



South Washington County Schools

Public Hearing for Taxes Payable in 2025

Kris Blackburn, Director of Business Services

December 12, 2024



Minnesota State Law Requirements

A Public Meeting...

- Between Nov. 25 and Dec. 30
- At 6 p.m. 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



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



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.”



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 and capital needs to voters for approval



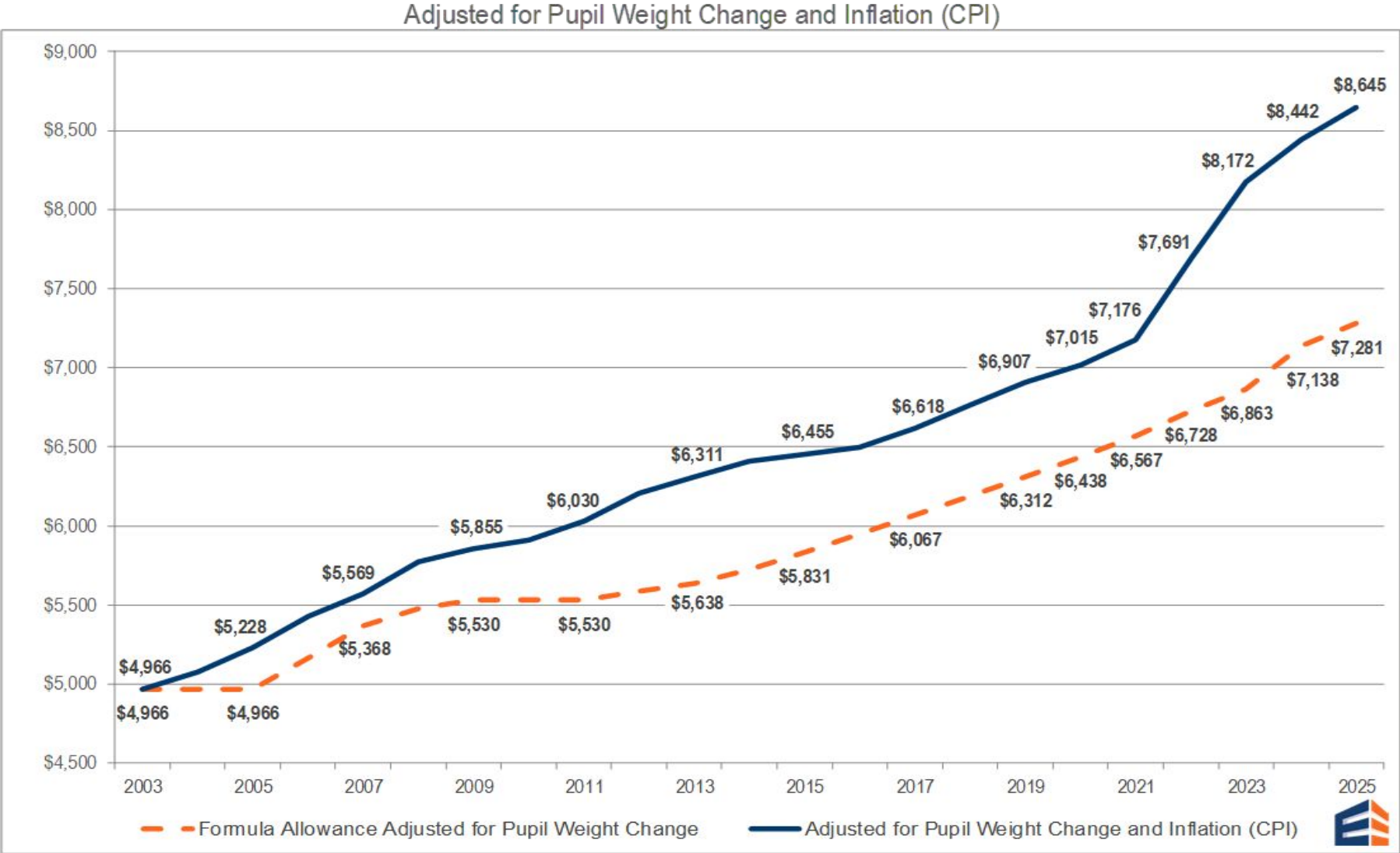
As a Result, Funding is Highly Regulated

Basic General Education Formula Lags Inflation

- Since 2002–03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2023–24, an increase of 4% or \$275 over previous year was approved
- For Fiscal Year 2024–25, an increase of 2% 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

General Education Formula Allowance



Source: MDE June 2024 Inflation Estimates and Minnesota Laws 2023

Underfunding of Special Education

According to Minnesota 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

Budget Information

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
- Trust
- Other Post-Employment Benefits Trust



District Revenues & Expenditures

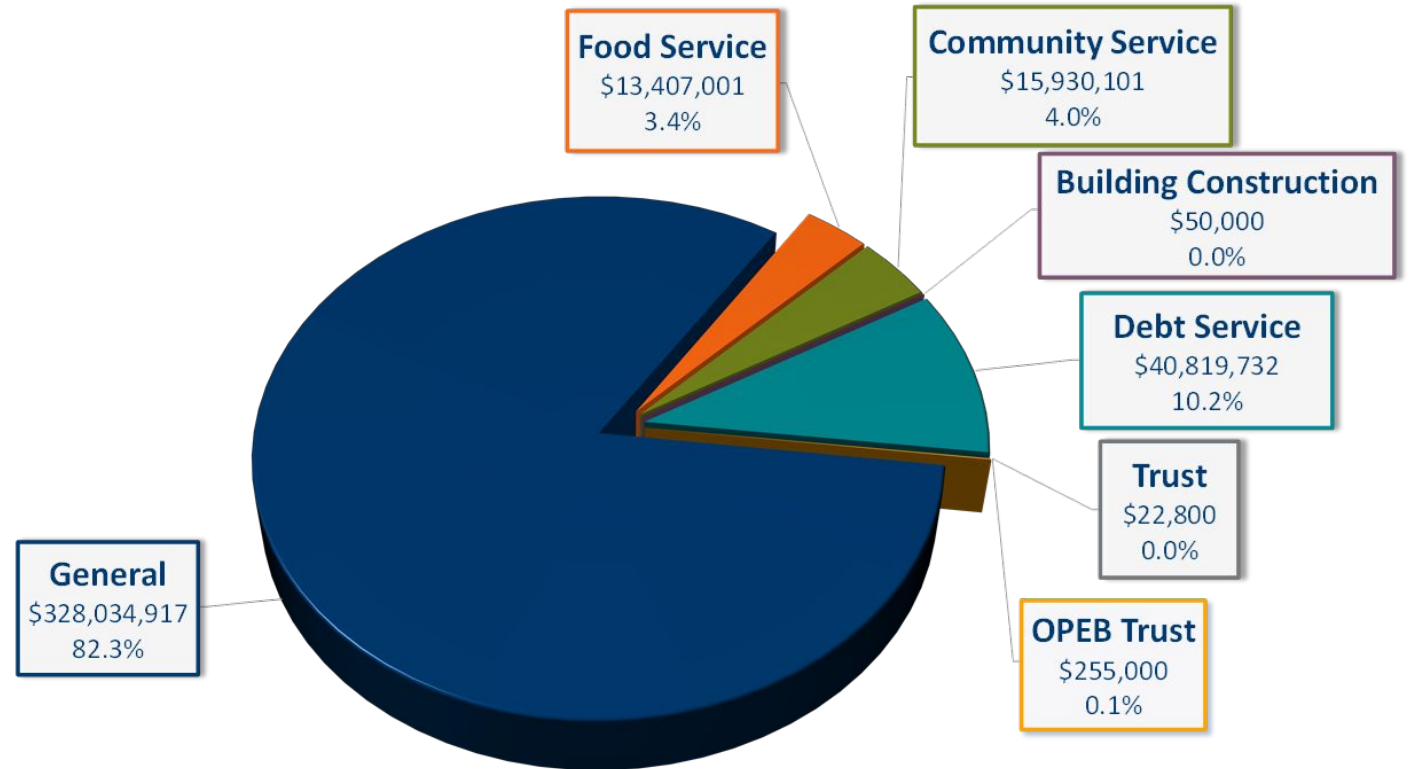
Actual for FY 2024, Budget for FY 2025

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
General/Restricted	\$3,803,570	\$42,361,169	\$43,233,431	\$2,931,308	\$49,571,403	\$51,114,775	\$1,387,936
General/Other	31,263,275	275,442,414	264,324,133	42,381,556	278,463,514	281,978,696	38,866,374
Food Service	2,949,616	15,007,385	12,475,814	5,481,187	13,407,001	13,341,152	5,547,036
Community Service	1,140,949	15,932,451	16,819,035	254,365	15,930,101	15,466,585	717,881
Building Construction	24,856,513	132,446,248	14,435,414	142,867,347	50,000	30,914,633	112,002,714
Debt Service	6,114,878	55,582,677	52,392,595	9,304,960	40,819,732	35,070,068	15,054,624
Trust	37,827	44,050	26,800	55,077	22,800	22,800	55,077
Internal Service	(469,707)			0			0
OPEB* Irrevocable Trust	3,109,406	365,096	228,447	3,246,055	255,000	275,000	3,226,055
Total All Funds	\$72,806,327	\$537,181,490	\$403,935,669	\$206,521,855	\$398,519,551	\$428,183,709	\$176,857,697

*Other Post Employment Benefits

Revenue - All Funds -

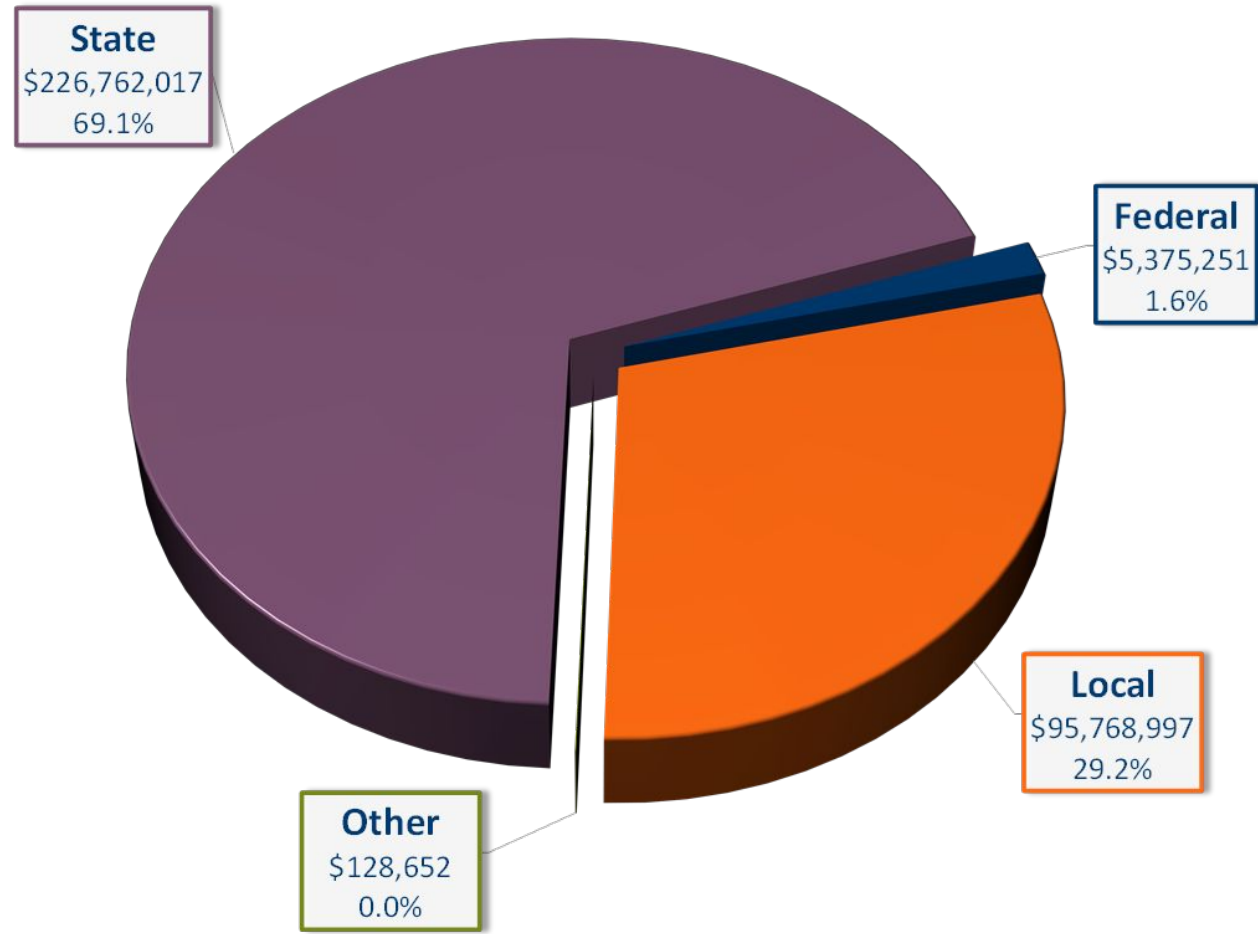
2024-25 Budget
\$398,519,551





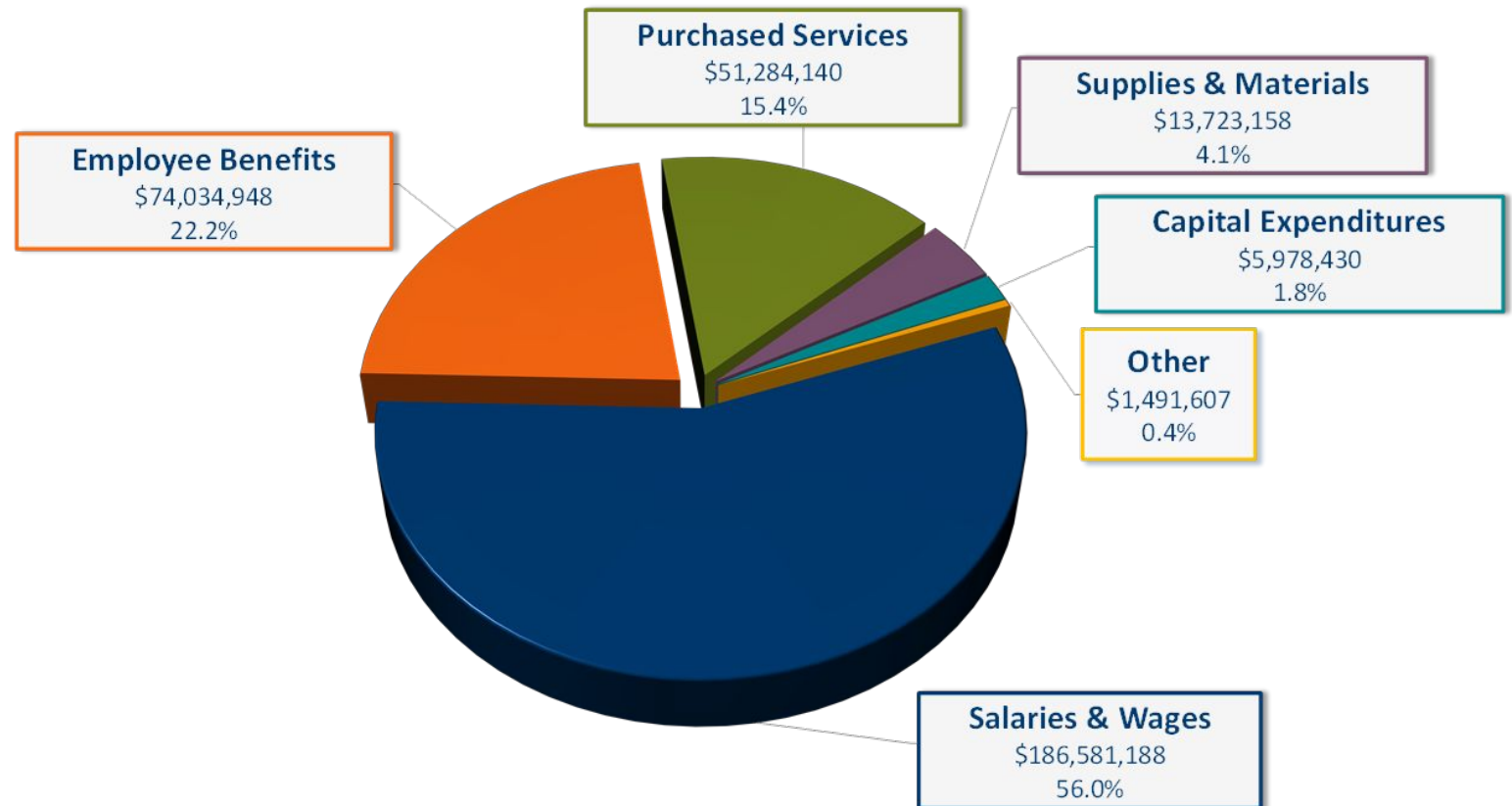
General Fund Revenue

**2024-25
Budget
\$328,034,917**



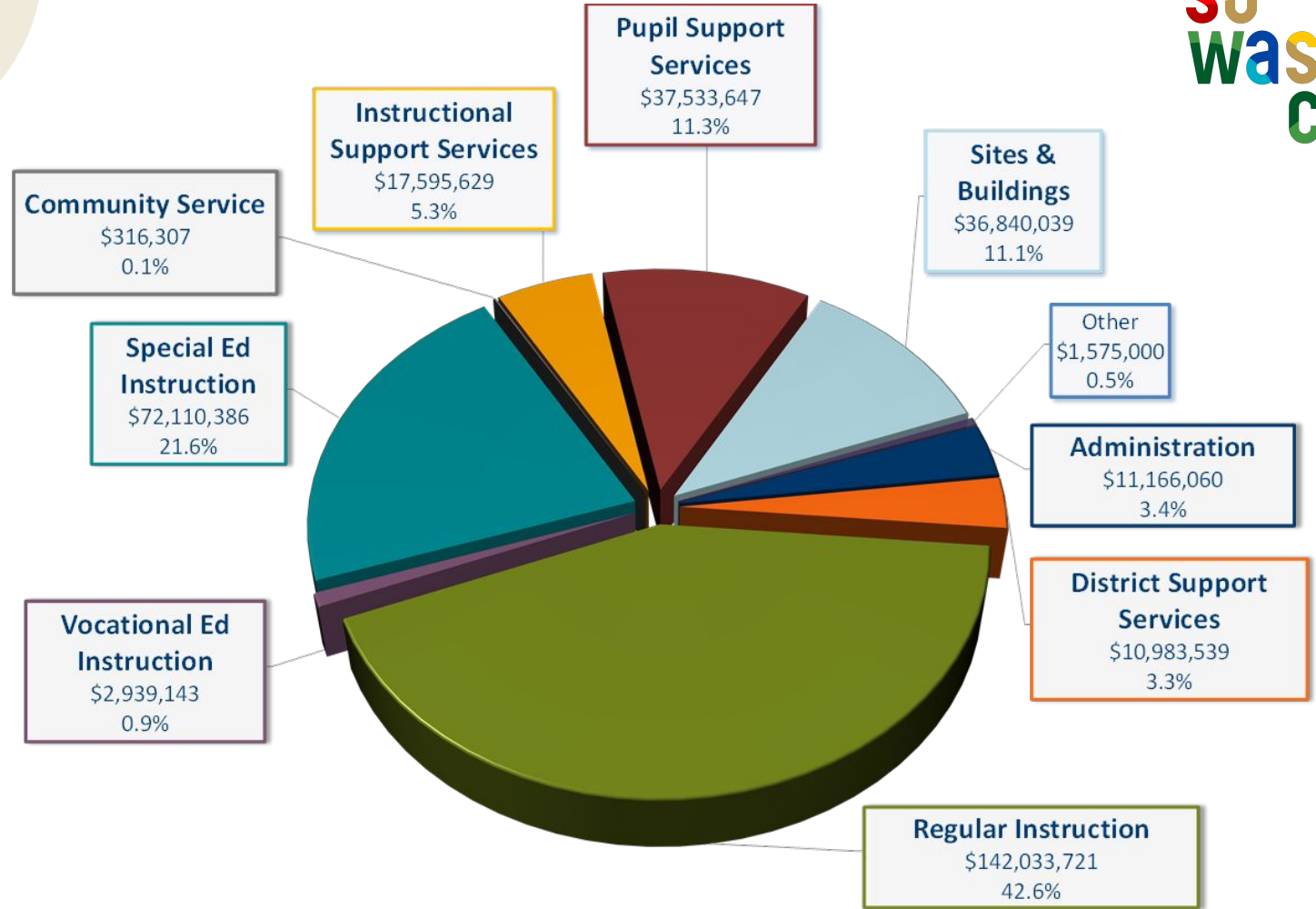
General Fund Expenditures - by Object -

**2024-25 Budget
\$333,093,471**



General Fund Expenditures - by Program -

2024-25 Budget
\$333,093,471



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



School District:

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



City/County:

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

Sample of parcel specific notice mailed to every property owner between November 10 – 25

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



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
	Class	Res NHmstd	Res Hmstd
Step 2	PROPOSED TAX		
	Property taxes before credits	\$1,562.46	
	School building bond credit	\$	12.00
	Agricultural market value credit		
	Other credits		
	Property taxes after credits		<u>\$1,550.46</u>
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

Each school has limited authority to levy taxes

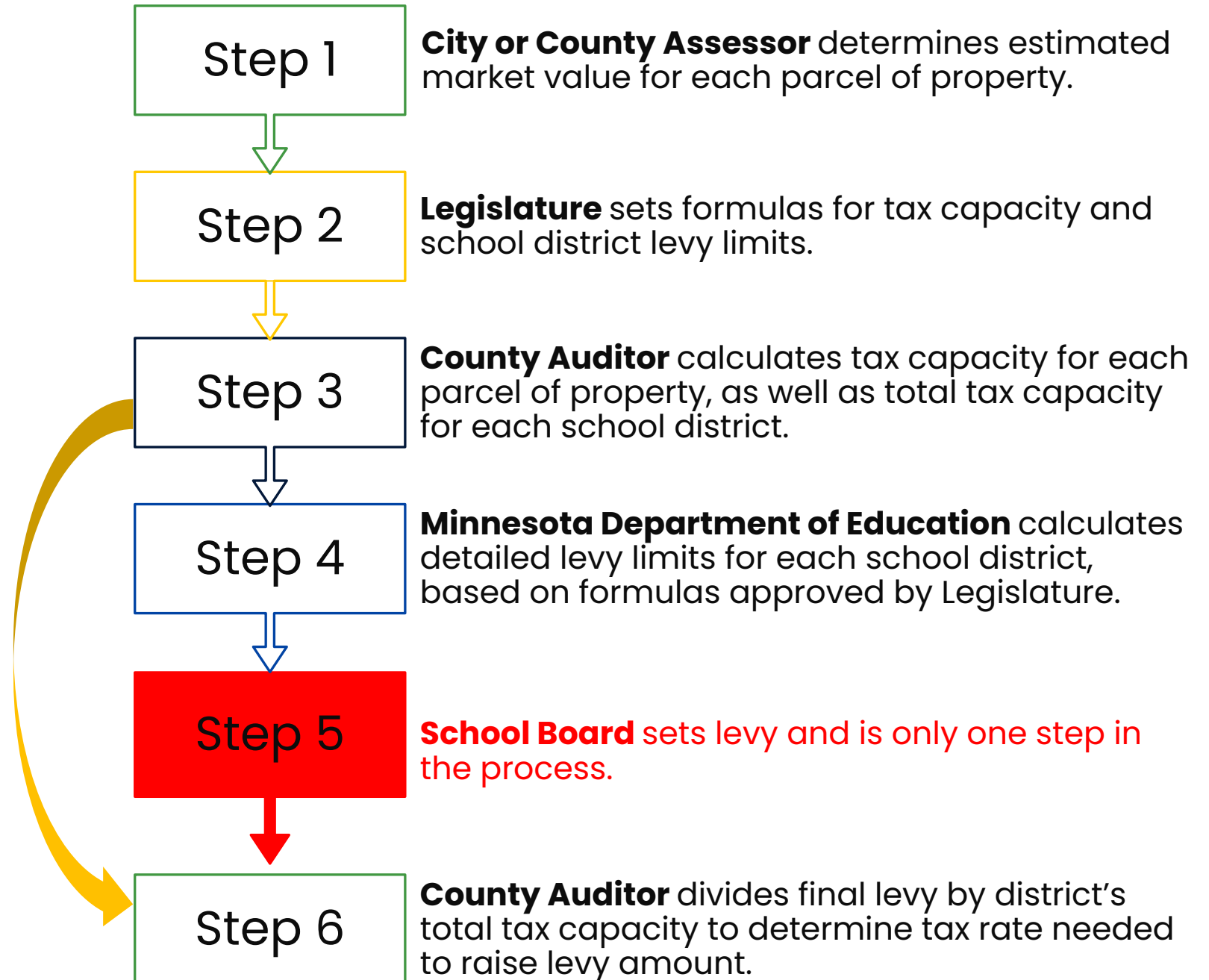
MDE calculates levy amounts for various categories, set by:

- 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)

September 8:
MDE prepared
& distributed
first draft of
levy limit
report setting
maximum
authorized
levy



September 26:
School Board
approved
proposed levy
amounts



Mid-
November:
County mailed
"Proposed
Property Tax
Statements" to
all property
owners



December 12:
Public hearing
on proposed
levy at regular
meeting



Following
hearing,
School Board
will certify final
levy amounts

Overview of District's Proposed Tax Levy

- Proposed Payable 2025 tax levy is an increase from 2024 of \$1,564,514 or 1.2%
 - Changes by levy category and reasons for major increases & decreases in levy are included on following slides
- 
- Two large, overlapping circles are positioned in the bottom right corner of the slide. The circle on the left is a light orange color, and the circle on the right is a vibrant red color.



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
General				
Voter Approved Operating Referendum	\$41,372,037	\$41,994,300	\$622,262	
Local Optional Revenue (LOR)	13,911,153	14,442,003	530,850	
Equity	1,538,553	1,607,913	69,359	
Voter Approved Technology Referendum	5,000,000	5,672,480	672,480	
Operating Capital	1,914,870	2,268,094	353,224	
Alternate Teacher Compensation	1,789,463	1,789,951	488	
Achievement and Integration	1,045,852	1,054,596	8,744	
Long Term Facilities Maintenance (LTFM)	13,810,326	12,930,026	(880,300)	
Instructional Lease	3,912,840	4,732,008	819,167	
Other	3,098,584	3,025,453	(73,131)	
Prior Year Adjustments	(110,396)	250,550	360,946	
Total, General Fund	\$87,283,282	\$89,767,372	\$2,484,090	2.8%
Community Service				
Basic Community Education	\$738,180	\$765,932	\$27,752	
Early Childhood Family Education	394,232	464,267	70,035	
School-Age Child Care	950,000	1,200,000	250,000	
Other	25,687	28,996	3,309	
Prior Year Adjustments	415,424	239,782	(175,641)	
Total, Community Service Fund	\$2,523,522	\$2,698,978	\$175,456	7.0%
Debt Service				
Voter Approved	\$25,904,987	\$23,967,958	(\$1,937,029)	
Long Term Facility Maintenance (LTFM)	13,121,545	13,525,475	403,930	
Reduction for Debt Excess	(2,253,821)	(1,859,447)	394,374	
Prior Year Adjustments	2,328	46,021	43,694	
Total, Debt Service Fund	\$36,775,039	\$35,680,007	(\$1,095,032)	-3.0%
Total Levy, All Funds	\$126,581,843	\$128,146,357	\$1,564,514	1.2%
Subtotal by Truth in Taxation Categories:				
Voter Approved	71,356,822	70,957,245	(399,576)	
Other	55,225,022	57,189,112	1,964,090	
Total	\$126,581,843	\$128,146,357	\$1,564,514	1.2%

Explanation of Levy Changes

Category:

General Fund – Voter Approved Operating Referendum

Change:

+\$622,262

Use of Funds:

General Operating Expenses

Reasons for Change:

Voter approved operating referendum authority includes an annual inflationary increase (determined by the State, as set in statute); offset by decrease due to projected decline in enrollment

Explanation of Levy Changes

Category:

General Fund – Local Optional Revenue (LOR)

Change:

+\$530,850

Use of Funds:

General Operating Expenses

Reasons for Change:

- Revenue is provided through a combination of local tax levy and state aid
- Because District's property value increased, share of funding provided through tax levy increased

Explanation of Levy Changes

Category:

General Fund – Voter Approved Technology Referendum

Change:

+\$672,480

Use of Funds:

Technology Costs

Reasons for Change:

- Levy is based on voter approved tax rate applied to tax base
- District's tax base increased

Explanation of Levy Changes

Category:

General Fund – Long Term Facilities Maintenance (LTFM)

Change:

-\$880,300

Use of Funds:

Deferred Maintenance Costs

Reasons for Change:

- District is eligible for LTFM revenue based on state approved project costs
- Levies are coordinated with other capital and debt levies to maintain a level or declining tax rate

Explanation of Levy Changes

Category:

General Fund – Instructional Lease

Change:

+\$819,167

Use of Funds:

Payments on Lease

Reasons for Change:

- Estimated payments on new lease purchase financing for facility to house special education transition program

Explanation of Levy Changes

Category:

Debt Service Fund – Voter Approved

Change:

-\$1,937,029

Use of Funds:

Payments on Bonds

Reasons for Change:

- Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
- Levies are coordinated with other capital and debt levies to maintain a level or declining tax rate

What's happening with each slice?

Higher Market Value Increase = Bigger Slice



Lower Market Value Increase = Smaller Slice



Each property owner pays a portion of the pie.

Impact of Property Valuations

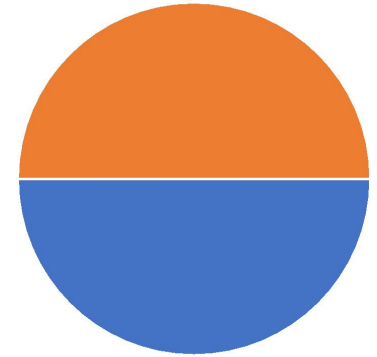
Two properties in the district

- 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

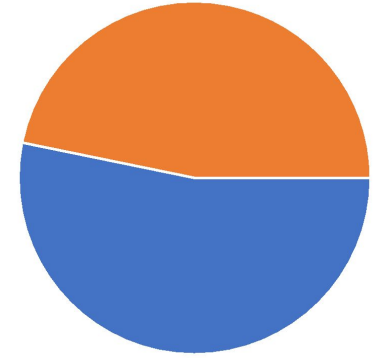
Two properties in the district

- 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

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 \$3.5 million from \$2.15 million

Four Year School Levy Comparison



- Examples include school district taxes only and are shown based on no change and a 27.2% 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
- Examples are for property in city of Woodbury
- 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	\$100,000	\$579	\$515	\$517	\$495	-\$84	-\$22
	250,000	1,636	1,461	1,474	1,467	-169	-7
	450,000	3,034	2,713	2,739	2,763	-271	24
	600,000	4,130	3,696	3,734	3,793	-337	59
	750,000	5,267	4,718	4,770	4,843	-424	73
Commercial/ Industrial #	\$100,000	\$653	\$583	\$611	\$598	-\$55	-\$13
	500,000	3,637	3,256	3,438	3,350	-287	-88
	1,000,000	7,431	6,659	7,039	6,854	-577	-185
	2,000,000	15,021	13,465	14,243	13,863	-1,158	-380

For commercial-industrial property, amounts above are for property in Woodbury. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

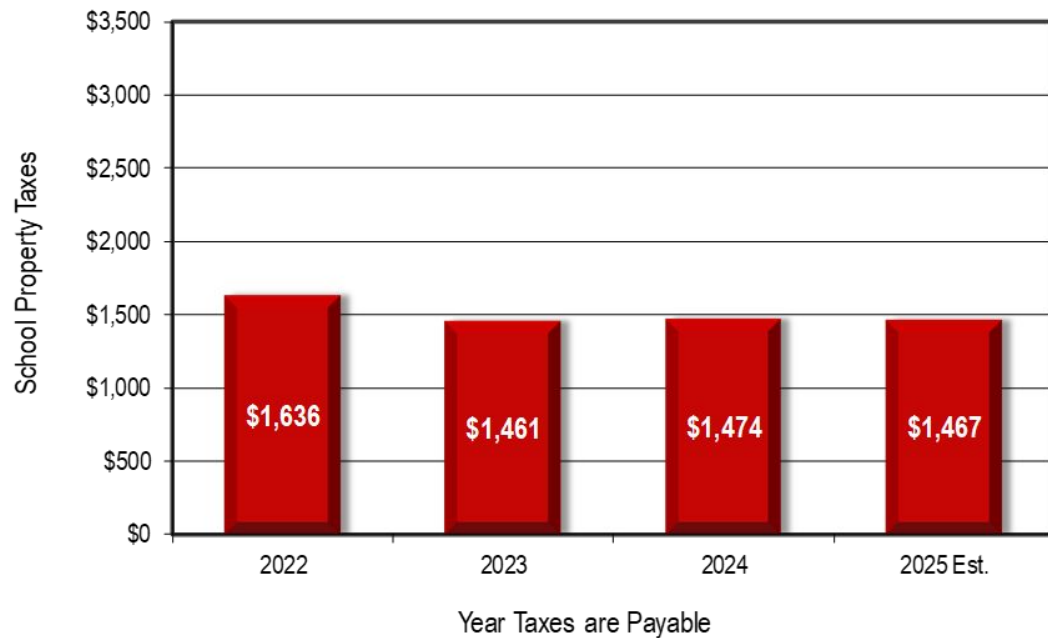
General Notes

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.

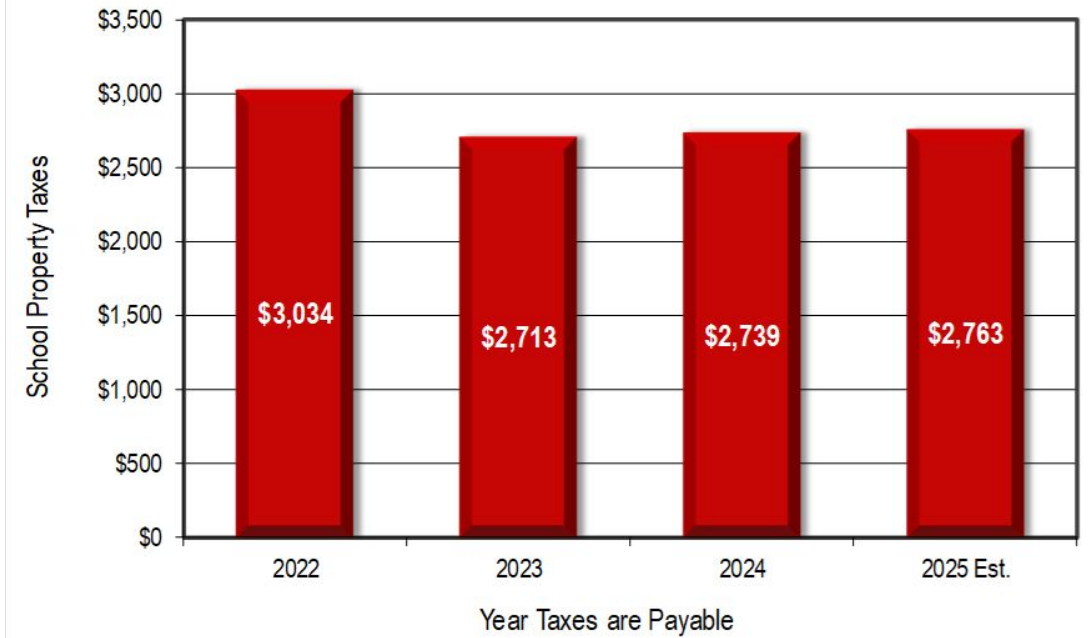
Estimated Changes in School Property Taxes, 2022-25

Based on No Changes in Property Value

Example 1: \$250,000 Residential Homestead Property



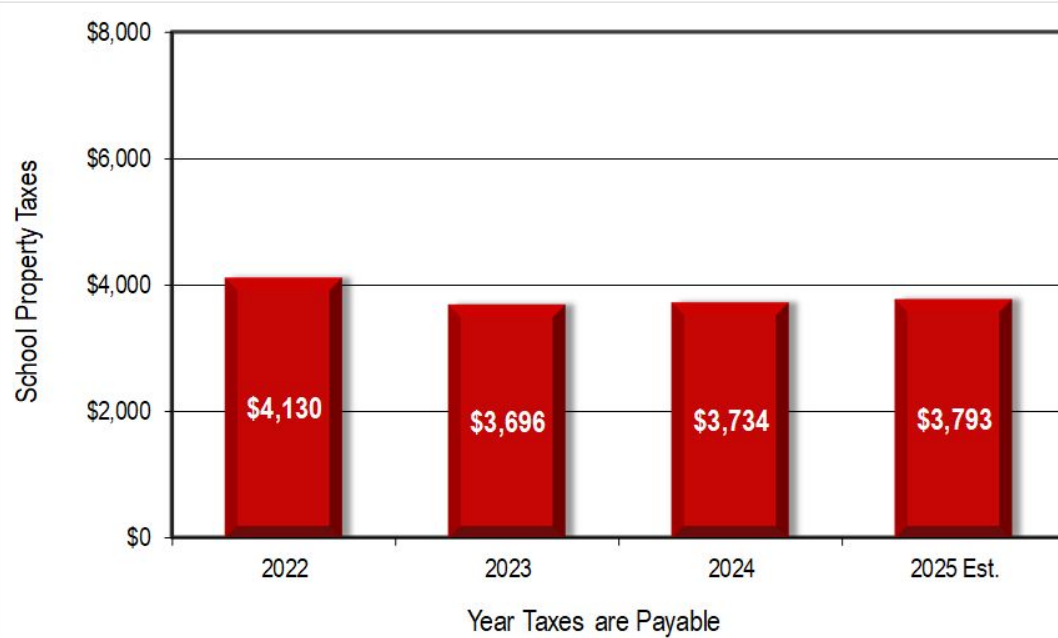
Example 2: \$450,000 Residential Homestead Property



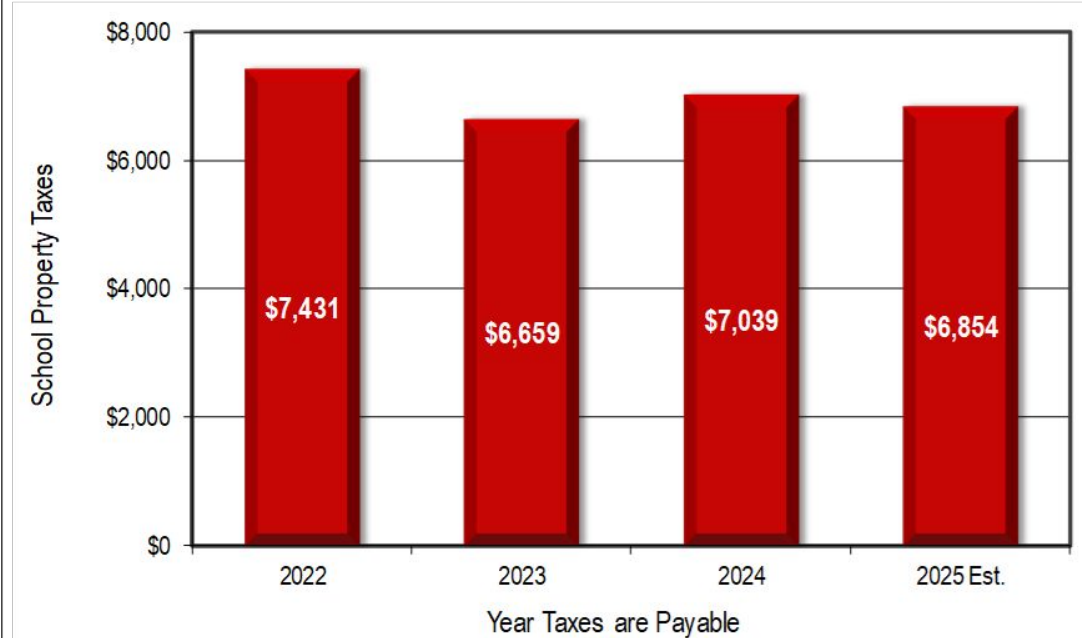
Estimated Changes in School Property Taxes, 2022-25

Based on No Changes in Property Value

Example 3: \$600,000 Residential Homestead Property

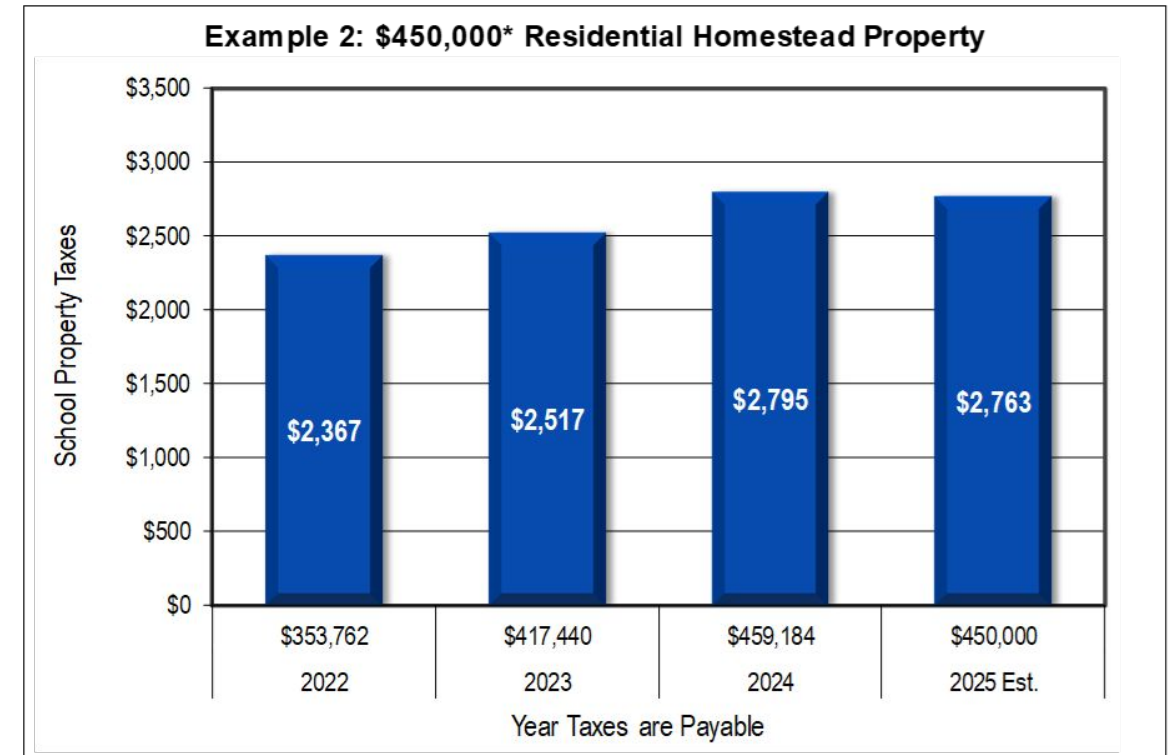
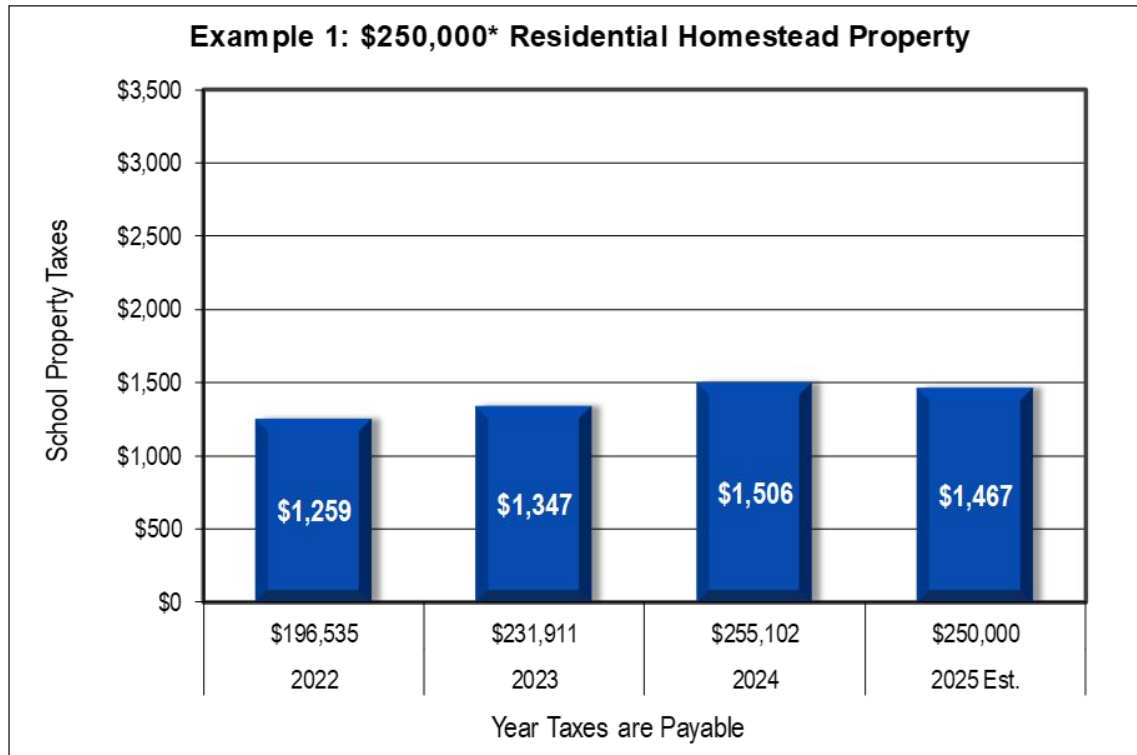


Example 4: \$1,000,000 Commercial - Industrial Property



Estimated Changes in School Property Taxes, 2022-25

Based on 27.2% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2025. Taxes are calculated based on changes in market value of 18.0% from 2022 to 2023, 10.0% from 2023 to 2024 and -2.0% 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

- School Board accepts public comments on proposed levy
 - Board certifies 2025 property tax levy
- 

PUBLIC COMMENT