



AGENDA
TRUTH IN TAXATION PUBLIC HEARING
ROYALTON BOARD OF EDUCATION
ECC RM PK 15
120 SOUTH HAWTHORN STREET
ROYALTON, MN 56373
DECEMBER 13, 2021
6:05 PM

1. **Call to Order**
2. **Roll Call**
3. **Truth in Taxation Public Hearing**
4. **Adjournment**

2



ROYALTON
PUBLIC SCHOOLS

Royalton Public
Schools,
ISD 485

Public Hearing for
Taxes Payable in 2022

DECEMBER 13, 2021

PRESENTED BY:

EHLERS

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

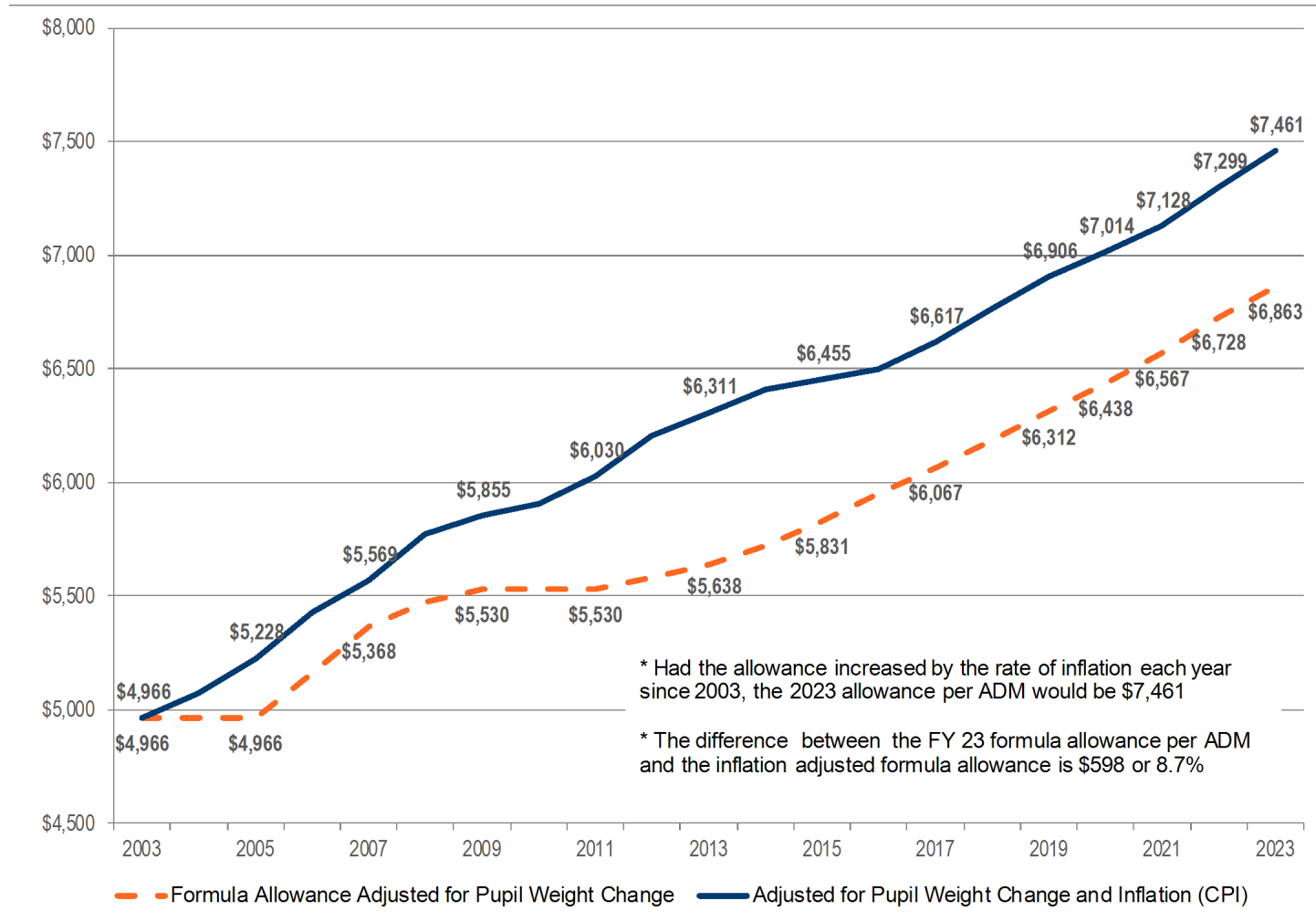
Challenge: State Set Basic General Education Formula Lags Inflation

- 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
- Debt Service
- Trust

Royalton Independent School District, ISD 485

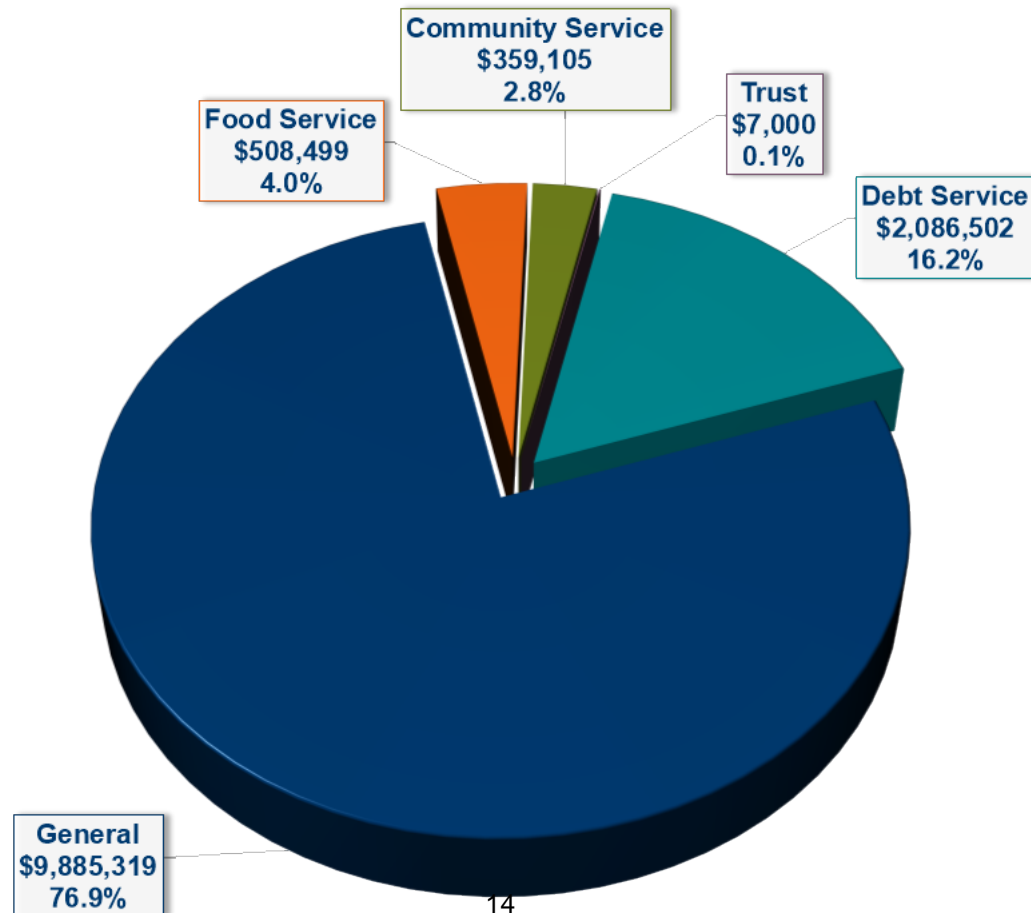
District Revenues and Expenditures

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	\$1,045,158	\$578,367	\$289,393	\$1,334,132	\$555,912	\$389,770	\$1,500,274
General/Other	2,215,597	9,339,475	9,153,938	2,401,134	9,329,407	9,656,847	2,073,694
Food Service	51,384	428,281	416,624	63,041	508,499	493,202	78,338
Community Service	225,551	273,184	229,675	269,060	359,105	303,053	325,112
Debt Service	445,686	2,023,346	2,023,983	445,049	2,086,502	2,023,983	507,568
Trust	215,990	49,175	59,605	205,560	7,000	17,000	195,560
Total All Funds	\$4,199,366	\$12,691,828	\$12,173,218	\$4,717,976	\$12,846,425	\$12,883,855	\$4,680,546

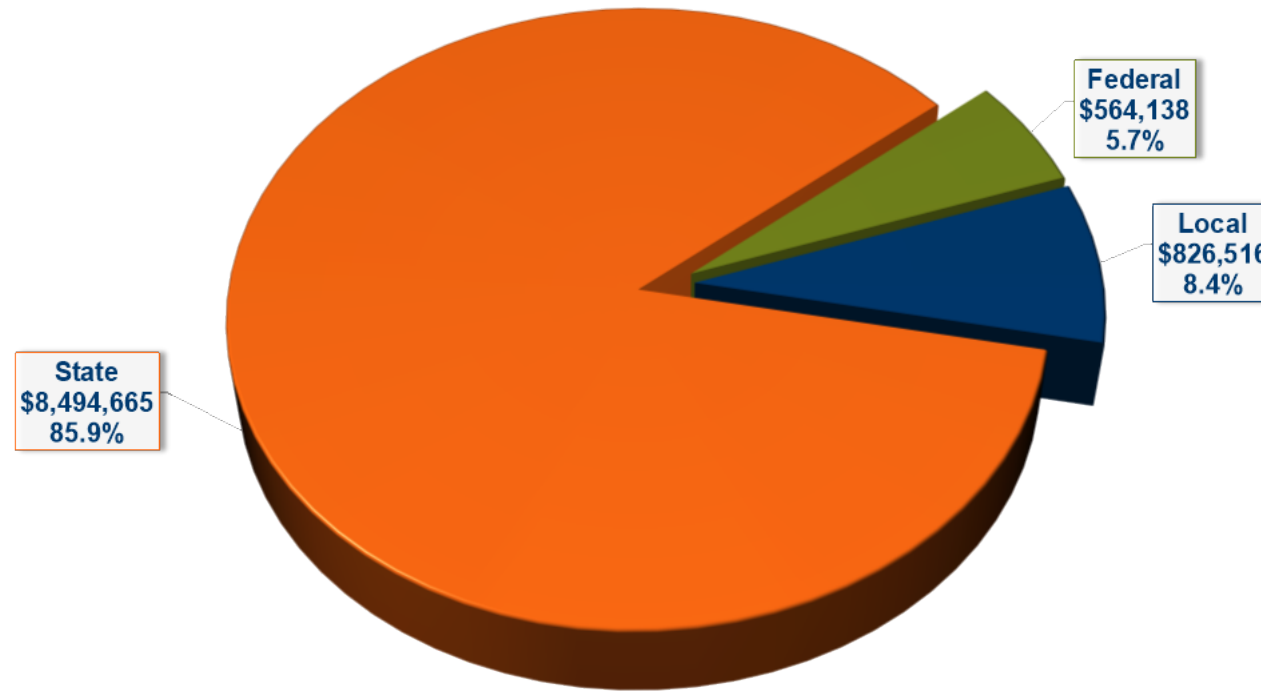
Royalton Public Schools

Revenue – All Funds
2021-22 Budget \$12,846,425



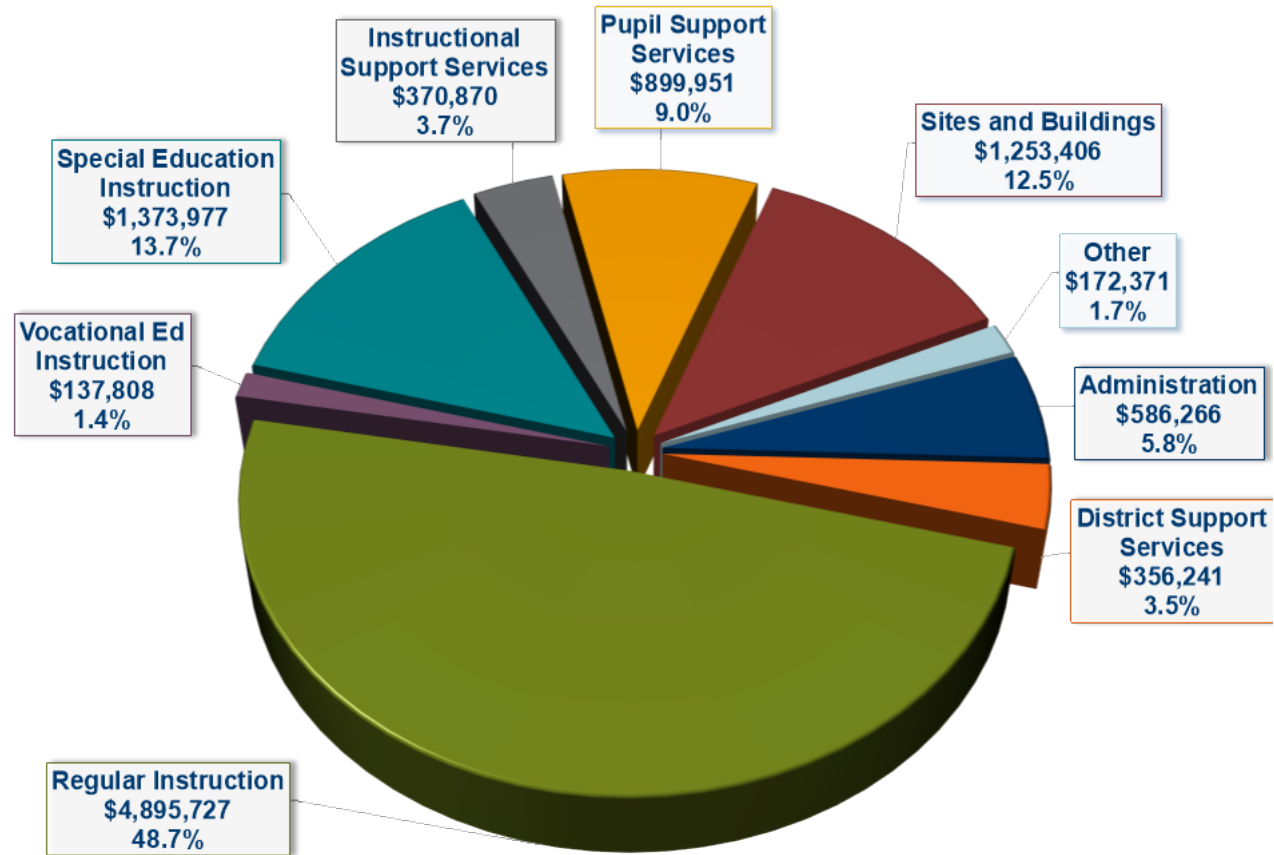
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General Fund Revenue
2021-22 Budget \$9,885,319



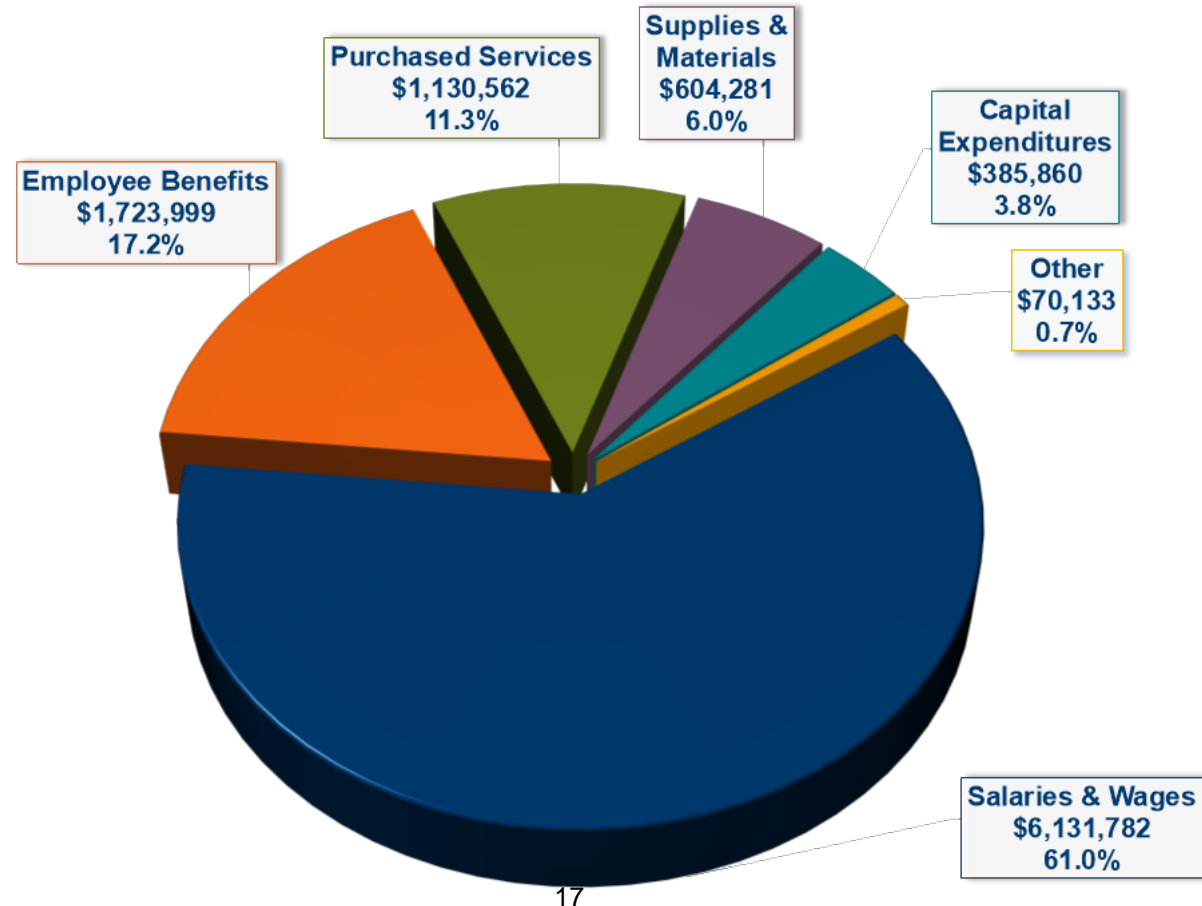
Royalton Public Schools

General Fund Expenditures by Program 2021-22 Budget \$10,046,617



Royalton Public Schools

General Fund Expenditures by Object 2021-22 Budget \$10,046,617



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

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

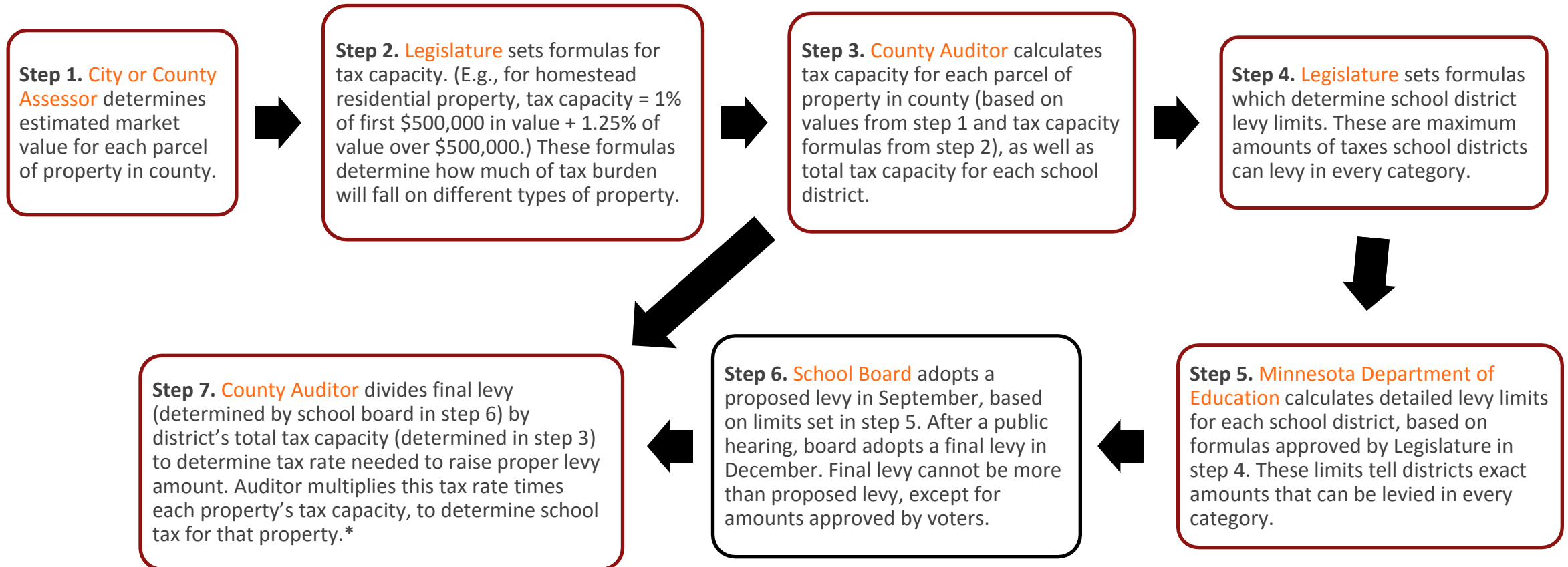
Minnesota Department of Education (MDE) calculates levy maximums for each district

Property Tax Background

School District Property Taxes

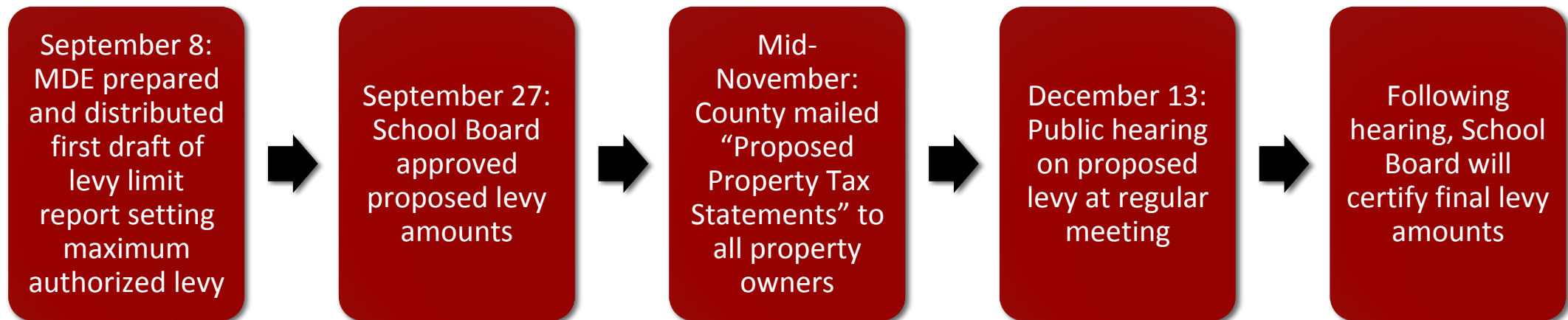
- Key steps in process are summarized on next slide
- Any of these steps may affect taxes on a parcel of property, but district has control over only 1 of 7 steps

School District Property Tax Process



Step 7*. For certain levy categories (referendum, equity & transition levies), tax rate & 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 \$119,650 or 5.5%
- Reasons for major increases and decreases in levy are included on following slides

Royalton Public School District, ISD 485

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				
Local Optional Revenue (LOR)	430,267	430,720	454	
Equity	119,772	117,318	(2,454)	
Operating Capital	42,160	48,443	6,284	
Safe Schools	36,742	36,706	(36)	
Long Term Facilities Maintenance	54,624	58,199	3,575	
Other	28,483	35,227	6,745	
Prior Year Adjustments	(58,444)	(41,006)	17,438	
Total, General Fund	\$653,603	\$685,608	\$32,005	4.9%
Community Service				
Basic Community Education	\$31,277	\$33,022	\$1,745	
Early Childhood Family Education	12,054	12,629	575	
Other	167	274	107	
Prior Year Adjustments	(334)	118	451	
Total, Community Service Fund	\$43,165	\$46,043	\$2,878	6.7%
Debt Service				
Voter Approved	\$1,537,013	\$1,615,230	\$78,217	
Long-Term Facility Maintenance	61,844	62,677	834	
Reduction for Debt Excess	(116,900)	(112,759)	4,141	
Prior Year Adjustments	(163)	1,412	1,575	
Total, Debt Service Fund	\$1,481,794	\$1,566,561	\$84,767	5.7%
Total Levy, All Funds	\$2,178,561	\$2,298,211	\$119,650	5.5%
Subtotal by Truth in Taxation Categories:				
Voter Approved	1,429,172	1,512,836	83,665	
Other	749,389	785,375	35,986	
Total	\$2,178,561	\$2,298,211	\$119,650	5.5%

Explanation of Levy Changes

Categories: Prior Year Adjustments (General Fund)

Changes: Net change +\$17,438

Use of Funds: General Operating Expenses

Reason for Changes:

- 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
- Negative adjustments in several categories for taxes payable in 2022 were less than the negative adjustments for taxes payable in 2021

Explanation of Levy Changes

Categories: Voter Approved Debt – Debt Service Fund

Changes: +\$78,217

Use of Funds: Annual required payments of principal & interest on voter approved bonds

Reason for Changes:

- Increase in levy for principal and interest payments

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 a 13.6% increase 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

Royalton Public School District, ISD 485

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 13.6% Cumulative Changes in Property Value from 2019 to 2022 Taxes

Type of Property	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	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	\$88,053	\$368	\$92,456	\$410	\$96,154	\$404	\$100,000	\$409	\$41	\$5
	132,079	622	138,683	684	144,231	674	150,000	683	61	9
	154,093	749	161,797	821	168,269	809	175,000	820	71	11
	176,106	876	184,911	959	192,308	945	200,000	957	81	12
	220,132	1,130	231,139	1,233	240,385	1,215	250,000	1,231	101	16
	264,159	1,384	277,367	1,508	288,462	1,486	300,000	1,506	122	20
	308,185	1,638	323,595	1,782	336,538	1,756	350,000	1,780	142	24
	352,212	1,892	369,822	2,057	384,615	2,027	400,000	2,054	162	27
Commercial/ Industrial	396,238	2,146	416,050	2,331	432,692	2,291	450,000	2,316	170	25
	440,265	2,391	462,278	2,590	480,769	2,546	500,000	2,574	183	28
	\$220,132	\$1,742	\$231,139	\$1,880	\$240,385	\$1,884	\$250,000	\$1,945	\$203	\$61
	242,146	1,944	254,253	2,096	264,423	2,100	275,000	2,168	224	68
	264,159	2,147	277,367	2,312	288,462	2,316	300,000	2,391	244	75
	440,265	3,766	462,278	4,041	480,769	4,045	500,000	4,173	407	128
	880,530	7,814	924,556	8,362	961,538	8,366	1,000,000	8,628	814	262
	Agricultural Homestead (average value per acre of land and buildings)	\$2,642	\$3.13	\$2,774	\$2.89	\$2,885	\$2.73	\$3,000	\$2.74	-\$0.39
3,082		\$3.65	3,236	\$3.36	3,365	\$3.19	3,500	3.20	-0.45	0.01
3,522		\$4.17	3,698	\$3.85	3,846	\$3.64	4,000	3.67	-0.50	0.03
4,403		\$5.22	4,623	\$4.81	4,808	\$4.55	5,000	4.58	-0.64	0.03
Agricultural Non-homestead (average value per acre of land and buildings)	\$2,642	\$6.25	\$2,774	\$5.77	\$2,885	\$5.46	\$3,000	\$5.49	-\$0.76	\$0.03
	3,082	\$7.30	3,236	\$6.73	3,365	\$6.37	3,500	6.41	-0.89	0.04
	3,522	\$8.34	3,698	\$7.70	3,846	\$7.28	4,000	7.32	-1.02	0.04
	4,403	\$10.42	4,623	\$9.61	4,808	\$9.10	5,000	9.15	-1.27	0.05

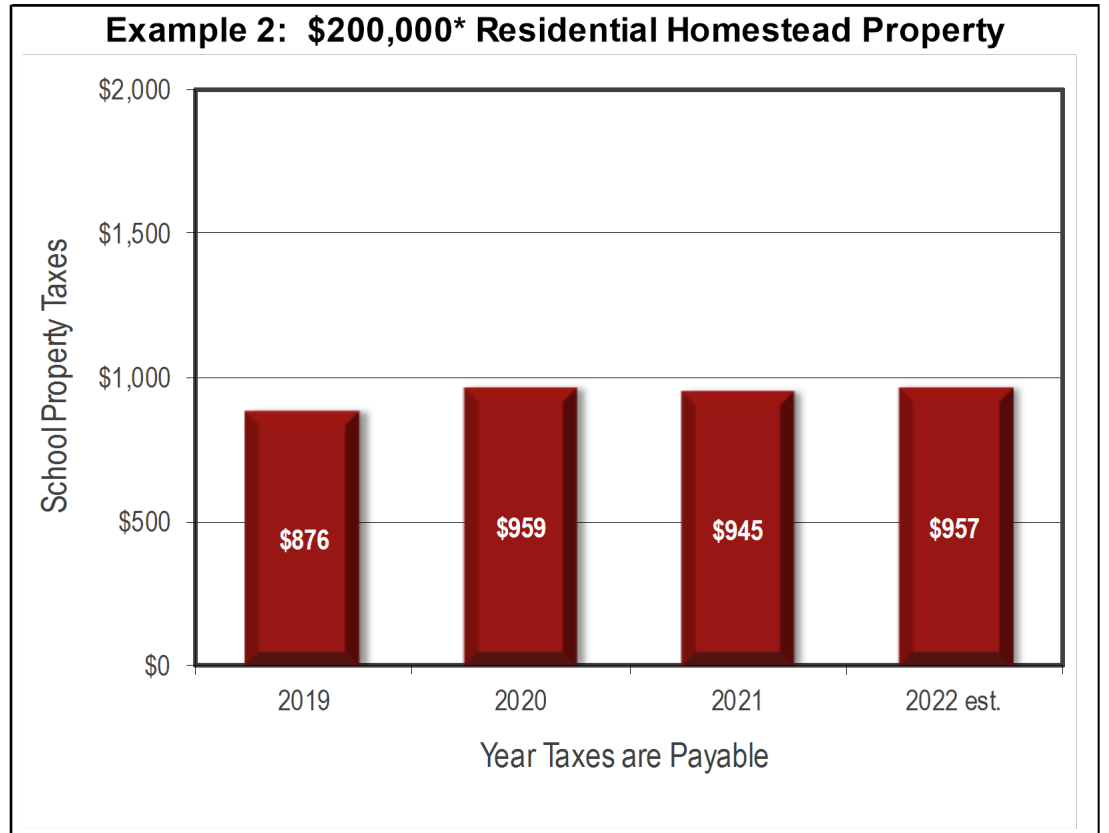
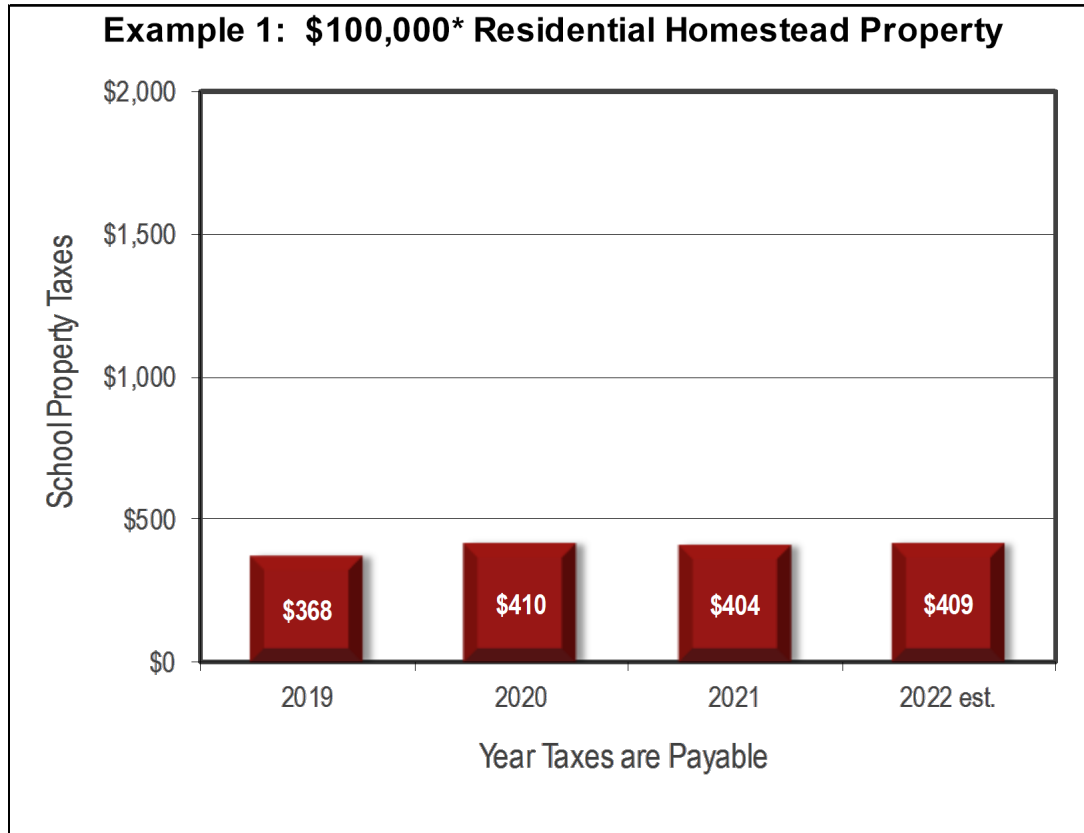
General Notes

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 changes in estimated market value of 5.0% from 2019 to 2020 taxes, 4.0% from 2020 to 2021, and 4.0% from 2021 to 2022.
4. For agricultural property, estimates of taxes payable beginning in 2019 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.

Royalton Public School District, ISD 485

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 13.6% Cumulative Changes in Property Value from 2019 to 2022 Taxes

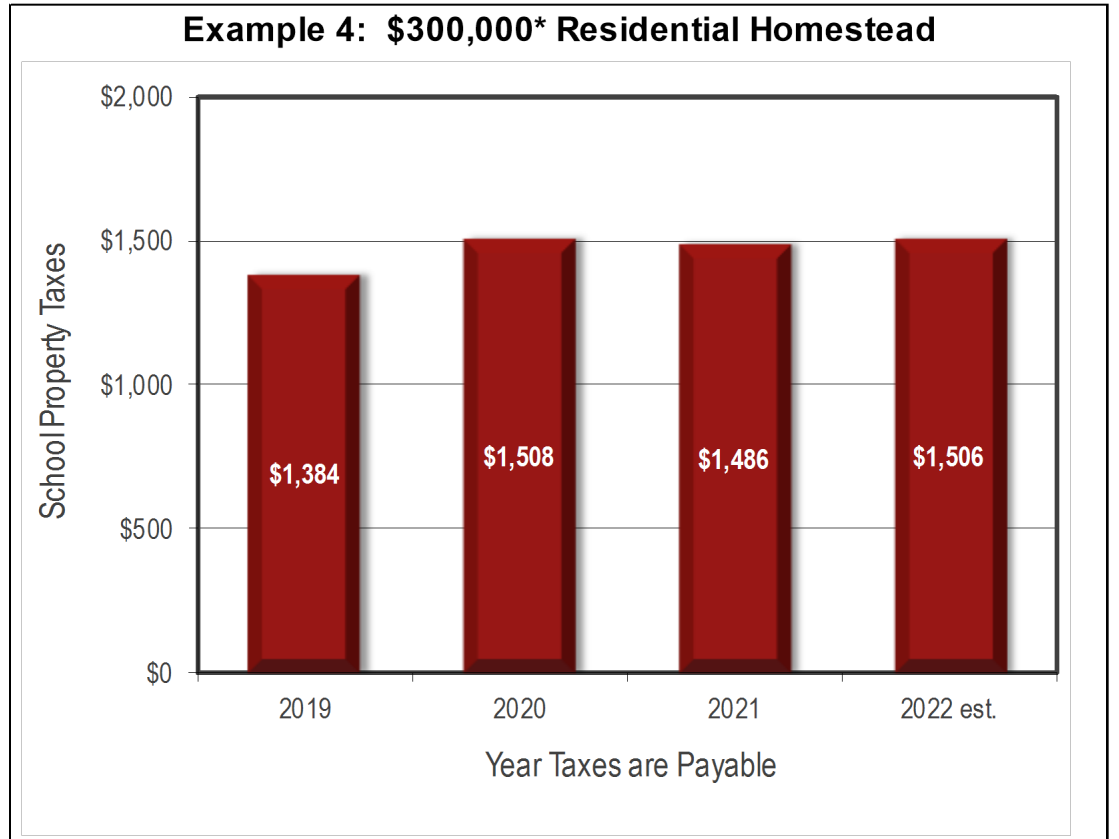
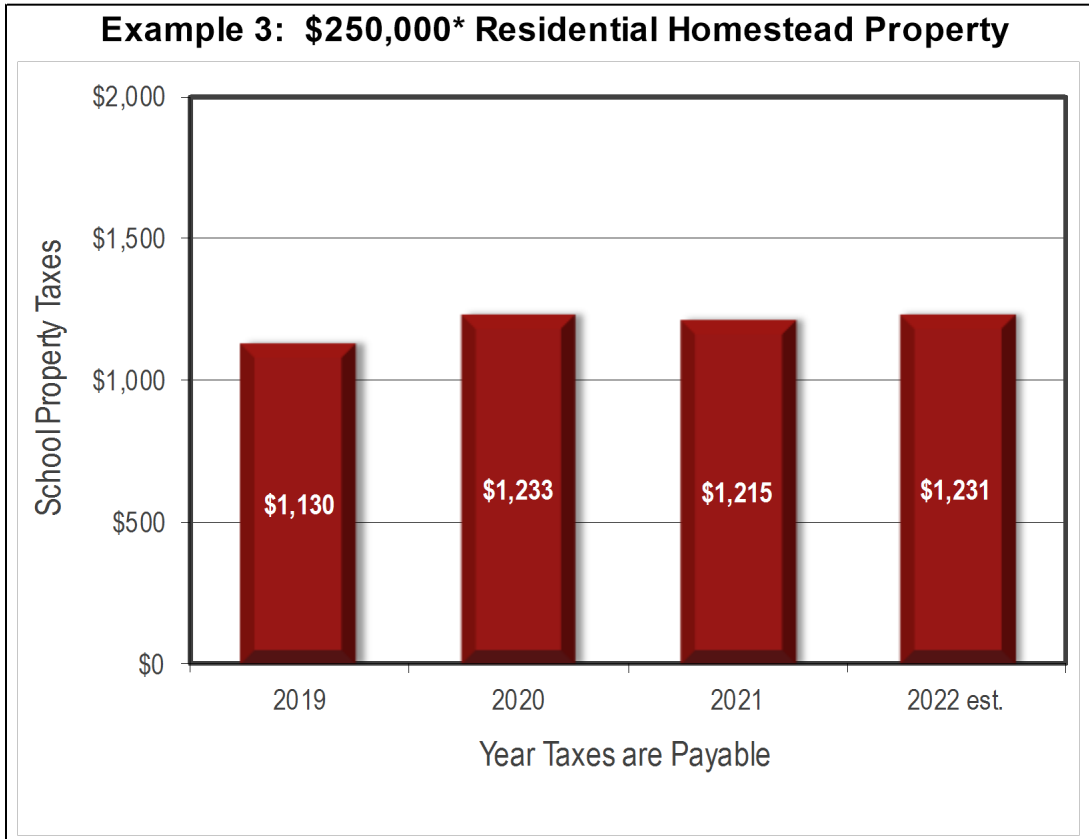


* Estimated market value for taxes payable in 2022. Taxes are calculated based on changes in market value of 5.0% from 2019 to 2020 taxes, 4.0% from 2020 to 2021, and 4.0% from 2021 to 2022.

Royalton Public School District, ISD 485

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 13.6% Cumulative Changes in Property Value from 2019 to 2022 Taxes



* Estimated market value for taxes payable in 2022. Taxes are calculated based on changes in market value of 5.0% from 2019 to 2020 taxes, 4.0% from 2020 to 2021, and 4.0% from 2021 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



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PUBLIC COMMENTS