



**Board of Education
Big Lake School District #727
Truth in Taxation**

**Thursday, December 17, 2020
6:01 PM
Middle School Student Center
601 Minnesota Ave
Big Lake, MN 55309**

Mission Statement

Our mission is to challenge, educate, & inspire all students to reach their highest level of achievement in academics, athletics, & the arts.

- I. Call to Order
Chair, Tonya Reasoner
- II. Roll Call
Chair, Tonya Reasoner
- III. Truth in Taxation Hearing
Director of Business Services, Angie Manuel
- IV. Adjournment
Chair, Tonya Reasoner

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Strategic Directions

- A. Implement practices that ensure all learners achieve at exceptional levels
- B. Ensure that staff, students, and families share in the accountability for the educational success of each student
- C. Establish a strong financial foundation that supports achievement of school district goals
- D. Seamlessly integrate technology as both a tool and a catalyst to maximize daily learning opportunities for students and staff
- E. Ensure that the facilities and infrastructure of Big Lake Schools are designed to optimize student learning in a safe, sustainable, and attractive environment
- F. Expand and strengthen public support for the school district



Big Lake Public Schools, ISD 727

Public Hearing for Taxes Payable in 2021

DECEMBER 17, 2020

PRESENTED BY:

ANGIE MANUEL,

DIRECTOR OF BUSINESS SERVICES

Minnesota State Law Requires:

A Public Meeting...

- Between November 25th & December 28th
- 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 2021
- 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 and capital needs to voters for approval

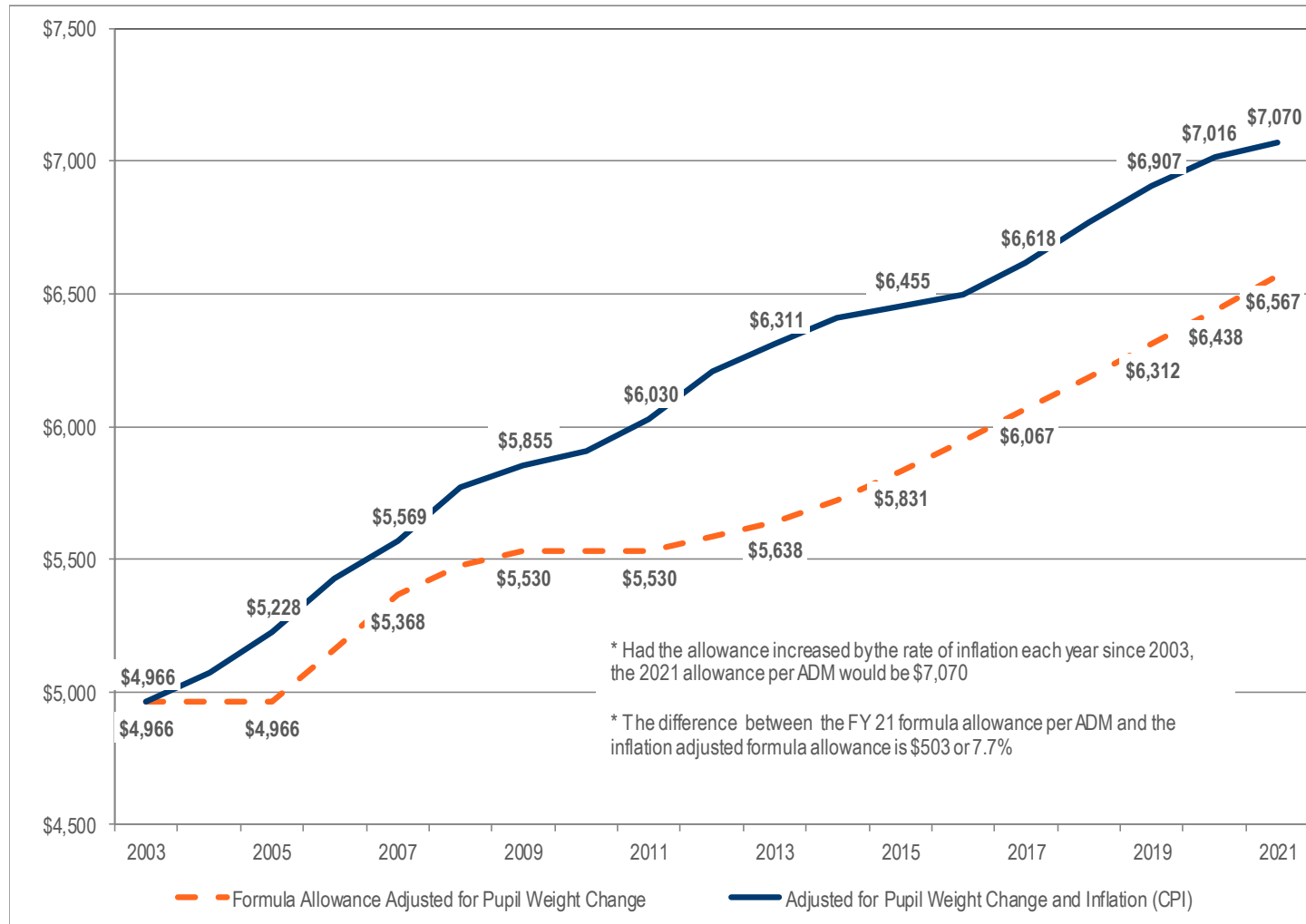
Challenge: State Set Basic General Education Formula Lags Inflation

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2020-21, an increase of 2% or \$129 over previous year was approved
- No additional changes to formula have been approved by legislature

Per-pupil allowance for Fiscal Year 2020-21 of \$6,567 would need to increase by another \$503 (7.7%) to have kept pace with inflation since 2002-03

General Education Formula Allowance, 2003-2021

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2020 Inflation Estimates

Underfunding of Special Education

MDE reports FY 2018 cost of providing special education programs was underfunded by \$822 million, or an average of 40% underfunded

Translating into a statewide average funding shortfall of \$5,705 per special education student

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

Result: Growing Dependence on Referendum Revenue

- In 1992-93, 65% of districts had operating referendum revenue averaging \$332 per pupil
- For 2020-21, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging \$1,570 per pupil
 - Of this amount, \$846 is a voter approved operating referendum, and \$724 is Local Optional Revenue (LOR)
 - Statewide, referendum revenue including Local Optional Revenue (LOR) provides 14.3% of General Fund operating revenue

Change in Tax Levy does not Determine Change in Budget

1

Tax levy is based on many state-determined formulas plus voter approved referendums

2

Some increases in tax levies are revenue neutral, offset by reductions in state aid

3

Expenditure budget is limited by state-set revenue formulas, voter-approved levies, and fund balance

4

An increase in school taxes does not always correlate to an equal increase in budget

School District Levy Cycle Differs from City/County Levy Cycle

City/County:

- Budget Year same as calendar year
- 2021 taxes provide revenue for 2021 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2021 taxes provide revenue for 2021-22 school fiscal year
- Budget will be adopted in June 2021

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 2021-22 budget will be adopted by School Board in June 2021.

All 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
- OPEB* Trust
- OPEB* Debt Service

**Other Post-Employment Benefits*

Big Lake Public Schools, ISD 727

District Revenues and Expenditures

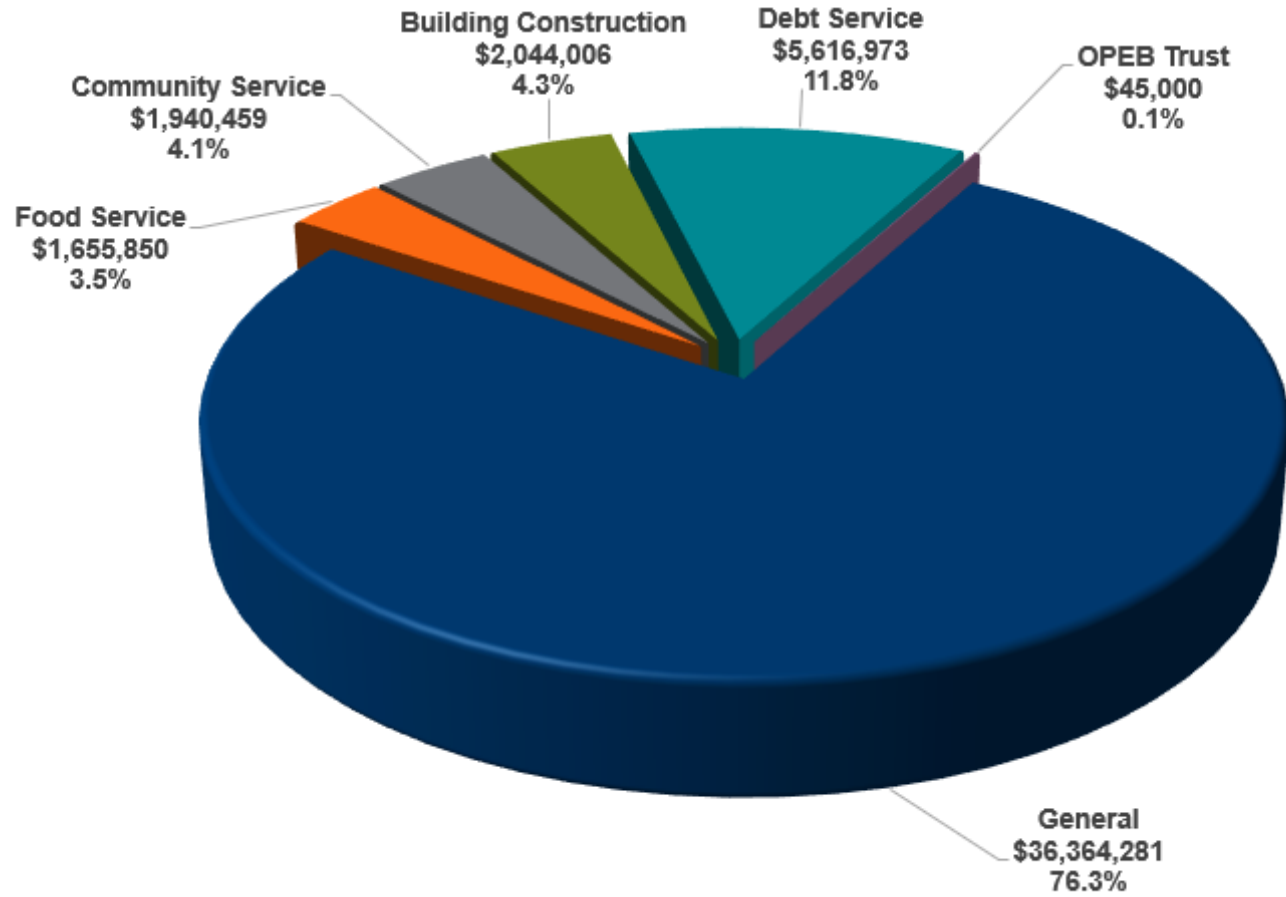
Actual for FY 2020, Budget for FY 2021

FUND	FISCAL 2020 BEGINNING FUND BALANCES	2019-20 ACTUAL REVENUES & TRANSFERS IN	2019-20 ACTUAL EXPENDITURES & TRANSERS OUT	JUNE 30, 2020 ACTUAL FUND BALANCES	2020-21 BUDGET REVENUES & TRANSERS IN	2020-21 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30, 2021 PROJECTED FUND BALANCES
General/Restricted	\$685,647	\$3,031,662	\$2,552,224	\$1,165,085	\$3,205,957	\$3,575,787	\$795,255
General/Other	7,973,533	32,153,973	31,170,501	8,957,005	33,158,324	33,944,053	8,171,276
Food Service	210,457	1,463,234	1,407,245	266,446	1,655,850	1,655,850	266,446
Community Service	408,102	2,024,721	2,036,978	395,845	1,940,459	2,173,632	162,672
Building Construction	4,293,144	7,243,908	6,699,270	4,837,782	2,044,006	6,881,788	-
Debt Service	1,304,669	5,979,308	5,478,016	1,805,961	5,616,973	5,807,280	1,615,654
Trust	15,650	-	15,650	-	-	-	-
OPEB* Irrevocable Trust	1,736,965	63,511	193,683	1,606,793	45,000	248,355	1,403,438
OPEB* Debt Service	97,401	393,249	389,831	100,819	-	100,819	-
Total All Funds	\$16,725,568	\$52,353,566	\$49,943,398	\$19,135,736	\$47,666,569	\$54,387,564	\$12,414,741

Big Lake Public Schools, ISD 727

Revenue - All Funds

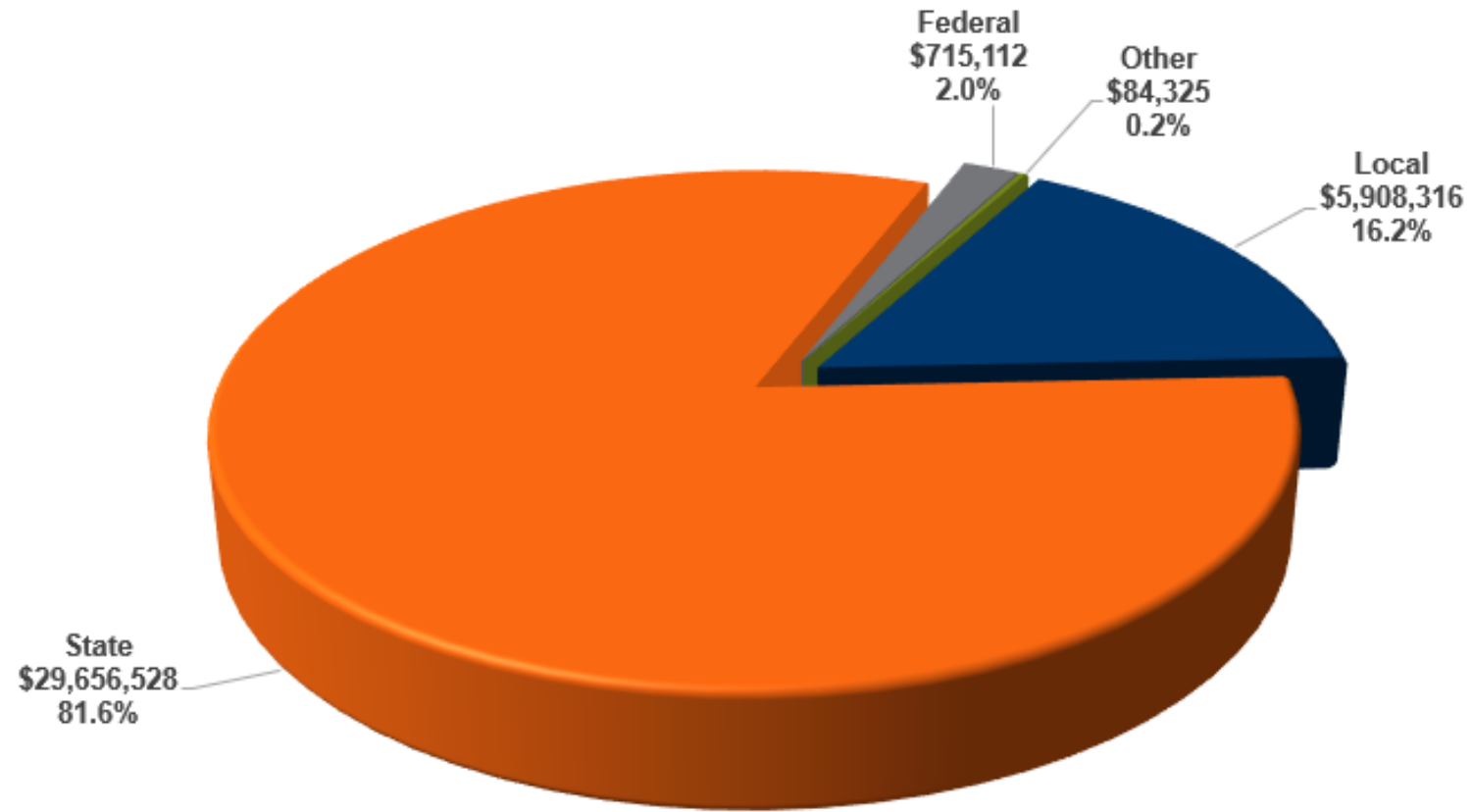
2020-21 Budget \$47,666,569



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General Fund Revenue

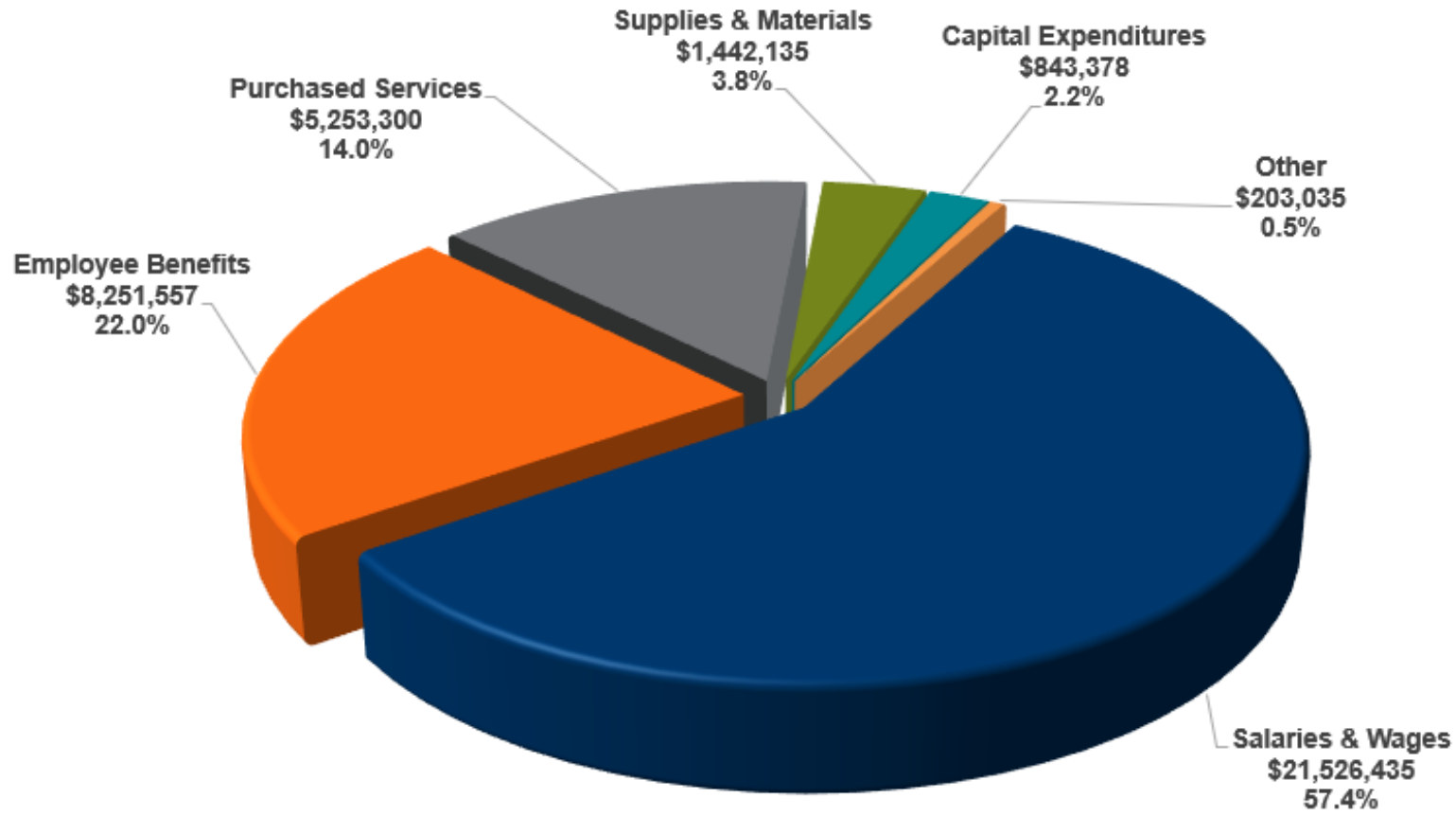
2020-21 Budget \$36,364,281



Big Lake Public Schools, ISD 727

General Fund Expenditures by Object

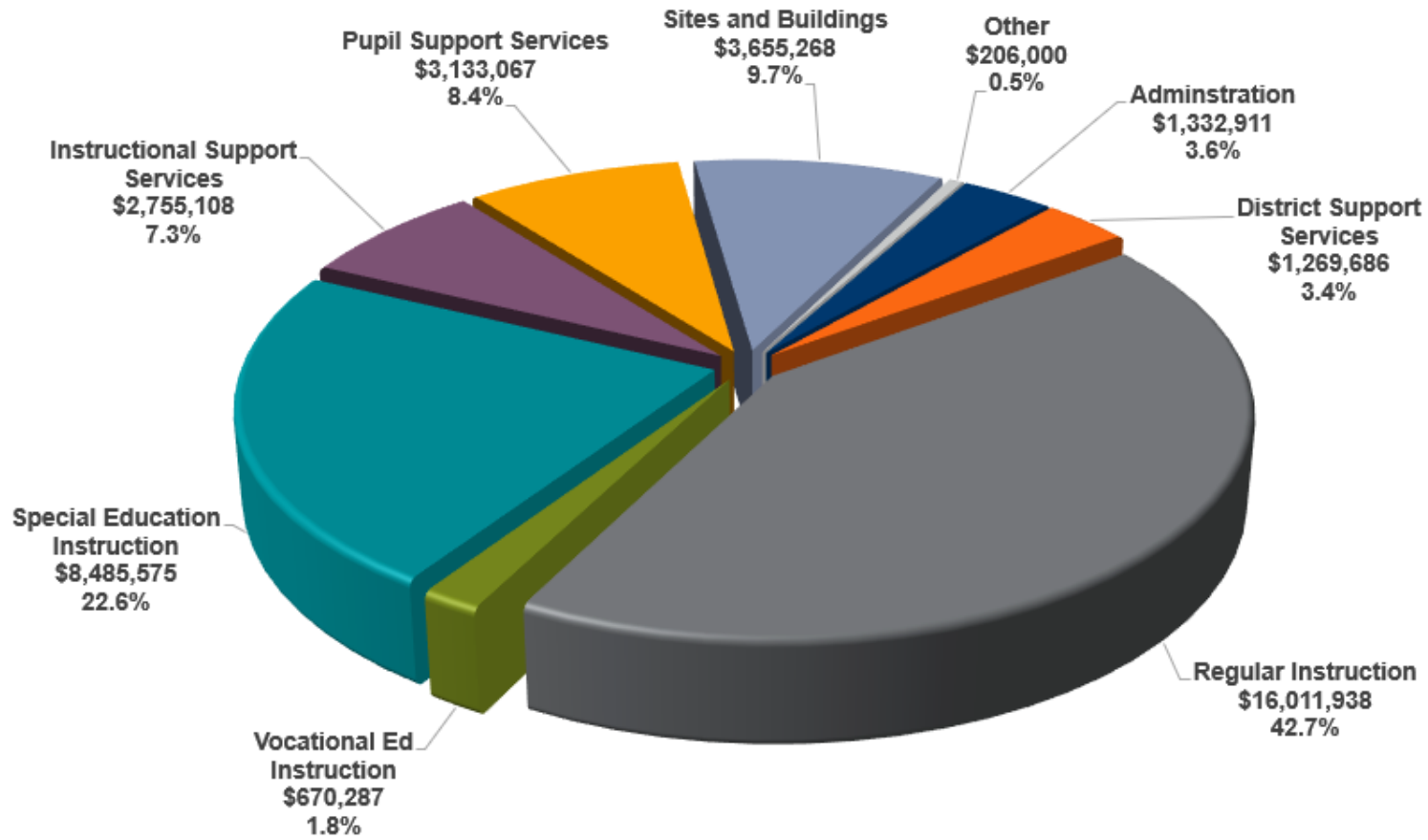
2020-21 Budget \$37,519,840



Big Lake Public Schools, ISD 727

General Fund Expenditures by Program

2020-21 Budget \$37,519,840



Payable 2021 Property Tax Levy

- Determination of levy
- Comparison of 2020 to 2021 levies
- Reasons for changes in tax levy
- Impact on taxpayers

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, and distributes funds back to other taxing jurisdictions

Sample of parcel specific notice mailed to every property owner between November 11 & November 24 with information on impact of Proposed 2021 levy

Contents:

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



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 2021			
THIS IS NOT A BILL. DO NOT PAY.			
Step	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2020	2021
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	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	\$1,550.46		
Step 3	PROPERTY TAX STATEMENT		
	Coming in 2021		
The time to provide feedback on PROPOSED LEVIES is NOW			

Proposed Property Taxes and Meetings by Jurisdiction for Your Property				
Contact Information	Meeting Information	Actual 2020	Proposed 2021	
State General 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 4, 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 3, 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	December 10, 7:00 PM Spruceville High School Cafeteria			
Voter Approved Levies		\$289.35	\$296.68	
Other Levies		\$340.11	\$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 2021 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	No public meeting	\$12.80	\$13.02	
Tax Increment Tax	No public meeting	\$10.15	\$11.22	
Total excluding any special assessments		\$1,422.02	\$1,550.46	9.0%

School District Property Taxes

- Each school district may levy taxes in over 40 different categories
- Maximum levy amounts for each category are set by:
 - State law
 - Voter approval

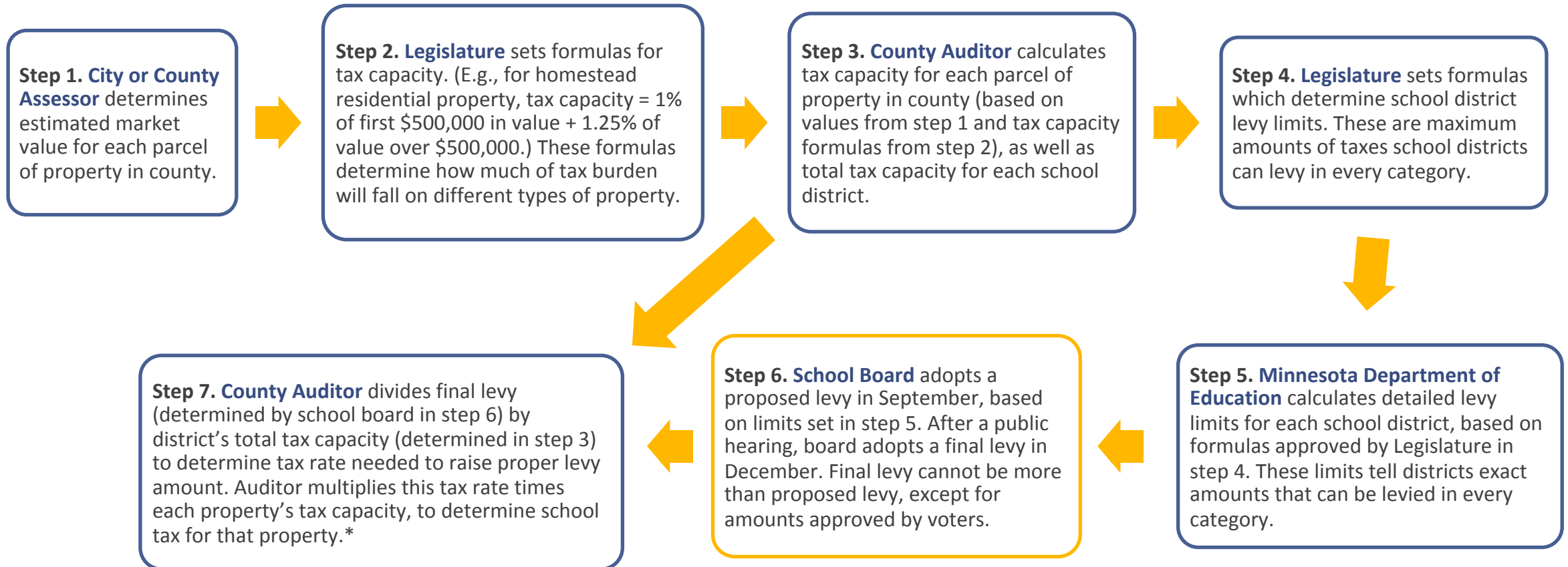
Minnesota Department of Education (MDE) calculates levy maximums for each district

Property Tax Background

School District Property Taxes

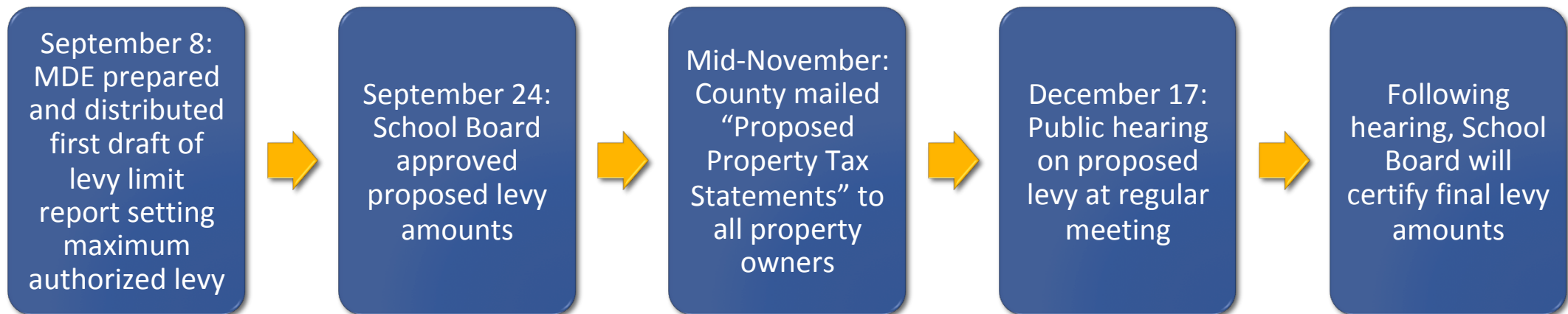
- Key steps in process are summarized on next slide
- Any of these steps may affect taxes on a parcel of property, but district has control over only 1 of 7 steps

School District Property Tax Process



Step 7*. For certain levy categories (referendum, equity & transition levies), tax rates & levy amounts are based on referendum market value, rather than tax capacity.

Schedule of Events in Approval of District's 2020 (Payable 2021) Tax Levy



Overview of Proposed Levy Payable in 2021

- Proposed property tax levy for 2021 is an increase from 2020 of \$262,554 or 2.5%
- Reasons for major changes in levy are included on following slides

Big Lake Public Schools, ISD #727

Comparison of Actual Tax Levy Payable in 2020 to Proposed Levy Payable in 2021

Fund Levy Category	Actual Levy Payable in 2020	Proposed Levy Payable in 2021	\$ Change	% Change
General				
Voter Approved Operating Referendum	1,331,893.90	1,430,050.18	\$98,156	
Local Optional Revenue (LOR)	1,485,194	1,608,364	123,169	
Equity	336,481	367,311	30,830	
Capital Project Referendum - Technology	519,531	563,770	44,240	
Operating Capital	163,729	175,744	12,016	
Alternate Teacher Compensation	259,223	277,419	18,196	
Remployment Insurance	20,000	200,000	180,000	
Safe Schools	119,837	119,938	101	
Long Term Facilities Maintenance (LTFM)	194,594	182,977	(11,617)	
Instructional Lease	121,711	119,832	(1,880)	
Other	188,770	120,997	(67,773)	
Prior Year Adjustments	125,770	(20,623)	(146,394)	
Total, General Fund	\$4,866,734	\$5,145,777	\$279,044	5.7%
Community Service				
Basic Community Education	\$148,652	\$148,652	\$0	
Early Childhood Family Education	49,608	50,059	451	
School-Age Child Care	110,000	110,000	0	
Other	5,621	5,755	134	
Prior Year Adjustments	77,619	(10,731)	(88,350)	
Total, Community Service Fund	\$391,499	\$303,735	(\$87,765)	-22.4%
Debt Service				
Voter Approved	\$4,933,520	\$5,047,233	\$113,713	
Other	218,400	218,400	0	
Long-Term Facility Maintenance (LTFM)	397,997	417,204	19,207	
Other Post Employment Benefits (OPEB)	0	0	0	
Reduction for Debt Excess	(289,603)	(364,408)	(74,805)	
Prior Year Adjustments	(12,076)	1,084	13,160	
Total, Debt Service Fund	\$5,248,238	\$5,319,512	\$71,275	1.4%
Total Levy, All Funds	\$10,506,471	\$10,769,025	\$262,554	2.5%
Subtotal by Truth in Taxation Categories:				
Voter Approved	\$6,556,543	\$6,709,032	\$152,489	
Other	3,949,928	4,059,993	110,065	
Total	\$10,506,471	\$10,769,025	\$262,554	2.5%

Explanation of Levy Changes

Category: Local Optional Revenue (LOR)

Change: +\$123,169

Use of Funds: General operating expenses

Reason 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 – Reemployment Insurance

Change: +\$180,000

Use of Funds: Reemployment costs

Reason for Change:

- Increase in estimated reemployment costs

Explanation of Levy Changes

Category: General Fund – Prior Year Adjustments

Change: -\$146,394

Use of Funds: General operating expenses

Reason for Change:

- Each year, initial levies are based on estimates of enrollment, values, and expenditures for future years
- In later years, estimates are updated, and levies are retroactively adjusted
- Adjustments for taxes payable in 2021 include negative amounts for a couple of categories (operating referendum and LTFM) as compared positive amounts for taxes payable in 2020

Explanation of Levy Changes

Category: Debt Service Fund – Voter Approved

Change: +\$113,713

Use of Funds: Annual required payments on voter approved bonds

Reason for Change:

- Planned increase to maintain a level tax rate and minimize interest costs, due to growth in the District's tax base
- Levies are also coordinated with other capital and debt levies to maintain a level tax rate

Factors Impacting Individual Taxpayers' School Taxes

Many factors can cause 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 in District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs and costs, voter-approved referendums, and other factors

Four Year School Levy Comparison

- Following slides show examples of changes in school district portion of property taxes from 2018 to 2021
- Based on no change in property values over this period and with a 15.8% increase in property value over this period; actual changes in value may be more or less than this for any parcel of property
- Amounts for 2021 are preliminary estimates, based on best available data – final amounts could change slightly
- Estimates prepared by Ehlers, District's municipal financial advisors

Big Lake Public Schools, ISD 727

Estimated Changes in School Property Taxes, 2018 to 2021

Based on No Increases in Property Values

Type of Property	Estimated Market Value	Actual Taxes Payable in 2018	Actual Taxes Payable in 2019	Actual Taxes Payable in 2020	Estimated Taxes Payable in 2021	Change in Taxes 2018 to 2021	Change in Taxes 2020 to 2021
Residential Homestead	\$150,000	\$823	\$813	\$810	\$775	-\$48	-\$35
	175,000	987	975	971	928	-59	-43
	200,000	1,150	1,138	1,131	1,081	-69	-50
	225,000	1,314	1,300	1,292	1,234	-80	-58
	250,000	1,478	1,462	1,453	1,388	-90	-65
	300,000	1,806	1,786	1,774	1,694	-112	-80
	350,000	2,133	2,110	2,096	2,000	-133	-96
	500,000	3,083	3,050	3,028	2,889	-194	-139
Commercial/ Industrial #	\$500,000	\$4,910	\$4,869	\$4,789	\$4,537	-\$373	-\$252
	750,000	7,526	7,465	7,339	6,951	-575	-388
	1,000,000	10,143	10,060	9,890	9,365	-778	-525
	1,250,000	12,759	12,655	12,440	11,779	-980	-661
	1,500,000	15,375	15,250	14,990	14,192	-1,183	-798
Agricultural Homestead (average value per acre of land and buildings)	\$2,500	\$3.90	\$3.87	\$3.31	\$2.92	-\$0.98	-\$0.39
	3,500	\$5.46	\$5.42	\$4.64	4.07	-1.39	-0.57
	4,500	\$7.02	\$6.97	\$5.97	5.24	-1.78	-0.73
	5,500	\$8.58	\$8.52	\$7.29	6.41	-2.17	-0.88

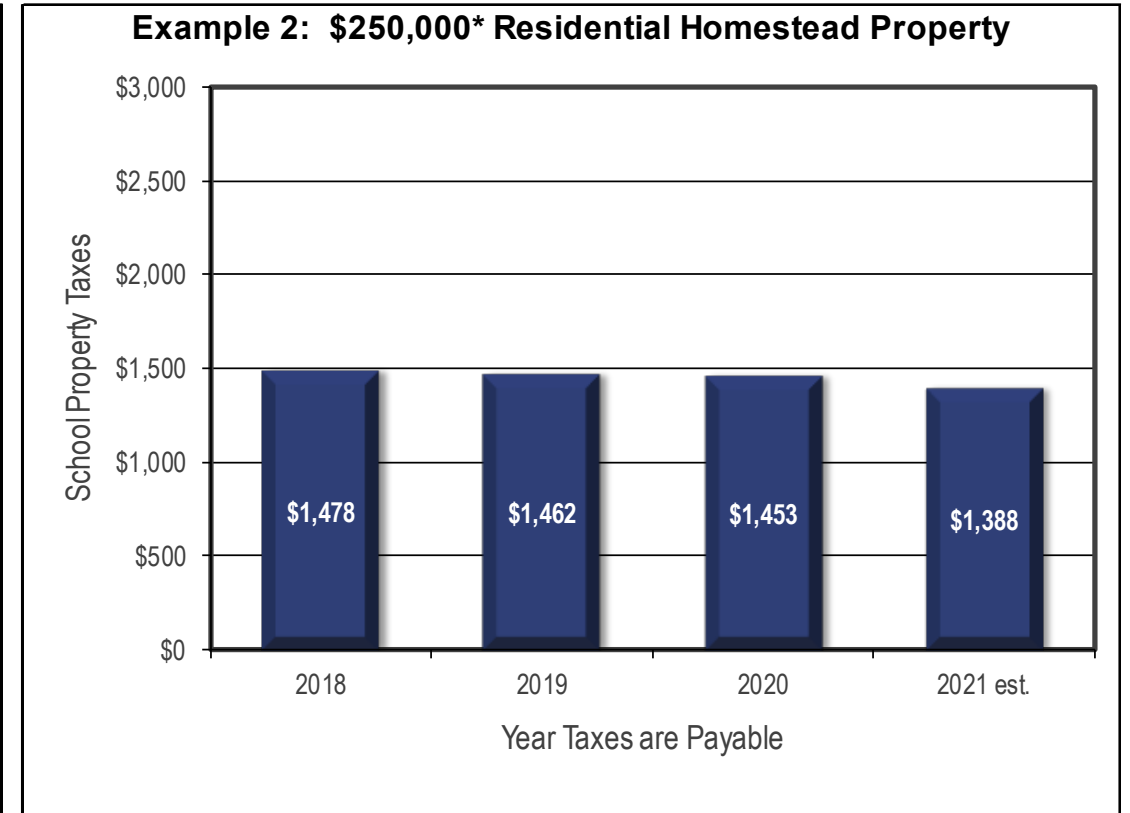
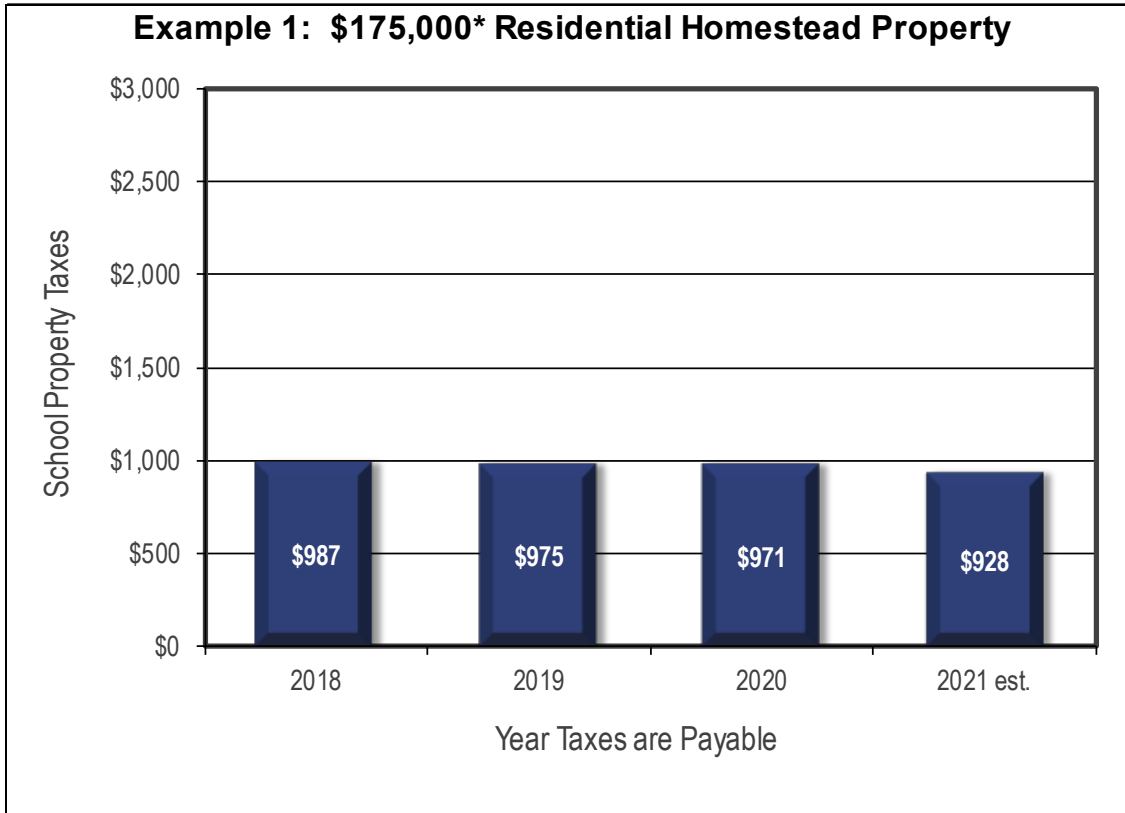
General Notes

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 2021 are preliminary, based on the best data available.
3. Taxes are based on no changes in estimated market value from 2018 to 2021.
4. For agricultural property, estimates of taxes payable beginning in 2018 include the impact of the School Building Bond Agricultural Credit. Average value per acre is the total estimated market value of all land and buildings, divided by total acres. Homestead examples do not include the value of the house, garage, and one acre, for which tax impact will be the same as on a residential homestead property. This calculation does not include the impact of the Agricultural Homestead Credit, which reduces taxes on each parcel of agricultural homestead property by varying amounts.

Big Lake Public Schools, ISD 727

Estimated Changes in School Property Taxes, 2018 to 2021

Based on No Increases in Property Values

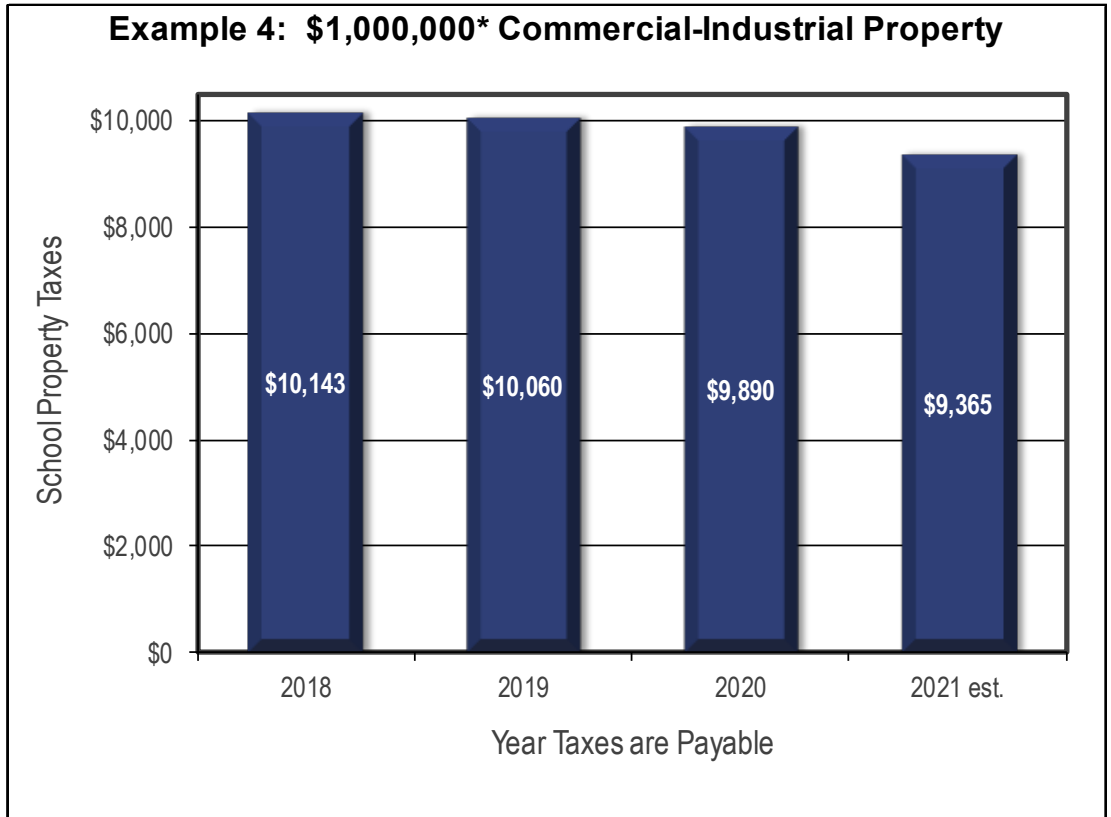
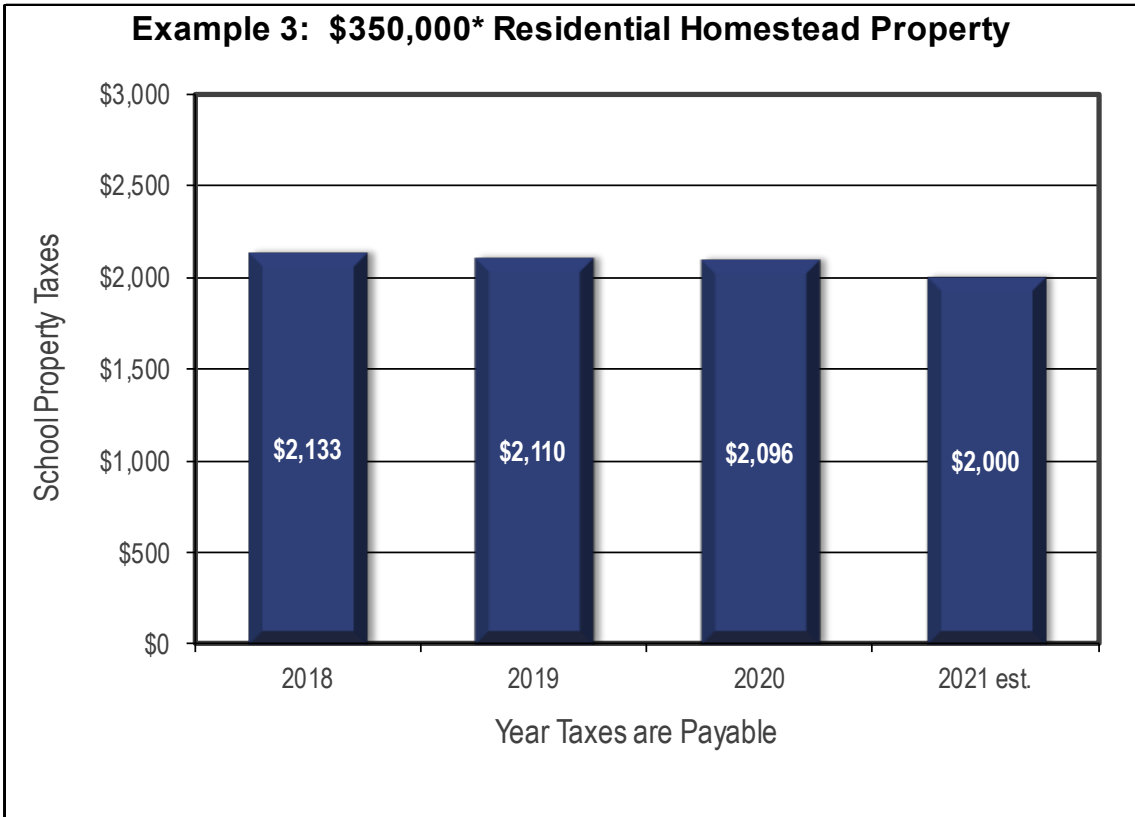


* Estimated market value for taxes payable in 2021. Taxes are calculated based on no change in market value from 2018 to 2021.

Big Lake Public Schools, ISD 727

Estimated Changes in School Property Taxes, 2018 to 2021

Based on No Increases in Property Values



* Estimated market value for taxes payable in 2021. Taxes are calculated based on no change in market value from 2018 to 2021.

Big Lake Public Schools, ISD 727

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 15.8% Cumulative Changes in Property Value from 2018 to 2021 Taxes

Type of Property	Estimated Market Value for 2018 Taxes	Actual Taxes Payable in 2018	Estimated Market Value for 2019 Taxes	Actual Taxes Payable in 2019	Estimated Market Value for 2020 Taxes	Actual Taxes Payable in 2020	Estimated Market Value for 2021 Taxes	Estimated Taxes Payable in 2021	Change in Taxes 2018 to 2021	Change in Taxes 2020 to 2021
Residential Homestead	\$129,587	\$689	\$137,363	\$731	\$144,231	\$773	\$150,000	\$775	\$86	\$2
	151,185	831	160,256	880	168,269	927	175,000	928	97	1
	172,783	972	183,150	1,028	192,308	1,082	200,000	1,081	109	-1
	194,381	1,114	206,044	1,177	216,346	1,236	225,000	1,234	120	-2
	215,979	1,255	228,938	1,325	240,385	1,391	250,000	1,388	133	-3
	259,175	1,538	274,725	1,622	288,462	1,700	300,000	1,694	156	-6
	302,371	1,821	320,513	1,919	336,538	2,009	350,000	2,000	179	-9
	345,566	2,104	366,300	2,216	384,615	2,318	400,000	2,307	203	-11
431,958	2,663	457,875	2,793	480,769	2,911	500,000	2,889	226	-22	
431,958	2,663	457,875	2,793	480,769	2,911	500,000	2,889	226	-22	
Commercial/ Industrial #	\$431,958	\$4,198	\$457,875	\$4,432	\$480,769	\$4,593	\$500,000	\$4,537	\$339	-\$56
	647,937	6,458	686,813	6,809	721,154	7,045	750,000	6,951	493	-94
	863,916	8,719	915,751	9,185	961,538	9,497	1,000,000	9,365	646	-132
	1,079,895	10,979	1,144,689	11,562	1,201,923	11,949	1,250,000	11,779	800	-170
	1,295,874	13,239	1,373,626	13,938	1,442,308	14,401	1,500,000	14,192	953	-209
Agricultural Homestead (average value per acre of land and buildings)	\$2,160	\$3.37	\$2,289	\$3.55	\$2,404	\$3.19	\$2,500	\$2.92	-\$0.45	-\$0.27
	3,024	\$4.72	3,205	\$4.97	3,365	\$4.46	3,500	4.07	-0.65	-0.39
	3,888	\$6.07	4,121	\$6.39	4,327	\$5.74	4,500	5.24	-0.83	-0.50
	4,752	\$7.41	5,037	\$7.81	5,288	\$7.01	5,500	6.41	-1.00	-0.60

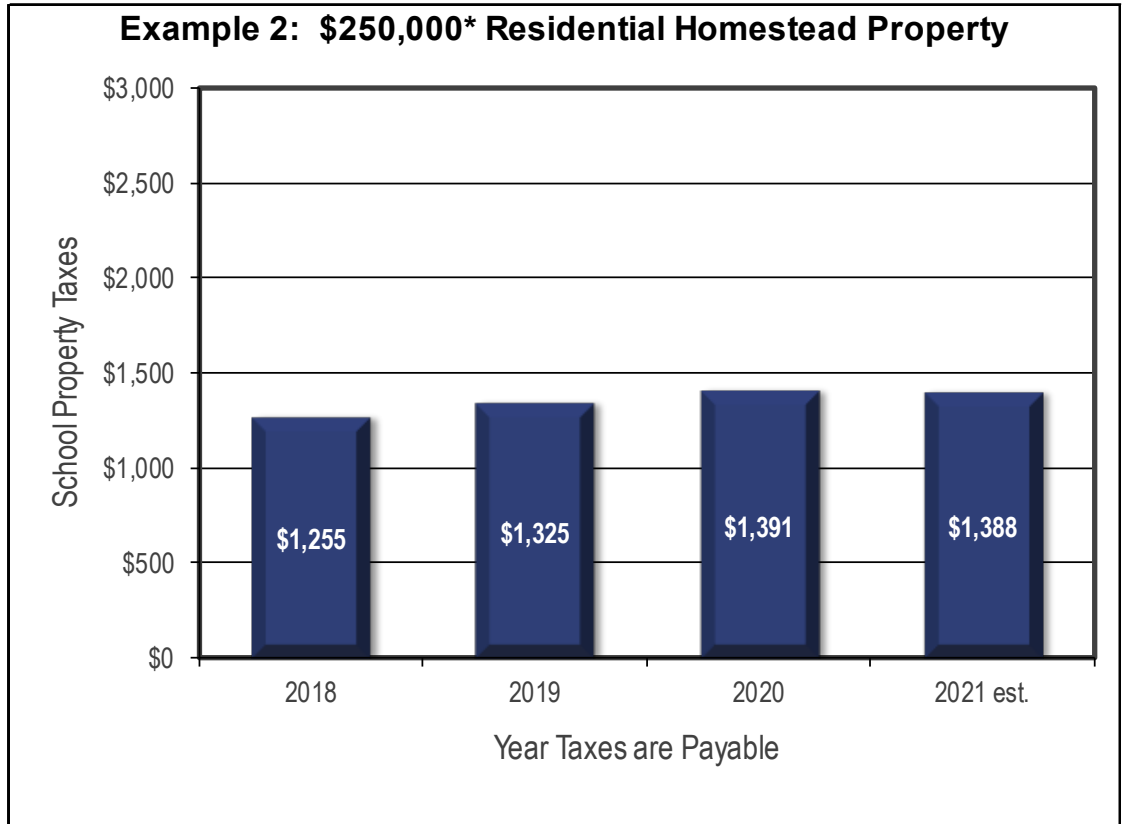
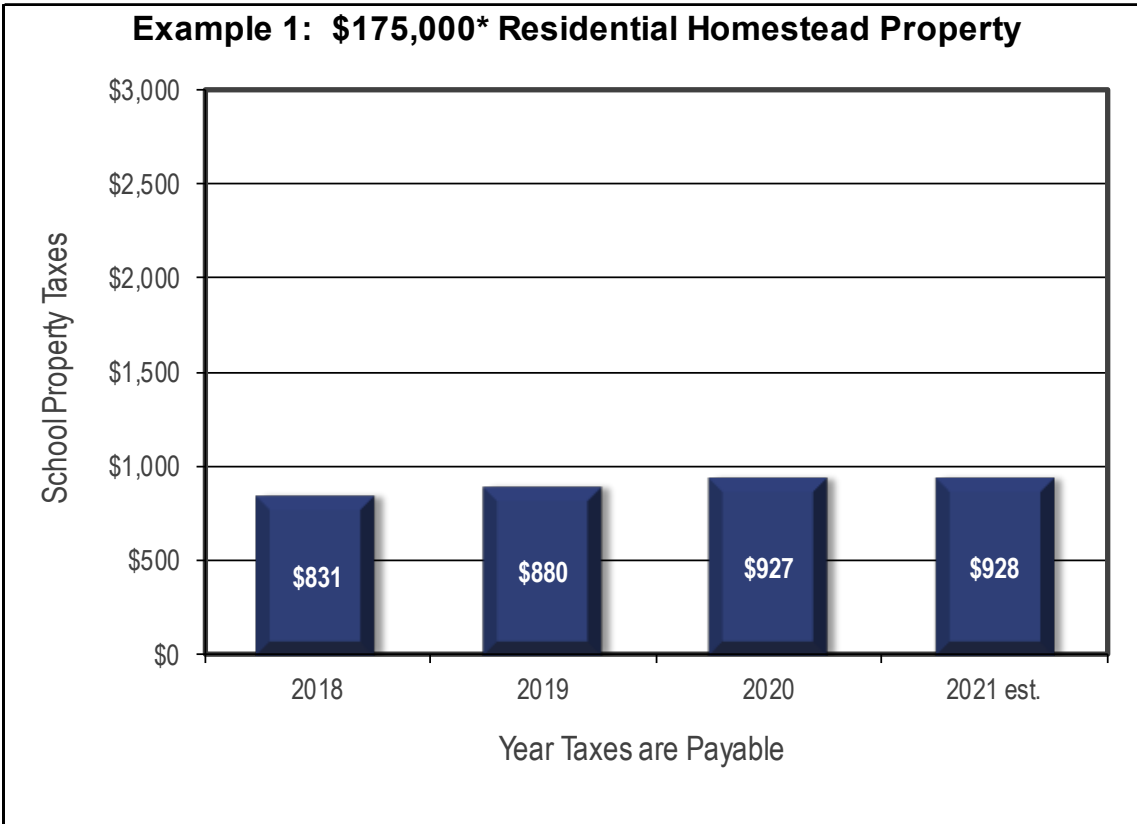
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2. Estimates of taxes payable in 2021 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on changes in estimated market value of 6.0% from 2018 to 2019 taxes, 5.0% from 2019 to 2020, and 4.0% from 2020 to 2021.
4. For agricultural property, estimates of taxes payable beginning in 2018 include the impact of the School Building Bond Agricultural Credit. Average value per acre is the total estimated market value of all land and buildings, divided by total acres. Homestead examples do not include the value of the house, garage, and one acre, for which tax impact will be the same as on a residential homestead property. This calculation does not include the impact of the Agricultural Homestead Credit, which reduces taxes on

Big Lake Public Schools, ISD 727

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 15.8% Cumulative Changes in Property Value from 2018 to 2021 Taxes

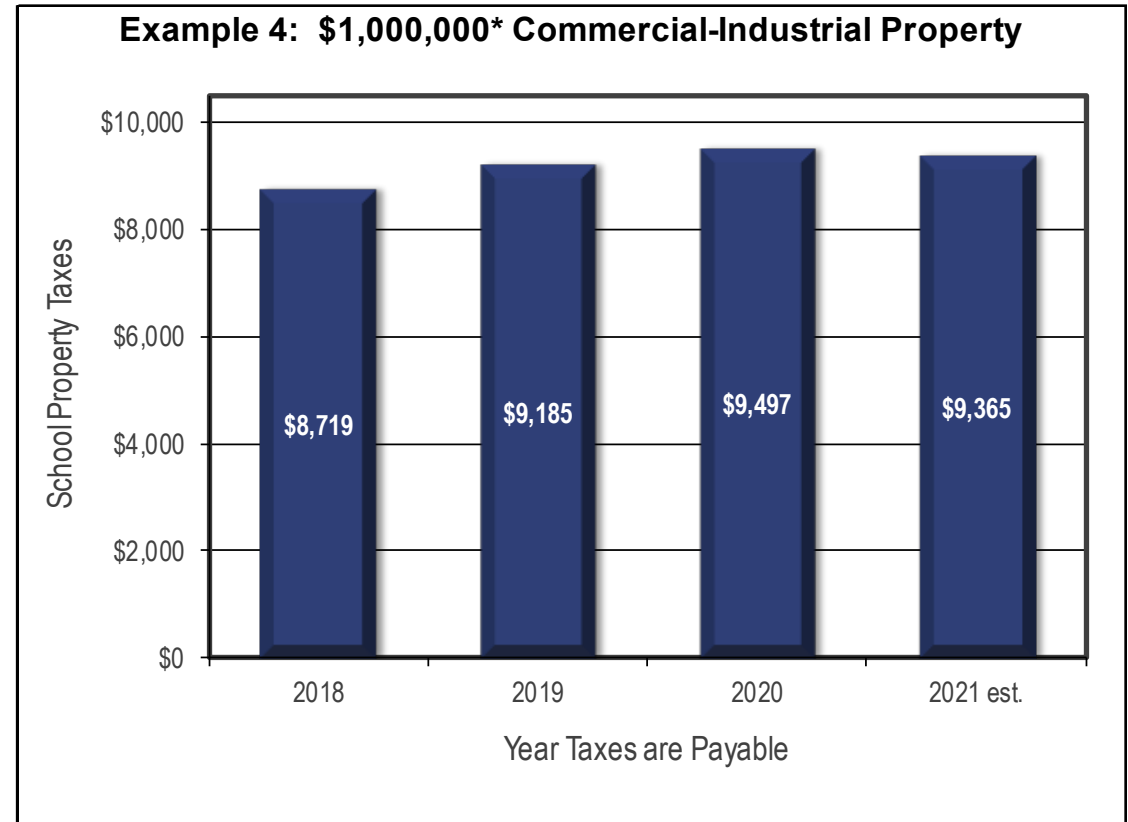
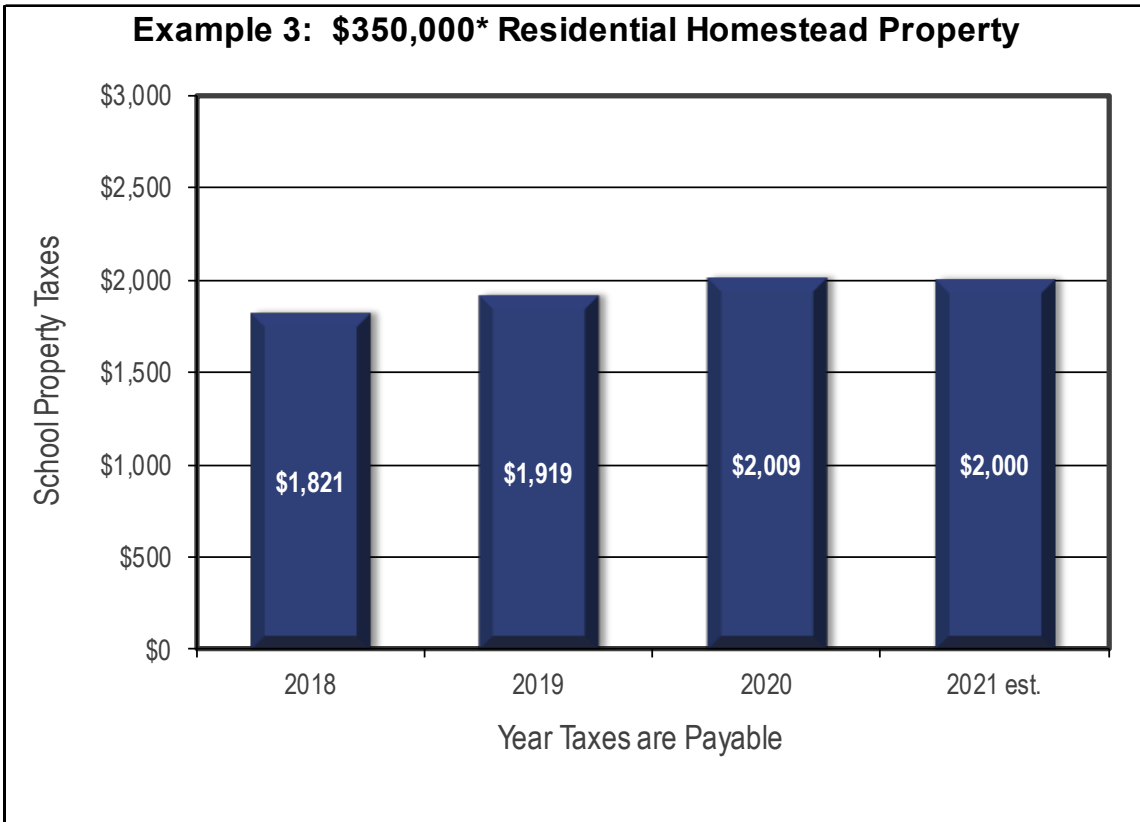


* Estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 6.0% from 2018 to 2019 taxes, 5.0% from 2019 to 2020, and 4.0% from 2020 to 2021.

Big Lake Public Schools, ISD 727

Estimated Changes in School Property Taxes, 2018 to 2021

Based on 15.8% Cumulative Changes in Property Value from 2018 to 2021 Taxes



* Estimated market value for taxes payable in 2021. Taxes are calculated based on changes in market value of 6.0% from 2018 to 2019 taxes, 5.0% from 2019 to 2020, and 4.0% from 2020 to 2021.

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 \$115,020 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 \$2,820
- Also available to renters
- Complete state tax form M-1PR (www.revenue.state.mn.us)

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)

Senior Citizen Property Tax Deferral

- 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

Next Steps

1

Board will accept public comments on proposed levy

2

Board will certify 2021 property tax levy



PUBLIC
COMMENTS