



**Buffalo
Hanover
Montrose**

BHM SCHOOLS

Public Hearing for Taxes Payable in 2024

December 11, 2023

Public Hearing Agenda

- Background Information on School Funding
- District's Budget
- District's Proposed Tax Levy for Taxes Payable in 2024
- Public Comments

Truth in Taxation Law

- Requirements

- Counties must send out “proposed property tax statements” between November 11-24, based on preliminary tax levies set by all taxing jurisdictions (counties, cities, townships, school districts, etc.)
- School Districts must present information on the proposed levy and current year budget during a regular or special meeting
- Allow a reasonable amount of time for public comment

School Levy vs. Budget Cycle

Unlike cities and counties, a school district does not set its budget when setting the tax levy



School District:

- Budget year begins July 1st
- 2023 taxes provide revenue for 2023-24 fiscal year
- Budget adopted in June 2023



City/County:

- Budget year begins Jan. 1st
- 2023 taxes provide revenue for 2023 calendar year budget

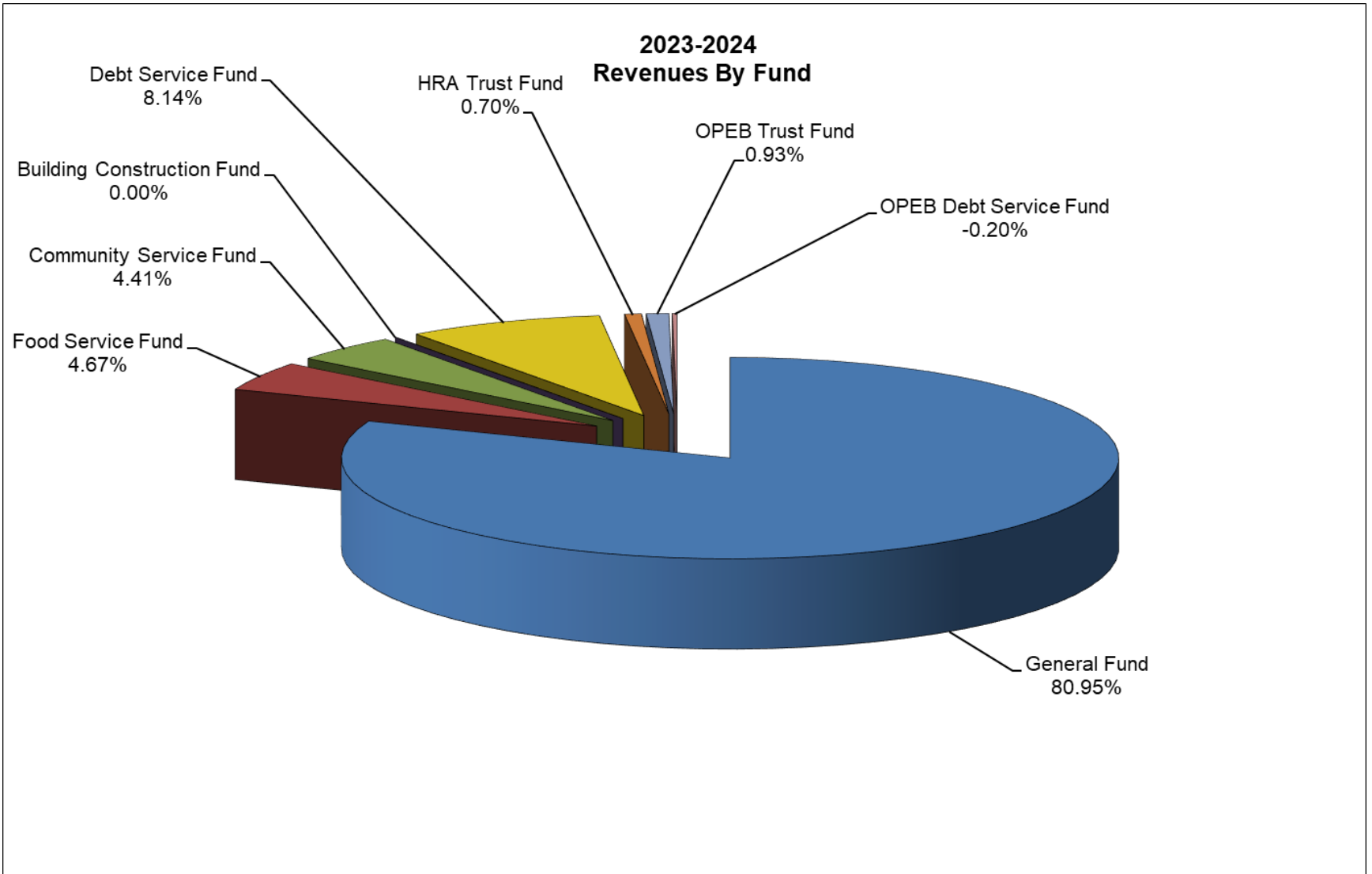
Budget Information

- All school district budgets are divided into separate funds, based on purposes of revenue, as required by law
- Our district has 8 active funds:
 1. General Fund
 2. Food Service Fund
 3. Community Service Fund
 4. Building Construction Fund
 5. Debt Service Fund
 6. OPEB Debt Service Fund
 7. HRA Trust Fund
 8. OPEB Trust Fund

All Funds Revenue Summary

	2020-2021 Actual	2021-2022 Actual	2022-2023 Revised Budget	2023-2024 Budget
General Fund	\$73,079,319	\$73,829,366	\$74,872,784	\$78,172,574
Food Service Fund	\$3,575,946	\$4,858,552	\$3,867,018	\$4,507,670
Community Service Fund	\$3,014,481	\$3,794,657	\$3,900,127	\$4,257,869
Building Construction Fund	\$726,750	\$0	\$0	\$0
Debt Service Fund	\$5,432,178	\$14,058,025	\$6,007,848	\$7,863,282
HRA Trust Fund	\$692,585	\$633,100	\$655,455	\$672,564
OPEB Trust Fund	\$3,442,338	(\$1,538,446)	\$840,805	\$899,899
OPEB Debt Service Fund	\$2,027,467	\$2,003,525	\$1,971,831	(\$191,345)
Total	\$91,991,064	\$97,638,779	\$92,115,868	\$96,182,513

Revenue Percentage by Fund

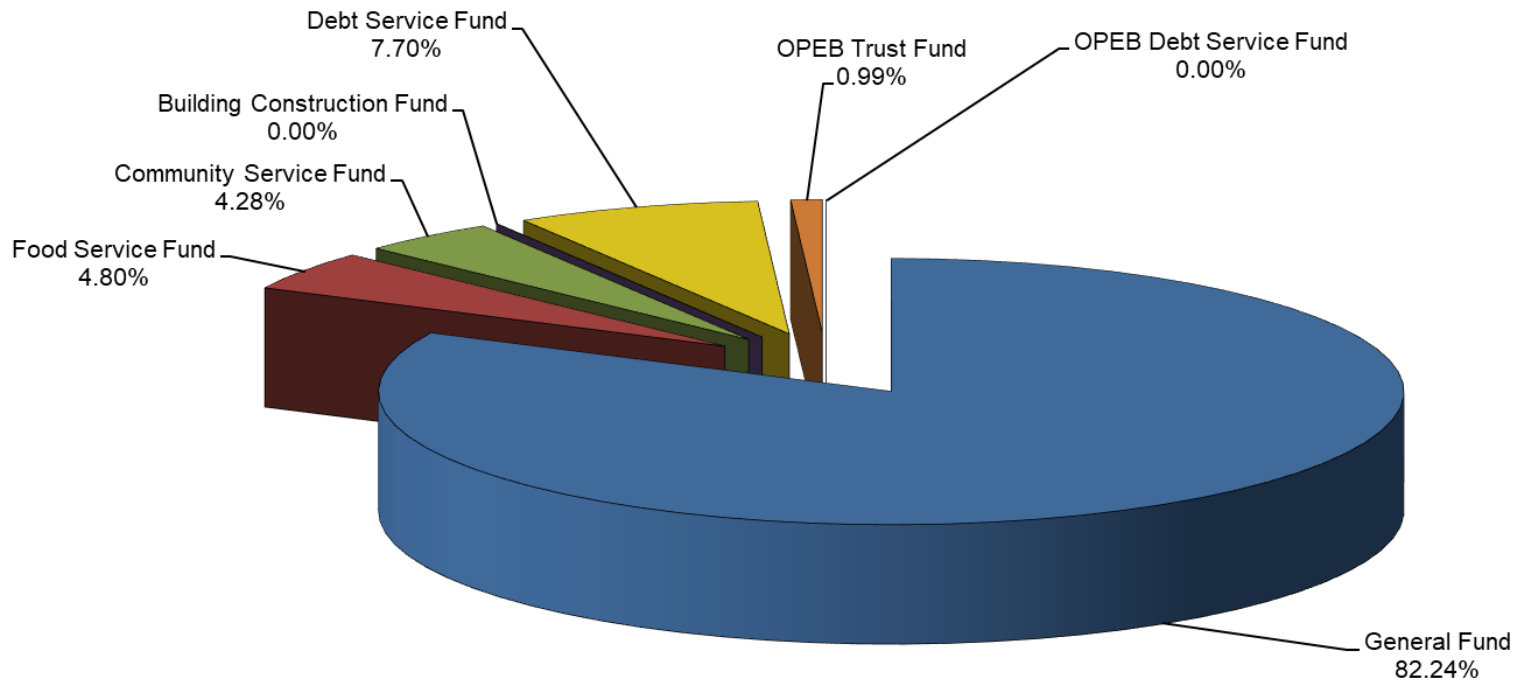


All Funds Expenditure Summary

	2020-2021 Actual	2021-2022 Actual	2022-2023 Revised Budget	2023-2024 Budget
General Fund	\$70,812,640	\$72,267,578	\$75,830,422	\$77,505,239
Food Service Fund	\$3,133,992	\$3,533,402	\$3,930,079	\$4,519,912
Community Service Fund	\$3,098,359	\$3,467,079	\$3,665,694	\$4,031,670
Building Construction Fund	\$360,060	\$468,779	\$42,401	\$0
Debt Service Fund	\$5,549,622	\$14,140,482	\$5,687,481	\$7,256,773
OPEB Trust Fund	\$1,107,715	\$1,294,556	\$1,003,730	\$928,295
OPEB Debt Service Fund	\$1,998,685	\$2,016,085	\$1,946,910	\$0
Total	\$86,061,073	\$97,187,961	\$92,106,717	\$94,241,889

Expenditure Percentage by Fund

**2023-2024
Expenditures By Fund**



General Fund Budget Information

General Fund Revenue Changes for 2023-24

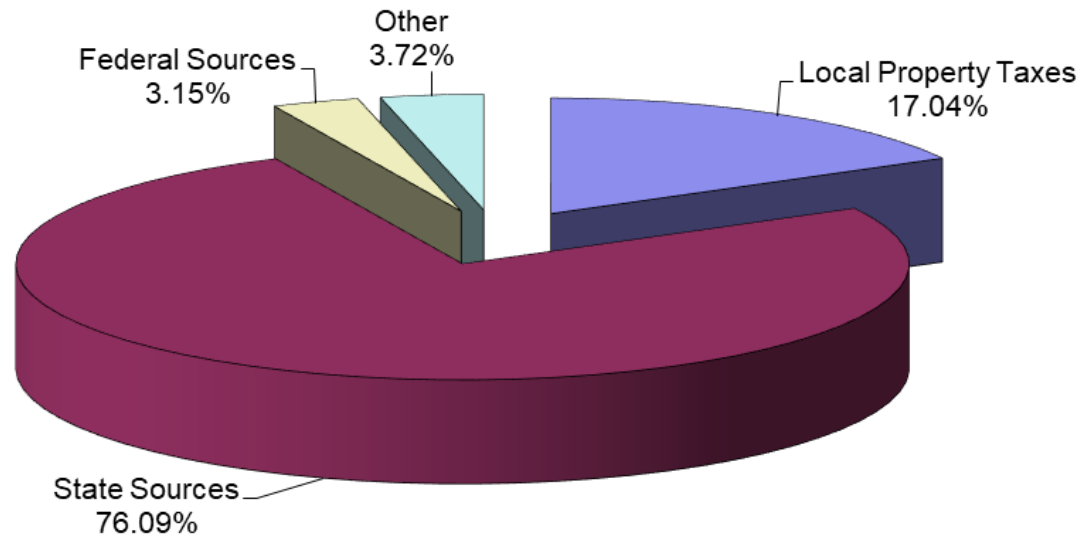
- Enrollment projection based on the November 2022 enrollment report.
- \$750 per Adjusted Pupil Unit (APU) operating referendum approved in November 2019 through 2025.
- General Education formula allowance increase of 4% or \$275 to \$7,138 in 23-24 and 2% increase for future years.
- Special Education increases of 5% for all years.
- Special Education Cross Subsidy Aid increased from 6% to 44%.
- Includes utilization of Federal Pandemic Relief Funds for staffing expenditures in 2023-24.

General Fund Revenues by Source

	2020-2021	2021-2022	2022-2023			
	Actual	Actual	Revised	2023-2024	Amount	% Change
			Budget	Budget	Change	
Local Property Taxes	\$11,890,039	\$12,456,765	\$11,382,153	\$13,318,373	\$1,936,220	17.01%
State Sources	\$55,596,868	\$55,452,982	\$55,717,882	\$59,481,830	\$3,763,948	6.76%
Federal Sources	\$4,294,002	\$3,497,364	\$4,727,558	\$2,464,307	(\$2,263,251)	-47.87%
Other	\$1,298,410	\$2,422,255	\$3,045,191	\$2,908,064	(\$137,127)	-4.50%
Bond Proceeds	\$0	\$0	\$0	\$0	\$0	0.00%
Total	\$73,079,319	\$73,829,366	\$74,872,784	\$78,172,574	\$3,299,790	4.41%

General Fund Revenues by Source

2023-2024
General Fund Revenue By Source



Budget Information

General Fund Expenditures for 2023-24

- OPEB contributions continue in 2023-24.
- Maintain/exceed 2018-19 approved staffing ratios.
- Staffing maintained at current levels for 2023-24.
- Utilization of Federal Pandemic Relief Funds for 16 licensed FTEs.
- Continuation of 6.0 FTE for Class Size Reduction – includes marketing budget and social workers.
- Continuation of 6.0 FTE addition for Local Option Revenue funding.
- 1.0 FTE Special Education staffing contingency.

Budget Information

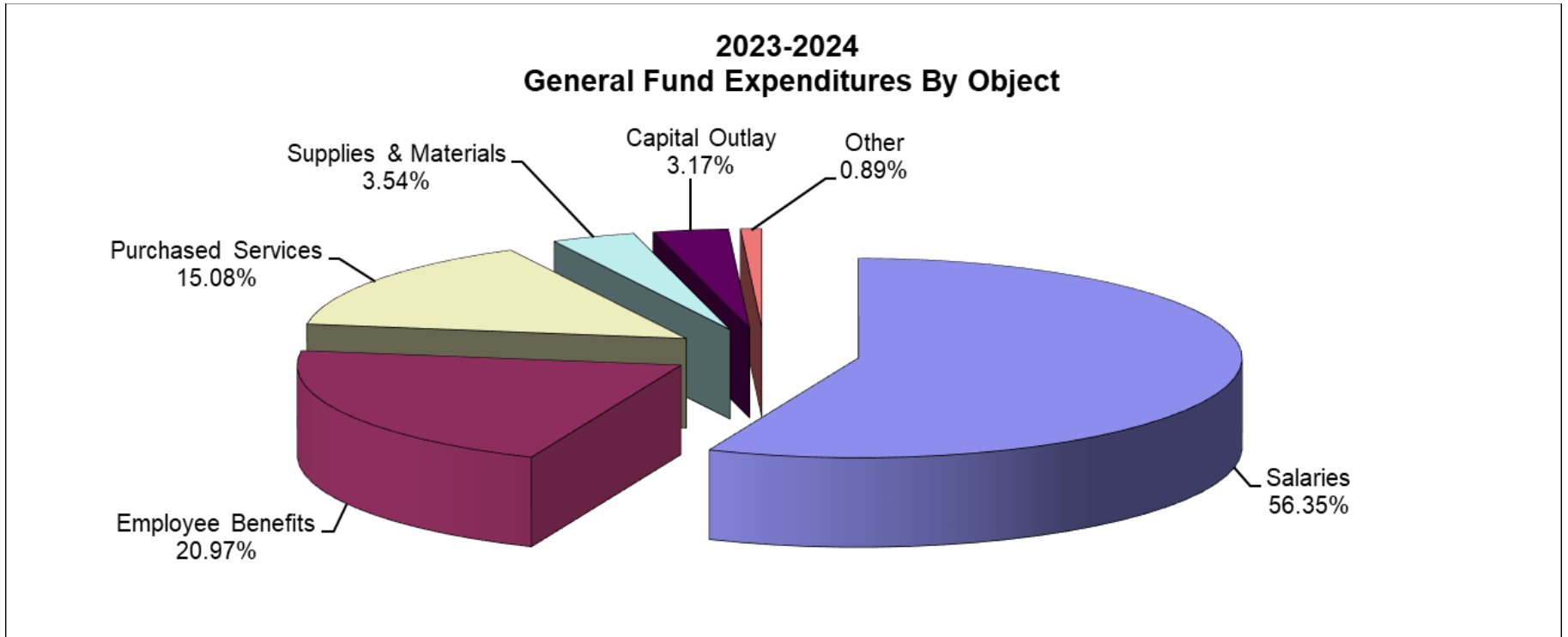
General Fund Expenditures for 2023-24 (cont.)

- 2.95 FTE Superintendent staffing contingency.
- Salary and benefit changes based on settlements in place and market conditions for non-settled contracts.
- Non-salary, non-benefit costs are estimated to increase by 0-5%.
- Continued cost containment initiatives such as joint purchasing agreements, energy use reduction, paper reduction, insurance contracts, and other operational efficiencies.
- QComp (PPD) continues for 2023-24 assuming revenues and expenditures are equal.

General Fund Expenditures by Object

	2020-2021	2021-2022	2022-2023	2023-2024	Amount	%
	Actual	Actual	Revised Budget	Budget	Change	Change
Salaries	\$38,498,305	\$39,479,603	\$41,267,244	\$43,675,748	\$2,408,504	5.84%
Employee Benefits	\$15,036,828	\$15,113,852	\$15,650,681	\$16,252,963	\$602,282	3.85%
Purchased Services	\$10,121,120	\$11,392,180	\$11,799,675	\$11,690,147	(\$109,528)	-0.93%
Supplies & Materials	\$3,868,302	\$3,379,522	\$3,650,700	\$2,744,761	(\$905,939)	-24.82%
Capital Outlay	\$2,680,041	\$2,219,175	\$2,805,620	\$2,453,533	(\$352,087)	-12.55%
Other	\$608,044	\$683,246	\$656,502	\$688,087	\$31,585	4.81%
OPEB Bond	\$0	\$0	\$0	\$0	\$0	0.00%
Total	\$70,812,640	\$72,267,578	\$75,830,422	\$77,505,239	\$1,674,817	2.21%

General Fund Expenditures by Object



School Revenues and Taxes are Highly Regulated by the State

- **State sets** formulas which determine revenue; most revenue is based on specified amounts per pupil (other local levies)
- **State sets** tax policy for local schools
- **State sets** maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by the voters)
- **State authorizes** school board to submit referendums for operating and capital needs to voters for approval

Minnesota School District Property Taxes- Key Steps and Participants in the Process

A. Tax Determination and Preparation

Step 1. The **City or County Assessor** determines the estimated market value for each parcel of property in the county.

Step 2. The **Legislature** sets the formulas for tax capacity (e.g. for homestead residential property, tax capacity = 1% of first \$500,000 in value + 1.25% of value over \$500,000.) These formulas determine how much of the tax burden will fall on different types of property.

Step 3. The **County Auditor** calculates the tax capacity for each parcel of property in the county (based on values from step A.1. and tax capacity formulas from step A.2.), as well as the total tax capacity for each school district.

Step 4. The **County Auditor** divides the final levy (determined by the school board in step B.3. by the district's total tax capacity (determined in step A.3.) to determine the tax rate needed to raise the proper levy amount. The auditor multiplies this tax rate times each property's tax capacity to determine the school tax for that property.*

B. Levy Determination and Certification

Step 1. The **Legislature** sets the formulas which determine school district levy limits. These are the maximum amounts of taxes that school districts can levy in every category.

Step 2. The **Minnesota Department of Education** calculates detailed levy limits for each school district based on the formulas approved by the Legislature in step B.1. These limits tell districts the exact amounts that can be levied in every category.

Step 3. The **School Board** adopts a proposed levy in September based on the limits set in step B.1. and calculated in step B.2. After a public hearing, the board adopts a final levy in December. The final levy cannot be more than the preliminary levy, except for amounts approved by voters.

*For certain levy categories (referendum, equity, and transition levies), tax rates and levy amounts are based on **referendum market value**, rather than **tax capacity**.

Overview of Proposed Levy Payable in 2024

- Four main factors affect your taxes-(school portion only for this discussion)
 1. Levy total – an increase of \$1,685,765.74 or 8.26% - **District**
 2. Total value of all property within the school district boundaries - (tax base) - Referendum Market Value and Net Tax Capacity are **up** for the district - **County Assessor**
 3. Assessed value of your property (estimated and taxable market value) - **County Assessor**
 4. Market Value Exclusion - **State Legislature**
 - Reduces your taxable market value based on a state-determined formula
 - It is the reason why many statements show a difference between Estimated Market Value and Taxable Market Value

School Levy Total - Truth in Taxation

Buffalo-Hanover-Montrose School District #877			December 11, 2023	
Analysis of Impact of Proposed 2024 Tax Levy and Rates Using Final Levy Payable in 2023 as Base Year				
	2023 Final Levy	2024 Proposed Levy	Change from Prior Year	Percent Change
Category	2023 Final Levy	2024 Proposed Levy	Change from Prior Year	Percent Change
General Fund	\$ 13,221,890.43	\$ 12,660,669.40	-561,221.03	-4.24%
Community Education	\$ 661,618.93	\$ 537,347.75	-124,271.18	-18.78%
Debt Service	\$ 6,531,416.20	\$ 8,902,674.15	2,371,257.95	36.31%
Total Certified Levy	\$ 20,414,925.56	\$ 22,100,691.30	1,685,765.74	8.26%

Explanation of Levy Changes Payable 2024

General Fund	Amount of Change	Reason For Change
Voter Approved Operating Levy	\$ (121,350)	Due to decrease in pupil units
Equity Revenue and Transition Revenue	\$ (10,520)	Due to decrease in pupil units
Local Option Revenue	\$ 193,206	Change in Levy % due to valuation increase and decrease in pupil units
RMV Adjustments	\$ (19,128)	Prior year adjustments mainly due to changes in pupil units and valuations
Operating Capital	\$ 90,339	Change in Levy % due to valuation increase and decrease in pupil units
Lease Levy	\$ 5,598	Due to actual lease payments
Long-Term Facilities Maintenance Revenue	\$ (886,097)	Mainly due to reclassification of aid from debt service
Alternative Teacher Compensation (PPD)	\$ (15,509)	Change in Levy % due to valuation increase and decrease in pupil units
Integration	\$ (298)	Due to prior year changes and current budget
Safe Schools	\$ (6,627)	Change in Levy % due to valuation increase and decrease in pupil units
Career Technical	\$ 23,524	Contract changes for designated individuals
General Fund Adjustments	\$ 185,642	Prior year adjustments mainly due to changes in pupil units and valuations
Total General Fund Levy	\$ (561,221)	

Explanation of Levy Changes Payable 2024

Community Education	Amount of Change	Reason For Change
CE Adjustments	\$ (75,839)	Prior year adjustments related to School-Age Care and Abatements Legislative change allowing for additional aid
Other	\$ (48,432)	
Total Community Education	\$ (124,271)	

Debt Service	Amount of Change	Reason For Change
Debt Service - Voter Approved	\$ 3,741,150	Planned debt service structure and issuance of new bonds
Debt Service Fund Adjustments - Voter App	\$ 1,936	Prior year adjustments mainly due to changes in pupil units and valuations
Reduction for Excess Fund Balance - Voter	\$ (56,552)	Excess debt service fund balance will be retained for new bond debt service
Debt Service - Other	\$ (1,385,913)	The building
Debt Service Fund Adjustments - Other	\$ (96,417)	Prior year adjustments mainly due to changes in pupil units and valuations
Reduction for Excess Fund Balance - Other	\$ 70,635	Excess debt service fund balance will be retained for new bond debt service
Debt Service-OPEB/Pension Adjustments -	\$ (4,100)	Prior year adjustments mainly due to changes in pupil units and valuations
Reduction for Debt Service-OPEB/Pension	\$ 100,520	Transfer of fund balance from OPEB Debt to Debt Service - Other
Total Debt Service Levy	\$ 2,371,258	

Property Value Changes School District Portion

Buffalo-Hanover-Montrose School District #877			December 11, 2023
Estimated Valuations used in Tax Calculations for Final Proposed Pay 2024 Levy			
Combined Values for Hennepin and Wright County			
Category	Pay 2023 Final	Pay 2024 Proposed	Net Change
Referendum Market Value*	\$ 4,588,572,741	\$ 5,290,523,516	\$ 701,950,775
Net % Change in Value			15.30%
Net Tax Capacity*	\$ 52,506,316	\$ 62,291,484	\$ 9,785,168
Net % Change in Value			18.64%
*All values for taxes payable in 2023 are estimates from Hennepin and Wright County			

Property Value Changes Tax Rate Calculations

Buffalo-Hanover-Montrose School District #877 Analysis of Impact of Proposed 2024 Tax Levy and Rates Using Final Levy Payable in 2023 as Base Year Split of Taxes into Voter Approved and Other Local Levies		
Tax Rate Calculations Used for Final Tax Rates	2023 Final Levy	2024 Proposed Levy
Voter Approved Levy		
Referendum Market Value Tax Rate	0.09400%	0.07915%
Net Tax Capacity Tax Rate	9.7930%	14.1226%
Other Local Levies		
Referendum Market Value Tax Rate	0.09898%	0.08902%
Net Tax Capacity Tax Rate	11.7815%	6.7014%
Totals		
Total Referendum Market Value Tax Rate	0.19297%	0.16817%
Total Net Tax Capacity Tax Rate	21.5745%	20.8239%

Market Value Exclusion Review

- Specifics
 - Applies to residential homestead property only
 - Eliminates the homestead market value credit
 - Declines to \$0 at a property value of \$413,800
 - Reduces the Taxable Market Value of your property on a sliding scale in relationship to \$76,000 of value
 - Excludes 40% of the value up to \$76,000
 - Adds back 9% of the value over \$76,000
- Effects on property values
 - Artificially reduces your taxable market value
 - The exclusion is the difference between your Estimated Market Value for 2022 and your Taxable Market Value for 2023 as shown on your tax statement
 - Artificially reduces the net tax capacity of the school district causing a higher tax rate
- Effects on taxes
 - Shifted state paid credits onto local levies
 - Created a greater net tax capacity tax rate
 - Shifted tax burden among the different property classes

Impact on Taxpayers School Portion Only

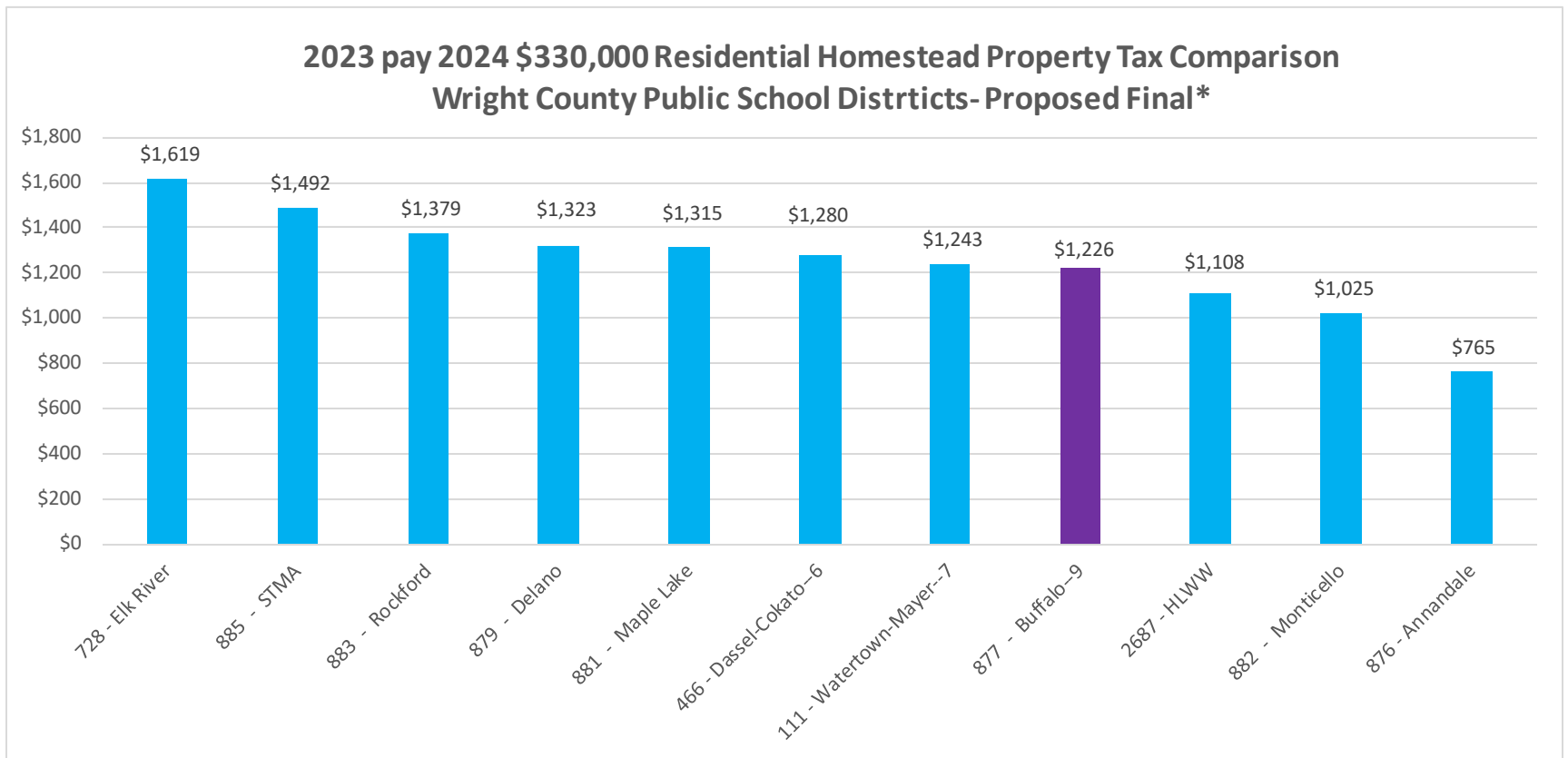
Buffalo-Hanover-Montrose School District #877			December 11, 2023
Analysis of Impact of Proposed 2024 Tax Levy and Rates Using Final Levy Payable in 2023 as Base Year			
Tax Impact on Various Classes of Property- School Portion Only	2023 Final Levy	2024 Proposed Levy	Difference From Prior Year
Residential Homestead Property			
\$150,000	\$ 562	\$ 515	\$ (47)
\$200,000	\$ 776	\$ 713	\$ (63)
\$250,000	\$ 990	\$ 910	\$ (80)
\$300,000	\$ 1,204	\$ 1,108	\$ (96)
\$330,000	\$ 1,333	\$ 1,226	\$ (107)
\$350,000	\$ 1,418	\$ 1,305	\$ (113)
\$400,000	\$ 1,632	\$ 1,503	\$ (129)
Commercial/Industrial Property			
\$150,000	\$ 775	\$ 721	\$ (54)
\$200,000	\$ 1,087	\$ 1,013	\$ (74)
\$205,000	\$ 1,118	\$ 1,042	\$ (76)
\$300,000	\$ 1,712	\$ 1,598	\$ (114)
Agricultural Homestead Property			
\$600,000.00 Ag Homestead+	\$ 1,528	\$ 1,420	\$ (108)
\$800,000.00 Ag Homestead+	\$ 1,743	\$ 1,628	\$ (115)
\$1,000,000.00 Ag Homestead+	\$ 1,959	\$ 1,837	\$ (122)
\$1,200,000.00 Ag Homestead+	\$ 2,175	\$ 2,045	\$ (130)

Individual Property Example

Truth In Taxation

	Wright County Parcel			Hennepin County Parcel		
	2024	2023	Net Change	2024	2023	Net Change
Estimated Market Value	\$ 251,800	\$ 211,300	\$ 40,500	\$ 518,900	\$ 505,000	\$ 13,900
EMV % Change			16.1%			2.7%
Taxable Market Value	\$ 237,200	193,100	\$ 44,100	\$ 518,900	505,000	\$ 13,900
TMV % Change			18.6%			2.7%
Market Value Exclusion	\$ 14,600	\$ 18,200	\$ (3,600)	\$ -	\$ -	\$ -
Voter Approved Levies						
RMV Levy	\$ 199	\$ 199	\$ -	\$ 411	\$ 475	\$ (64)
NTC Levy	\$ 334	\$ 189	\$ 145	\$ 739	\$ 496	\$ 244
Market Value Credit	\$ -		\$ -	\$ -	0	\$ -
Total Voter Approved Levy	\$ 533	\$ 388	\$ 145	\$ 1,150	\$ 970	\$ 180
Other Local Levies						
RMV Levy	\$ 224	\$ 209	\$ 15	\$ 462	\$ 500	\$ (38)
NTC Levy	\$ 160	\$ 228	\$ (68)	\$ 351	\$ 596	\$ (246)
Market Value Credit	\$ -	0	\$ -	\$ -	0	\$ -
Total Other Local Levies	\$ 384	\$ 437	\$ (53)	\$ 813	\$ 1,096	\$ (283)
Voter Approved Levy	\$ 533	\$ 388	\$ 145	\$ 1,150	\$ 970	\$ 180
Other Local Levies	\$ 384	\$ 437	\$ (53)	\$ 813	\$ 1,096	\$ (283)
Total Tax Amount Proposed Final Levy	\$ 917	\$ 825	\$ 92	\$ 1,963	\$ 2,067	\$ (104)

Proposed Property Tax Comparison Truth In Taxation

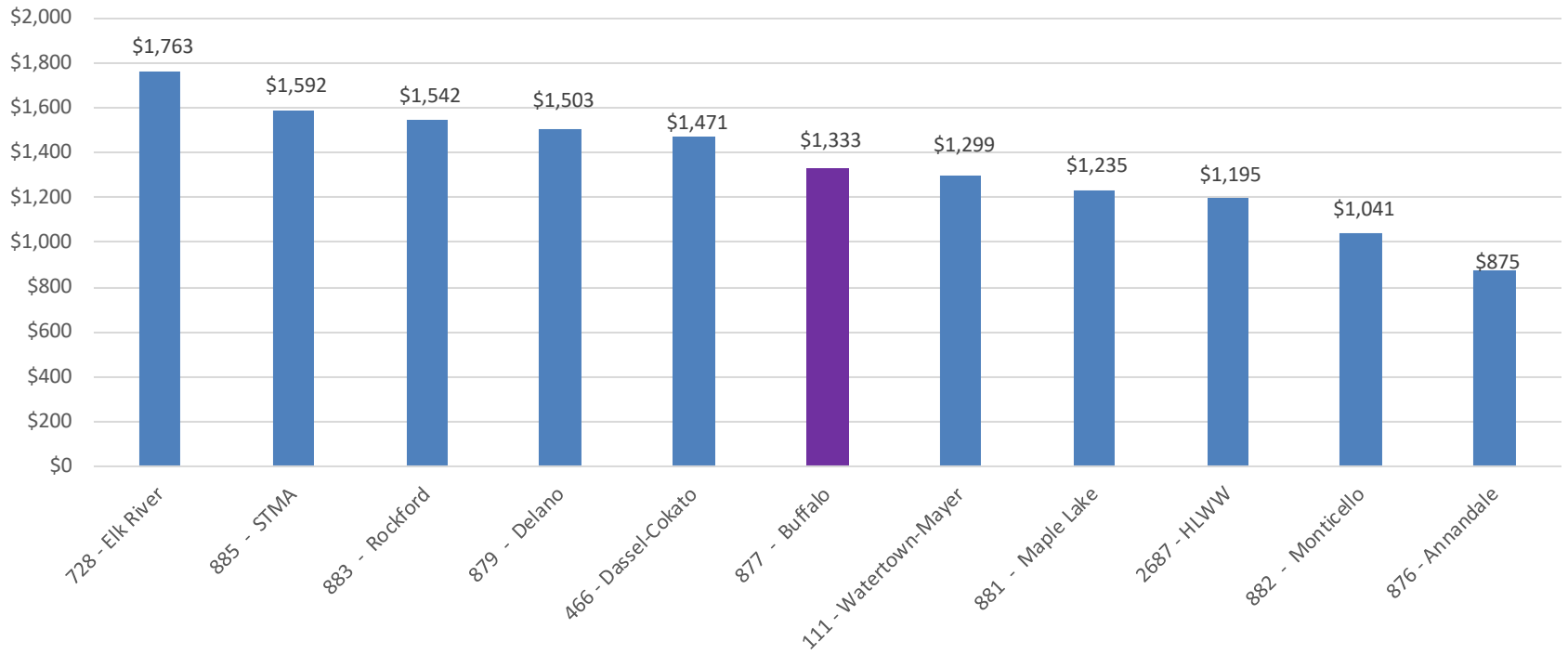


*Source - Wright County, Minnesota Auditor/Treasurer's Office Property Taxes, Values, Levies, and Rates

<https://www.co.wright.mn.us/780/Property-Taxes-Values-Levies-and-Rates>

Proposed Property Tax Comparison – Final Prior Year

2022 pay 2023 \$330,000 Residential Homestead Property Tax Comparison
Wright County Public School Districts- Final*



*Source - Wright County, Minnesota Auditor/Treasurer's Office Property Taxes, Values, Levies, and Rates
<https://www.co.wright.mn.us/780/Property-Taxes-Values-Levies-and-Rates>

State Property Tax Refunds

- State of Minnesota has two tax refund programs and one tax deferral program available for owners of homestead property
- These programs may reduce the net tax burden for local taxpayers, but only if you take time to complete and send in the forms
- For help with the forms and instructions:
 - Consult your tax professional, or
 - Visit the Department of Revenue website at www.revenue.state.mn.us

State Property Tax Refunds Homestead Credit Refund aka Regular Refund

- Available to all owners of homestead property
 - Owned and lived in your home on January 2, 2023
- Annual income must be approximately \$128,280 or less (income limit is higher if you have dependents)
- Refund is a sliding scale, based on total property taxes and income
 - Especially helpful for those with lower incomes
- Maximum refund is \$3,140
- Refund for renters also available
- Fill out state tax form M-1PR

State Property Tax Refunds

Renter's Property Tax Refund aka Regular Refund

- Available to renters who paid rent in Minnesota
- Lived in a building where the owner was assessed property tax
- MN Resident having lived in MN for at least 183 days
- Annual income must be approximately \$69,520 or less (income limit is higher if you have dependents)
- Refund is a sliding scale, based on total property taxes and income
 - Especially helpful for those with lower incomes
- Maximum refund is \$2,440
- Fill out state tax form M-1PR

State Property Tax Refunds

Special Property Tax Refund

- Available for all homestead properties with a gross tax increase of more than 6% and \$100 or more over the prior year
- Owned and occupied your home on January 2, 2022, and January 2, 2023 for Property taxes payable 2024
- Refund is 60% of the amount by which the tax increase exceeds the greater of 6% or \$100, up to a maximum of \$2,500
- Increase was not due to improvements you made to the property
- No income limits
- Fill out state tax form M-1PR

Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with a household income of \$96,000 or less to defer a portion of the property taxes on their home
- Property taxes paid in any year limited to 3% of household income based on prior year income
- Additional taxes are deferred, but not forgiven
- State charges variable interest rate not to exceed 5% on deferred taxes and attaches a lien to the property
- The deferred property taxes plus accrued interest must be paid when the home is sold or upon the death of the homeowner(s)
- Must have lived in, owned your home, and had it homesteaded for the last 5 years
- The property may not have a reverse mortgage, be in a life estate, or have a governmental lien

Next Steps

- Tonight
 - The board will accept public comments and questions on the proposed final levy
 - Board certifies the final amount of tax levy payable in 2024
- Final levy is certified to the county auditor by December 29, 2023

Comments and Questions