



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

Mission Statement

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

**Thursday, December 15, 2022
6:01 PM
Middle School Student Center
601 Minnesota Ave
Big Lake, MN 55309**

- 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

2

Strategic Plan Focus Areas

Student Support
Staff Support
Family & Community Engagement



Big Lake Schools, ISD 727

Public Hearing for Taxes Payable in 2023 ²

DECEMBER 15, 2022

PRESENTED BY:

ANGIE MANUEL,

DIRECTOR OF BUSINESS SERVICES

Minnesota State Law Requirements

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 2023
- 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

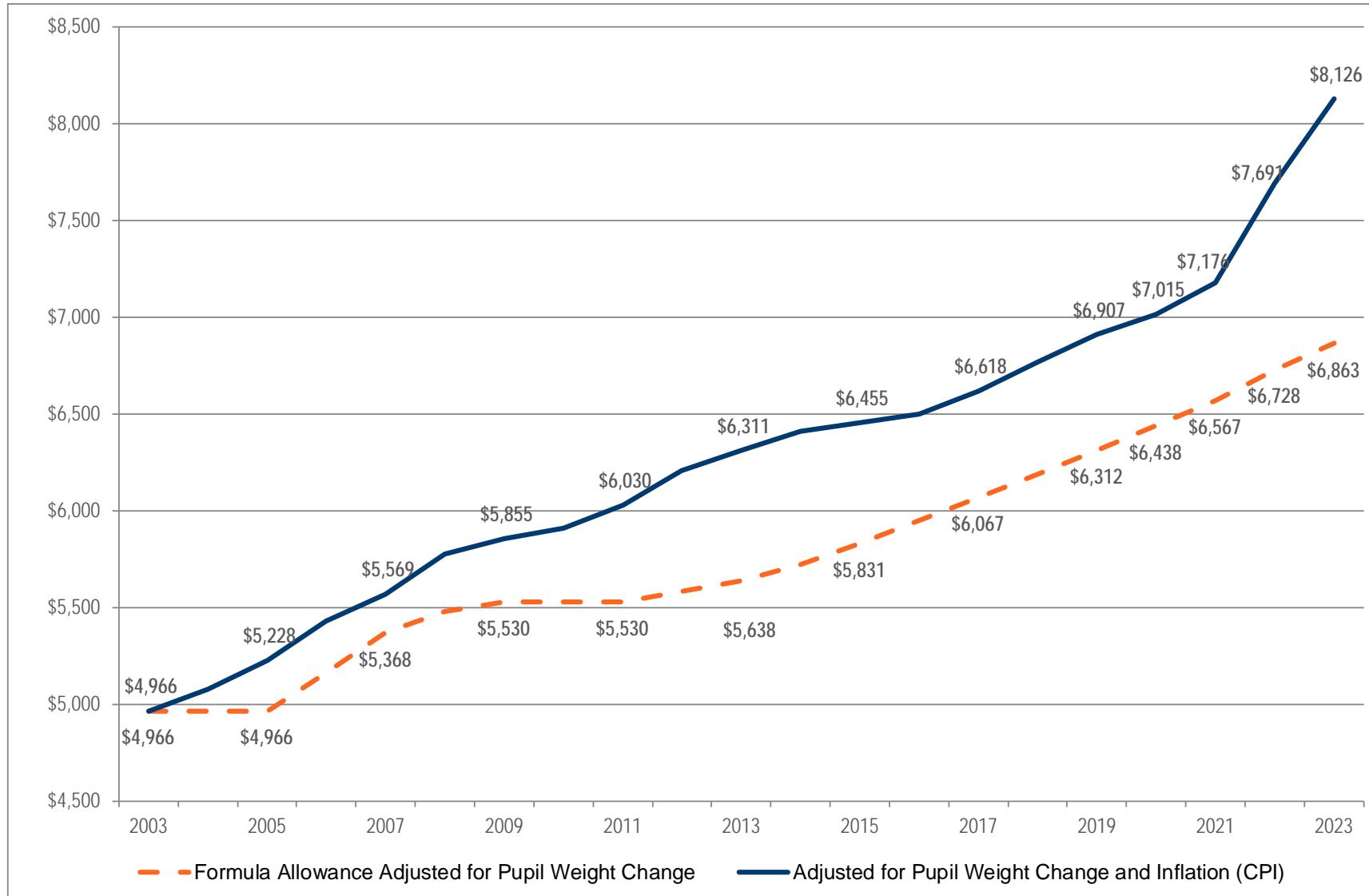
Basic General Education Formula Lags Inflation

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 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 previous year was approved

Per-pupil allowance for Fiscal Year 2022-23 of \$6,863 would need to increase by another \$1,263 (18.4%) to have kept pace with inflation since 2002-03, resulting in an allowance of \$8,126

General Education Formula Allowance, 2003-2023

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2022 Inflation Estimates

According to MN Department of Education (MDE):

FY 2021 costs of providing programs were underfunded statewide by \$591 million

By FY 2025 costs of providing programs statewide will be underfunded by \$806 million



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

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
- 2023 taxes provide revenue for 2023-24 fiscal year
- Budget adopted in June 2023



City/County:

- Budget year begins Jan. 1st
- 2023 taxes provide revenue for 2023 calendar year budget

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 2023-24 budget will be adopted by School Board in June 2023.

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

**Other Post-Employment Benefits*



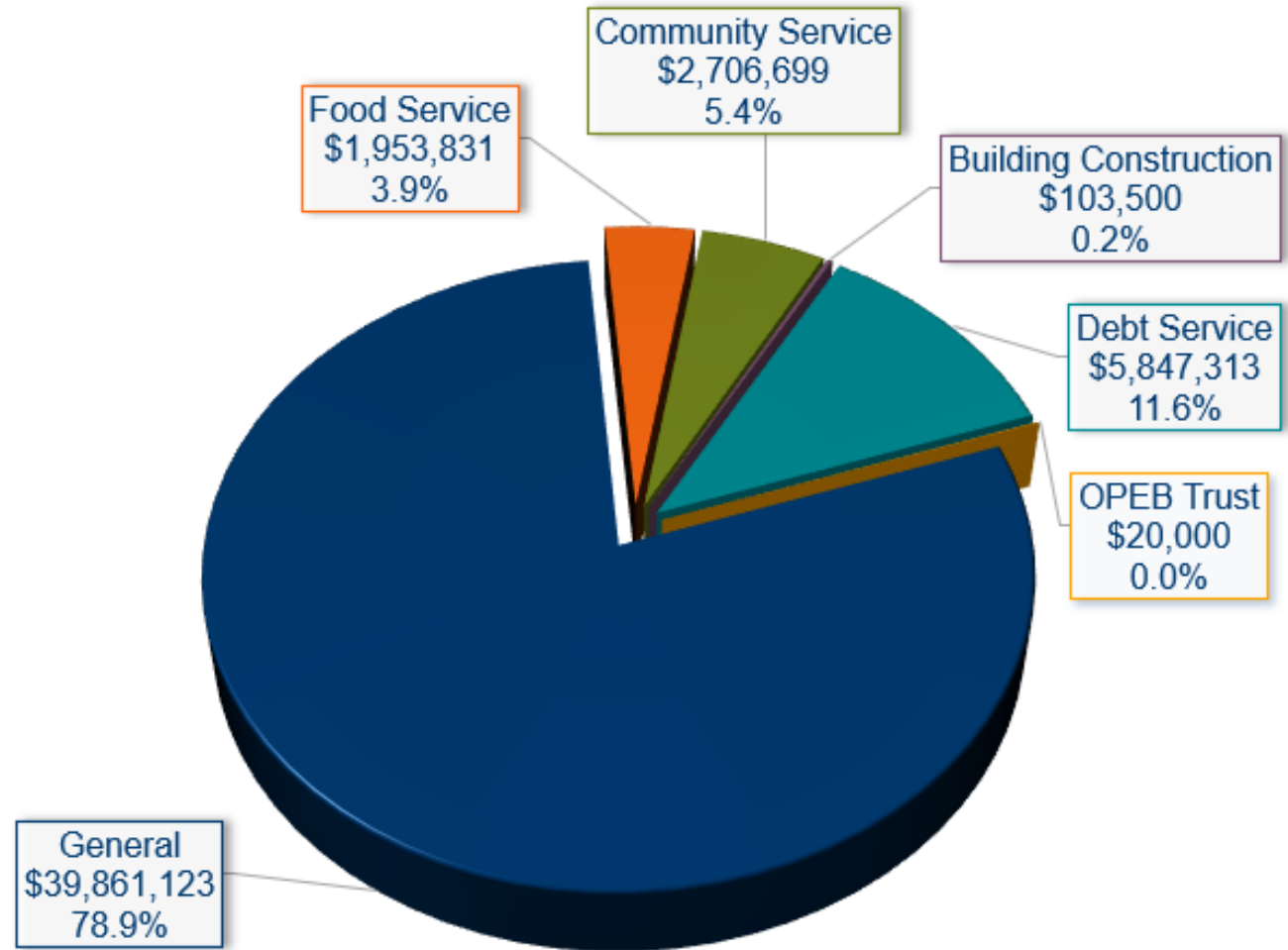
District Revenues & Expenditures
Actual for FY 2022, Budget for FY 2023

FUND	FISCAL 2022 BEGINNING	2021-22 ACTUAL		JUNE 30, 2022 ACTUAL	2022-23 BUDGET		JUNE 30, 2023 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES
General/Restricted	\$1,488,070	\$3,068,608	\$2,647,878	\$1,908,800	\$3,280,720	\$3,871,083	\$1,318,437
General/Other	9,910,240	35,991,101	35,868,248	10,033,093	36,580,403	39,034,811	7,578,685
Food Service	201,631	2,363,098	1,858,995	705,734	1,953,831	1,954,509	705,056
Community Service	635,877	2,709,081	2,432,353	912,605	2,706,699	2,930,937	688,367
Building Construction	4,806,795	30,387,191	7,603,653	27,590,333	103,500	9,498,466	18,195,367
Debt Service	1,906,024	14,532,861	14,856,161	1,582,724	5,847,313	6,049,549	1,380,488
OPEB* Irrevocable Trust	1,618,341	(85,447)	138,865	1,394,029	20,000	279,643	1,134,386
Total All Funds	\$20,566,978	\$88,966,493	\$65,406,153	\$44,127,318	\$50,492,466	\$63,618,998	\$31,000,786

*Other Post Employment Benefits

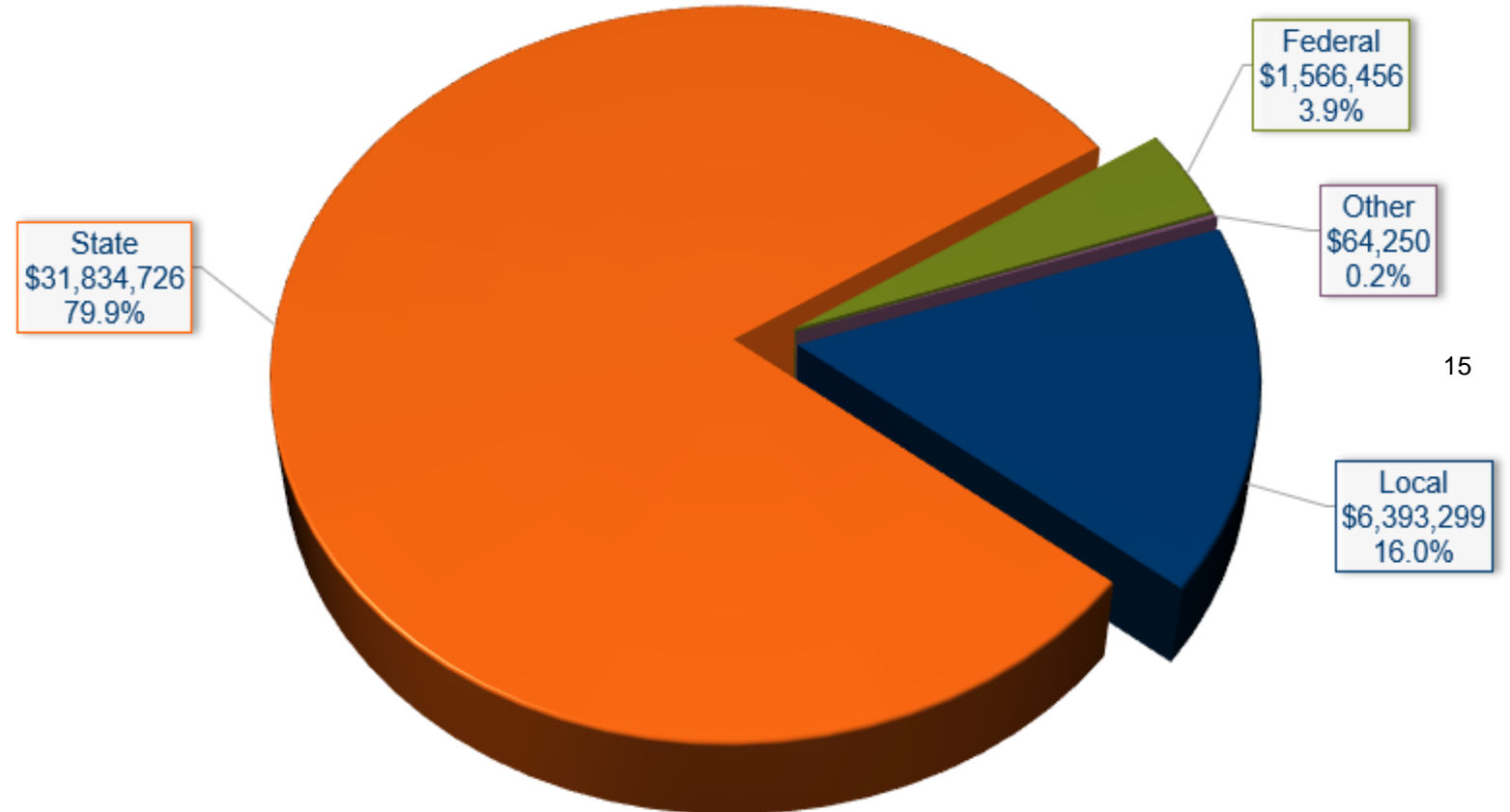
Revenue - All Funds -

2022-23 Budget
\$50,492,466



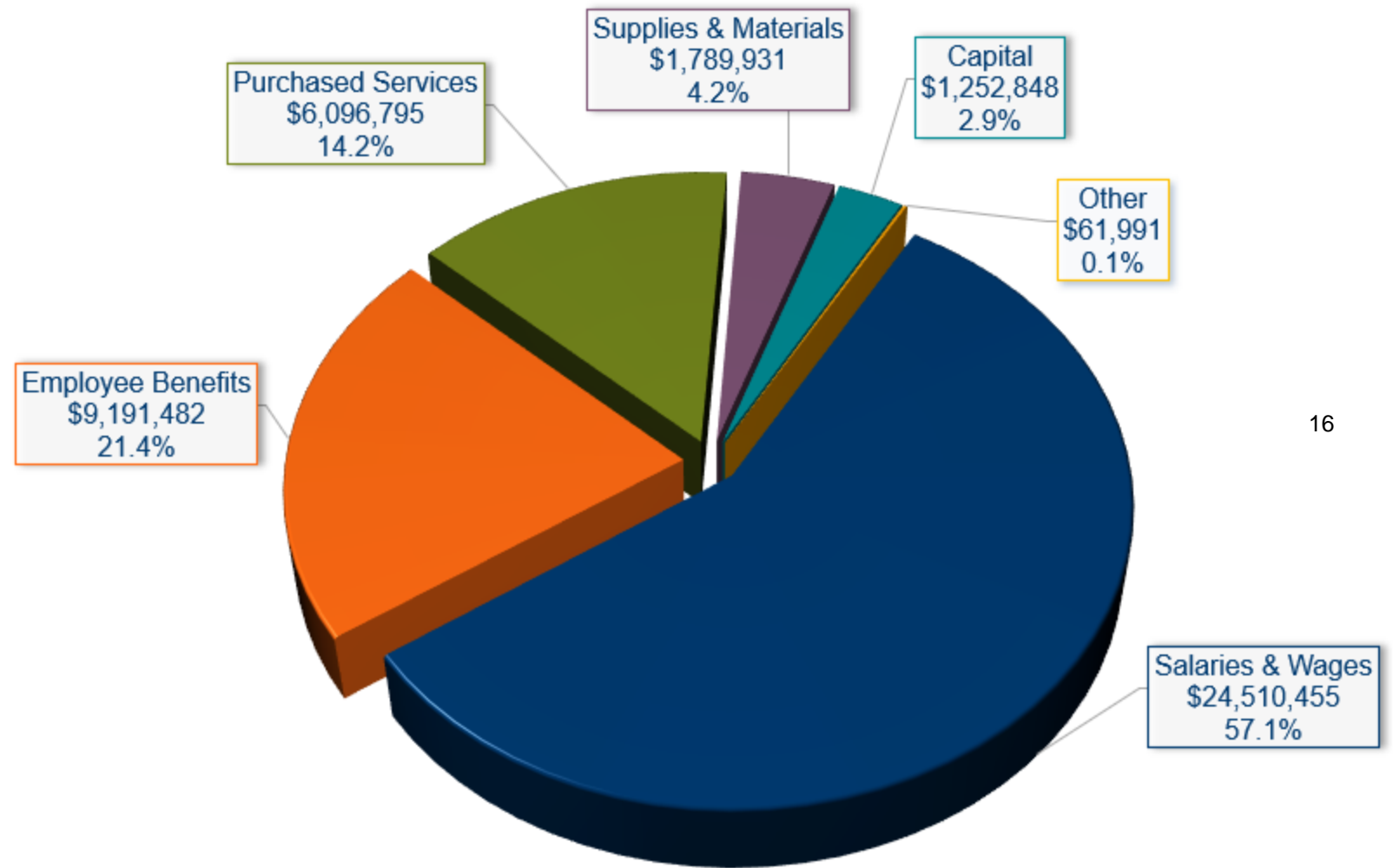
General Fund Revenue

2022-23 Budget
\$39,858,731



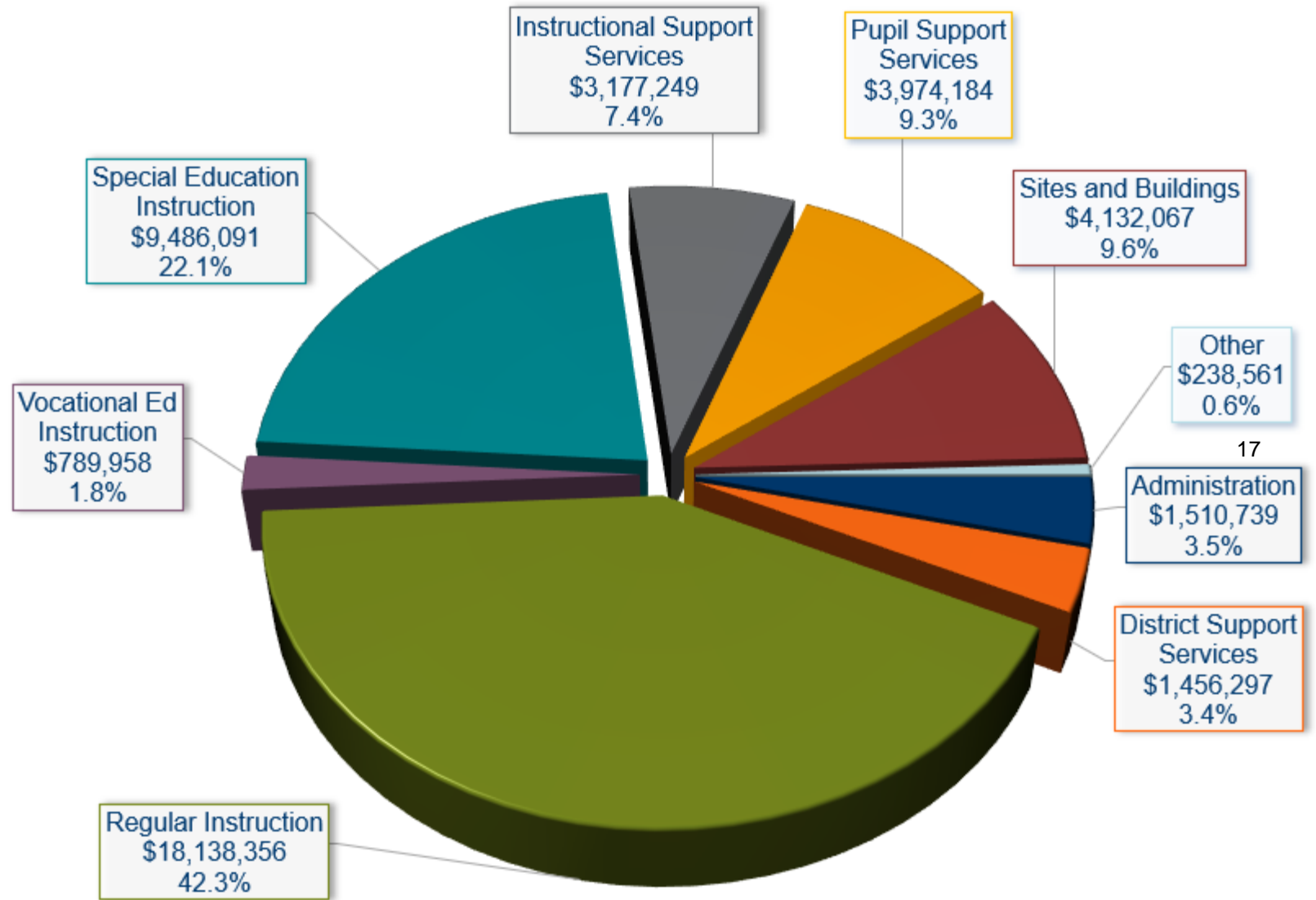
General Fund Expenditures - by Object -

2022-23 Budget
\$42,903,502



General Fund Expenditures - by Program -

2022-23 Budget
\$42,903,502



Payable 2023 Property Tax Levy



Determination of levy



Comparison of 2022 to 2023 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 & distributes funds back to other taxing jurisdictions

Sample of parcel specific notice mailed to every property owner between November 11 & November 24

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 2023

THIS IS NOT A BILL. DO NOT PAY.

VALUES AND CLASSIFICATION			
Step	Taxes Payable Year	2022	2023
1	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			
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 2023		
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 2022	Proposed 2023
State General Tax	No meeting required	\$0	20%
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 2, 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) 123-7854	December 1, 6:30 PM Spruceville City Hall	\$273.79	\$312.06
Spruceville School District 900 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6780	December 9, 7:00 PM Spruceville High School Cafeteria		
Voter Approved Levies		\$289.35	\$296.68
Other Levies		\$340.11	\$374.60
Memo Special Taxing Districts		\$57.76	\$58.70
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 12, 7:30 PM Spruce Park Centre 500 Pine St.		
Other Special Taxing Districts	No meeting required	\$12.80	\$13.02
Tax Increment Tax	No meeting required	\$10.15	\$11.22
Total excluding any special assessments:		\$1,422.02	\$1,660.46 9.0%

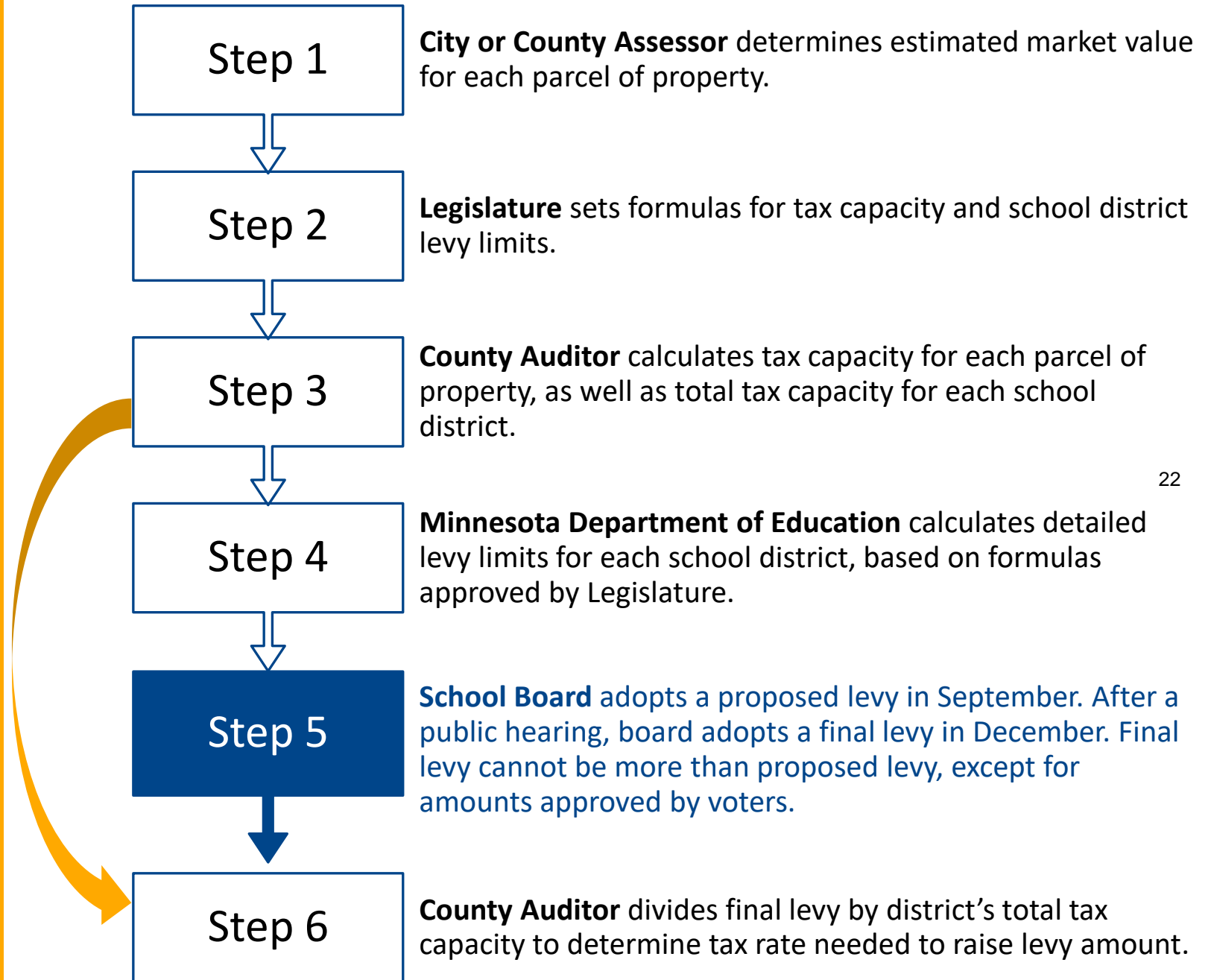
Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2023 may be higher than the proposed amount shown on this notice.

School District Property Taxes

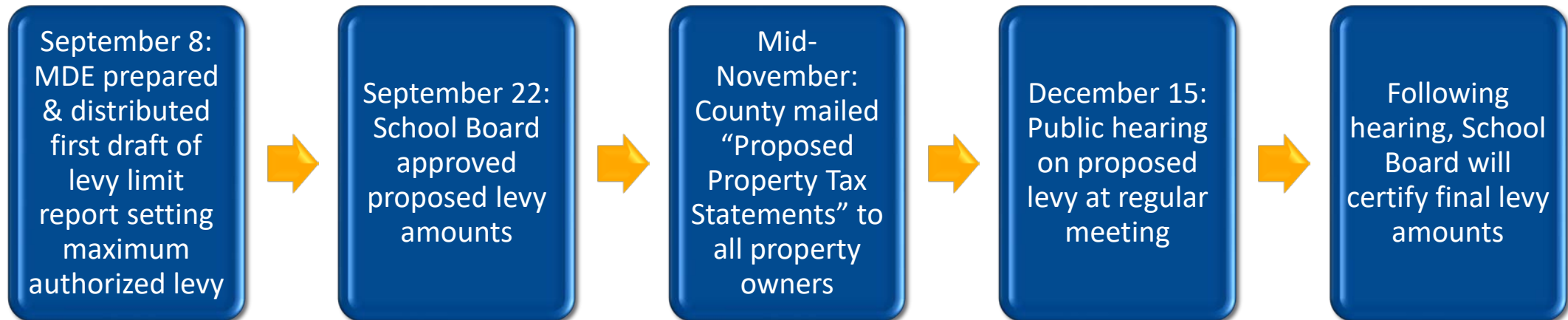
- Each school district may levy taxes in over 40 different categories
- Maximum levy amounts (calculated by MDE) for each category are set by:
 - State law
 - Voter approval
- Property Tax Process
 - Key steps in process are summarized on next slide
 - Any of these steps may affect taxes on a parcel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

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 2022 (Payable 2023)





Overview of District's Proposed Tax Levy

- Proposed Payable 2023 tax levy is an increase from 2022 of \$1,411,226 or 12.6%
- Changes by levy category and reasons for major increases & decreases in levy are included on following slides

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

Fund Levy Category	Actual Levy Payable in 2022	Proposed Levy Payable in 2023	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$1,609,644	\$2,013,110	\$403,466	
Local Optional Revenue (LOR)	1,687,357	1,956,298	268,941	
Equity	376,449	439,777	63,327	
Capital Project Referendum	606,298	669,369	63,071	
Operating Capital	195,103	215,569	20,466	
Alternate Teacher Compensation	278,377	290,950	12,573	
Long Term Facilities Maintenance	184,393	222,367	37,974	
Other	412,448	432,919	20,471	
Prior Year Adjustments	104,221	141,867	37,646	
Total, General Fund	\$5,454,291	\$6,382,225	\$927,934	17.0%
Community Service				
Basic Community Education	\$148,275	\$148,275	\$0	
Early Childhood Family Education	50,604	55,715	5,111	
School-Age Child Care	95,000	115,000	20,000	
Other	5,811	5,975	164	
Prior Year Adjustments	13,373	76	(13,297)	
Total, Community Service Fund	\$313,062	\$325,041	\$11,978	3.8%
Debt Service				
Voter Approved	\$5,020,078	\$5,429,433	\$409,355	
Other	218,190	217,770	(420)	
Long Term Facility Maintenance	474,891	608,024	133,133	
Reduction for Debt Excess	(297,151)	(365,195)	(68,044)	
Prior Year Adjustments	5,101	2,391	(2,710)	
Total, Debt Service Fund	\$5,421,109	\$5,892,423	\$471,314	8.7%
Total Levy, All Funds	\$11,188,462	\$12,599,689	\$1,411,226	12.6%
Subtotal by Truth in Taxation Categories:				
Voter Approved	7,050,632	8,036,312	985,680	
Other	4,137,831	4,563,377	425,546	
Total	\$11,188,462	\$12,599,689	\$1,411,226	12.6%

Explanation of Levy Changes

Category:	General Fund – Voter Approved Operating Referendum & Local Optional Revenue (LOR)
Change:	+\$403,466 (Voter Approved) and +\$268,941 (LOR)
Use of Funds:	General Operating Expenses
Reasons for Changes:	<ul style="list-style-type: none">• Voter approved operating referendum authority includes an annual inflationary increase; inflation factors are determined by State, as set in statute• Enrollment is projected to increase, resulting in additional revenue• Revenue is provided through a combination of local tax levy and state aid; because District's total property value increased, share of funding provided through tax levy increased

Explanation of Levy Changes

Category:	Debt Service Fund – Voter Approved & Long Term Facility Maintenance (LTFM)
Change:	+\$409,355 (Voter Approved) and +\$133,133 (LTFM)
Use of Funds:	Debt Payments
Reasons for Changes:	<ul style="list-style-type: none">• Debt service levies for bonds approved by voters in election held on November 2, 2021 started with taxes payable in 2022• District is eligible for LTFM revenue based on state approved project costs; costs are financed with levies, state aid, and bond proceeds• Levies are coordinated with other capital & debt levies to maintain a level or declining tax rate

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

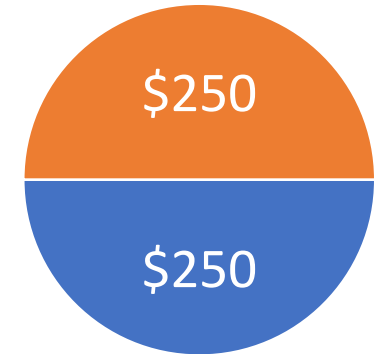
Two properties in the district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy

\$100,000



30

\$100,000



Impact of Property Valuations

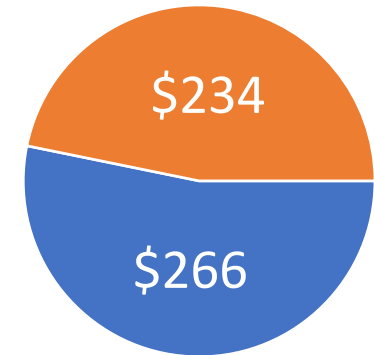
Two properties in the district

- 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



31

\$125,000



Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and a 36.1% 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
- Amounts for 2023 are preliminary estimates; final amounts could change slightly
- Estimates prepared by Ehlers (District's municipal financial advisors)

Estimated Changes in School Property Taxes, 2020 to 2023
Based on No Changes in Property Values

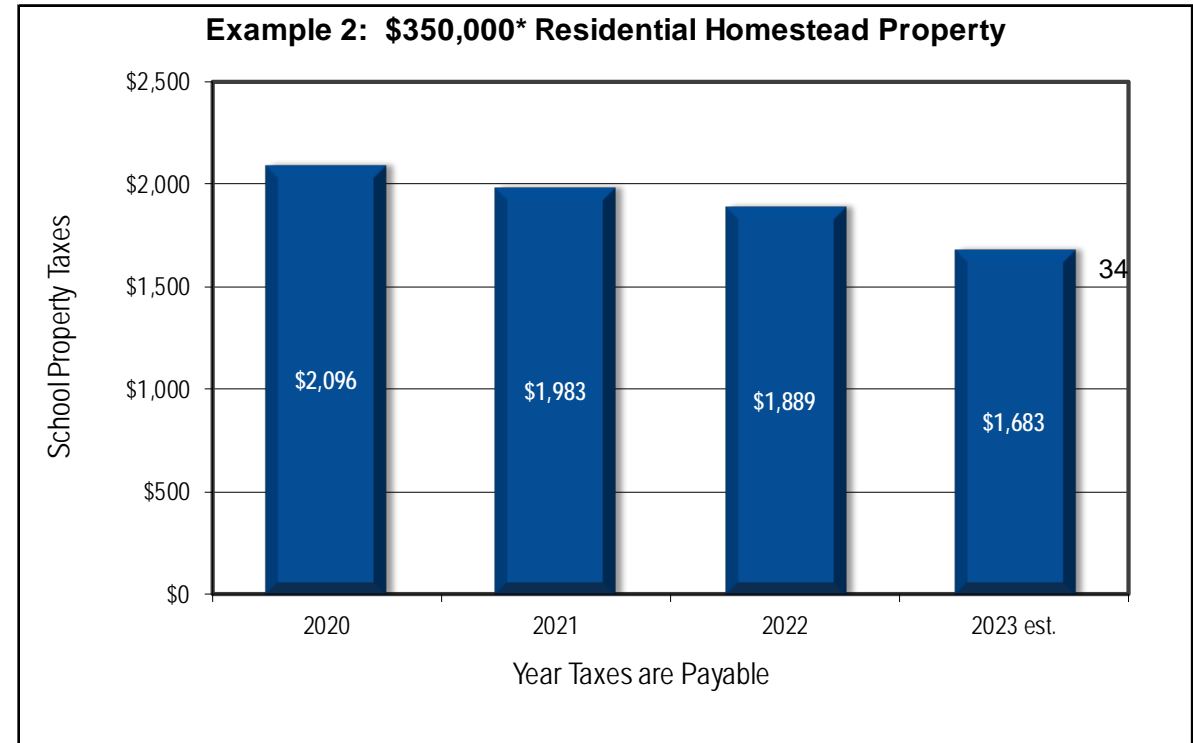
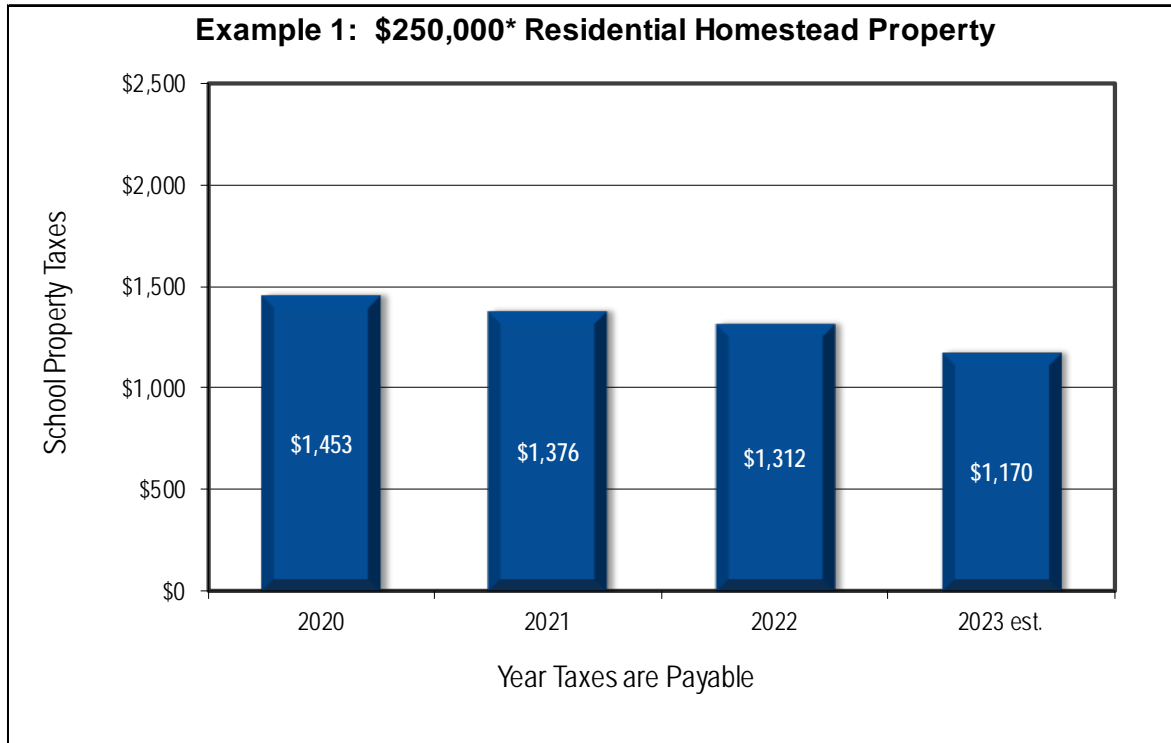
Type of Property	Estimated Market Value	Actual Taxes Payable in 2020	Actual Taxes Payable in 2021	Actual Taxes Payable in 2022	Estimated Taxes Payable in 2023	Change in Taxes 2020 to 2023	Change in Taxes 2022 to 2023
Residential Homestead	\$200,000	\$1,131	\$1,072	\$1,023	\$914	-\$217	-\$109
	250,000	1,453	1,376	1,312	1,170	-283	-142
	300,000	1,774	1,680	1,600	1,427	-347	-173
	350,000	2,096	1,983	1,889	1,683	-413	-206
	400,000	2,417	2,287	2,178	1,940	-477	-238
	500,000	3,028	2,865	2,728	2,429	-599	-299
Commercial/ Industrial #	\$500,000	\$4,789	\$4,492	\$4,232	\$3,699	-\$1,090	-\$533
	1,000,000	9,890	9,271	8,730	7,622	-2,268	-1,108
	1,250,000	12,440	11,660	10,978	9,584	-2,856	-1,394
	2,500,000	25,190	23,607	22,222	19,391	-5,799	-2,831
Agricultural Homestead (average value per acre of land and buildings)	\$2,000	\$2.66	\$2.28	\$1.98	\$1.44	-\$1.22	-\$0.54
	3,000	\$3.98	\$3.42	\$2.97	2.15	-1.83	-0.82
	4,000	\$5.30	\$4.56	\$3.96	2.87	-2.43	-1.09
	5,000	\$6.63	\$5.70	\$4.95	3.59	-3.04	-1.37

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 2023 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 2020 to 2023.
4. For agricultural property, estimates of taxes include impact of School Building Bond Agricultural Credit. Average value per acre is total estimated market value of all land and buildings, divided by total acres. Homestead examples do not include value of house, garage, and one acre, for which tax impact will be same as on a residential homestead property. This calculation does not include impact of Agricultural Homestead Credit, which reduces taxes on each parcel of agricultural homestead property by varying amounts.

Estimated Changes in School Property Taxes, 2020-23

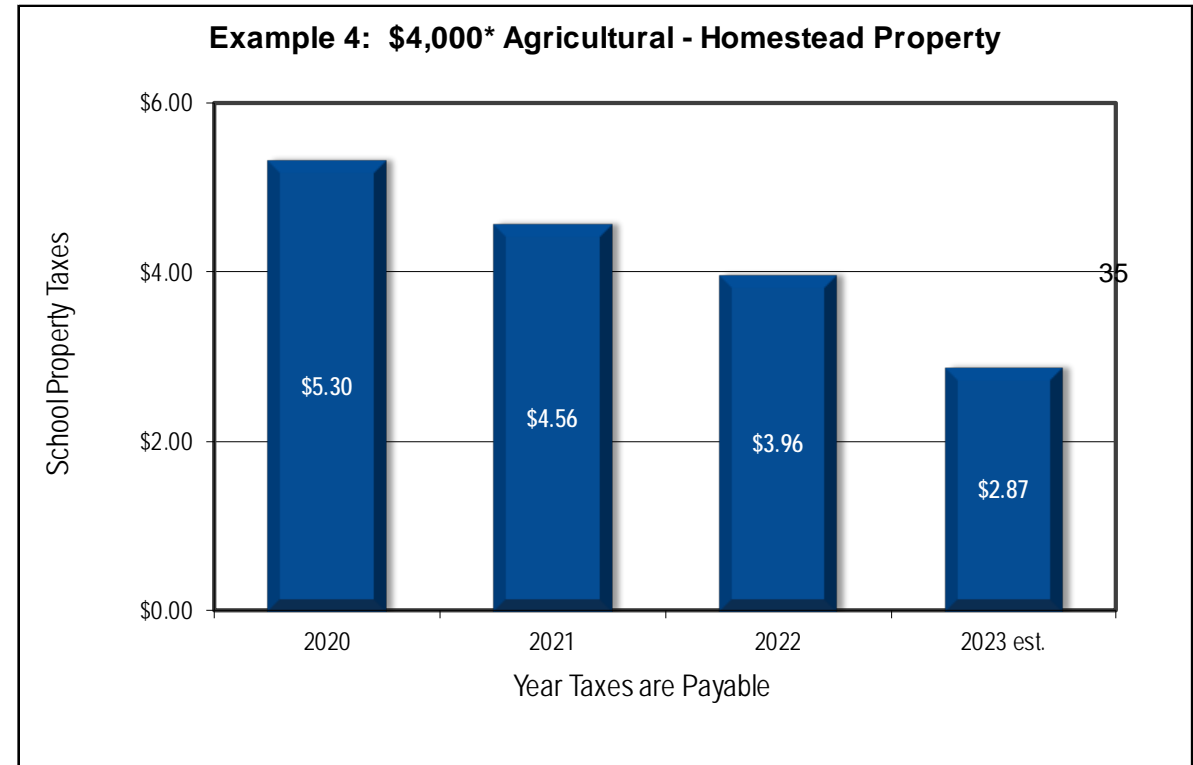
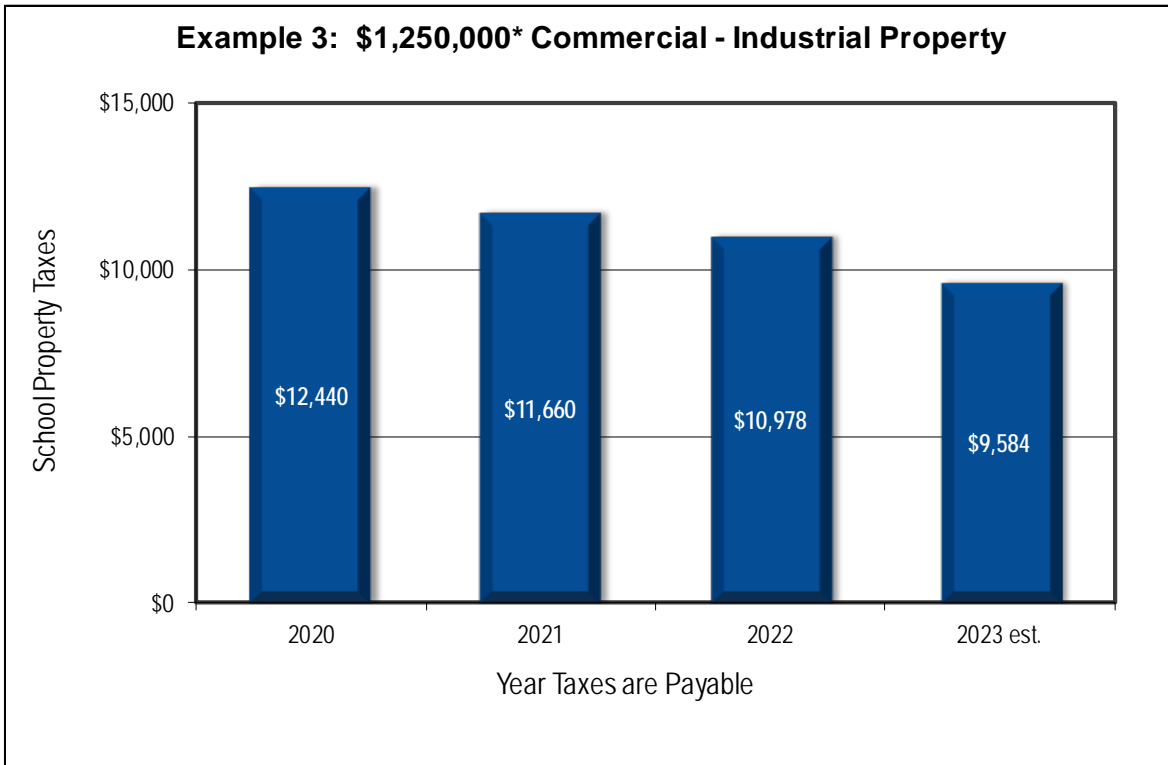
Based on No Changes in Property Value



* Estimated market value for taxes payable in 2023. Taxes are calculated based on no changes in market value from 2020 to 2023.

Estimated Changes in School Property Taxes, 2020-23

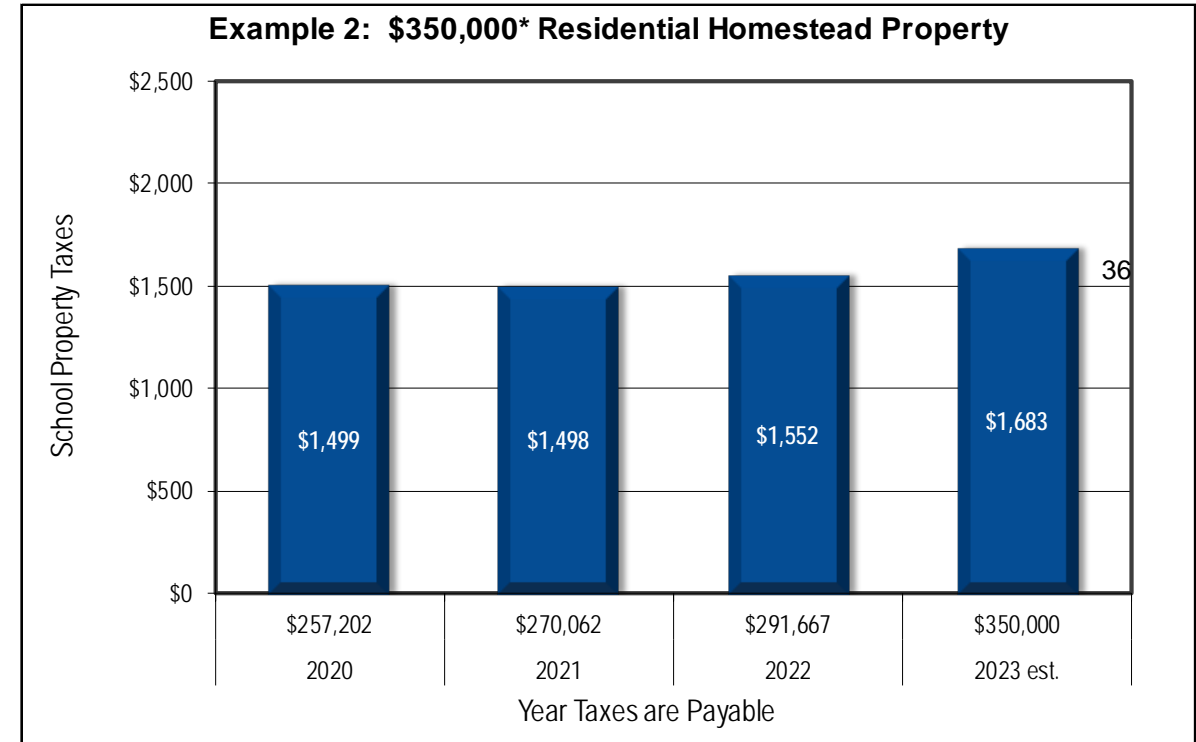
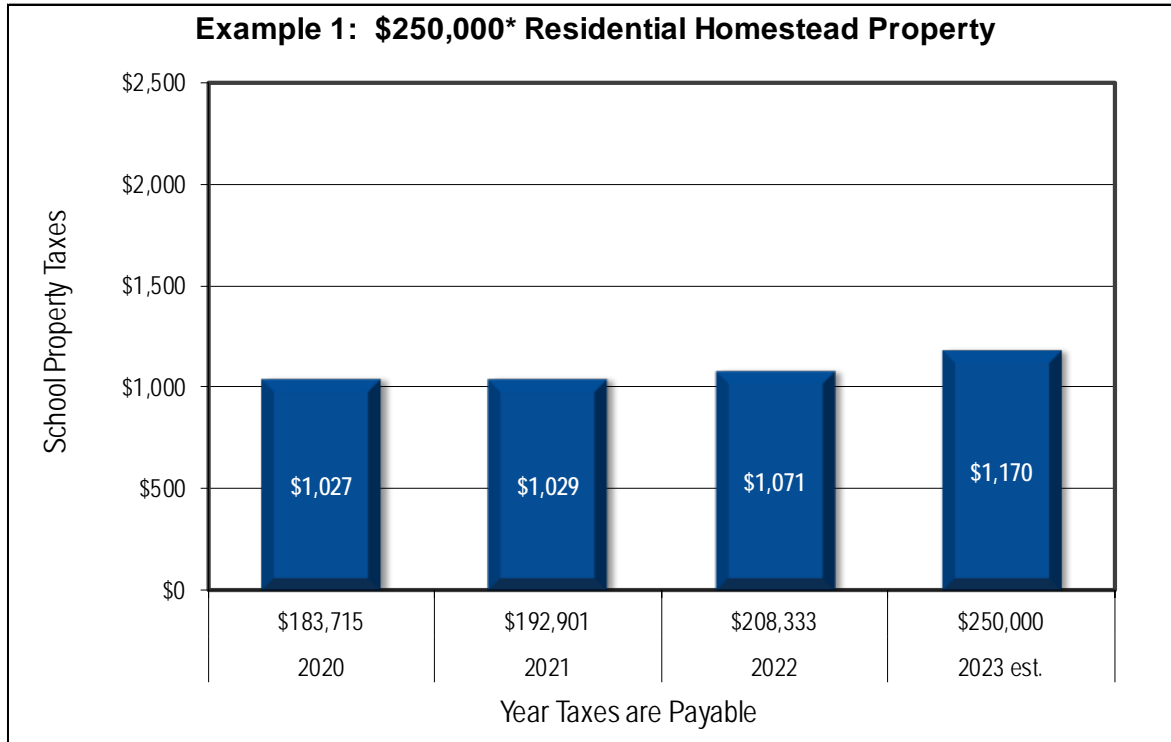
Based on No Changes in Property Value



* Estimated market value for taxes payable in 2023. Taxes are calculated based on no changes in market value from 2020 to 2023.

Estimated Changes in School Property Taxes, 2020-23

Based on 36.1% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2023. Taxes are calculated based on changes in market value of 5.0% from 2020 to 2021, 8.0% from 2021 to 2022 and 20.0% from 2022 to 2023.

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 \$2,930 for homeowners and \$2,280 for renters)

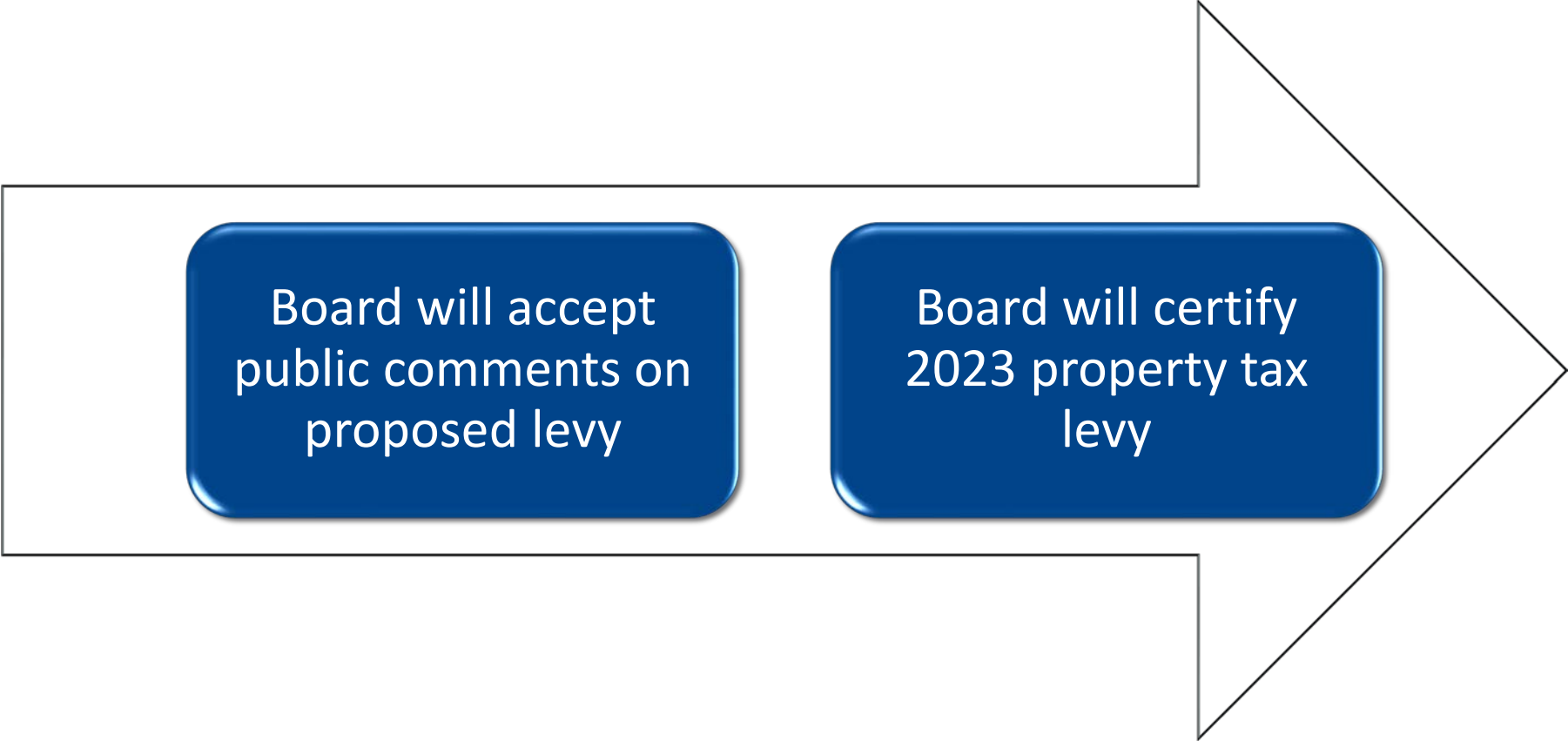
Special Property Tax Refund

- 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 \$60,000 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





PUBLIC COMMENTS