

Truth in Taxation

Tuesday, December 17, 2024 7:00 PM

Fridley Community Center, 6085 7th Street NE, Fridley, MN 55432

A. **Truth in Taxation Presentation (if public present)**

Presenter: Jason Mutzenberger



A World-Class Community of Learners

Fridley Public Schools, ISD 14

Public Hearing for Taxes Payable in 2025

DECEMBER 17, 2024

PRESENTED BY:

JASON MUTZENBERGER, BUSINESS
MANAGER

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:

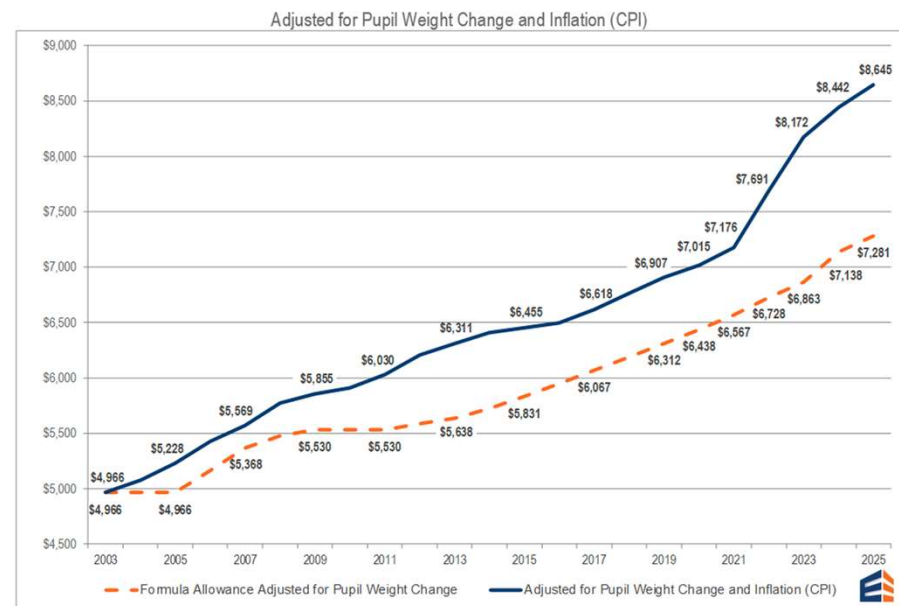
- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy
 - Districts can levy less, but not more than amount authorized by state, unless approved by voters in November

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

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

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
- Internal Service
- OPEB* Trust
- OPEB* Debt Service

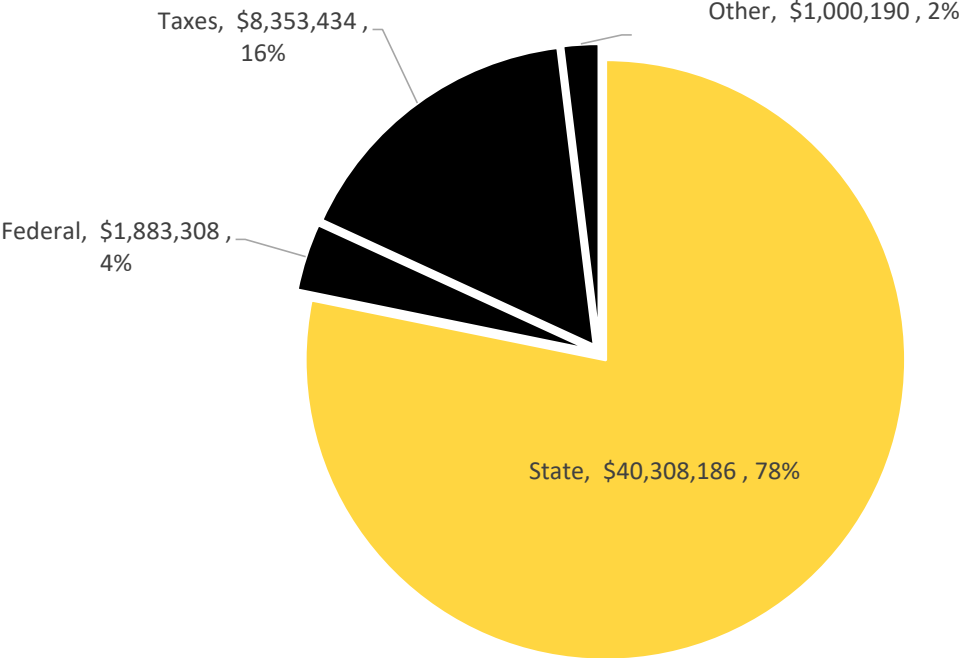
**Other Post-Employment Benefits*



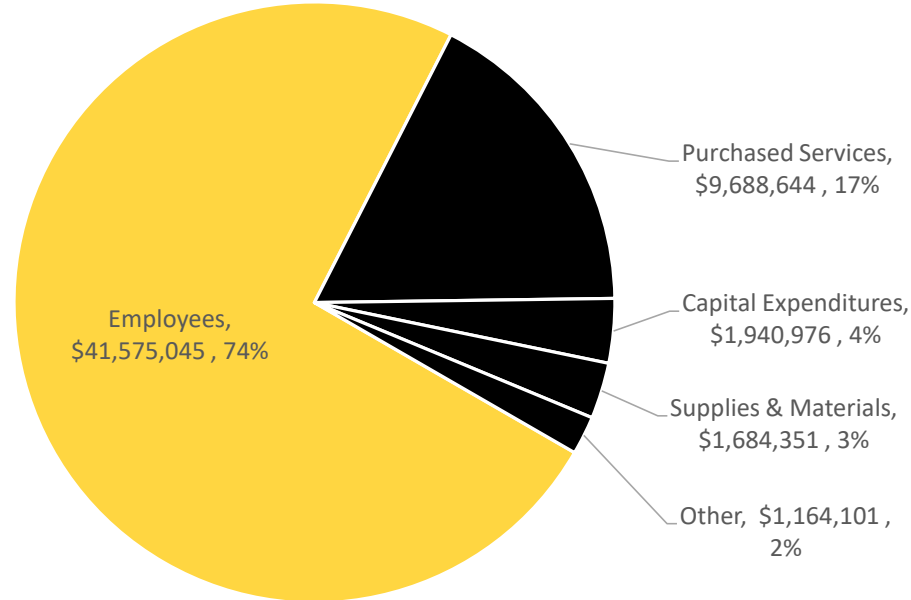
2024-2025 Budget All Funds

Fund	June 30, 2024 Fund Balances	FY 2025 Budget Revenues and Transfers In	FY 2025 Budget Expenditures and Transfers Out	June 30, 2025 Projected Fund Balances
General Fund/Restricted	\$354,077	\$13,783,025	\$15,699,620	\$(1,562,518)
General Fund/Other	2,768,664	37,762,093	40,353,497	177,260
Food Service Fund	1,021,537	2,506,900	2,965,554	562,883
Community Service Fund	(530,574)	2,736,538	2,545,113	(339,149)
Building Construction Fund	472,298	3,288,759	3,280,000	481,057
Debt Service Fund	1,141,267	4,852,485	5,004,143	989,609
Internal Service Fund	5,876,990	6,727,953	7,300,141	5,304,802
OPEB Revocable Trust Fund	3,597,994	340,000	561,250	3,376,744
OPEB Debt Service Fund	135,812	0	0	135,812
Total - All Funds	\$14,838,065	\$71,997,753	\$77,709,318	\$9,126,500

2024-2025 Budget General Fund Revenue



2024-2025 Budget General Fund Expenditures



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



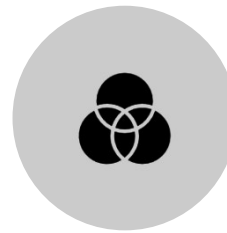
City/County:

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

Payable 2025 Property Tax Levy



Determination of levy



Compare 2024 to 2025 levies



Reasons for changes in tax
levy



Impact on taxpayers

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

Contents:

- Proposed property taxes compared to last year
 - By taxing jurisdiction
 - By voter approved & other for school district
- Time & place of public meetings



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 2024			
THIS IS NOT A BILL. DO NOT PAY.			
VALUES AND CLASSIFICATION			
Step 1	Taxes Payable Year	2023	2024
	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
PROPOSED TAX			
Step 2	Property Taxes before credits	\$1,479.52	
	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits	\$1,467.52	
PROPERTY TAX STATEMENT			
Step 3	Coming in 2024		
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 2023	Proposed 2024
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 6, 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
Total excluding any special assessments:		\$1,341.31	\$1,467.52 9.4%

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 2024 may be higher than the proposed amount shown on this notice.

School District Property Taxes

- Each school district may levy taxes in over 40 different categories
- Maximum levy amounts (calculated by MDE) for each category are set by:
 - State law
 - Voter approval
- Property Tax Process
 - Key steps in process are summarized on next slide
 - Any of these steps may affect taxes on a parcel of property, but district has control over only 1 of 6 steps

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





Overview of District's Proposed Tax Levy

- Proposed Payable 2025 tax levy is an increase from 2024 of \$1,637,780 or 12.50%
- 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

Categories		2023 Pay 24 FY 25	2024 Pay 25 FY 26	Dollar Change	% Change
1	GENERAL FUND				
2	Voter Approved Operating Referendum	\$ 1,695,969	\$ 2,887,630	\$ 1,191,661	
3	Local Optional Revenue	1,926,031	1,924,784	(1,248)	
4	Equity	396,450	341,227	(55,224)	
5	Voter Approved Capital Project Levy	1,272,850	1,346,895	74,046	
6	Operating Capital	275,215	285,900	10,685	
7	Alternative Teacher Compensation	250,065	242,533	(7,532)	
8	Achievement and Integration	225,198	226,379	1,181	
9	Long Term Facility Maintenance (LTFM)	1,284,078	617,869	(666,209)	
10	Building/Leases	609,592	601,709	(7,883)	
11	Other	403,646	466,076	62,430	
12	Prior Year Adjustments	14,339	(28,425)	(42,764)	
10	GENERAL FUND TOTAL	\$ 8,353,433.59	\$ 8,912,577	\$ 559,143	6.69%
11	COMMUNITY EDUCATION FUND				
12	Basic Levy	\$ 98,898	\$ 90,118	\$ (8,780)	
13	Early Child & Family	52,817	54,625	1,807	
14	School Age Care	160,000	175,000	15,000	
15	Other	3,363	3,301	(62)	
16	Prior Year Adjustments	38,927	14,914	(24,012)	
17	COMMUNITY SERVICE FUND TOTAL	\$ 354,005.10	\$ 337,958	\$ (16,047)	-4.53%
18	DEBT SERVICE FUND				
19	Voter Approved	\$ 2,863,981	\$ 3,042,593	\$ 178,612	
20	Other	263,865	435,120	171,255	
21	Long Term Facility Maintenance	1,496,815	2,143,918	647,103	
22	Reduction for Debt Excess	(245,304)	(195,487)	49,817	
23	Prior Year Adjustments	16,471	64,367	47,896	
24	DEBT SERVICE FUND TOTAL	\$ 4,395,827	\$ 5,490,511	\$ 1,094,684	24.90%
25	LEVY GRAND TOTAL	\$ 13,103,266	\$ 14,741,046	\$ 1,637,780	12.50%

Explanation of Levy Changes

Category:

General Fund – Voter Approved Operating Referendum

Change:

+\$1,191,661

Use of Funds:

General Operating Expenses

Reasons for Change:

- Passage of referendum question in November 2024
- Slight increase in enrollment projections

Explanation of Levy Changes

Category:

General Fund – Long Term Facilities Maintenance (LTFM)

Change:

-\$666,209

Use of Funds:

Deferred Facility Maintenance & Health & Safety Program Costs

Reason for Change:

- Revenue provided through a combination of property tax levy and state aid
- District borrowed against future LTFM revenue in order to tackle deferred maintenance projects. The offset is an increase in the Debt Service Fund

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

Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and a 29.5% 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
- Examples are for property in City of Fridley
- 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	\$150,000	\$853	\$684	\$702	\$758	-\$95	\$56
	200,000	1,192	955	982	1,072	-120	90
	250,000	1,531	1,226	1,262	1,385	-146	123
	300,000	1,869	1,497	1,542	1,698	-171	156
	350,000	2,208	1,768	1,822	2,012	-196	190
	450,000	2,871	2,299	2,369	2,638	-233	269
	500,000	3,190	2,554	2,633	2,951	-239	318
	600,000	3,937	3,152	3,252	3,646	-291	394
	800,000	5,432	4,347	4,491	5,024	-408	533
1,000,000	6,926	5,542	5,729	6,402	-524	673	
Commercial/ Industrial #	\$500,000	\$3,545	\$2,977	\$3,110	\$3,423	-\$122	\$313
	750,000	5,421	4,552	4,760	5,233	-188	473
	1,000,000	7,297	6,128	6,409	7,042	-255	633
	1,500,000	11,048	9,280	9,708	10,661	-387	953
	2,000,000	14,799	12,431	13,008	14,280	-519	1,272
Apartments and Res. Non-Homestead (2 or more units)	\$200,000	\$1,494	\$1,195	\$1,239	\$1,378	-\$116	\$139
	600,000	4,483	3,585	3,716	4,133	-350	417
	1,000,000	7,472	5,975	6,194	6,889	-583	695

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

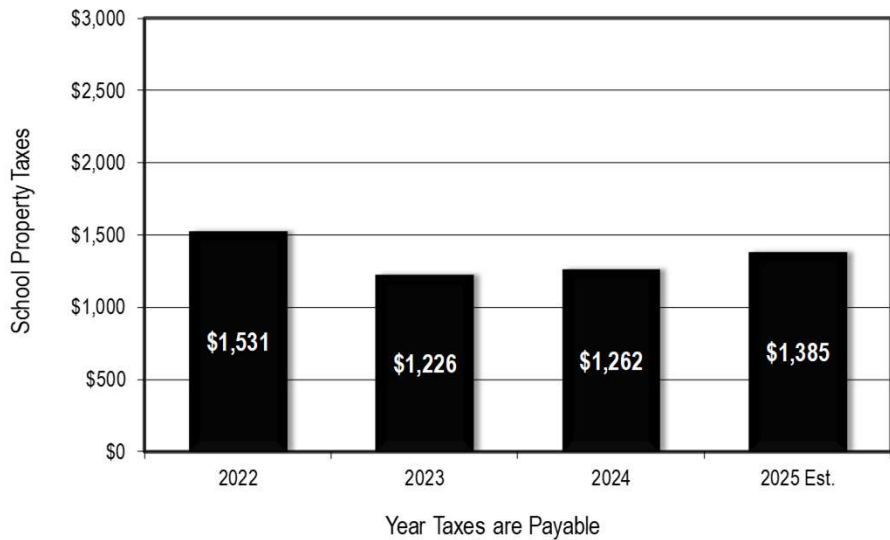
General Notes

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.

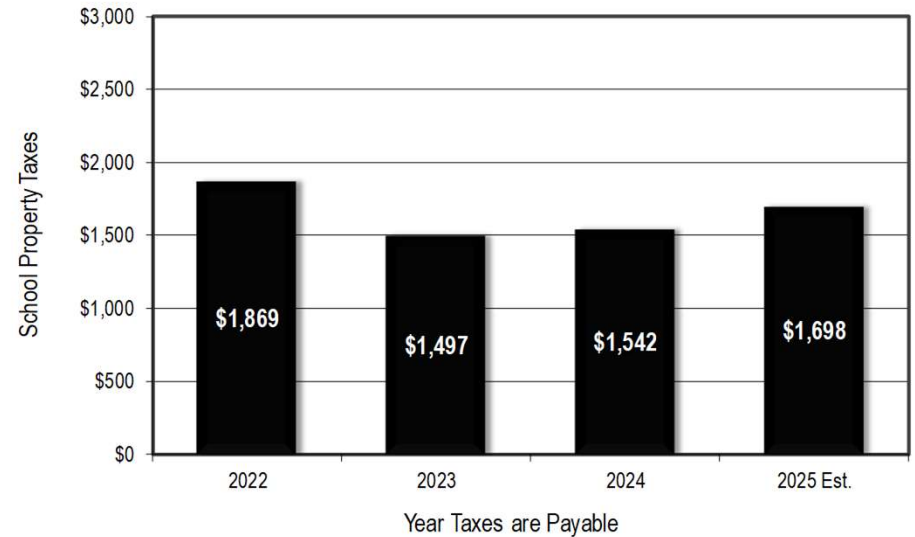
Estimated Changes in School Property Taxes, 2022-25

Based on No Changes in Property Value

Example 1: \$250,000 Residential Homestead Property

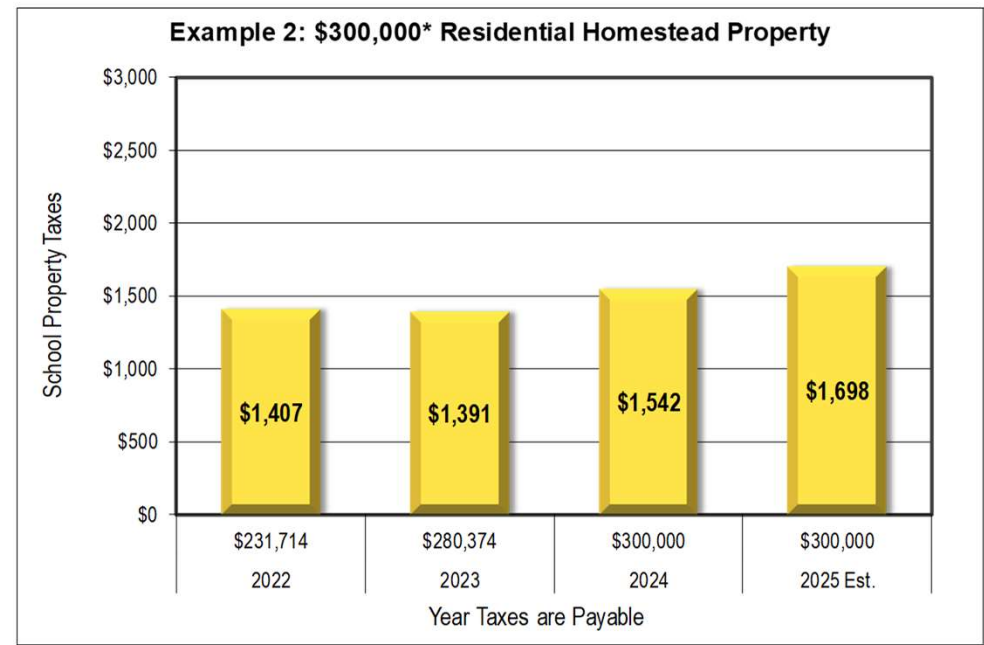
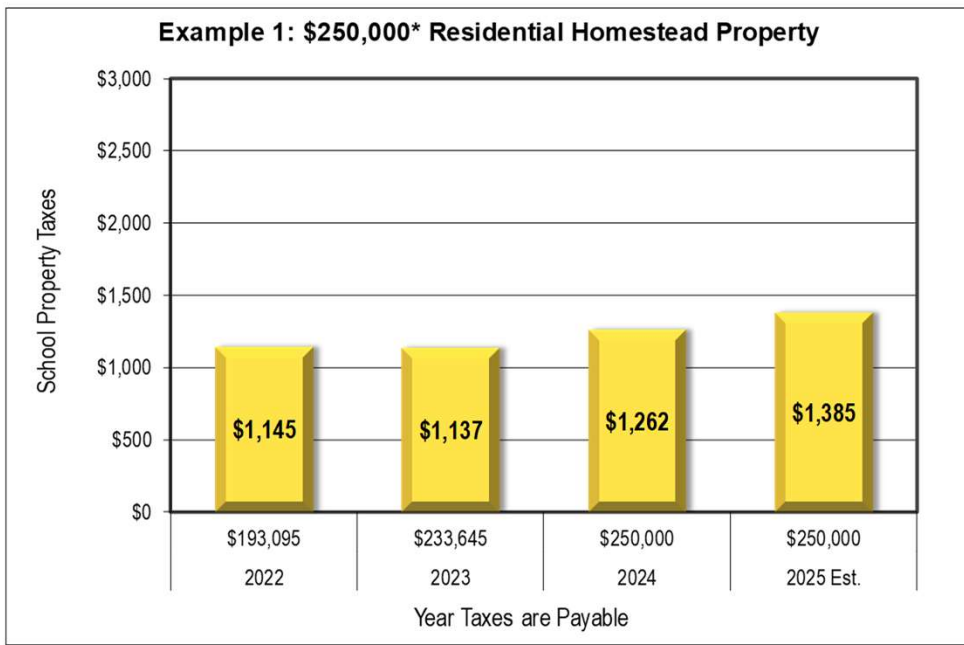


Example 2: \$300,000 Residential Homestead Property



Estimated Changes in School Property Taxes, 2022-25

Based on 29.5% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2025. Taxes are calculated based on changes in market value of 21.0% from 2022 to 2023, 7.0% 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)

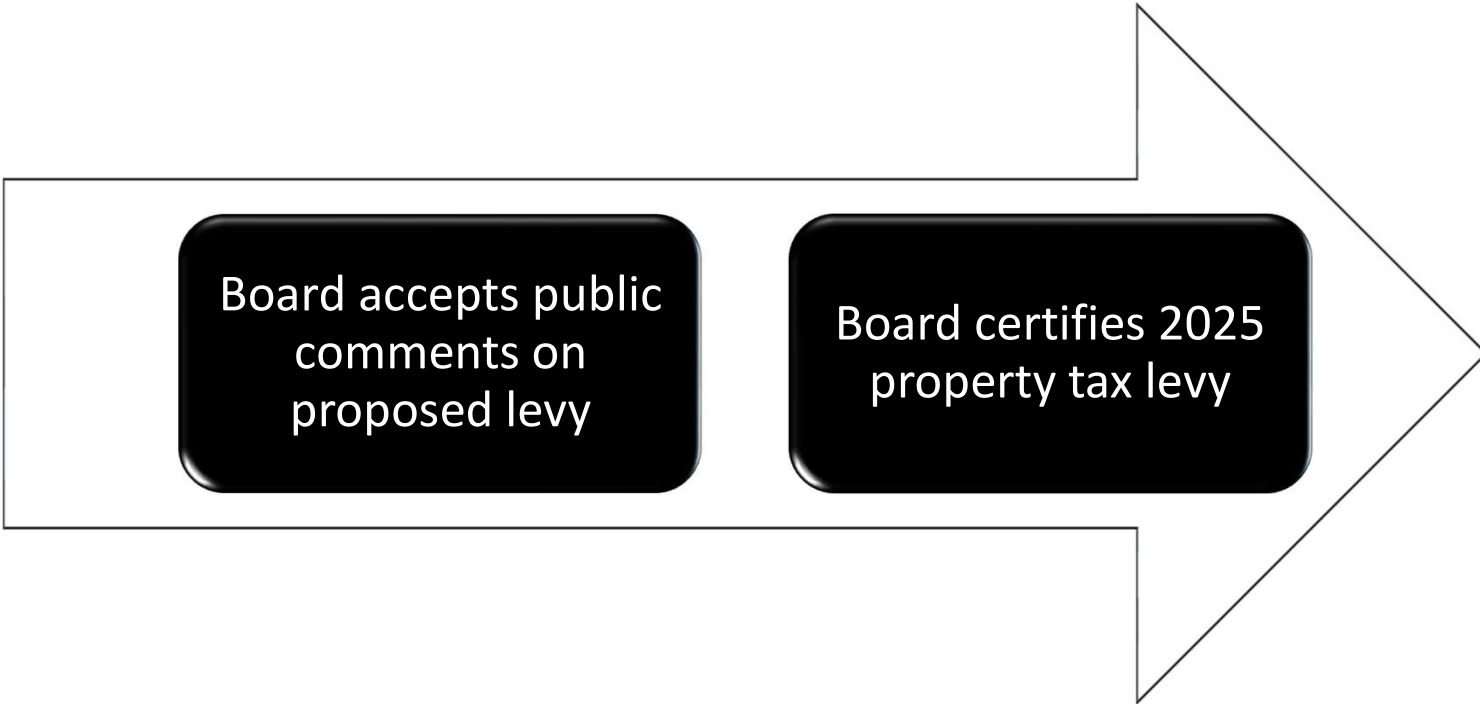
Special Property Tax Refund

- 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

Next Steps



Board accepts public
comments on
proposed levy

Board certifies 2025
property tax levy



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PUBLIC COMMENTS