

Public Hearing for Taxes Payable in 2025

Presented By:

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Matthew Hammer, Ehlers Senior Municipal Advisor

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

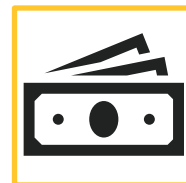
Hearing Agenda



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.”

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

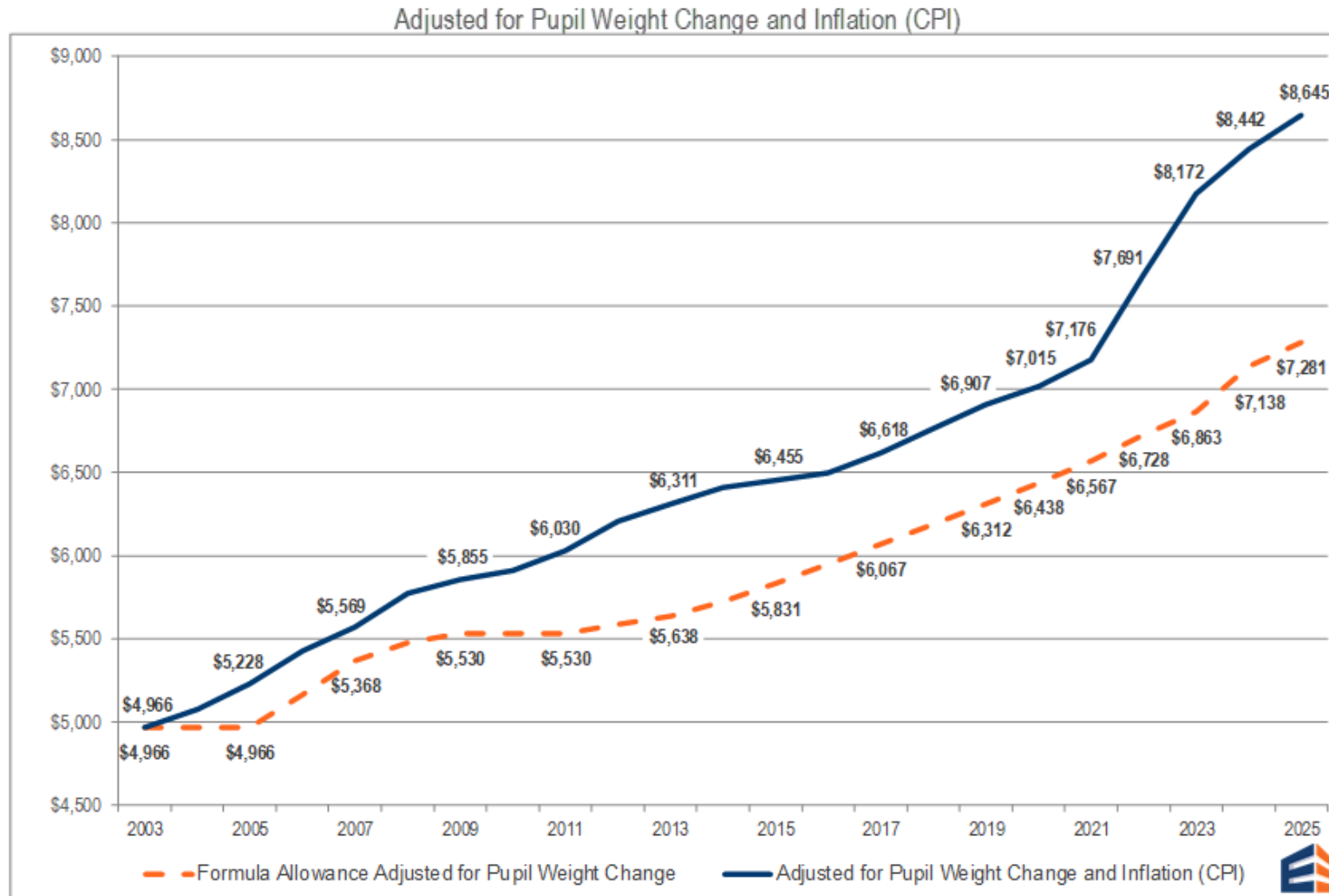
State also authorizes school board to submit referendums for operating & capital needs to voters for approval

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 4.00% 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

General Education Formula Allowance, 2003-25



Source: MDE June 2024 Inflation Estimates and Minnesota Laws 2023

Underfunding of Special Education

According to MN Department of Education (MDE):

FY 2022 costs of providing programs were underfunded statewide by \$712 million

Even with recent funding, costs will be underfunded by \$408 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
 - Debt Service
 - Internal Service
 - OPEB* Trust
 - OPEB* Debt Service



**Other Post-Employment Benefits*

District Revenue & Expenditures

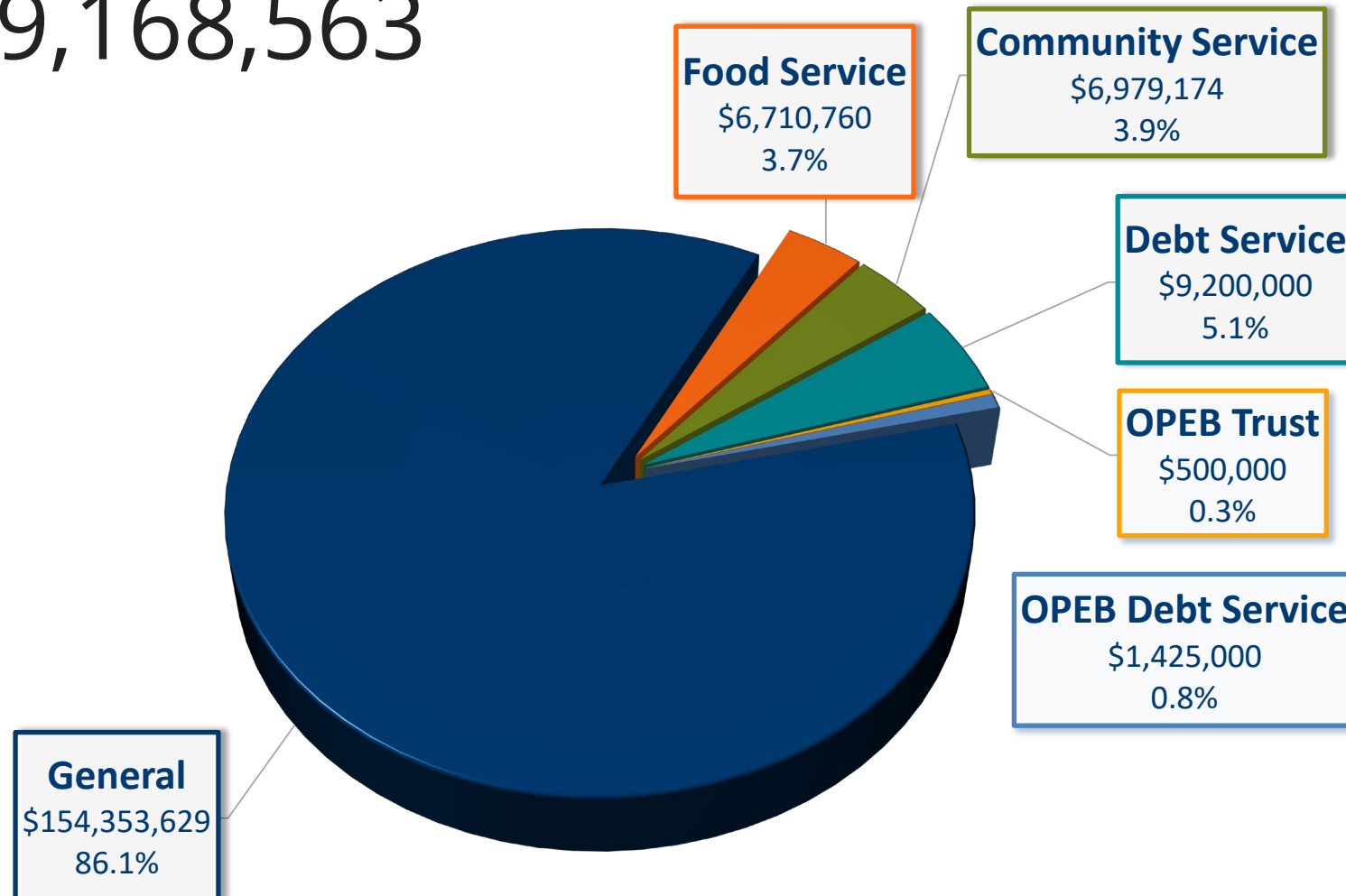
District Revenues & Expenditures Actual for FY 2024, Budget for FY 2025

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 & TRANSERS OUT	FUND BALANCES
General/Restricted	\$12,855,738	\$40,961,996	\$38,269,917	\$15,547,817	\$41,725,035	\$41,940,754	\$15,332,097
General/Other	24,627,477	126,055,639	112,439,027	38,244,090	114,409,612	117,631,474	35,022,228
Food Service	3,174,493	7,170,377	6,162,396	4,182,475	6,710,760	6,405,027	4,488,208
Community Service	4,085,287	7,226,889	6,135,358	5,176,817	6,979,174	6,775,943	5,380,048
Debt Service	5,165,070	9,151,353	9,949,463	4,366,961	9,200,000	9,785,000	3,781,961
Internal Service	8,733,749			8,151,140			7,611,140
OPEB* Revocable Trust	10,664,708	1,098,204	789,184	10,973,728	500,000	775,000	10,698,728
OPEB* Debt Service	322,041	1,455,317	1,405,153	372,206	1,425,000	1,400,245	396,961
Total All Funds	69,628,563	193,119,776	175,150,497	87,015,233	180,949,581	184,713,443	82,711,371

*Other Post Employment Benefits

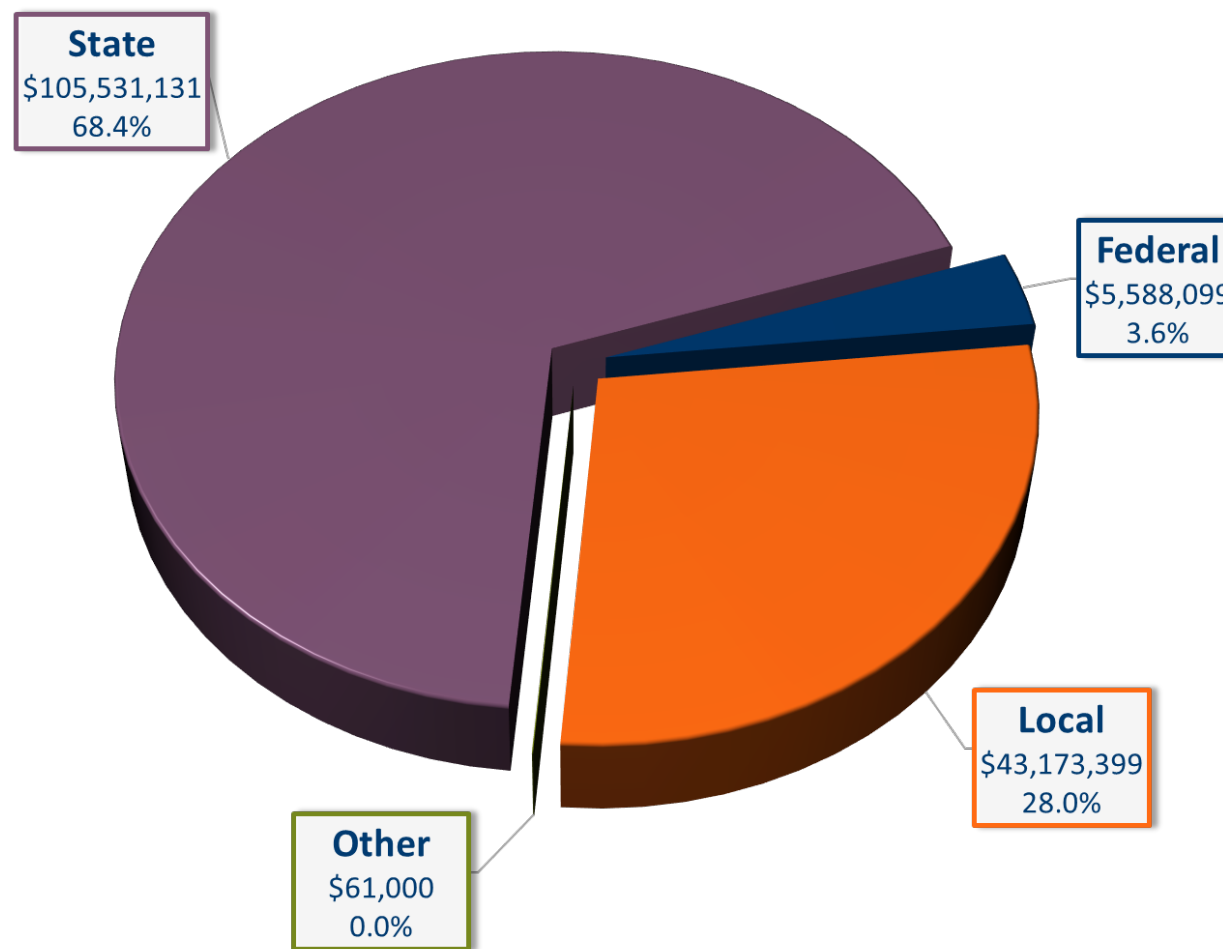
Revenue - All Funds (2024-25)

Budget \$179,168,563



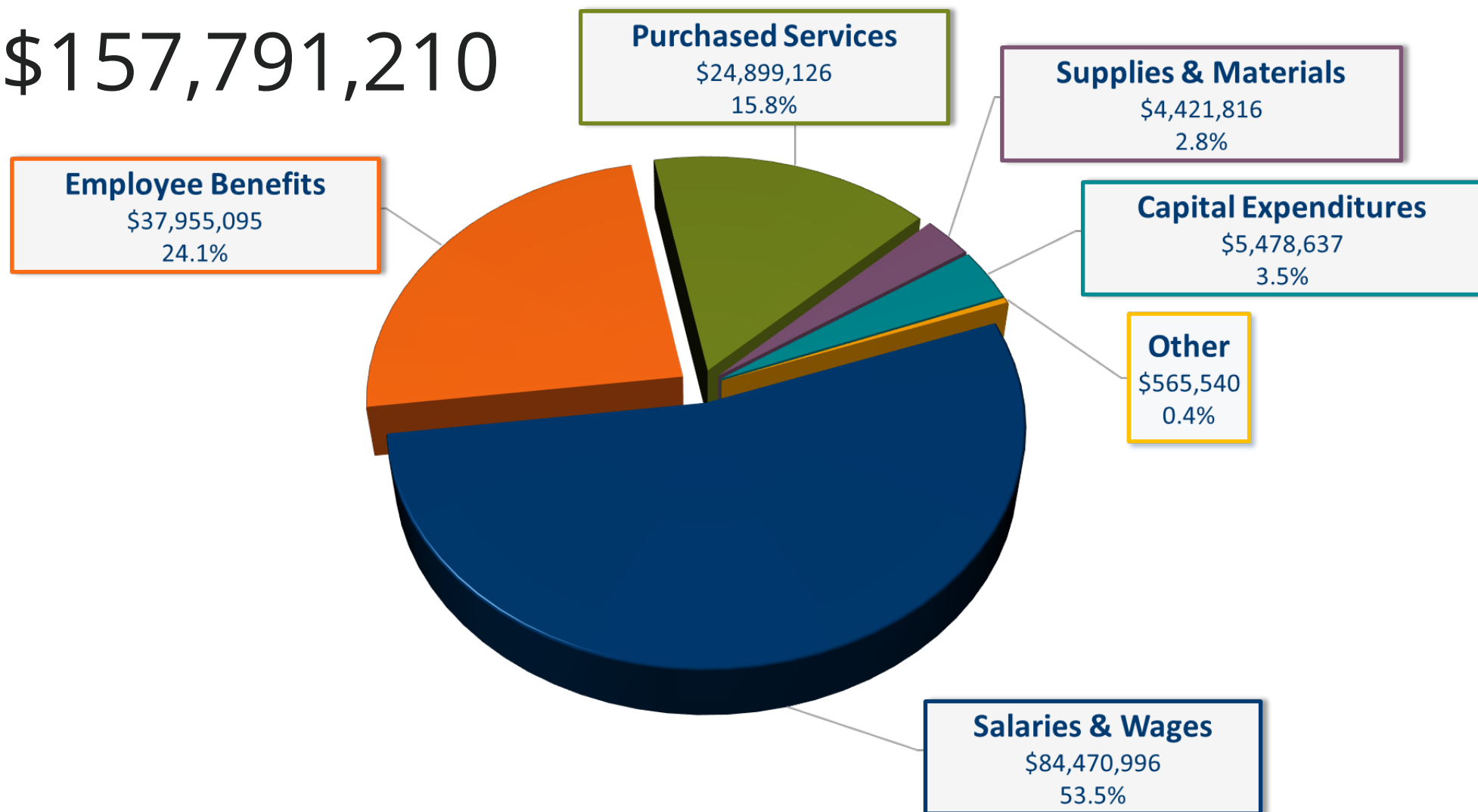
General Fund Revenue (2024-25)

Budget \$154,353,629



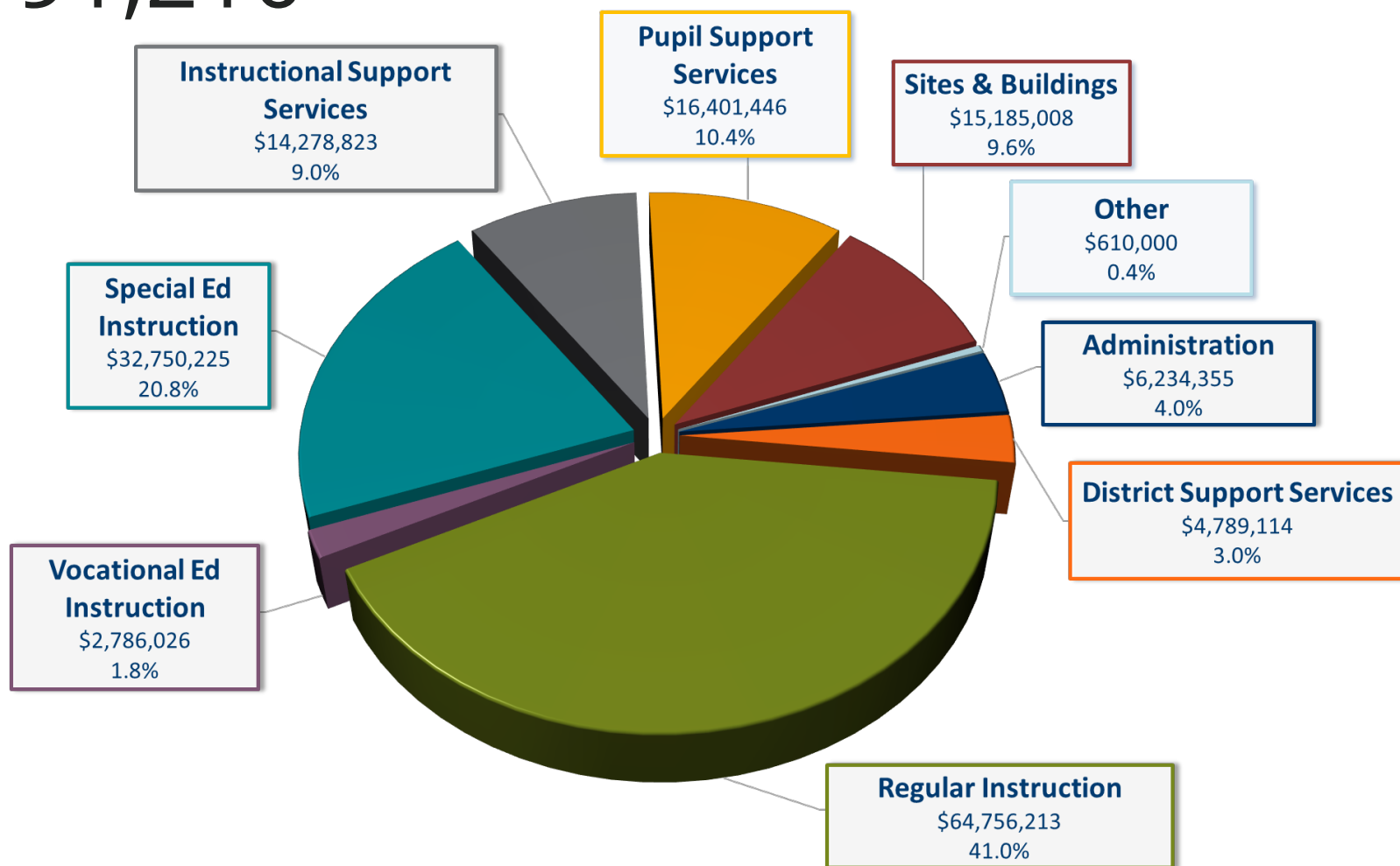
General Fund Expenditures – by Object (2024-25)

Budget \$157,791,210



General Fund Expenditures - by Program (2024-25)

Budget \$157,791,210



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



City/County:

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

Parcel Notice Sample

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

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.			
VALUES AND CLASSIFICATION			
Step	Taxes Payable Year	2024	2025
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$33,0500
	Taxable Market Value	\$125,000	\$116,950
	Class	Res NHmstd	Res Hmstd
PROPOSED TAX			
2	Property taxes before credits	\$1,562.46	
	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
	Property taxes after credits	\$1,550.46	
PROPERTY TAX STATEMENT			
3	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

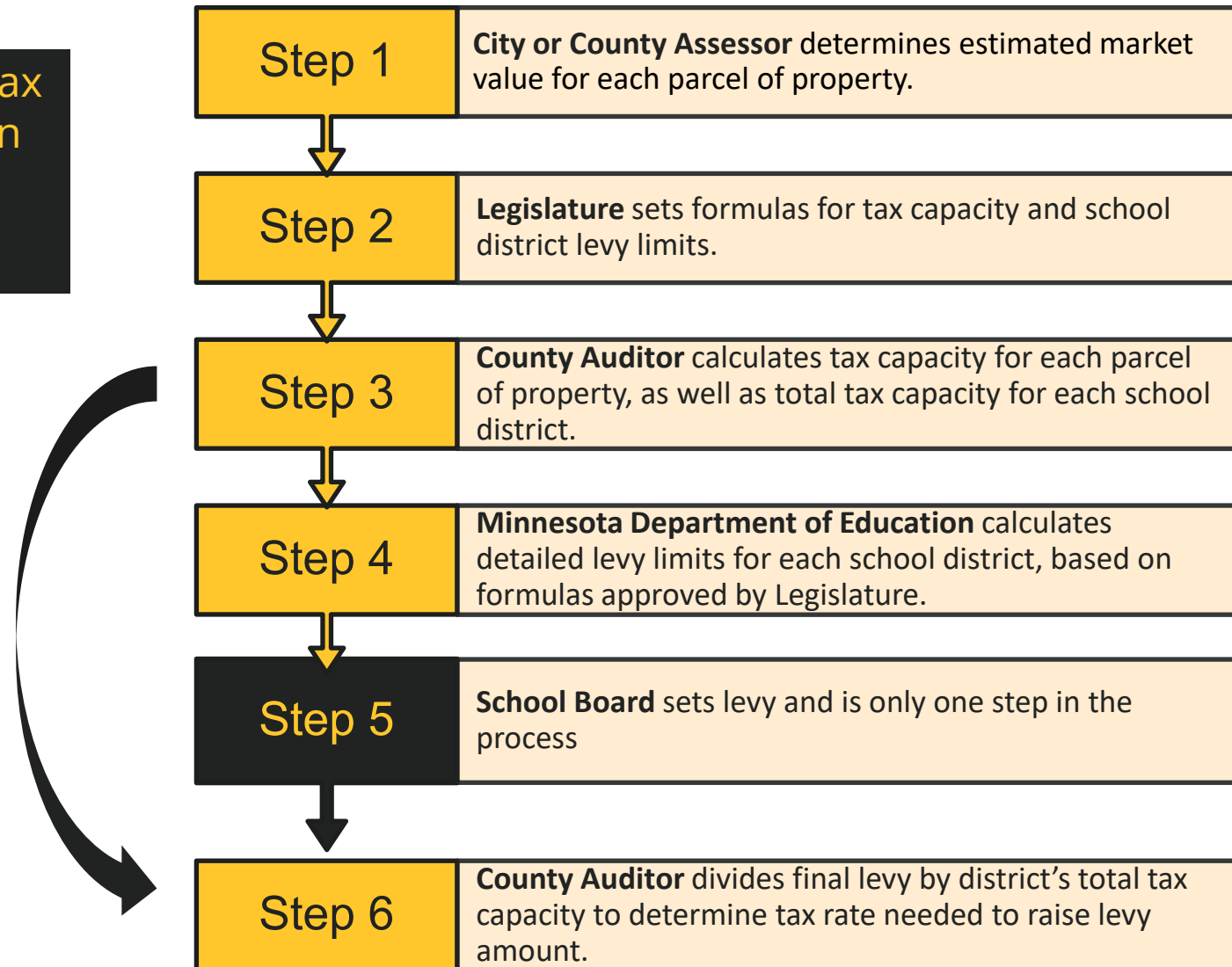
Contact Information	Meeting Information	Actual 2024	Proposed 2025
State General Property Tax	No public meeting	\$0	\$0
County of Spruce Spruce County Courthouse 133 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 5, 7:00 PM	\$438.06	\$484.18
City of Spruceville Mayor's Office 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
<i>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.</i>			
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 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)



Overview of District's Proposed Tax Levy

- Proposed Payable 2025 tax levy is a decrease from 2024 of \$2,224,830 or -4.4%
- Changes by levy category and reasons for major increases & decreases in levy are included on following slides



Levy Comparison

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	\$18,274,735	\$17,710,306	(\$564,429)	
Local Optional Revenue (LOR)	6,002,768	5,654,379	(348,389)	
Equity	414,790	390,730	(24,060)	
Voter Approved Capital Project Referendum	4,351,374	4,689,692	338,317	
Operating Capital	1,324,289	1,436,149	111,861	
Alternate Teacher Compensation	710,458	685,290	(25,168)	
Achievement and Integration	580,510	602,392	21,883	
Long Term Facilities Maintenance (LTFM)	2,560,961	4,920,845	2,359,884	
Instructional Lease	329,052	291,421	(37,631)	
Other	1,146,275	1,126,248	(20,028)	
Prior Year Adjustments	3,635,351	(912,227)	(4,547,578)	
Total, General Fund	\$39,330,562	\$36,595,224	(\$2,735,338)	-7.0%
Community Service				
Basic Community Education	\$485,567	\$458,903	(\$26,664)	
Early Childhood Family Education	259,321	278,162	18,841	
School-Age Child Care	830,000	830,000	0	
Other	16,252	16,480	228	
Prior Year Adjustments	26,328	6,825	(19,503)	
Total, Community Service Fund	\$1,617,468	\$1,590,370	(\$27,098)	-1.7%
Debt Service				
Voter Approved	\$3,886,064	\$3,888,164	\$2,100	
Long Term Facility Maintenance	6,383,003	6,359,323	(23,680)	
Other Post Employment Benefits	1,469,759	1,466,832	(2,927)	
Reduction for Debt Excess	(1,677,229)	(1,145,138)	532,091	
Prior Year Adjustments	30,460	60,482	30,022	
Total, Debt Service Fund	\$10,092,057	\$10,629,663	\$537,606	5.3%
Total Levy, All Funds	\$51,040,087	\$48,815,257	(\$2,224,830)	-4.4%
Subtotal by Truth in Taxation Categories:				
Voter Approved	29,109,729	25,399,042	(3,710,687)	
Other	21,930,357	23,416,214	1,485,857	
Total	\$51,040,087	\$48,815,257	(\$2,224,830)	-4.4%

Explanation of Levy Changes

Category:	General Fund – Voter Approved Operating Referendum
Change:	-\$564,429
Use of Funds:	General Operating Expenses
Reasons for Change:	Authority is calculated on estimated enrollment, which is projected to decrease by approx. 200 students for fiscal year 2025-26

Explanation of Levy Changes

Category:

General Fund – Voter Approved Capital Project Referendum

Change:

+\$338,317

Use of Funds:

Technology costs

Reason for Change:

Levy is based on voter approved tax rate applied to the district's previous years tax base. The District's tax base increased resulting in an increase in the district's levy.

Explanation of Levy Changes

Category:	General Fund – Long Term Facilities Maintenance
Change:	+\$2,359,884
Use of Funds:	Facilities Maintenance
Reasons for Change:	District is eligible for LTFM revenue based on state approved project costs & levies are coordinated with other levies to maintain a level or declining tax rate.

Explanation of Levy Changes

Category:	General Fund – Prior Year Adjustments
Change:	-\$4,547,578
Use of Funds:	Various
Reasons for Change:	Initial levies are based on estimates & in later years, amounts are updated & levies are retroactively adjusted

Explanation of Levy Changes

Category:

Debt Service – Reduction for Debt Excess

Change:

+\$532,091

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
- Because 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

Factors Impacting Individual Taxpayers' School Taxes

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

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

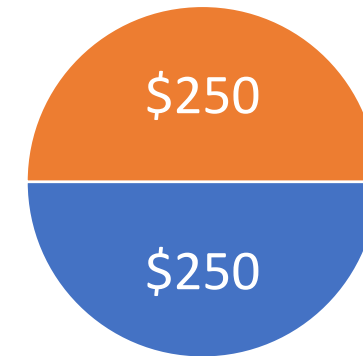
\$100,000



- 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



Impact of Property Valuations

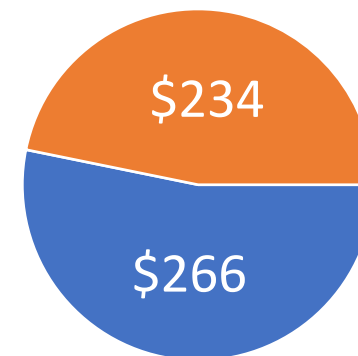
Two properties in the district

- 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 \$3.5M from \$2.15M

Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and a 18.7% 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 Burnsville
- 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	\$250,000	\$953	\$1,016	\$983	\$902	-\$51	-\$81
	300,000	1,159	1,234	1,193	1,102	-57	-91
	350,000	1,365	1,452	1,402	1,301	-64	-101
	400,000	1,571	1,670	1,612	1,500	-71	-112
	450,000	1,770	1,881	1,815	1,700	-70	-115
	500,000	1,966	2,090	2,017	1,899	-67	-118
	550,000	2,188	2,323	2,240	2,118	-70	-122
	600,000	2,410	2,556	2,463	2,334	-76	-129
	650,000	2,632	2,790	2,686	2,549	-83	-137
700,000	2,854	3,023	2,909	2,765	-89	-144	
Commercial/ Industrial #	\$1,000,000	\$4,328	\$4,635	\$4,510	\$4,272	-\$56	-\$238
	1,500,000	6,539	7,000	6,808	6,456	-83	-352
	2,000,000	8,750	9,364	9,105	8,640	-110	-465
	2,500,000	10,961	11,729	11,402	10,825	-136	-577
Apartments and Res. Non-Homestead (2 or more units)	\$750,000	\$3,330	\$3,499	\$3,345	\$3,235	-\$95	-\$110
	1,500,000	6,659	6,997	6,690	6,469	-190	-221
	3,000,000	13,318	13,995	13,380	12,938	-380	-442

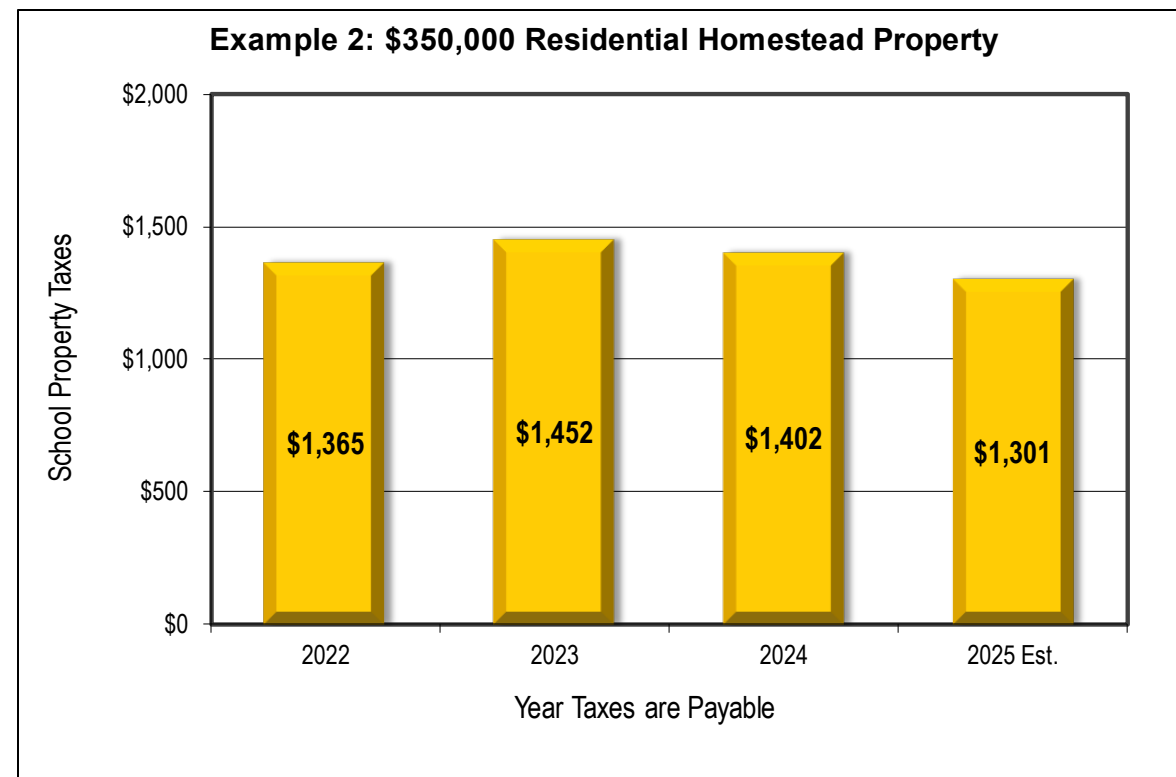
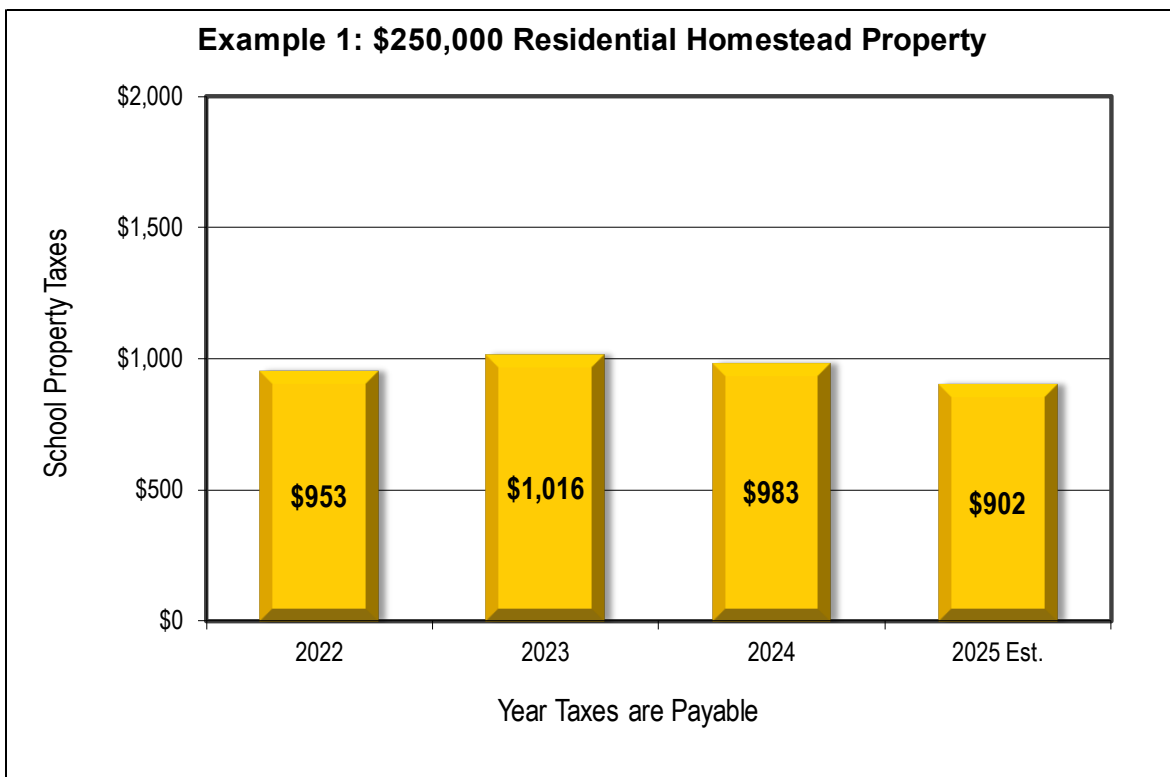
For commercial-industrial property, amounts above are for property in Burnsville. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

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.

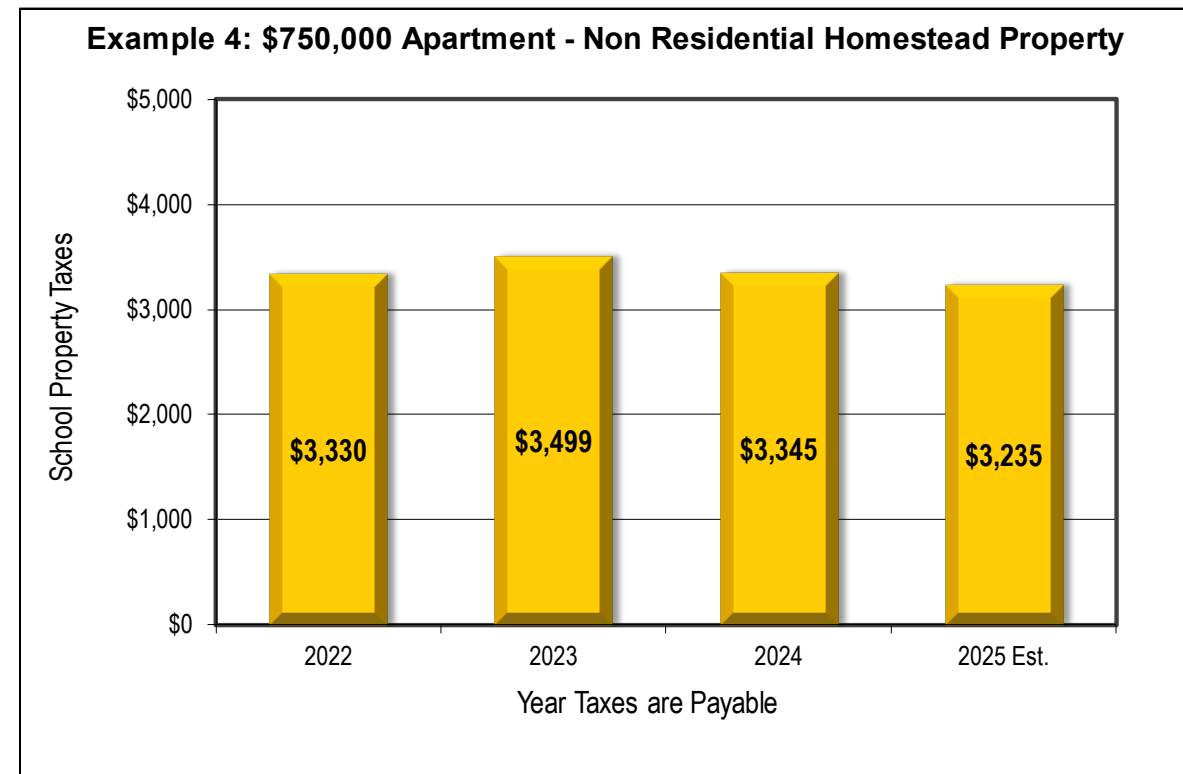
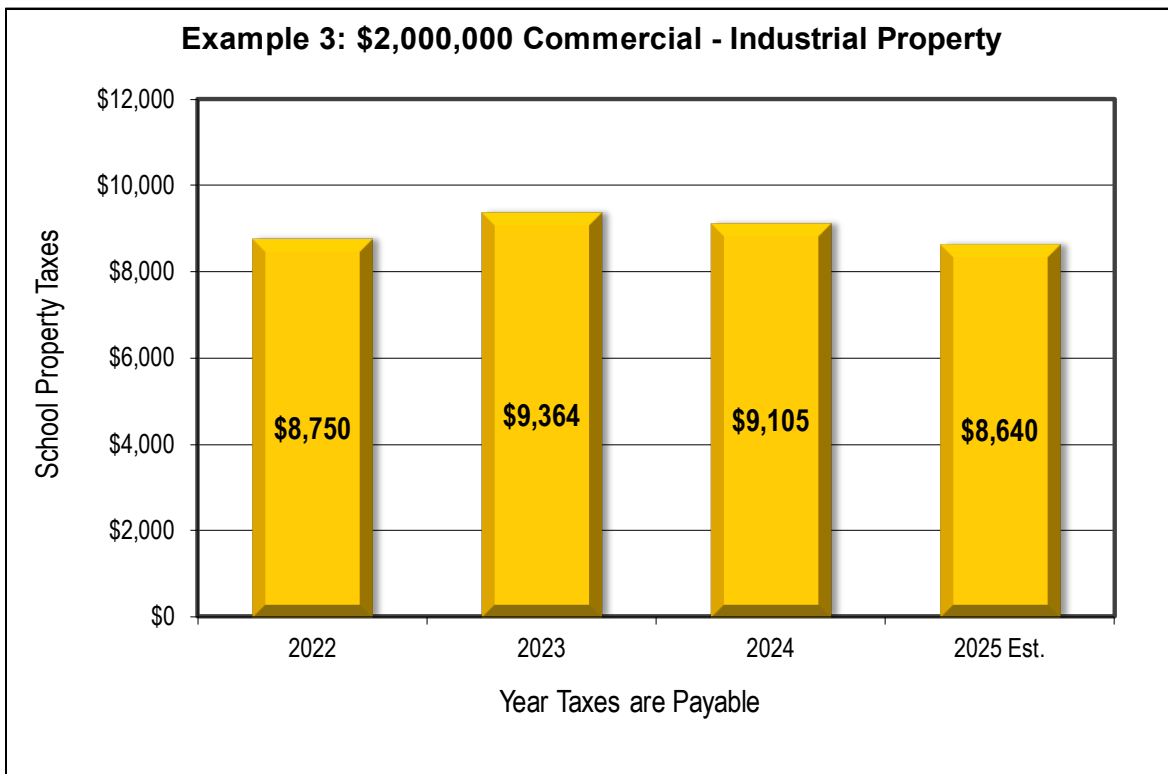
Estimated Changes in School Property Taxes, 2022-25

- Based on No Changes in Property Value



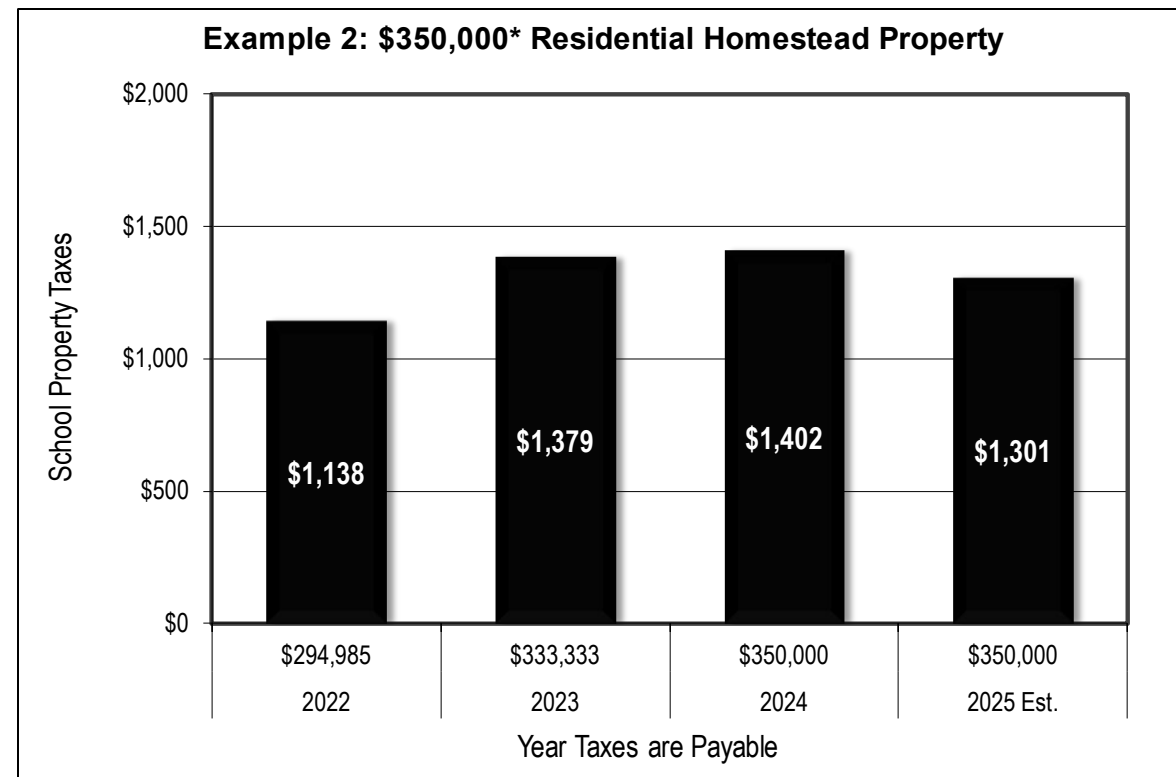
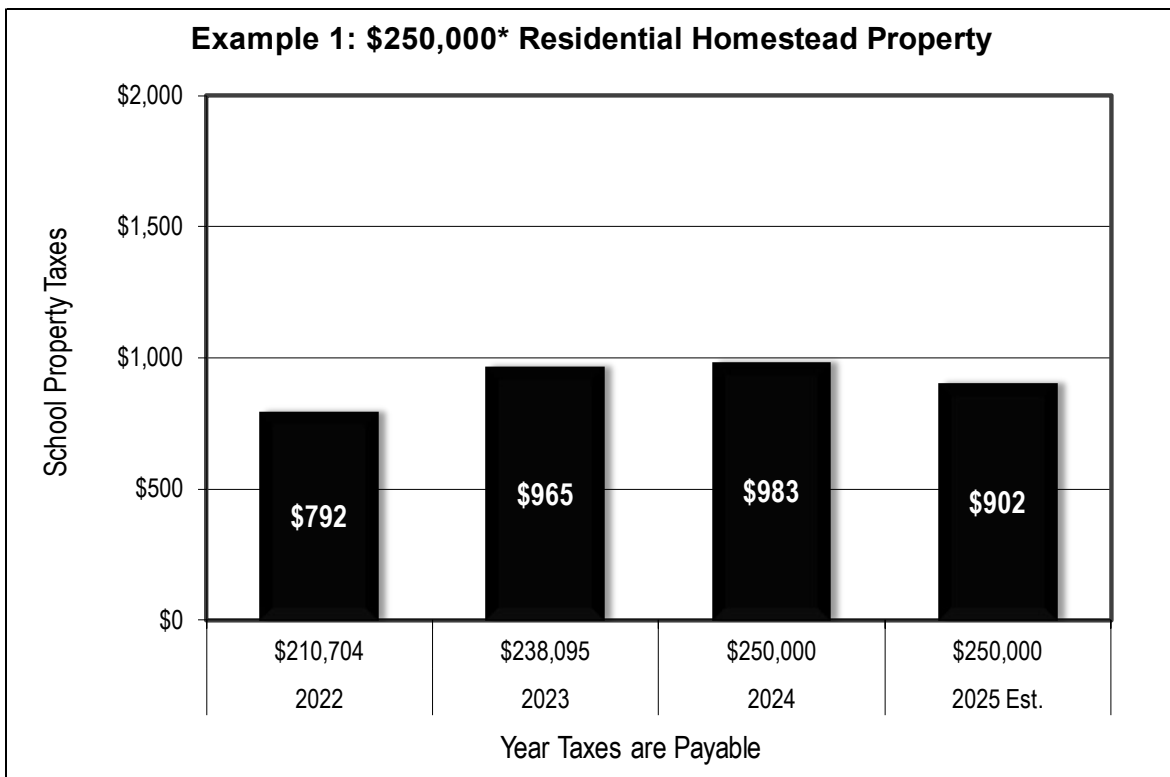
Estimated Changes in School Property Taxes, 2022-25

- Based on No Changes in Property Value



Estimated Changes in School Property Taxes, 2022-25

- Based on 18.7% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2025. Taxes are calculated based on changes in market value of 13.0% from 2022 to 2023, 5.0% from 2023 to 2024 and 0.0% 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)

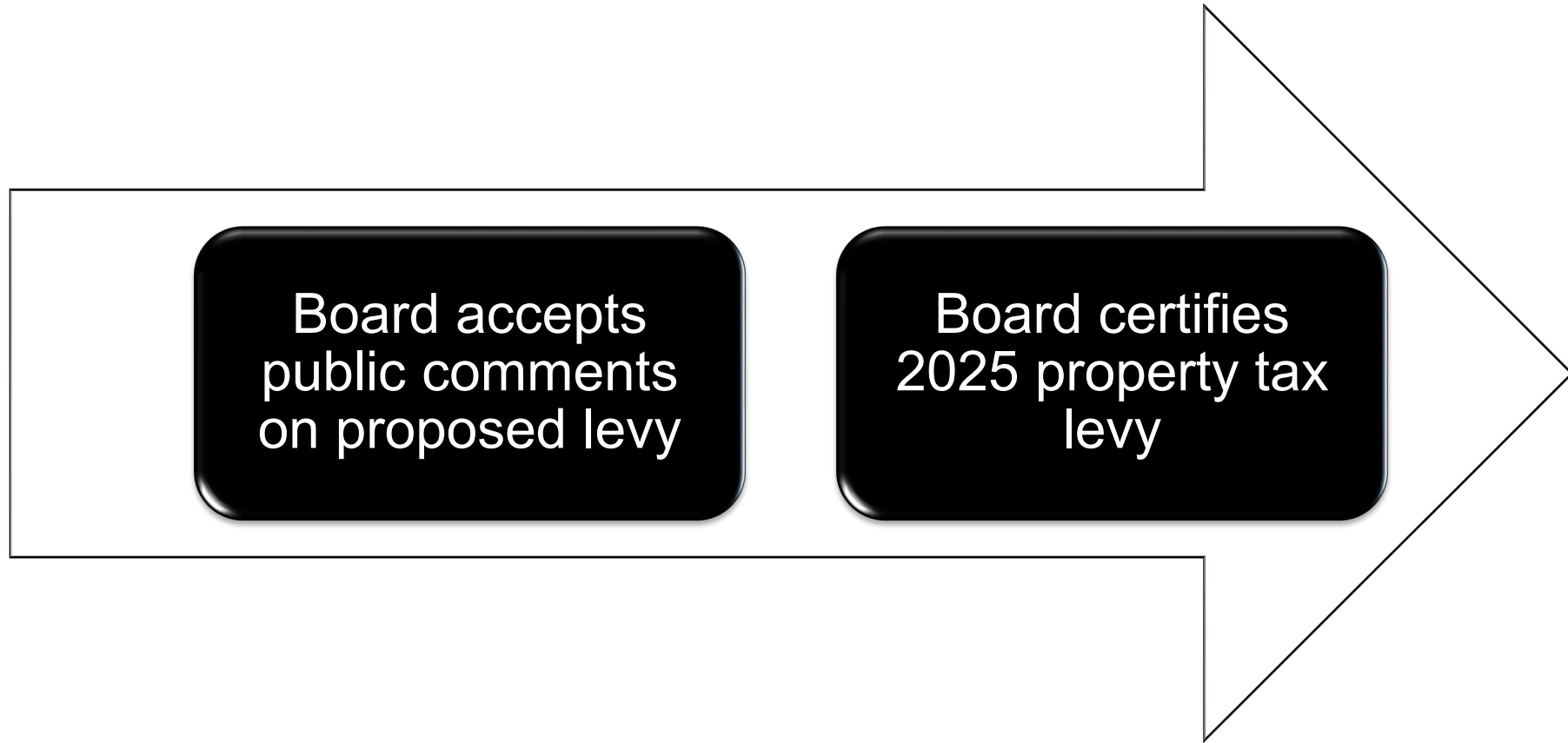
Special Property Tax Refund

- 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





Burnsville · Eagan · Savage

Public Comments