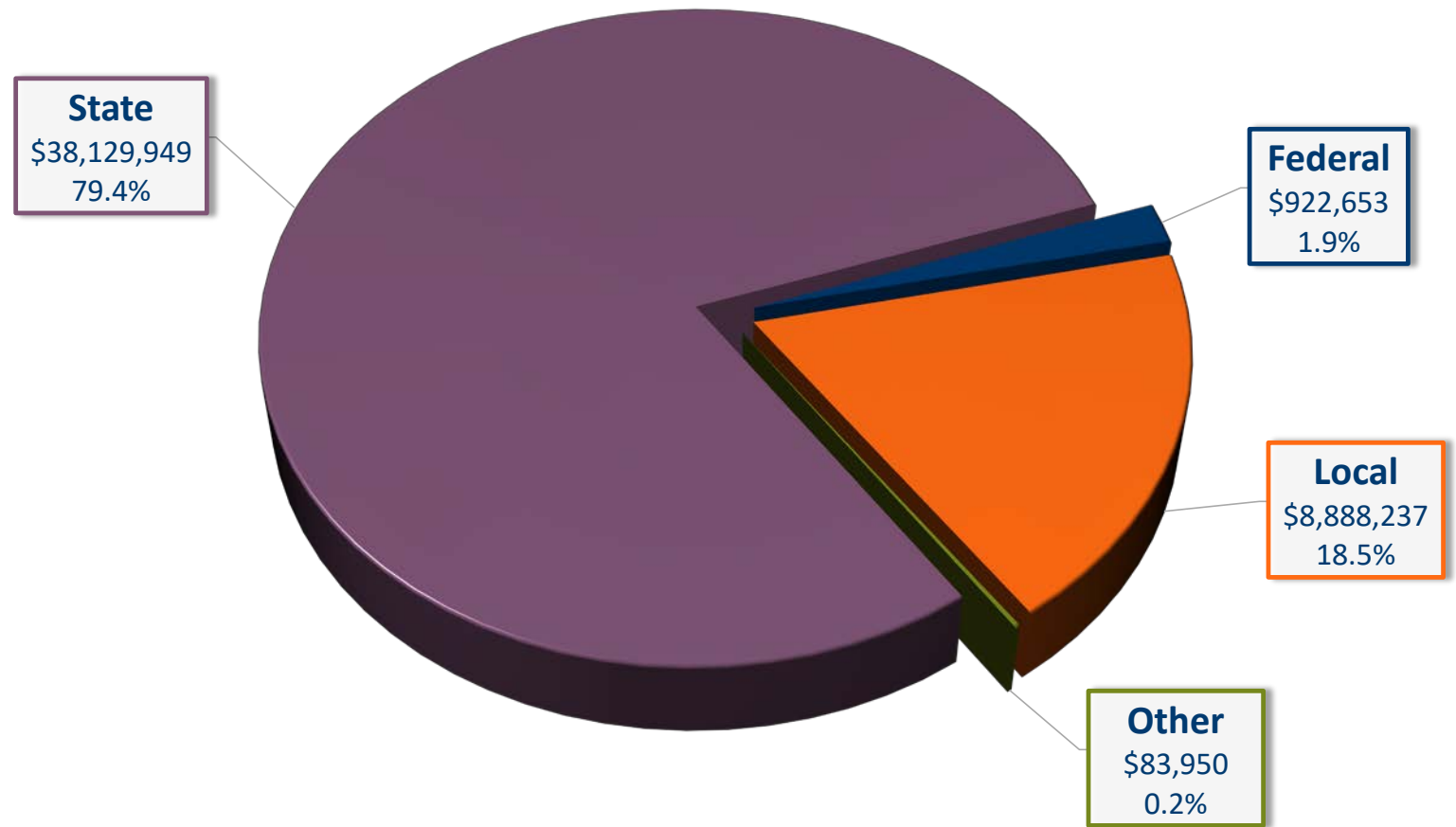
# Revenue - All Funds -

2024-25 Budget  
\$60,698,973



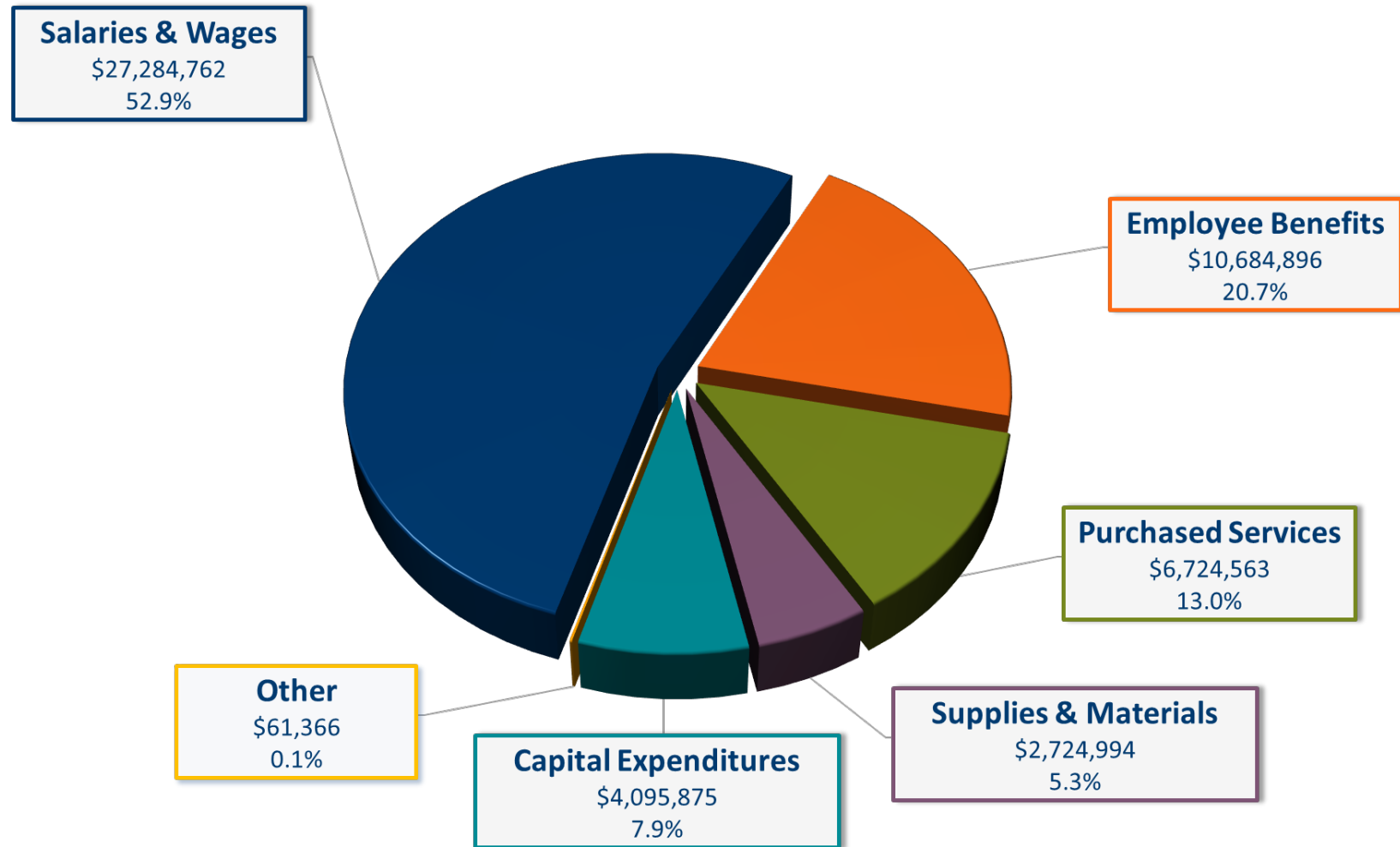
# General Fund Revenue

2024-25 Budget  
\$48,024,789



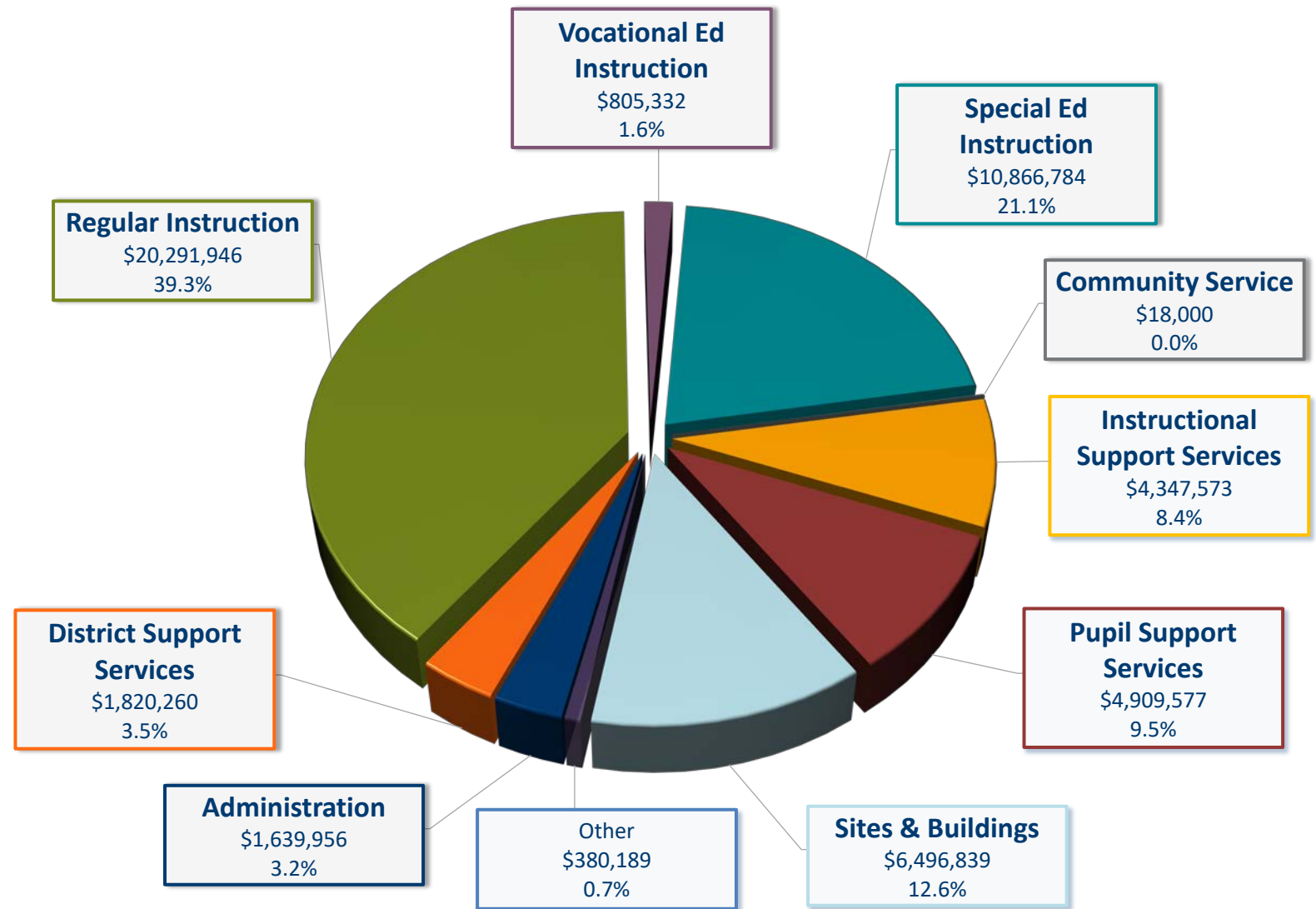
# General Fund Expenditures - by Object -

2024-25 Budget  
\$51,576,456



# General Fund Expenditures - by Program -

2024-25 Budget  
\$51,576,456



# Change in Tax Levy does not Determine Change in Budget



Tax levy is based on many state-determined formulas plus voter approved referendums



Some increases in tax levies are revenue neutral, offset by reductions in state aid



Expenditure budget is limited by state-set revenue formulas, voter-approved levies & fund balance



An increase in school taxes does not always correlate to an equal increase in budget

# Difference in Levy Cycles

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## School District:

- Budget year begins July 1st
- 2025 taxes provide revenue for 2025-26 fiscal year
- Budget adopted in June 2025



## City/County:

- Budget year begins January 1st
- 2025 taxes provide revenue for 2025 calendar year budget

Sample of parcel specific notice mailed to every property owner between November 10<sup>th</sup> – 25<sup>th</sup>

Property Tax Background:

- Every owner of taxable property pays property taxes to various “taxing jurisdictions” (county, city/township, school district, special districts) in which property is located
- Each taxing jurisdiction sets own tax levy, often based on limits in state law
- County sends bills, collects taxes from property owners & distributes funds back to other taxing jurisdictions



Spruce County  
Jane Smith, Auditor-Treasurer  
345 12th Street East, Box 78  
Spruceville, MN 55555-5555  
(555) 345-6789  
www.co.spruce.mn.us

**TAXPAYER(S):**  
John and Mary Johnson  
123 Pine Rd S  
Spruceville, MN 55555-5555

**Property Information**  
**PIN Number:** 01.234.56.789.R1    **Property Address:** 789 Pine Rd S  
Spruceville, MN 55555  
**Property Description:**  
Lot 1, Block 1, Spruce Acres Subdivision

PROPOSED TAXES 2025			
THIS IS NOT A BILL. DO NOT PAY.			
Step 1	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2024	2025
	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$33,0500
	Taxable Market Value	\$125,000	\$116,950
Step 2	PROPOSED TAX		
	Property taxes before credits	\$1,562.46	
	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
Step 3	PROPERTY TAX STATEMENT		
	Coming in 2025		
	The time to provide feedback on PROPOSED LEVIES is NOW		
	It is too late to appeal your value without going to Tax Court.		

Proposed Property Taxes and Meetings by Jurisdiction for Your Property				
Contact Information	Meeting Information	Actual 2024	Proposed 2025	
State General Property Tax	No public meeting	\$0	\$0	
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 5, 7:00 PM	\$438.06	\$484.18	
City of Spruceville Mayor's Office 456 Spruce St Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-7654	December 2, 6:30 PM Spruceville City Hall	\$273.79	\$312.06	
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789 Voter Approved Levies Other Levies	December 9, 7:00 PM Spruceville High School Cafeteria	\$289.35 \$340.11	\$296.68 \$374.60	
Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2025 may be higher than the proposed amount shown on this notice.				
Metro Special Taxing Districts		\$57.76	\$58.70	
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 11, 7:30 PM Spruce Park Centre 500 Pine St.			
Other Special Taxing Districts Tax Increment Tax	No public meeting No public meeting	\$12.80 \$10.15	\$13.02 \$11.22	
Total excluding any special assessments		\$1,422.02	\$1,550.46 9.0%	



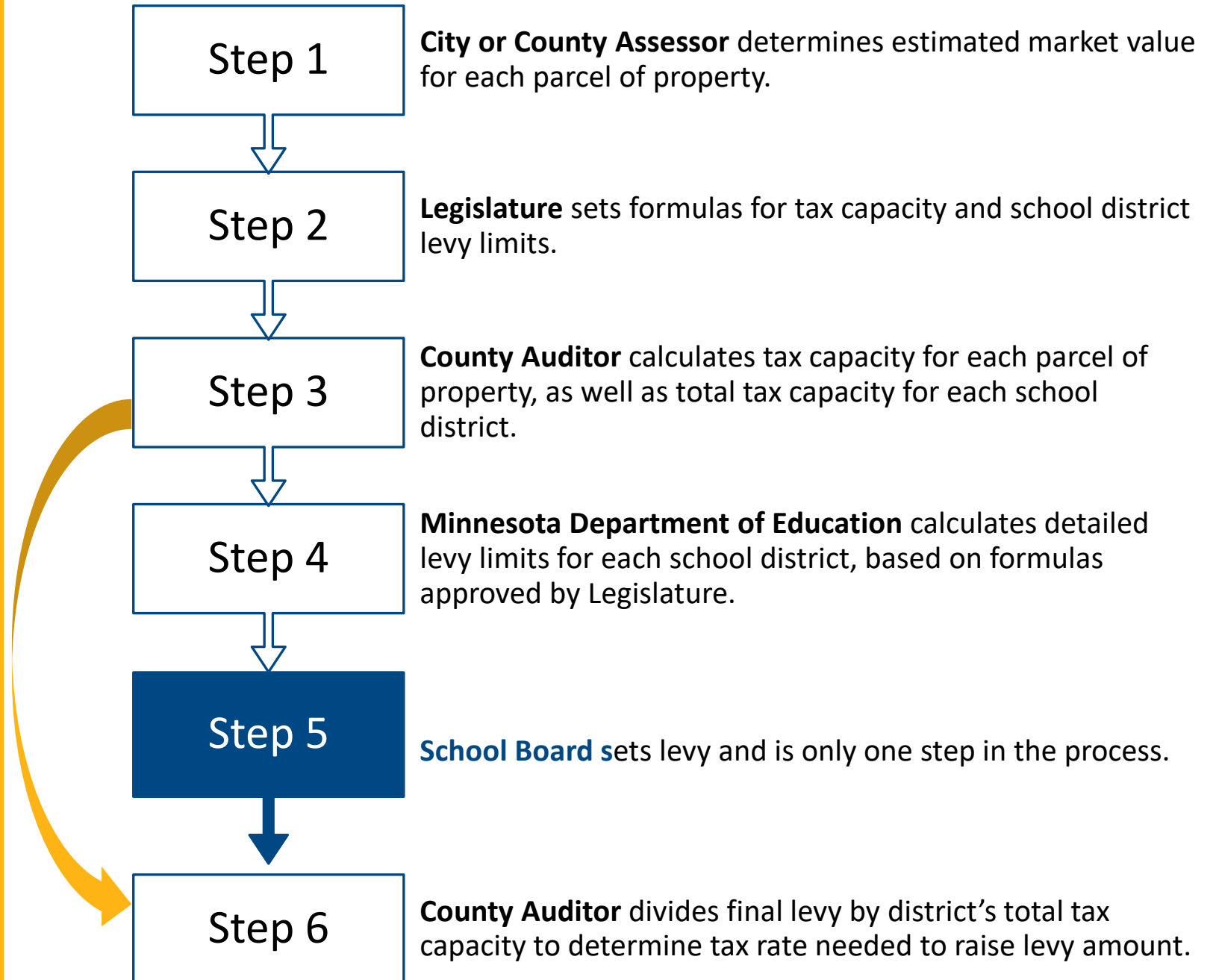
# School District Property Taxes

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- Each school district has limited authority to levy taxes
- MDE calculates levy amounts for various categories, set by:
  - State law
  - Voter approval

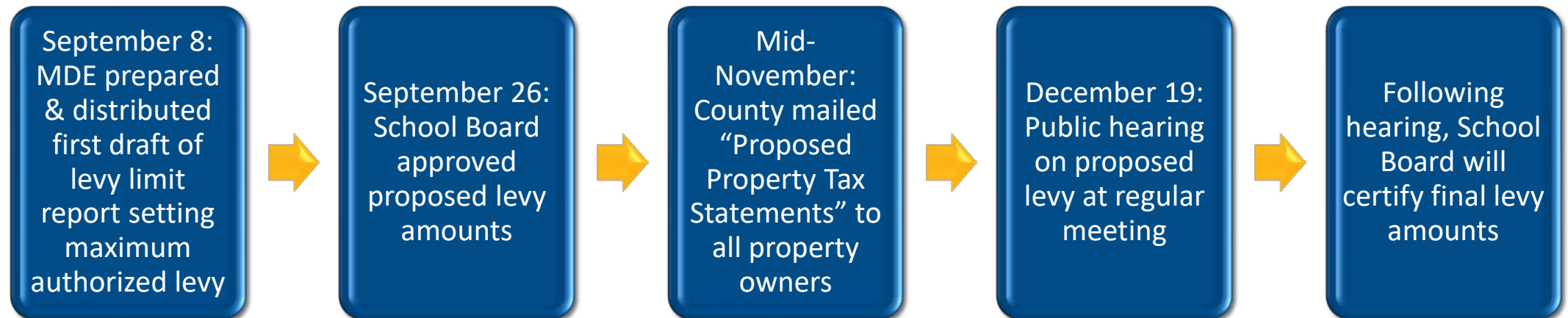
# School District Property Tax Process

*Note:* For certain levy categories, tax rates & levy amounts are based on referendum market value, rather than tax capacity.



# Approval of District's Tax Levy in 2024 (Payable 2025)

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# Overview of District's Proposed Tax Levy

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- Proposed Payable 2025 tax levy is a decrease from 2024 of \$232,220 or 1.7%
- Changes by levy category and reasons for major increases & decreases in levy are included on following slides

## Comparison of Actual Tax Levy Payable in 2024 to Proposed Levy Payable in 2025

Fund Levy Category	Actual Levy Payable in 2024	Proposed Levy Payable in 2025	\$ Change	% Change
<b>General</b>				
Voter Approved Operating Referendum	\$2,358,622	\$2,392,085	\$33,463	
Local Optional Revenue (LOR)	2,177,500	2,212,126	34,626	
Equity	466,818	463,873	(2,945)	
Voter Approved Technology Referendum	851,190	930,816	79,625	
Operating Capital	257,757	290,385	32,628	
Alternate Teacher Compensation	291,289	286,584	(4,706)	
Long Term Facilities Maintenance	261,409	1,567,691	1,306,282	
Lease Levy	137,294	193,052	55,758	
Other	393,848	407,155	13,307	
Prior Year Adjustments	223,598	79,048	(144,550)	
Total, General Fund	\$7,419,325	\$8,822,815	\$1,403,489	18.9%
<b>Community Service</b>				
Basic Community Education	\$100,661	\$99,256	(\$1,405)	
Early Childhood Family Education	53,759	60,164	6,405	
School-Age Child Care	125,000	170,000	45,000	
Other	3,613	3,839	226	
Prior Year Adjustments	(3,956)	43,624	47,580	
Total, Community Service Fund	\$279,077	\$376,883	\$97,806	35.0%
<b>Debt Service</b>				
Voter Approved	\$4,499,868	\$2,423,335	(\$2,076,533)	
Other	222,390	221,340	(1,050)	
Long Term Facility Maintenance	1,092,952	1,417,401	324,449	
Reduction for Debt Excess	1,245	0	(1,245)	
Prior Year Adjustments	(130)	20,734	20,864	
Total, Debt Service Fund	\$5,816,325	\$4,082,810	(\$1,733,515)	-29.8%
<b>Total Levy, All Funds</b>	<b>\$13,514,727</b>	<b>\$13,282,507</b>	<b>(\$232,220)</b>	<b>-1.7%</b>
<b>Subtotal by Truth in Taxation Categories:</b>				
Voter Approved	7,892,265	5,815,440	(2,076,825)	
Other	5,622,462	7,467,068	1,844,605	
<b>Total</b>	<b>\$13,514,727</b>	<b>\$13,282,507</b>	<b>(\$232,220)</b>	<b>-1.7%</b>

# Explanation of Levy Changes

<b>Category:</b>	General Fund – Long Term Facilities Maintenance (LTFM) and Debt Service – Voter Approved & LTFM
<b>Change:</b>	+\$1,306,282 (General Fund LTFM), -\$1,733,515 (Debt Service Fund)
<b>Use of Funds:</b>	Health & Safety, Deferred Maintenance, Principal & Interest payments on debt
<b>Reasons for Changes:</b>	<ul style="list-style-type: none"><li>• LTFM revenue is based on a per pupil formula and state-approved project costs; overall increase is due to health &amp; safety project</li><li>• District is financing projects through a combination of annual General Fund revenue and proceeds from a bond issue</li><li>• Levies are coordinated with other capital and debt levies to maintain consistent tax rates</li></ul>

# Explanation of Levy Changes

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**Category:**

General Fund – Prior Year Adjustments

**Change:**

-\$144,550

**Use of Funds:**

Various

**Reason for Change:**

- Each year, initial levies are based on estimates of enrollment, values and expenditures for future years
- In later years, estimates are updated and levies are retroactively adjusted

# Explanation of Levy Changes

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**Category:**

Community Service – School Age Care Program

**Change:**

+\$89,000

**Use of Funds:**

Reimburse special education costs in school age care program

**Reason for Change:**

- Increased costs of providing school age care services for students with disabilities



# Factors Impacting Individual Taxpayers' School Taxes

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Many factors can cause a tax bill for an individual property to increase or decrease from year to year

- Changes in value of individual property
- Changes in total value of all property within District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs & costs, voter-approved referendums & other factors

# Impact of Property Valuations

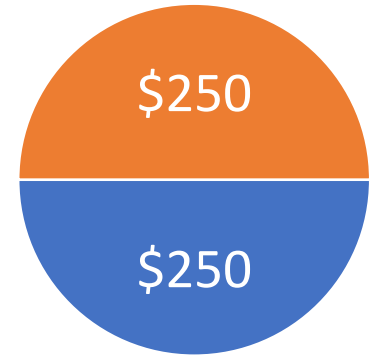
Two properties in the district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy

\$100,000



\$100,000



# Impact of Property Valuations

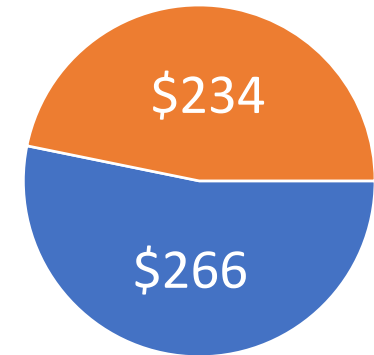
## Two properties in the district

- Orange house value increases by 10%
- Blue house value increases by 25%

## Total levy of \$500

- School District will still generate the same amount of levy even though values increased
- Orange house pays less
- Blue house pays more

\$110,000



\$125,000





# Minnesota Legislative Changes for Pay 2025

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**In 2023, The Minnesota State Legislature passed laws that affect property taxes for taxes payable in 2025.**

Recap of major changes:

- Provided a tax benefit to homeowners by increasing the homestead exclusion for valuations between \$76,000 and \$517,000; and
- Increased the first-tier limit for Ag Homestead land to \$3.5M from \$2.15M

# Four Year School Levy Comparison

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- Examples include school district taxes only & are shown based on no change and a 28.5% increase in property value for residential homes over the past four years
  - Actual changes in value may be more or less than this for any parcel of property
  - Intended to provide a fair representation of what happened to school district property taxes over this period for typical properties
- Amounts for 2025 are preliminary estimates; final amounts could change slightly
- Estimates prepared by Ehlers (District's municipal financial advisors)

Estimated Changes in School Property Taxes, 2022 to 2025  
*Based on No Changes in Property Values*

Type of Property	Estimated Market Value	Actual Taxes Payable in 2022	Actual Taxes Payable in 2023	Actual Taxes Payable in 2024	Estimated Taxes Payable in 2025	Change in Taxes 2022 to 2025	Change in Taxes 2024 to 2025
Residential Homestead	\$200,000	\$1,023	\$915	\$906	\$861	-\$162	-\$45
	300,000	1,600	1,427	1,412	1,356	-244	-56
	350,000	1,889	1,684	1,665	1,604	-285	-61
	400,000	2,178	1,940	1,918	1,852	-326	-66
	500,000	2,728	2,430	2,402	2,347	-381	-55
Commercial/ Industrial #	\$250,000	\$1,983	\$1,738	\$1,699	\$1,664	-\$319	-\$35
	500,000	4,232	3,701	3,611	3,538	-694	-73
	1,000,000	8,730	7,626	7,435	7,285	-1,445	-150
	2,000,000	17,725	15,476	15,084	14,778	-2,947	-306
Apartments and Res. Non-Homestead ( 2 or more units)	\$500,000	\$3,170	\$2,804	\$2,758	\$2,700	-\$470	-\$58
	1,000,000	6,340	5,608	5,516	5,401	-939	-115
	2,000,000	12,680	11,215	11,031	10,802	-1,878	-229

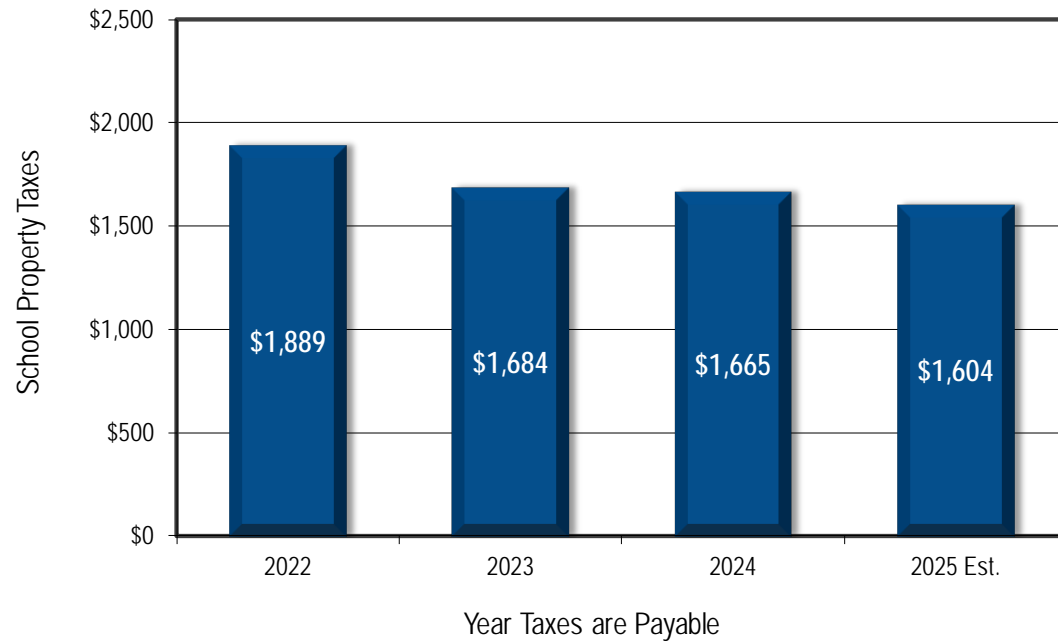
**General Notes**

1. Amounts are based on school district taxes only, and do not include taxes for city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2025 are preliminary, based on the best data available.
3. For all examples of properties, taxes are calculated based on no changes in estimated market value from 2022 to 2025.

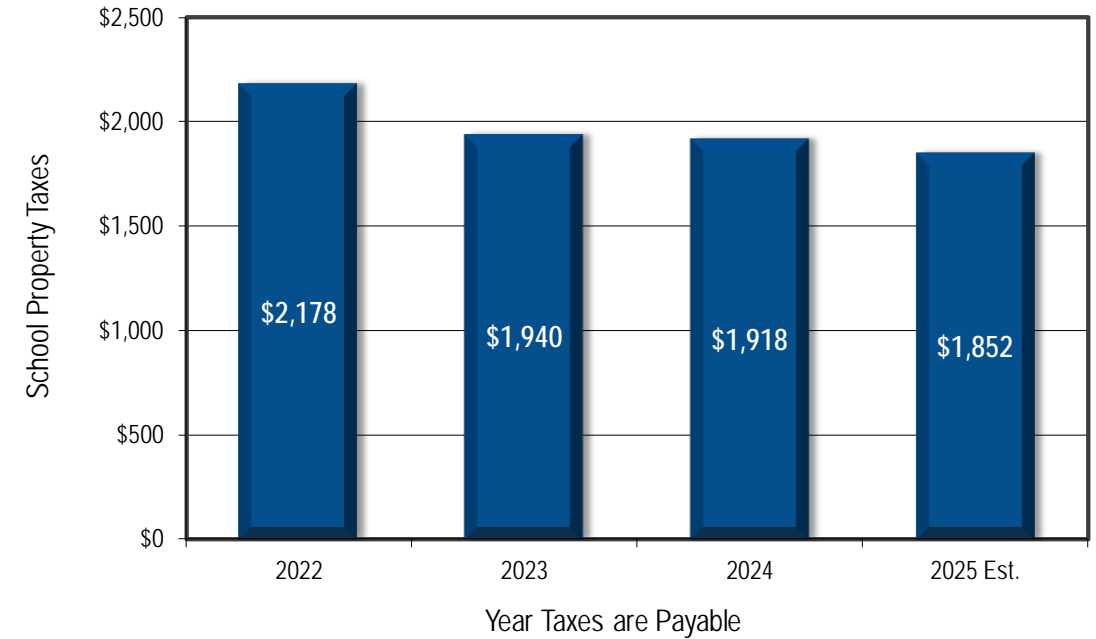
# Estimated Changes in School Property Taxes, 2022-25

*Based on No Changes in Property Value*

**Example 1: \$350,000 Residential Homestead Property**



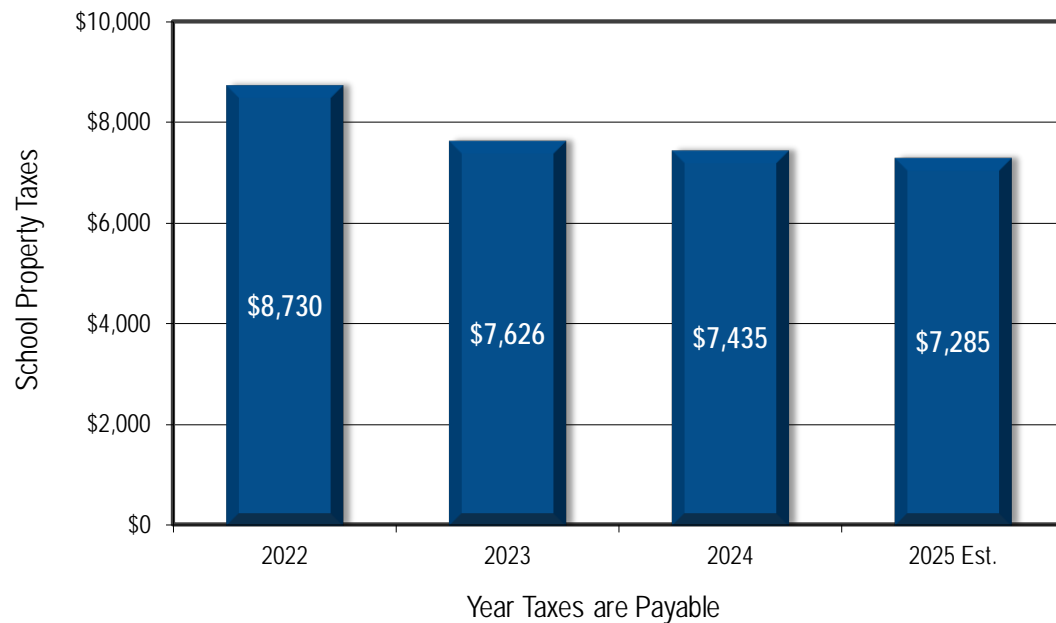
**Example 2: \$400,000 Residential Homestead Property**



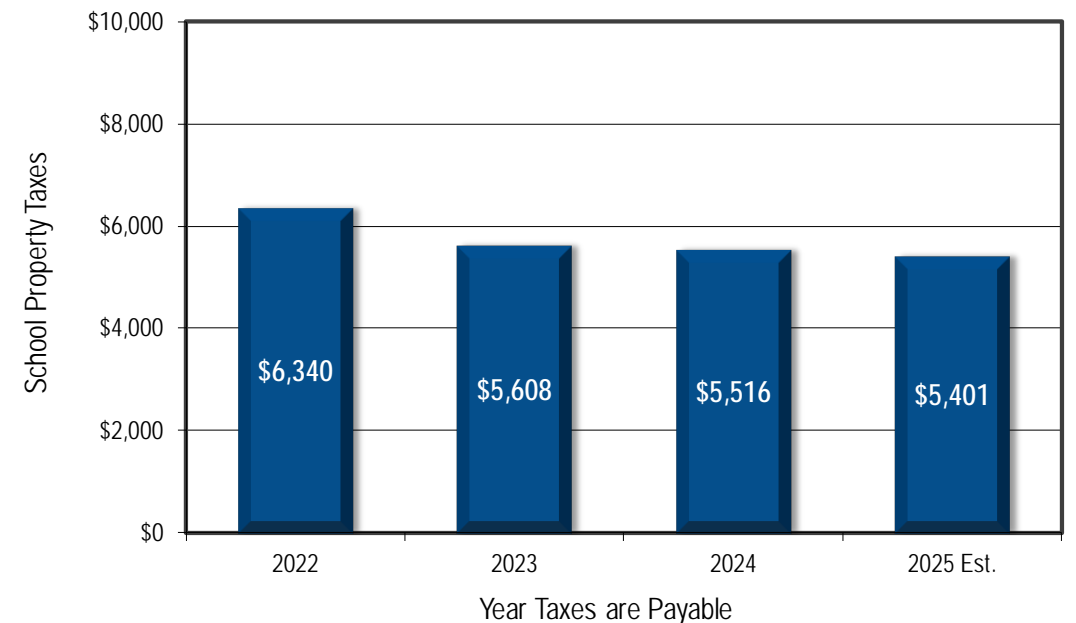
# Estimated Changes in School Property Taxes, 2022-25

*Based on No Changes in Property Value*

**Example 3: \$1,000,000 Commercial - Industrial Property**



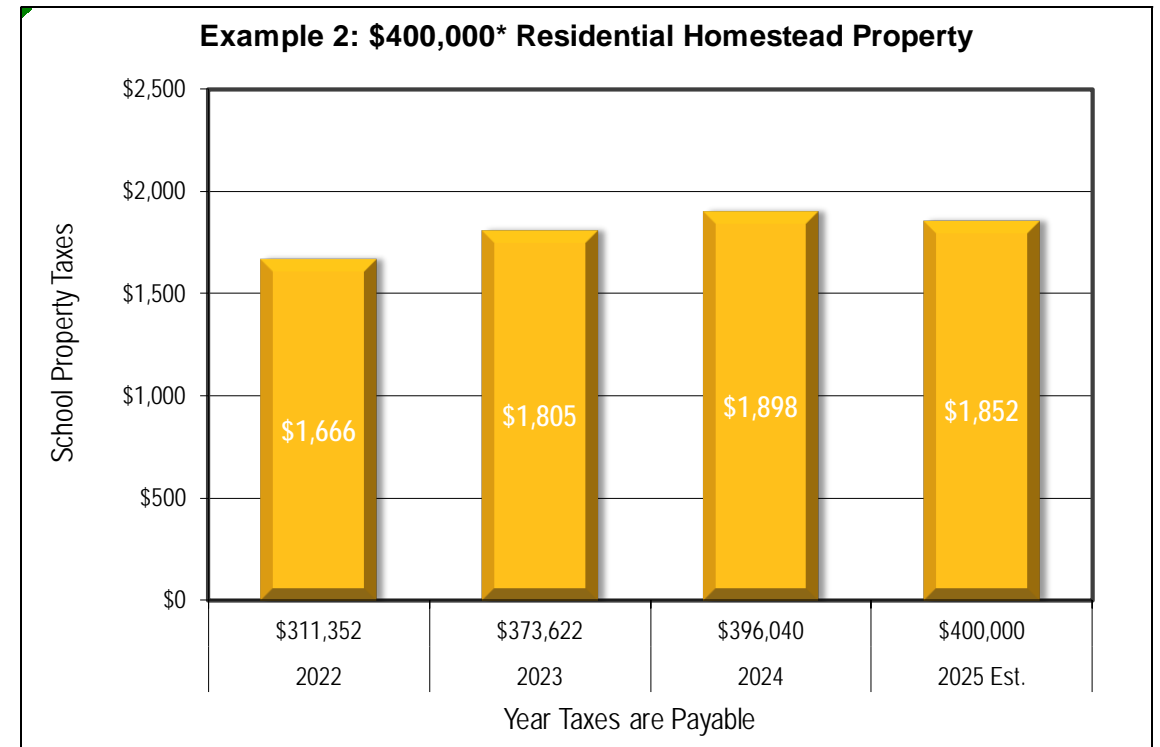
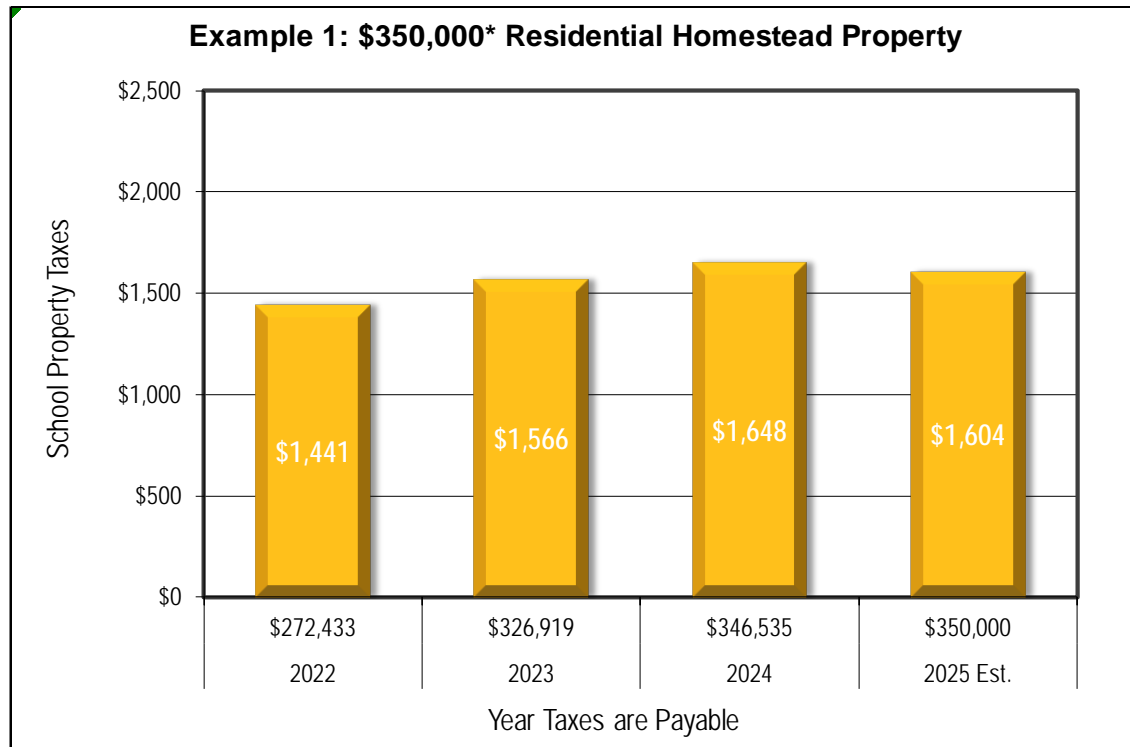
**Example 4: \$1,000,000 Apartment - Non Residential Homestead Property**





# Estimated Changes in School Property Taxes, 2022-25

*Based on 28.5% Cumulative Changes in Property Value*



\* Estimated market value for taxes payable in 2025. Taxes are calculated based on changes in market value of 20.0% from 2022 to 2023, 6.0% from 2023 to 2024 and 1.0% from 2024 to 2025.

# State Property Tax Refunds & Deferral

## Homestead Credit Refund

- Available for all homestead property, both residential and agricultural (house, garage and one acre (HGA) only)
- Refund is sliding scale, based on total property taxes and income (maximum refund is \$3,310 for homeowners and \$2,640 for renters)

## Special Property Tax Refund

- Available for all homestead property, both residential & agricultural (HGA only) with a gross tax increase of at least 12% and \$100 over prior year
- Refund is 60% of tax increase that exceeds greater of 12% or \$100 (max \$1,000)

## Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with household income of \$96,000 or less to defer a portion of property taxes on their home
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

# Next Steps

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Board accepts public  
comments on  
proposed levy

Board certifies 2025  
property tax levy



PUBLIC COMMENTS