

# Greenbush Middle River Public School District



Truth-in-Taxation for School Taxes

Payable in **2023**

School Board Agenda item

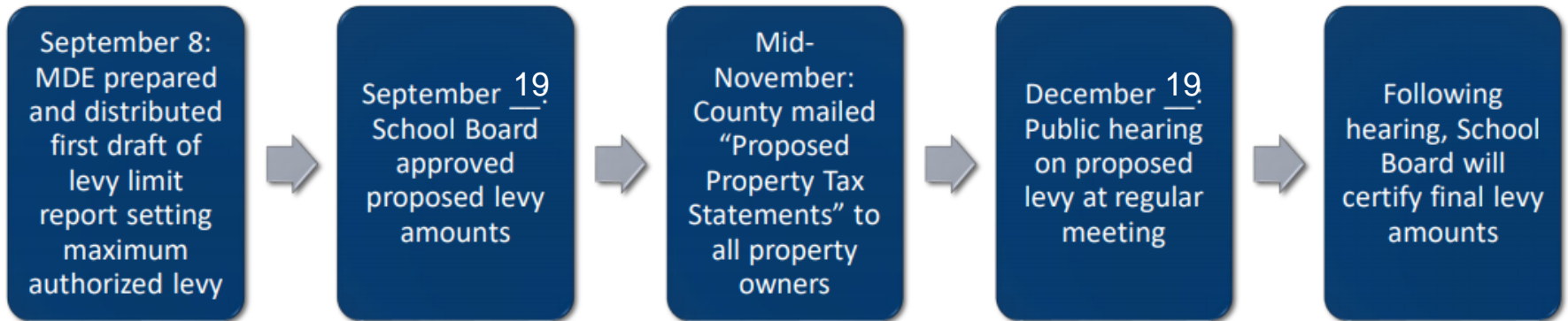
7:30 pm ~ December 19, 2022

Greenbush Middle River

School Library



# Schedule of Events in Approval of School District's 2022 (Payable 2023) Tax Levy



# Truth in Taxation: School Board Agenda Item



- School District is required to present information on:
  - the budget for the current school year...
  - The proposed property tax levy, including:
    - \* The increase/decrease over the previous year;
    - \* Specific purpose(s) and reason(s) for which taxes are being increased /decreased.
- Allow for public comment(s)



# 2022 – 2023 Budget

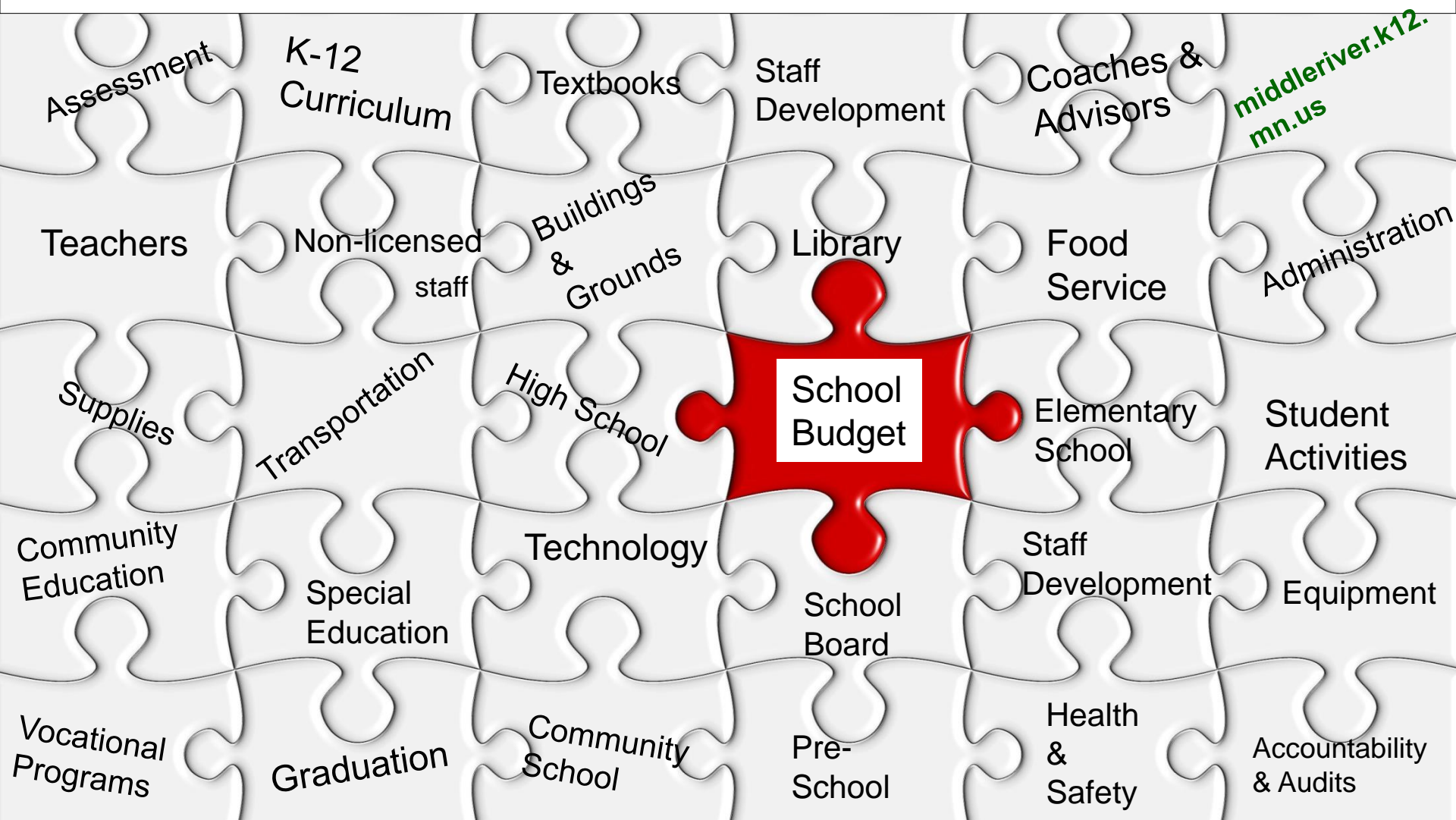


- All School District's budgets are divided into separate funds, as required by law.

For the GMR School District, Six (6) funds:

1. General Fund (includes former transportation and capital expenditure funds)..... *01 fund*
2. Food Service Fund ..... *02 fund*
3. Community Service Fund..... *04 fund*
4. Building Construction Fund (Capital) .. *06 fund*
5. Debt Service Fund ..... *07 fund*
6. Trust & Agency Fund ..... *09 fund*

# School Budgeting



[middleschool.k12.mn.us](http://middleschool.k12.mn.us)



# GREENBUSH MIDDLE RIVER SCHOOL DISTRICT NO. 2683

## 2021 - 2022 REVISED BUDGET

### REVENUE

|                                |                    |
|--------------------------------|--------------------|
| FUND 01 - General              | \$3,976,902        |
| FUND 02 - Food Service         | 182,550            |
| FUND 04 - Community Ed         | 62,703             |
| FUND 07 - Debt Service         | 66,400             |
| FUND 08 - Scholarships         | 1,300              |
| FUND 21 - Student Activity     | 151,850            |
| <b>TOTAL REVENUE ALL FUNDS</b> | <b>\$4,441,705</b> |



### EXPENDITURE

|                                    |                    |
|------------------------------------|--------------------|
| FUND 01 - General                  | \$4,236,923        |
| FUND 02 - Food Service             | 182,202            |
| FUND 04 - Community Ed             | 27,580             |
| FUND 07 - Debt Service             | 61,275             |
| FUND 08 - Scholarships             | 1,300              |
| FUND 21 - Student Activity         | 151,750            |
| <b>TOTAL EXPENDITURE ALL FUNDS</b> | <b>\$4,661,030</b> |

DIFFERENCE

**(\$219,325)**

**Work in Progress**

Based on 223 enrollment

8/2/2021 Special School Board Meeting



## 2022 – 2023 GMR estimated School Budget

The 2022-2023 Budget reflects a Fall 2021 voter approved operating referendum;

The 2022-2023 Budget reflects State authorization of the school board to levy up to \$724 per pupil unit [LOR]

The 2022-2023 Budget reflects a Fall 2005 voter-approved Bond Referendum for building (HVAC) improvements;

The 2022-2023 Budget reflects a 2016 refinancing of the Fall 2005 voter-approved Bond for building (HVAC) improvements;

The 2022-2023 Budget reflects a March 2022 Board-approved Abatement Bond for School Parking Lot improvements;

The 2022-2023 Budget reflects a deficit reduction plan that included closure of the Middle River School site effective with the 2018-2019 school year.

The 2022-2023 Budget reflects a deficit reduction plan approved by the school board in March 2021. Estimated reductions of \$451,000 were implemented effective July 1, 2021.

The 2022-2023 Budget reflects: a **decrease** of 8 students from the previous year and an increase of 2% in the State basic general education formula. The 2022-2023 school budget needs to reflect salary and benefits of year #2 of a two year Agreement between licensed teachers and Year #1 of a two year Agreement between non-licensed employees (the two largest employee groups) as well as other employee groups. An equity adjustment for compensation for some hourly employees was done to compete with area employers.

| School Year  | State Aid General Education Formula Allowance   | Percent funding increase over previous year               | GREENBUSH MIDDLE RIVER School District FALL (Oct. 1) enrollment | Unreserved General Fund Balance (final audit)             |
|--|---|---|---|---|
| 1996-97  | \$3,505   |   | 590   |   |
| 1997-98  | \$3,581   |   | 568   |   |
| 1998-99  | \$3,530   |   | 540   |   |
| 1999-00  | \$3,740   |   | 497   |   |
| 2000-01  | \$3,964   |   | 471   | \$370,564   |
| 2001-02  | \$4,068   |   | 473   | \$522,520   |
| 2002-03  | \$4,801   |   | 465   | \$610,675   |
| 2003-04  | \$4,801   | 0%  | 472   | \$737,831   |
| 2004-05  | \$4,801   | 0%  | 478   | \$999,976   |
| 2005-06  | \$4,783   | 4%  | 486   | \$1,456,633   |
| 2006-07  | \$4,974   | 4%  | 490   | \$1,673,426   |
| 2007-2008  | \$5,074   | 2%  | 484   | \$1,930,121   |
| 2008-2009  | \$5,124 + 51* = \$5,175   | 1% + 1%* = 2%   | 482   | \$2,032,994   |
| 2009-2010  | \$5,124   | 0%  | 448   | \$2,035,316   |
| 2010 - 2011  | \$5,124   | 0%  | 444   | \$1,962,475   |
| 2011-2012  | \$5,174   | 1%  | 410   | \$1,869,037   |
| 2012-2013  | \$5,224   | 1%  | 442   | \$1,832,245   |
| 2013-2014  | \$5,302   | 1.5%  | 432   | \$1,660,869   |
| 2014-2015  | \$5,831 (increase due to changes in pupil weights)  | 1.5% + .5%  | 433   | \$1,645,227   |
| Historical context of K-12 per pupil general education funding formula → | <b>2013-2014</b>  | <b>2014-2015</b>  | <b>2015-2016</b>  | <b>2016-2017</b>  |
|  | <b>Grade</b>  | <b>Grade</b>  | <b>Grade</b>  | <b>Grade</b>  |
|  | <b>Funding Weight</b>   | <b>Funding Weight</b>                                     | <b>Funding Weight</b>   | <b>Funding Weight</b>                                     |
|  | Grade K..... .612<br>Grade 1 to 3... 1.115<br>Grade 4 to 6... 1.06<br>(Elem. Funding Units) | K-6 ..... 1.0<br>Grade K to 6...<br>(Elem. Funding Units) | K-6 ..... 1.0<br>Grade K to 6...<br>(Elem. Funding Units)       | K-6 ..... 1.0<br>Grade K to 6...<br>(Elem. Funding Units) |
|  | 7-12..... 1.3<br>Grade 7-12.....<br>(H.S. Funding Units)                                    | 7-12 ..... 1.2<br>Grade 7-12.....<br>(H.S. Funding Units) | 7-12 ..... 1.2<br>Grade 7-12.....<br>(H.S. Funding Units)       | 7-12 ..... 1.2<br>Grade 7-12.....<br>(H.S. Funding Units) |
| K-12... =<br>(Total) Funding Units)                                      | K-12... $\frac{1.0}{1.3}$<br>(Total) Funding Units)   | K-12... $\frac{1.0}{1.3}$<br>(Total) Funding Units)       | K-12... $\frac{1.0}{1.3}$<br>(Total) Funding Units)             |   |
| 2015-2016  | \$5,948   | 2%  | 412   | \$1,576,546   |
| 2016-2017  | \$6,067   | 2%  | 396   | \$1,186,984   |
| 2017-2018  | \$6,188   | 2%  | 337   | \$705,364   |
| 2018-2019  | \$6,312   | 2%  | 279   | \$499,224   |
| 2019-2020  | \$6,438   | +\$126.00 or 2%   | 271   | \$421,294   |
| 2020-2021  | \$6,567   | +\$129.00 or 2%   | 243   | \$(100,730)   |
| 2021-2022  | \$6,728   | +\$161 or 2.45%   | 226   | \$(74,481)  |
| 2022-2023  | \$6,863   | +\$296.00 or 2%   | 218 <i>as of 11/01/2022</i>                                     | <b>TBD by Audit</b>                                       |
| 2023-2024  | TBD by MN Legislature   | TBD by MN Legislature                                     | 208   | <b>TBD by Audit</b>                                       |



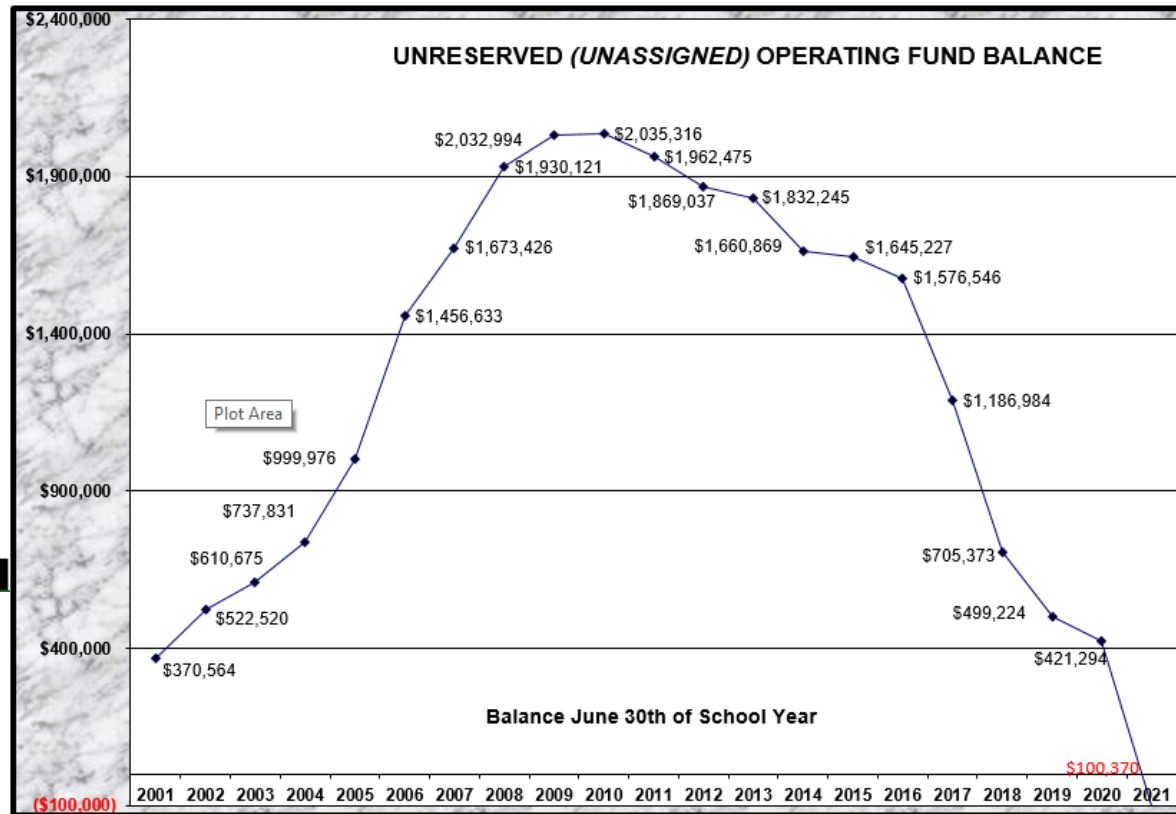
Note<sup>1</sup>: The 1.0 weighted factor applies to K-6. 7-12 students are weighted at 1.2. Since 7-12 students were 1.3 before, the thought was that moving 7-12 to 1.0 would skew the pupil count beyond where it would be easy to "hold harmless" districts for the weighting change

Note<sup>2</sup>: School Financial Auditors Generally indicate school districts should strive to have 25% of the general education aid amount per student in its unreserved general fund. Using this formula for 2021-2022: 25% of the general education formula in the unreserved general fund: \$6,728 x 25% = \$1,682 x 248 [weighted] funding units (226 K-12 students = 248 weighted funding units) = \$417,136 would place the District in a solid financial position. This represents about ~6 weeks of school district operations. Using this formula for 2022-2023: 25% of the general education formula in the unreserved general fund: \$6,863 x 25% = \$1,716 x 237 [weighted] funding units (218 K-12 students = 237 weighted funding units) = \$406,692. Dec. 19, 2022



| June 30th of Budget Year | General Fund Balance [unrestricted or unassigned] | Percent Change over Previous Year | K -12 Enrollment |
|--------------------------|---|-----------------------------------|------------------|
|--------------------------|---|-----------------------------------|------------------|

|      |             |         |     |
|------|-------------|---------|-----|
| 2001 | \$370,564   |         | 464 |
| 2002 | \$522,520   | ✓ 41%   | 455 |
| 2003 | \$610,675   | ✓ 17%   | 462 |
| 2004 | \$737,831   | ✓ 21%   | 459 |
| 2005 | \$999,976   | ✓ 36%   | 473 |
| 2006 | \$1,456,633 | ✓ 46%   | 474 |
| 2007 | \$1,673,426 | ✓ 15%   | 477 |
| 2008 | \$1,930,121 | ✓ 15%   | 480 |
| 2009 | \$2,032,994 | ✓ 5%    | 470 |
| 2010 | \$2,035,316 | ✓ 0%    | 452 |
| 2011 | \$1,962,475 | ✓ -4%   | 436 |
| 2012 | \$1,869,037 | ✓ -5%   | 419 |
| 2013 | \$1,832,245 | ✓ -2%   | 444 |
| 2014 | \$1,660,869 | ✓ -9%   | 426 |
| 2015 | \$1,645,227 | ✓ -1%   | 423 |
| 2016 | \$1,576,546 | ✓ -4%   | 400 |
| 2017 | \$1,186,984 | ✓ -25%  | 387 |
| 2018 | \$705,373   | ✓ -41%  | 323 |
| 2019 | \$499,224   | ✓ -29%  | 279 |
| 2020 | \$421,294   | ✓ -16%  | 271 |
| 2021 | (\$100,730) | ✓ -124% | 243 |
| 2022 | (\$74,481)  | ✓ -26%  | 226 |



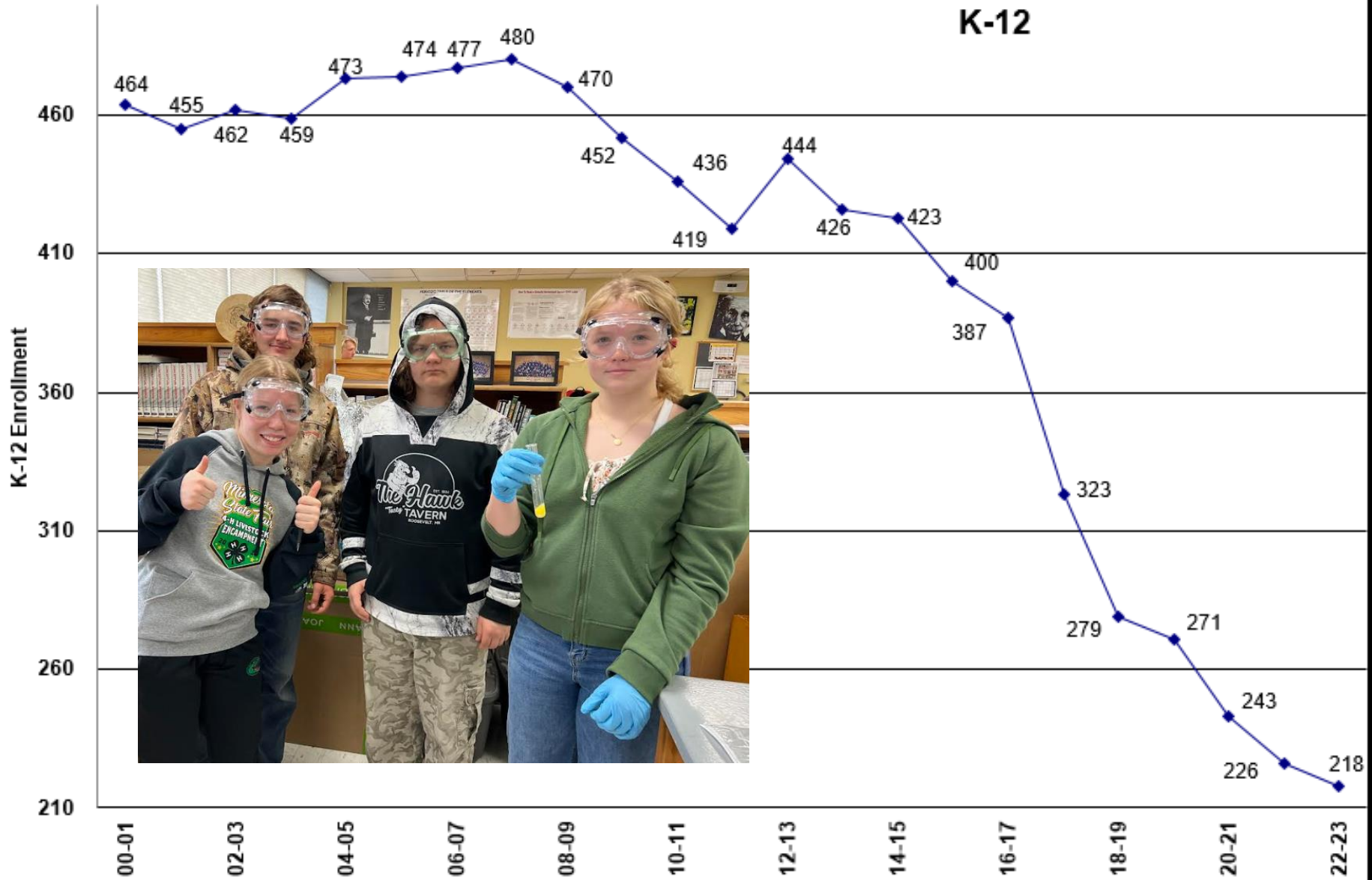
Source: School District Financial Audit statements

# TOTAL FUND BALANCES

Total fund balances of the General Fund for the past 10 years:



# GMR FALL ENROLLMENT BY SCHOOL YEAR K-12



# B. Property Tax Background



- Every owner of taxable property pays property taxes to the various “taxing jurisdictions” (county, city, township, school district, etc.) in which the property is located.
- Each taxing jurisdiction sets its own levy, often based on limits in state law. County Auditor sends out bills, collects taxes from property owners, and distributes funds back to the taxing jurisdictions.



## B. Property Tax Background

- School District Property Taxes
  - Each school district (depending on size) may levy taxes in nearly 40 different categories
  - “Levy Limits” (maximum levy amounts) for all categories are set either by:
    - State Law, or voter approval
  - The Minnesota Dept. of Ed. (MDE) calculates detailed levy limits for each district



# C. Proposed Levy Payable in 2023



Schedule of events in approval of the Greenbush Middle River School District's 2022 Payable 2023 tax levy are:

- Early Sept. – Dept. of Education prepared and distributed first draft of levy limit worksheets
- Sept. 19, 2022 – School Board approved “MAXIMUM” proposed levy amounts.
- Mid-November – Roseau, Marshall County and Kittson County sent out “Proposed Property Tax Statements”
- December 19, 2022 – School Board Agenda item on Proposed levy and thereafter certify final Payable 2023 school tax levy amounts

# Proposed Levy Payable in 2023



(page 30 of 39 of Levy Limitation Report)

## Greenbush Middle River Public Schools

### Comparison of Proposed Tax Levy Payable in 2023 to Actual Levy Payable in 2022

| FUND                   | Levy Category  | Actual Levy Payable in 2022 | Proposed Levy Payable in 2023 | Change             | Percent Change |
|------------------------|--|-----------------------------|-------------------------------|--------------------|----------------|
| General Fund           | Voter Approved Referendum<br>Board Approved Referendum   |                             |                               |                    |                |
| Equity                 | Operating Capital  |                             |                               |                    |                |
|                        | Health & Safety (Long Term Facilities Maintenance [LTFM])  | \$496,718.73                | \$513,163.32                  | \$16,444.59        | 3.31%          |
|                        | Other Levies (eg: Safe Schools, Career & Technical Ed. Levy)   |                             |                               |                    |                |
|                        | <b>Total, General Fund</b>   |                             |                               |                    |                |
| Community Service Fund | Basic Community Education<br>Early Childhood Family Education<br>Other Levies (eg: School Readiness) | \$30,424.56                 | \$30,416.63                   | -\$7.93            | -0.03%         |
|                        | <b>Total Community Service Fund</b>  |                             |                               |                    |                |
| Debt Service Fund      | Voter Approved Debt Service  | \$43,096.66                 | \$79,677.85                   | \$36,581.19        | 84.88%         |
|                        | <b>Total, Debt Service Fund</b>  |                             |                               |                    |                |
|                        | <b>Total Levy, All Funds</b>   | <b>\$570,239.95</b>         | <b>\$623,257.80</b>           | <b>\$53,017.85</b> | <b>9.30%</b>   |

# FACTORS AFFECTING PROPOSED TAXES FOR GMR School District

Total tax levy in 2023 is *increasing \$53,017.85*

## Affecting all levies:

- Changes in total property valuation increased (or decreased) in the district (ie: Tax base). Generally, as property values go up, State Aid goes down.
- Change in individual property valuation
- Due to changes in enrollment
- Due to changes in state aid formula (aid calculations)  
eg: Long Term Facilities Maintenance
- Due to increased Capital Improvement Debt (eg: Abatement Bond)
- Refunding of previously issued Bonds in 2016 thereby reducing debt service levy





# C. Explanation of Levy Changes

- Category: Debt Service Levy
  - Total levy in this category increased by \$36,581.19 or 84.88% from Payable 2022 **namely because of Board-Approved ABATEMENT Bond for Parking Lot Improvement Project**
  - Use of Funds: Principal and Interest payments on the District's building bonds approved by voters in 2005
  - Reason for increase: Property Valuations increased over the previous year, therefore more of a local effort (rather than state aid) is expected to service the debt.
  - In 2005 the Greenbush Middle River District refinanced its voter-approved School Construction bonds used for mechanical Heating, Ventilation, Air Conditioning (HVAC) improvements.

required to levy @ 105% of debt service payment amounts to cover delinquencies in tax collections. Since delinquencies are generally less than 5%, most districts gradually build up fund balances in debt service funds. Formulas in state law determine adjustments to tax levy for debt excess balances.





172 total  
parking  
spaces

# Explanation of Levy Changes

- **Category: General**

- Total levy in this category increased by \$16,444,059 or 3.31% from Payable 2022
- Source of Funds:
  - Nov. 2, 2021 voter-approved renewal of 2005 referendum
  - Nov. 2, 2021 voter-approved \$700 per pupil referendum
  - state equalization aid
- Use of Funds: General Operating Expenses
- Reason for increase:
  - Each year, initial levies are based on estimates of enrollment, values and expenditures for future years.
- In later years, estimates are up-dated and levies are retroactively adjusted.



# Explanation of Levy Changes

## Category: Community Education

- Total levy in this category **decreased** by **\$7.93** or **-0.03%** from Payable 2022
- Source of Funds:
  -
- Use of Funds: Community Education Programming
  - Early Childhood Family Education
  - After school Student and Adult enrichment classes
- Reason for decrease:
  - Declining student enrollment trend

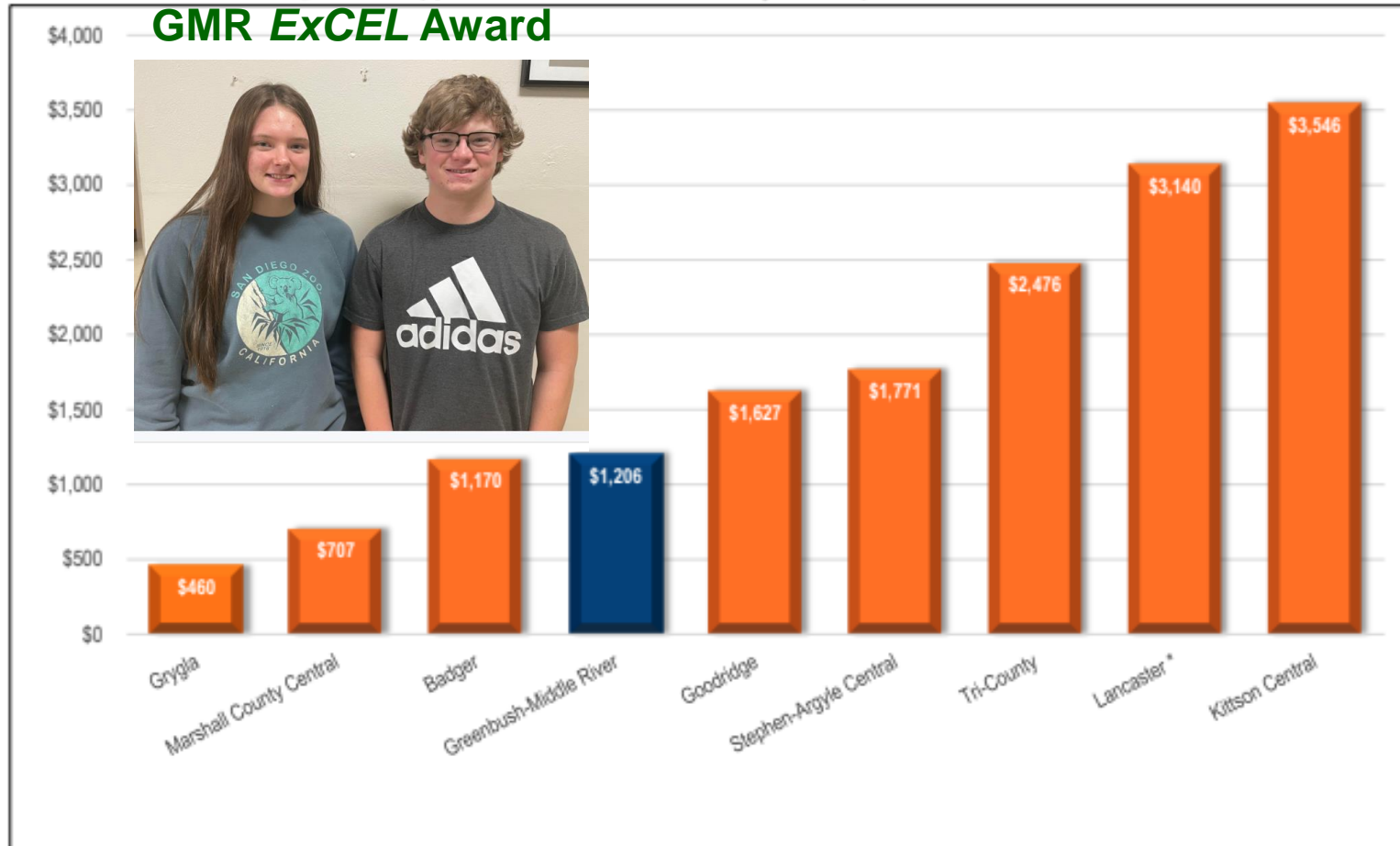


# School Taxes compared to other NW MN School Districts similar in size

## Greenbush-Middle River School District

→ Voter Approved Referendum Authority Per Pupil Unit FY 2023-24

**GMR ExCEL Award**



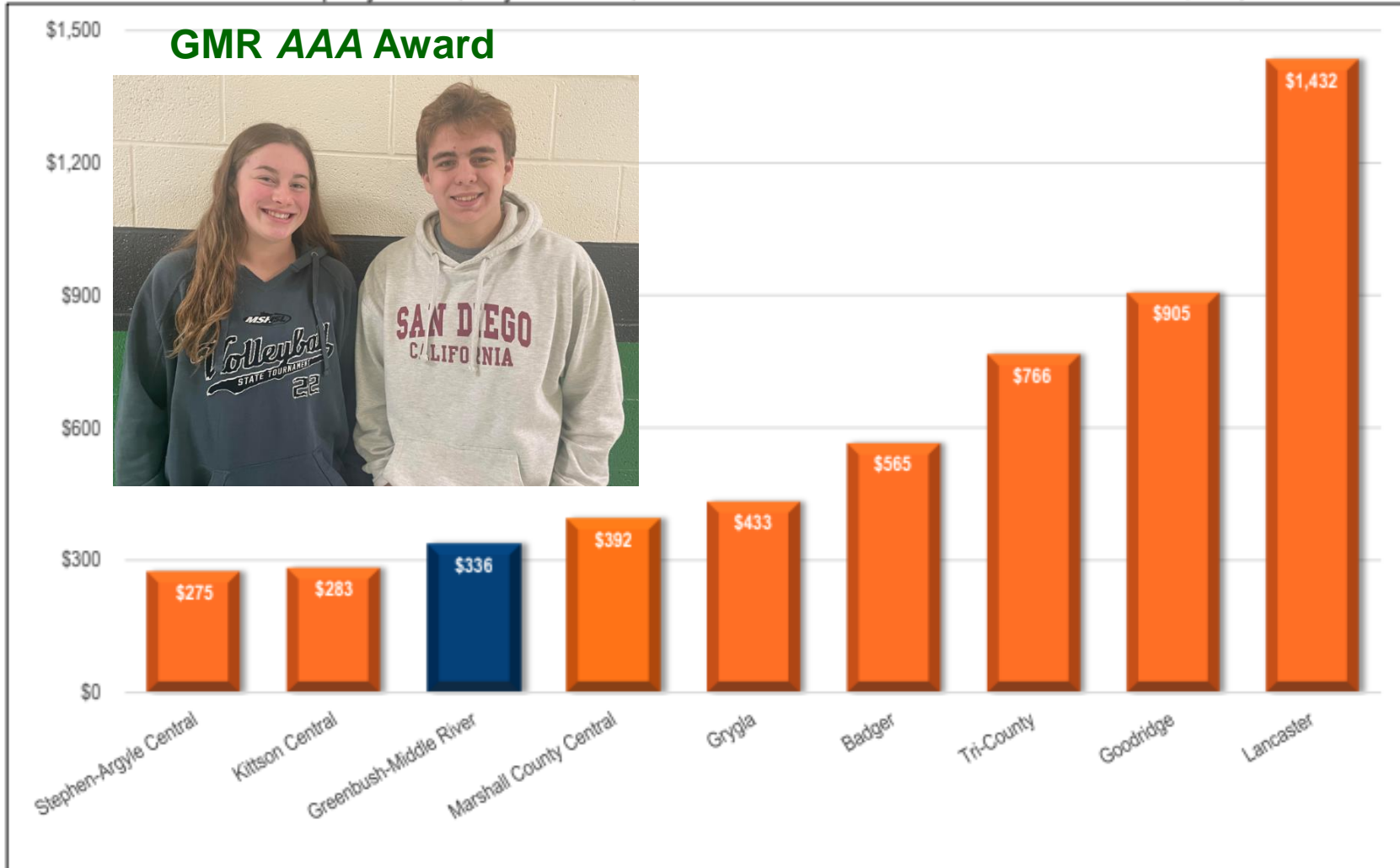
\* Authorities with voter approved annual inflationary adjustment  
Source: MDE Operating Referendum Phaseout December 2022

## Comparison of NW MN School Districts

# School Taxes compared to other NW MN School Districts similar in size

## Greenbush - Middle River School District

→ Total School Property Taxes, Payable 2022, on a Home with an Estimated Market Value of \$100,000



Source: Pay 2021 School Tax Report

### Comparison of NW MN School Districts

# FACTORS IMPACTING TAX CHANGE(S)

## REMINDER:

The percent increase for school taxes payable in 2023 does NOT mean everyone's taxes will go up that percentage amount. School taxes are based on various local factors and State tax classifications.

- Local Factors
  - Inflationary pressure on real estate market
  - Property improvements not previously taxed
  - Change in property assessment value
  - Change in property classification  
(eg: farm to residential)
  - Voter-approved levy(ies)



**The Minnesota Homestead Credit Refund can provide relief to homeowners paying property taxes** (who meet certain criteria – see your tax advisor)

## Minnesota Homestead Credit Refund “Circuit Breaker”

- Has existed since 1970s
- Available each year to owners of homestead property (applies to taxes paid on house, garage and one acre for ag homestead property)
- Annual income must be approximately \$116,180 or less (income limit is higher if you have dependents)
- Sliding scale - refund based on income and total property taxes
- Maximum refund for homeowners is \$2,840
- Also available to renters
- Complete state tax form M-1PR ([www.revenue.state.mn.us](http://www.revenue.state.mn.us))



**The Minnesota Special Property Tax Refund can provide relief to homeowners paying property taxes** (who meet certain criteria – see your tax advisor)

## Minnesota Special Property Tax Refund

Available each year to owners of homestead properties with a gross tax increase of at least 12% and \$100 over prior year

Helpful in first year after referendum

Refund is 60% of amount by which tax increase exceeds greater of 12% or \$100, up to a maximum of \$1,000

No income limits

Complete state tax form  
M-1PR  
([www.revenue.state.mn.us](http://www.revenue.state.mn.us))

**The Minnesota Senior Citizen Property Tax Deferral can provide relief to homeowners paying property taxes** (who meet certain criteria – see your tax advisor)

# Senior Citizen Property Tax Deferral

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- Allows people age 65 and older with household income of \$60,000 or less to defer a portion of property taxes on home
- Must have lived in, owned, and homesteaded for last 15 years
- Limits maximum amount of property tax paid to 3% of household income
- Additional taxes are deferred, not forgiven
- Provides predictability; amount of tax paid will not change while participating in program
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

## **D. PUBLIC COMMENT(S) ON 2022 Payable 2023 School Tax Levy?**



Improving a School District's financial position includes:

## 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.”

# Improving a School District's financial position includes:

As a result...

## Funding is Highly Regulated

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### 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

# Improving a School District's financial position includes:

## Challenge: State Set Basic General Education Formula Lags Inflation

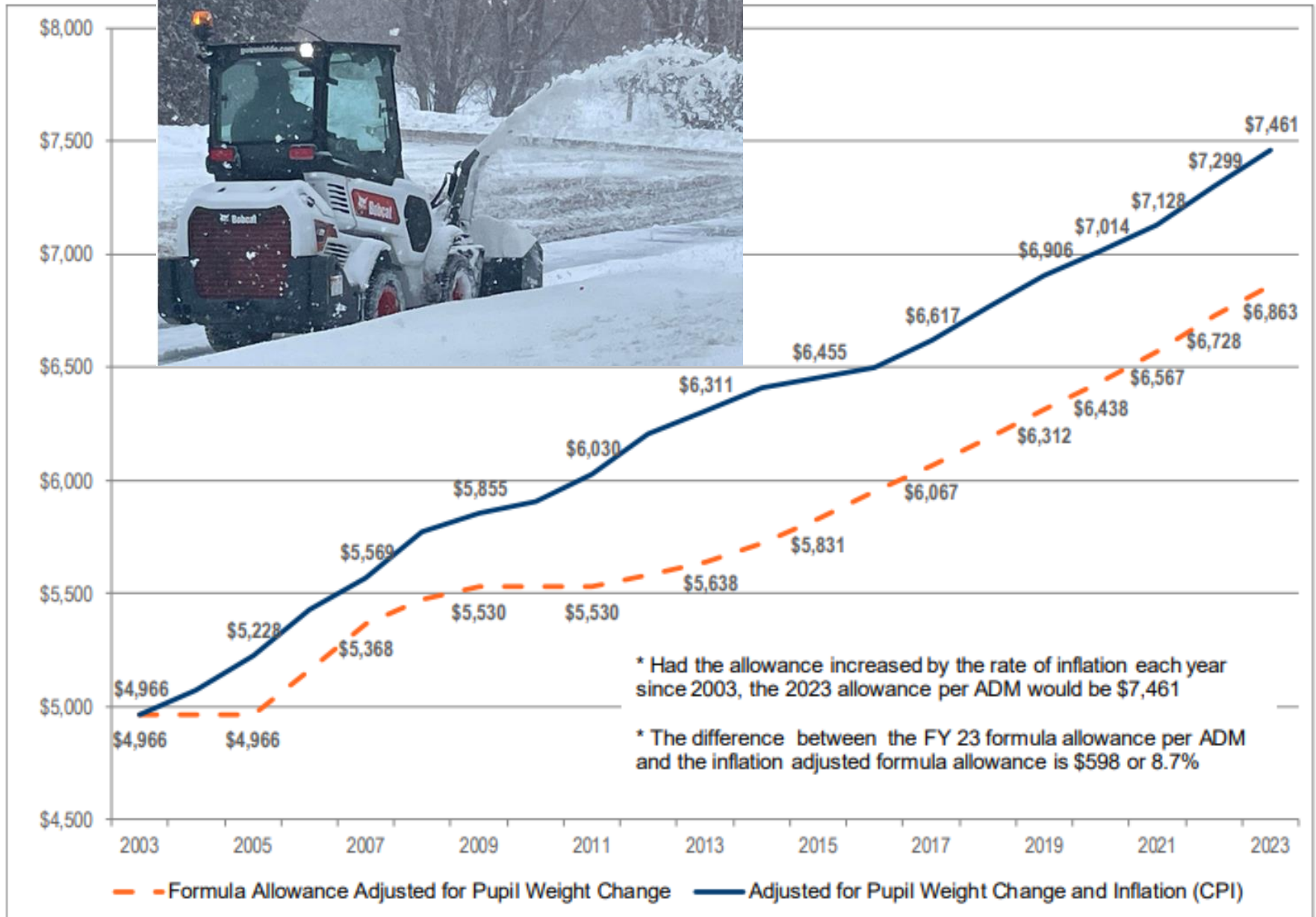
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- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2021-22, an increase of 2.45% or \$161 over previous year was approved
- For Fiscal Year 2022-23, an increase of 2.00% or \$135 over current year was approved

*Per-pupil allowance for Fiscal Year 2022-23 of \$6,863 would need to increase by another \$598 (8.7%) to have kept pace with inflation since 2002-03*

# General Education Formula Allowance, 2003-2023

Adjusted for Pupil Weight Change and Inflation (CPI)



# Improving a school district's financial position includes:

## Underfunding of Special Education

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MDE reports FY 2020 costs of providing special education programs were underfunded statewide by \$673 million

MDE estimates by FY 2025 costs of providing special education statewide will be underfunded by \$806 million

Underfunding of special education costs requires a transfer from regular program resources to support an underfunded program mandated by state and federal law

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



Happy Holidays to your family from the GATOR family

