

Truth in Taxation

Thursday, December 16, 2021 6:01 PM

Middle School Student Center, 601 Minnesota Ave, Big Lake, MN 55309

I. Call to Order

Presenter: Chair,
Tonya Reasoner

II. Roll Call

Presenter: Chair,
Tonya Reasoner

III. Truth in Taxation Hearing

Presenter: Director
of Business Services,
Angie Manuel

IV. Adjournment

Presenter: Chair,
Tonya Reasoner



Big Lake Schools, ISD 727

Public Hearing for Taxes Payable in 2022

DECEMBER 16, 2021

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 2022
- 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

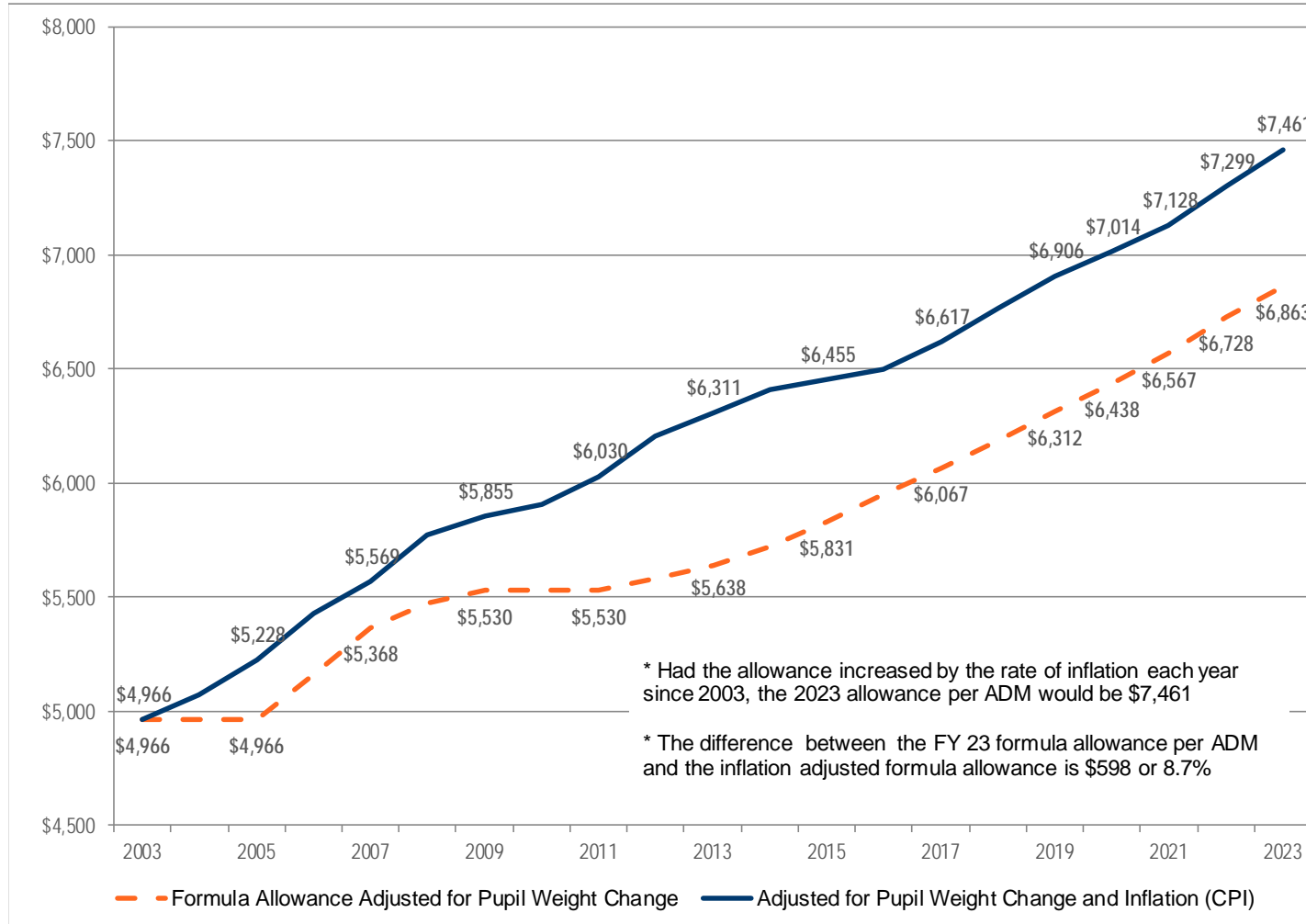
Challenge: State Set Basic General Education Formula Lags Inflation

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 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)



Source: MDE April 2021 Inflation Estimates

Underfunding of Special Education

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

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
- 2022 taxes provide revenue for 2022 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2022 taxes provide revenue for 2022-23 school fiscal year
- Budget will be adopted in June 2022

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 2022-23 budget will be adopted by School Board in June 2022.

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
- OPEB* Trust
- OPEB* Debt Service

**Other Post-Employment Benefits*

Big Lake Schools, ISD 727

District Revenues and Expenditures

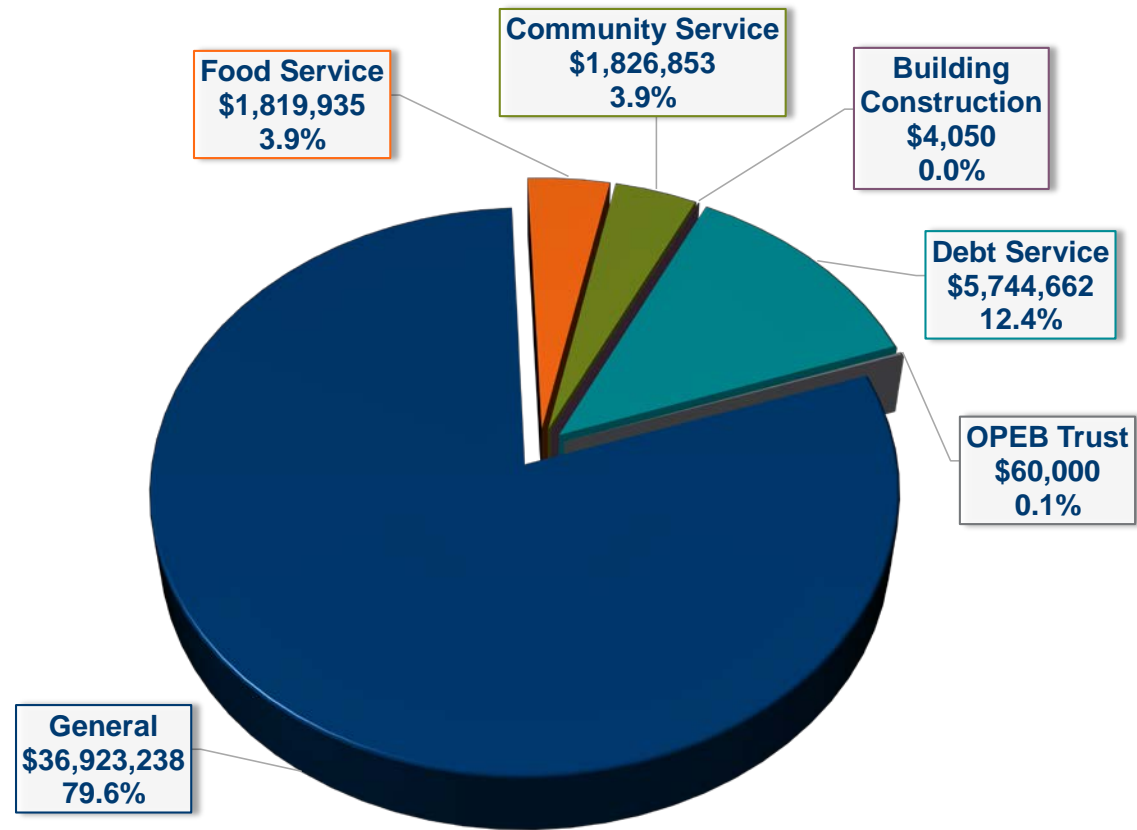
Actual for FY 2021, Budget for FY 2022

FUND	FISCAL 2021 BEGINNING	2020-21 ACTUAL	2020-21 ACTUAL	JUNE 30, 2021 ACTUAL	2021-22 BUDGET	2021-22 BUDGET	JUNE 30, 2022 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES
General/Restricted	\$1,224,347	\$2,489,226	\$2,225,503	\$1,488,070	\$2,583,429	\$3,095,011	\$976,488
General/Other	8,913,391	34,873,708	33,876,859	9,910,240	34,339,809	36,384,910	7,865,139
Food Service	266,446	1,216,240	1,281,055	201,631	1,819,935	1,782,109	239,457
Community Service	395,845	2,150,608	1,910,576	635,877	1,826,853	1,911,445	551,285
Building Construction	4,837,782	7,985,907	8,016,894	4,806,795	4,050	5,044,369	(233,524)
Debt Service	1,805,961	5,906,981	5,806,918	1,906,024	5,744,662	6,040,503	1,610,183
OPEB* Irrevocable Trust	1,606,793	141,323	129,775	1,618,341	60,000	248,570	1,429,771
OPEB* Debt Service	100,819	-	100,819	-	-	-	-
Total All Funds	\$19,151,384	\$54,763,993	\$53,348,399	\$20,566,978	\$46,378,738	\$54,506,917	\$12,438,799

*Other Post Employment Benefits

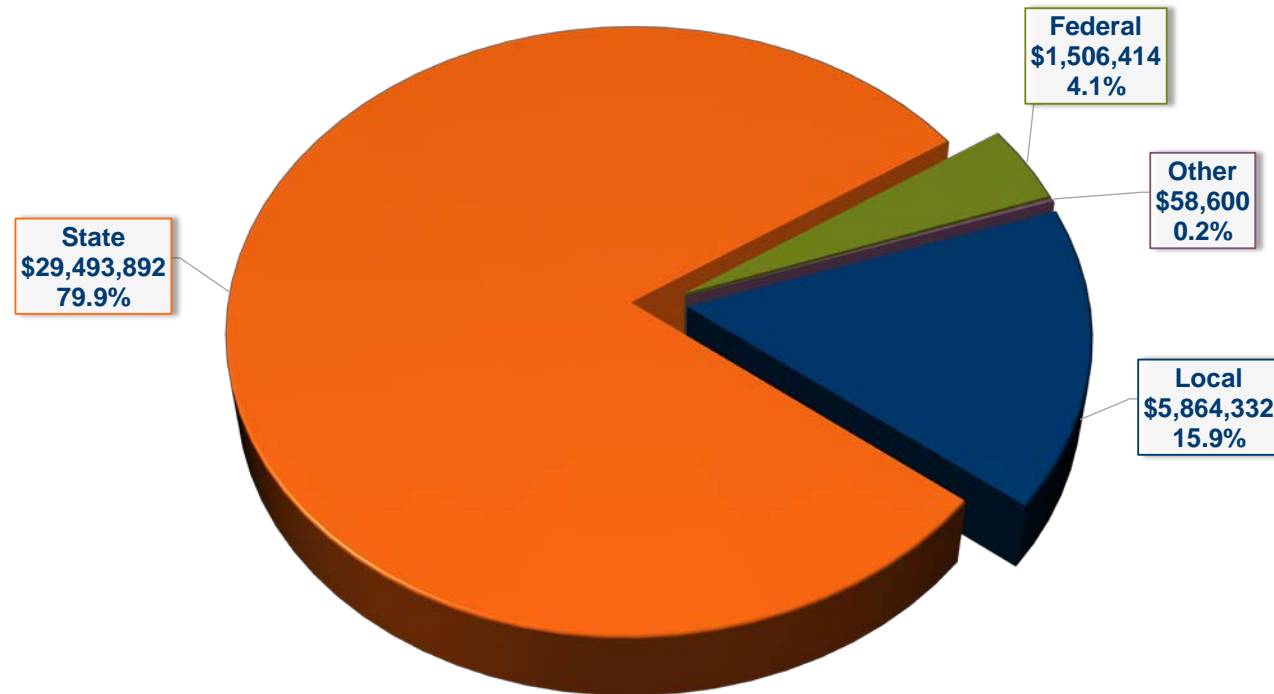
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Revenue – All Funds
2021-22 Budget \$46,378,738



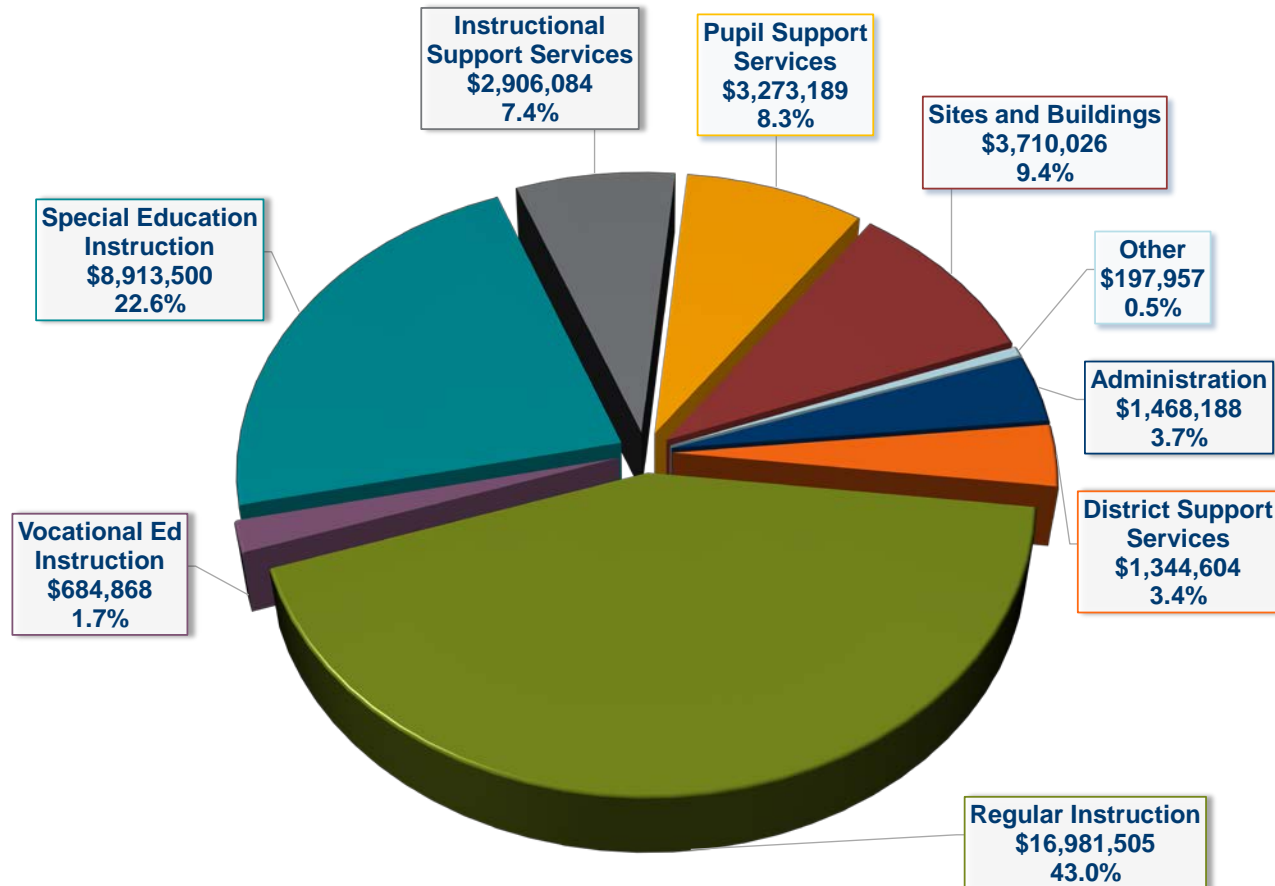
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General Fund Revenue
2021-22 Budget \$36,923,238



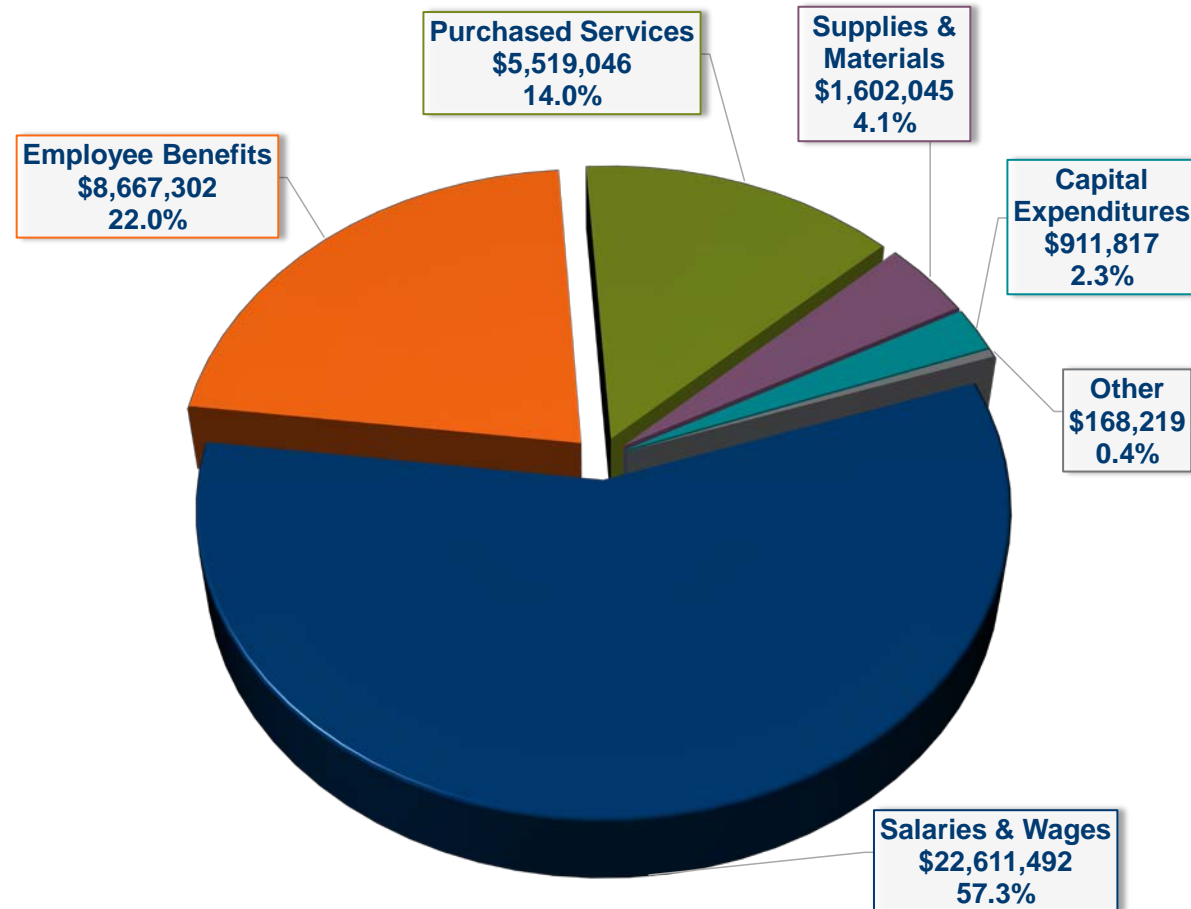
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General Fund Expenditures by Program
2021-22 Budget \$39,479,921



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General Fund Expenditures by Object
2021-22 Budget \$39,479,921



Payable 2022 Property Tax Levy

- Determination of levy
- Comparison of 2021 to 2022 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 2022 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

PROPOSED TAXES 2022

THIS IS NOT A BILL. DO NOT PAY.



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 Road South
Spruceville, MN 55555-5555

Property Information

PDN Number: 01.234.56.789.R.1
Property Address: 789 Pine Rd S
Spruceville, MN 55555

Property Description:
Lot 1, Block 1, Spruce Acres Subdivision

The time to provide feedback on PROPOSED LEVIES is NOW

It is too late to appeal your value without going to Tax Court.

VALUES AND CLASSIFICATION																
Step 1	<table border="1"> <thead> <tr> <th>Taxes Payable Year</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Estimated Market Value</td> <td>\$125,000</td> <td>\$150,000</td> </tr> <tr> <td>Homestead Exclusion</td> <td>\$</td> <td>\$23,800</td> </tr> <tr> <td>Taxable Market Value</td> <td>\$125,000</td> <td>\$126,200</td> </tr> <tr> <td>Class:</td> <td>Res NHmstd</td> <td>Res Hmstd</td> </tr> </tbody> </table>	Taxes Payable Year	2021	2022	Estimated Market Value	\$125,000	\$150,000	Homestead Exclusion	\$	\$23,800	Taxable Market Value	\$125,000	\$126,200	Class:	Res NHmstd	Res Hmstd
Taxes Payable Year	2021	2022														
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Class:	Res NHmstd	Res Hmstd														
Step 2	<table border="1"> <thead> <tr> <th colspan="2">PROPOSED TAX</th> </tr> </thead> <tbody> <tr> <td>Property Taxes before credits</td> <td>\$1,479.52</td> </tr> <tr> <td>School building bond credit</td> <td>\$ 12.00</td> </tr> <tr> <td>Agricultural market value credit</td> <td></td> </tr> <tr> <td>Other credits</td> <td></td> </tr> <tr> <td>Property Taxes after credits</td> <td>\$1,467.52</td> </tr> </tbody> </table>	PROPOSED TAX		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			
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Step 3	<p>PROPERTY TAX STATEMENT Coming in 2022</p>															

Proposed Property Taxes and Meetings by Jurisdiction for Your Property			
Contact Information	Meeting Information	Actual 2021	Proposed 2022
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 3, 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	December 10, 7:00 PM Spruceville High School Cafeteria		
Voter Approved Levies		\$289.35	\$296.68
Other Levies		\$340.11	\$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 2022 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 for each category are set by:
 - State law
 - Voter approval

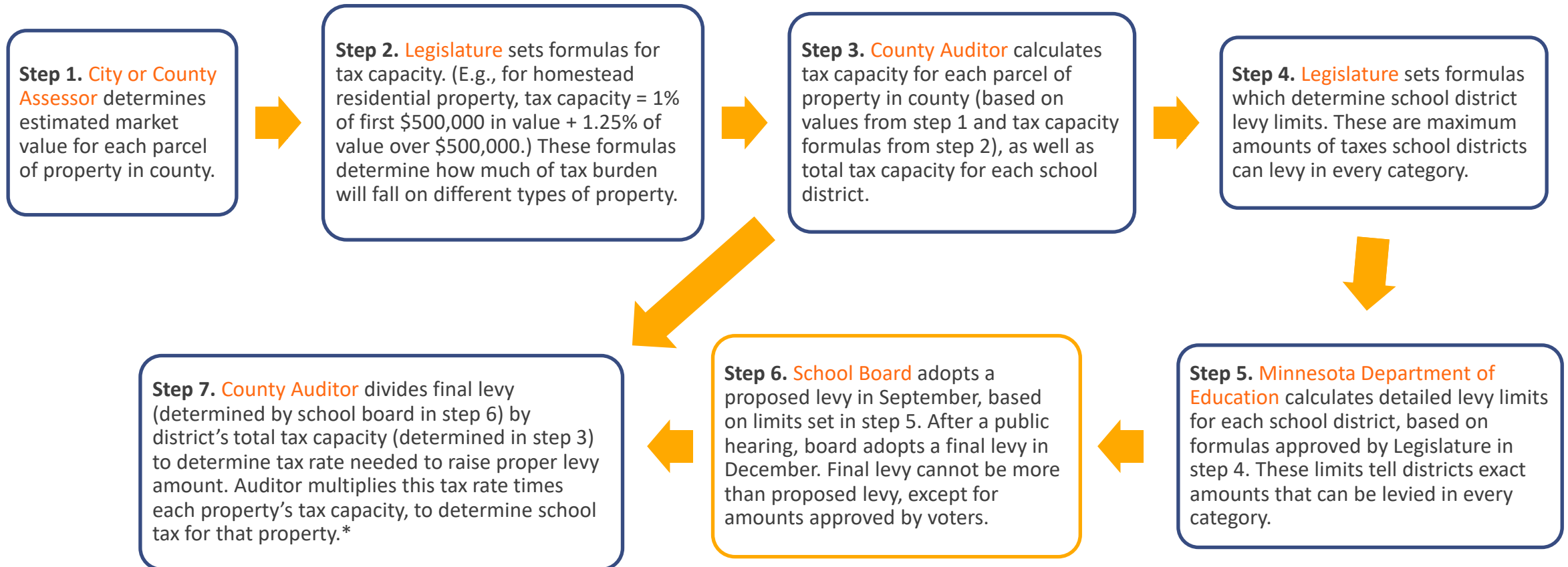
Minnesota Department of Education (MDE) calculates levy maximums for each district

Property Tax Background

School District Property Taxes

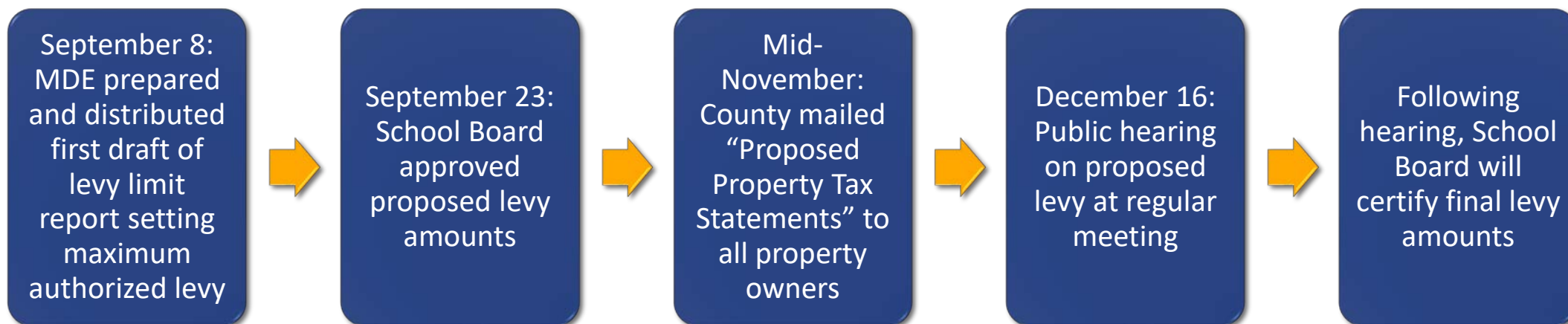
- Key steps in process are summarized on next slide
- Any of these steps may affect taxes on a parcel of property, but district has control over only 1 of 7 steps

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 2021 (Payable 2022) Tax Levy



Overview of Proposed Levy Payable in 2022

- Proposed property tax levy for 2022 is an increase from 2021 of \$519,438 or 4.9%
- Includes a slight net decrease (\$290) from initial proposed levy approved by School Board in September and amounts included in proposed tax statements
 - District refinanced some of its existing bonds, reducing debt service levy
 - Total savings from refinancing is approximately \$723,000, with reduction in debt service levies for taxes payable in 2022 through 2024
 - Voter approved debt service levy was increased due to bond referendum approved by voters in an election held on November 2nd
 - Increase in voter approved debt service levy was offset by decrease in Long-Term Facilities Maintenance (LTFM) levy in the General Fund
- Reasons for major changes in levy are included on following slides

Big Lake Schools, ISD 727

Comparison of Actual Tax Levy Payable in 2021 to Proposed Levy Payable in 2022

Fund Levy Category	Actual Levy Payable in 2021	Proposed Levy Payable in 2022	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$1,430,050	\$1,609,644	\$179,594	
Local Optional Revenue (LOR)	1,608,364	1,687,357	78,993	
Equity	367,311	376,449	9,138	
Voter Approved Capital Project/Technology Referendum	563,770	606,298	42,528	
Operating Capital	175,744	195,103	19,358	
Alternate Teacher Compensation	277,419	278,377	958	
Safe Schools	119,938	120,758	821	
Long Term Facilities Maintenance (LTFM)	182,977	184,393	1,417	
Instructional Lease	119,832	141,957	22,125	
Other	220,997	149,733	(71,264)	
Prior Year Adjustments	(20,623)	104,221	124,845	
Total, General Fund	\$5,045,777	\$5,454,291	\$408,513	8.1%
Community Service				
Basic Community Education	\$148,652	\$148,275	(\$377)	
Early Childhood Family Education	50,059	50,604	545	
School-Age Child Care	110,000	95,000	(15,000)	
Other	5,755	5,811	56	
Prior Year Adjustments	(10,731)	13,373	24,104	
Total, Community Service Fund	\$303,735	\$313,062	\$9,328	3.1%
Debt Service				
Voter Approved	\$5,047,233	\$5,020,078	(\$27,155)	
Other	218,400	218,190	(210)	
Long-Term Facility Maintenance (LTFM)	417,204	474,891	57,687	
Reduction for Debt Excess	(393,063)	(324,068)	68,994	
Prior Year Adjustments	29,738	32,019	2,281	
Total, Debt Service Fund	\$5,319,512	\$5,421,109	\$101,597	1.9%
Total Levy, All Funds	\$10,669,025	\$11,188,462	\$519,438	4.9%
Subtotal by Truth in Taxation Categories:				
Voter Approved	6,709,032	7,050,632	341,600	
Other	3,959,993	4,137,831	177,838	
Total	\$10,669,025	\$11,188,462	\$519,438	4.9%

Explanation of Levy Changes

Category: General Fund – Voter Approved Operating Referendum

Change: +\$179,594

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
- Voter approved operating referendum authority includes an annual inflationary increase
 - Inflation factor is determined by the State, as set in statute

Explanation of Levy Changes

Category: General Fund – Prior Year Adjustments

Change: +\$124,845

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 included negative amounts for operating referendum as compared positive amounts for taxes payable in 2022

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 2019 to 2022
- Examples include school district taxes only
- All examples are based on no change in property value over this four-year period
 - 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

Impact on Taxpayers

- Amounts for 2022 are preliminary estimates, based on best available data – final amounts could change slightly
- Estimates prepared by Ehlers, District's municipal financial advisors

Big Lake Schools, ISD 727

Estimated Changes in School Property Taxes, 2019 to 2022

Based on No Increases in Property Values

Type of Property	Estimated Market Value	Actual Taxes Payable in 2019	Actual Taxes Payable in 2020	Actual Taxes Payable in 2021	Estimated Market Value for 2022 Taxes	Estimated Taxes Payable in 2022	Change in Taxes 2019 to 2022	Change in Taxes 2021 to 2022
Residential Homestead	\$150,000	\$813	\$810	\$769	\$150,000	\$733	-\$80	-\$36
	175,000	975	971	920	175,000	877	-98	-43
	200,000	1,138	1,131	1,072	200,000	1,021	-117	-51
	225,000	1,300	1,292	1,224	225,000	1,165	-135	-59
	250,000	1,462	1,453	1,376	250,000	1,309	-153	-67
	300,000	1,786	1,774	1,680	300,000	1,597	-189	-83
	350,000	2,110	2,096	1,983	350,000	1,885	-225	-98
	400,000	2,435	2,417	2,287	400,000	2,173	-262	-114
	450,000	2,745	2,725	2,578	450,000	2,449	-296	-129
500,000	3,050	3,028	2,865	500,000	2,721	-329	-144	
Commercial/Industrial	\$500,000	\$4,869	\$4,789	\$4,492	\$500,000	\$4,222	-\$647	-\$270
	750,000	7,465	7,339	6,881	750,000	6,466	-999	-415
	1,000,000	10,060	9,890	9,271	1,000,000	8,709	-1,351	-562
	1,500,000	15,250	14,990	14,050	1,500,000	13,196	-2,054	-854
	2,000,000	20,441	20,090	18,829	2,000,000	17,683	-2,758	-1,146
Agricultural Homestead (average value per acre of land and buildings)	\$5,000	\$7.75	\$6.63	\$5.70	\$5,000	\$4.94	-\$2.81	-\$0.76
	6,500	\$10.07	\$8.62	\$7.41	6,500	6.43	-3.64	-0.98
	7,000	\$10.85	\$9.29	\$7.98	7,000	6.92	-3.93	-1.06
	8,000	\$12.41	\$10.61	\$9.12	8,000	7.90	-4.51	-1.22

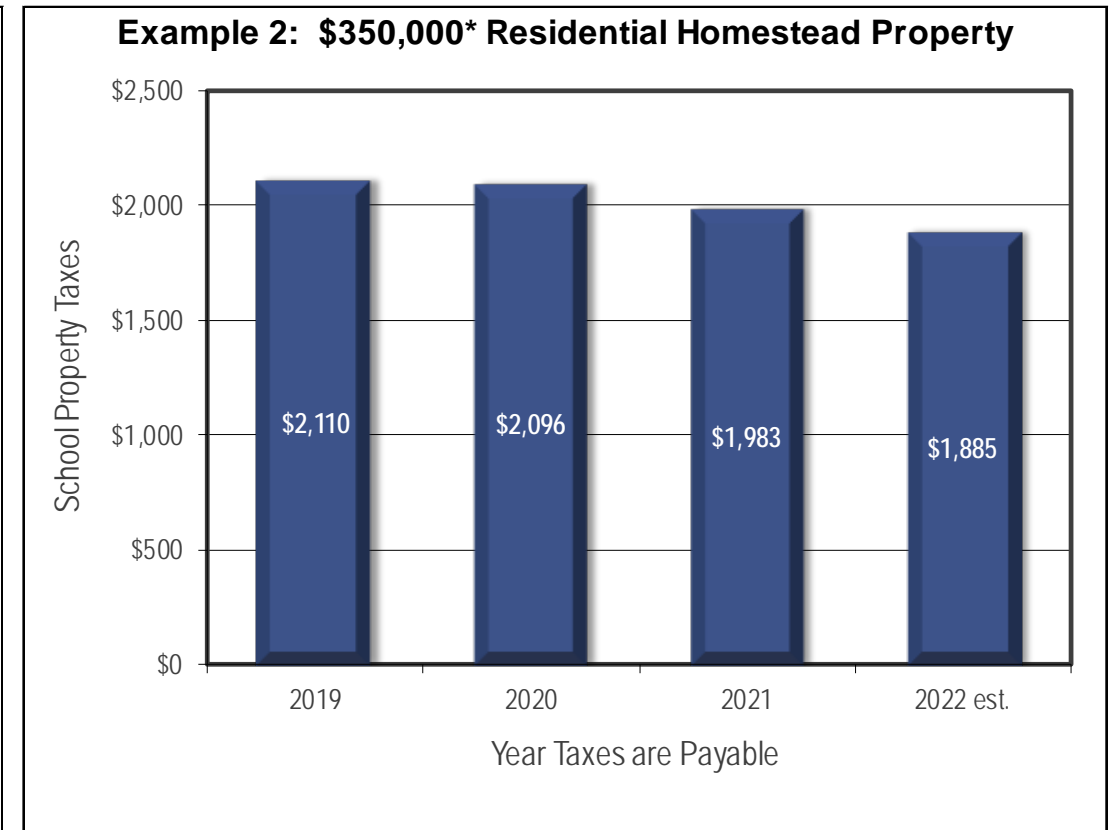
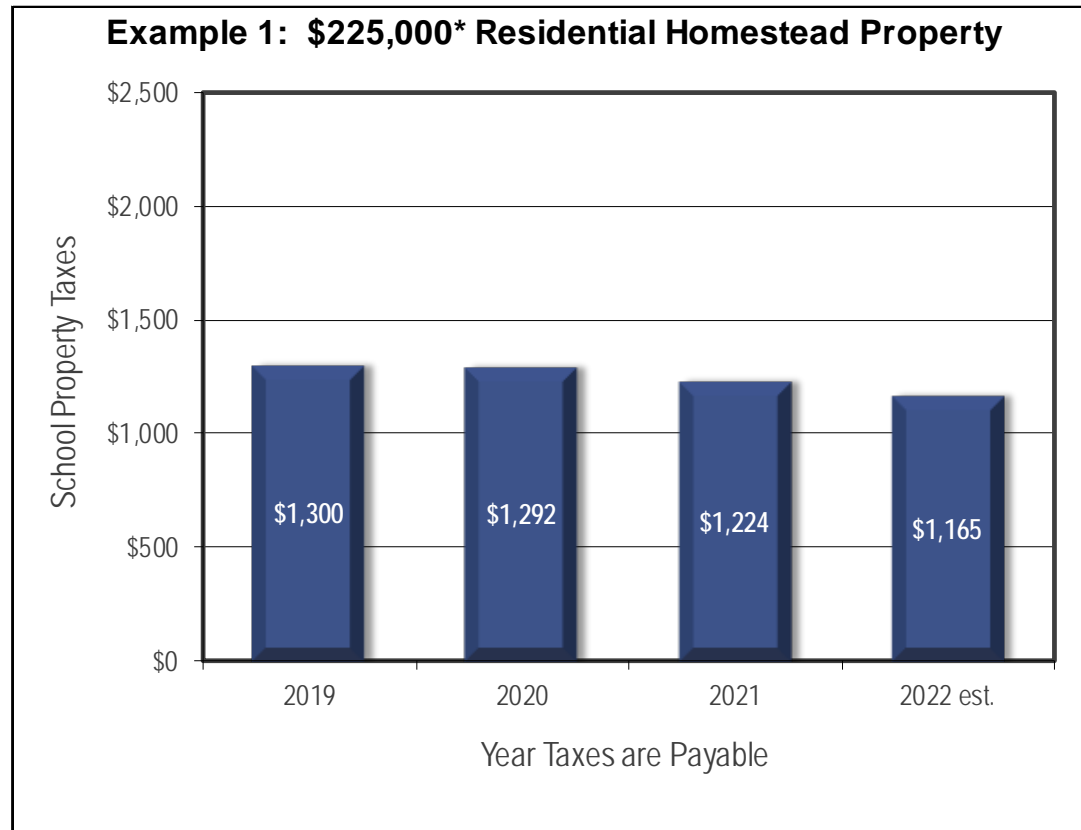
General Notes

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 2022 are preliminary, based on the best data available.
3. For all examples of properties, taxes are based on no changes in estimated market value from 2019 to 2022.
4. For agricultural property, estimates of taxes payable beginning in 2019 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 Schools, ISD 727

Estimated Changes in School Property Taxes, 2019 to 2022

Based on No Increases in Property Values

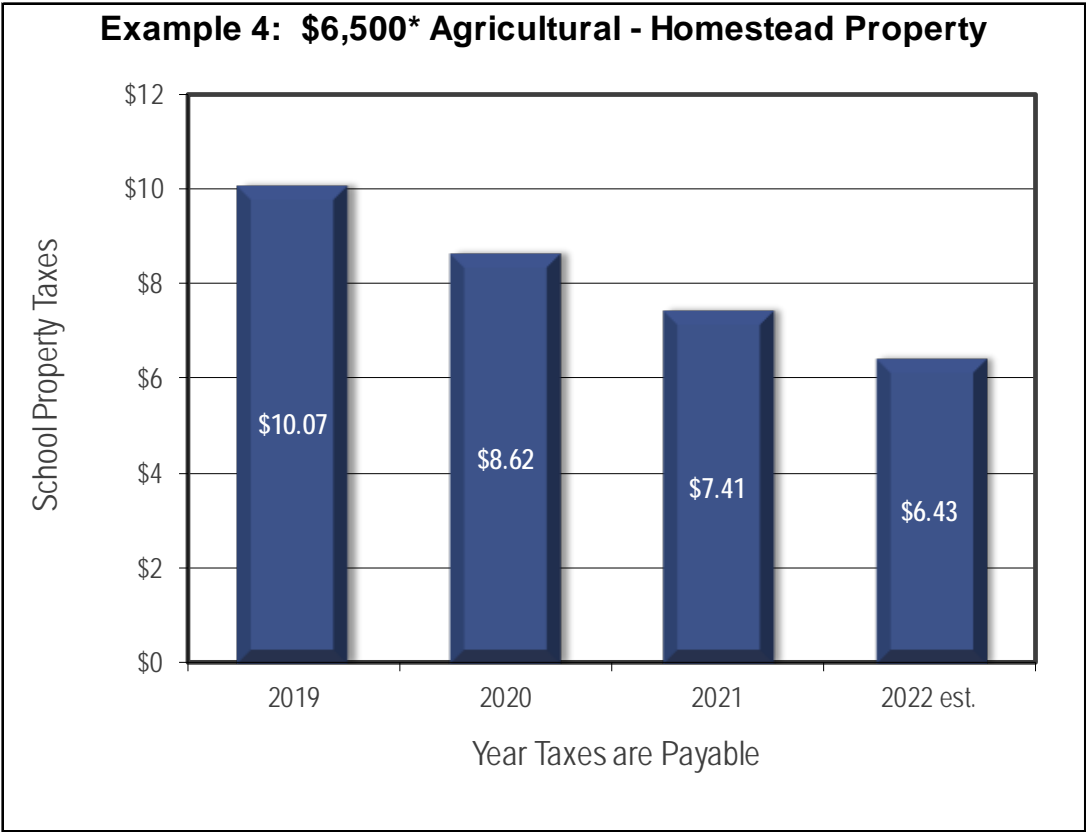
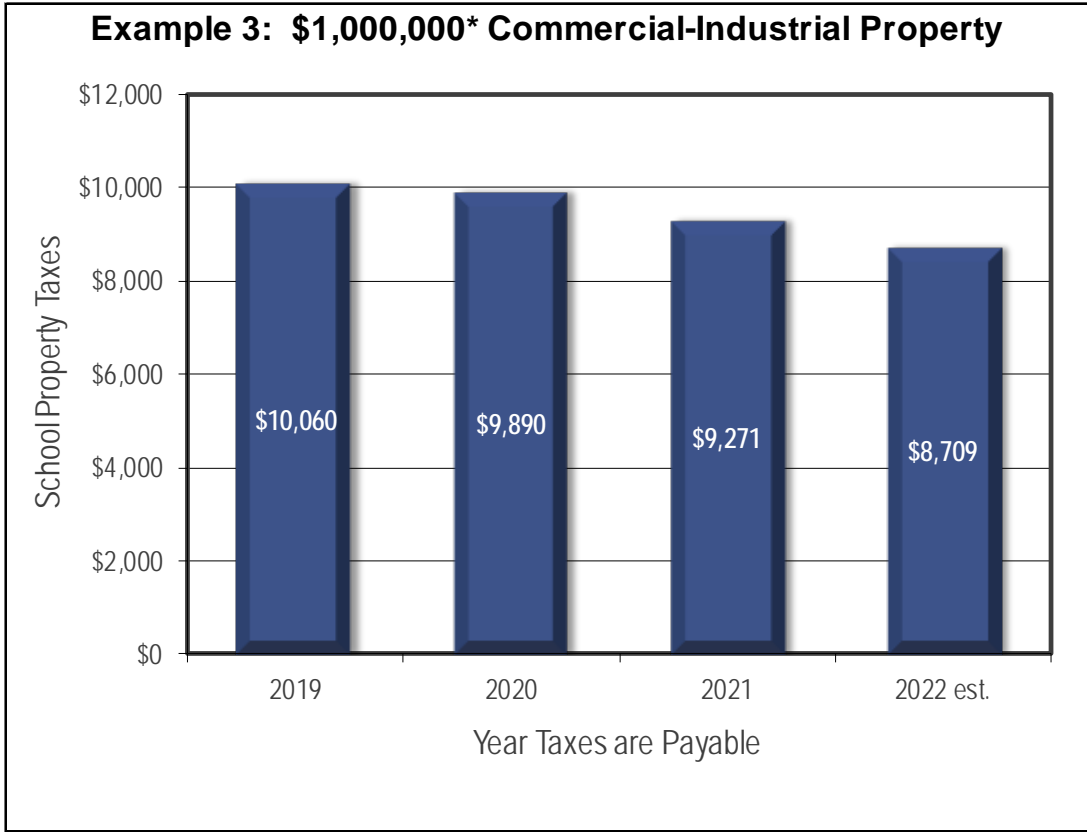


* Estimated market value for taxes payable in 2022. Taxes are calculated based on no changes in market value from 2019 to 2022.

Big Lake Schools, ISD 727

Estimated Changes in School Property Taxes, 2019 to 2022

Based on No Increases in Property Values



* Estimated market value for taxes payable in 2022. Taxes are calculated based on no changes in market value from 2019 to 2022.

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)

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 2022 property tax levy



PUBLIC COMMENTS