



**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 14, 2023
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

2

IV. Adjournment

Chair, Tonya Reasoner

Strategic Plan Focus Areas

Student Support

Staff Support

Family & Community Engagement



Big Lake Schools, ISD 727

Public Hearing for Taxes Payable in 2024 ²

DECEMBER 14, 2023

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 2024



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

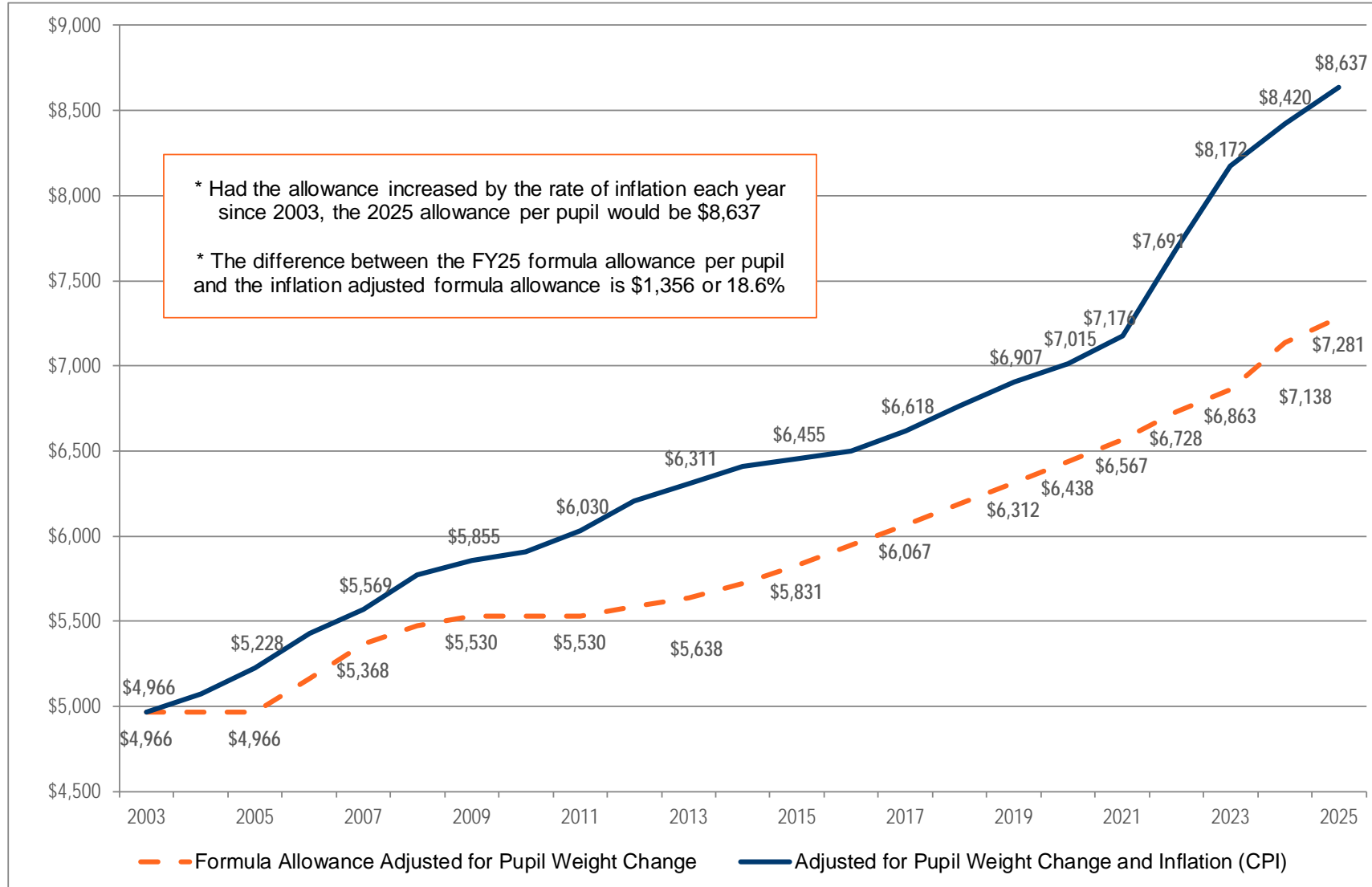
Basic General Education Formula Lags Inflation

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 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 \$1,356 (18.6%) to have kept pace with inflation since 2002-03, resulting in an allowance of \$8,637

General Education Formula Allowance, 2003-2025

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2023 Inflation Estimates and Minnesota Laws 2023

According to MN Department of Education (MDE):

FY 2022 costs of providing programs were underfunded statewide by \$712 million

Even with recent improvements in funding, by FY 2027 costs of providing programs statewide will be underfunded by \$408 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
- 2024 taxes provide revenue for 2024-25 fiscal year
- Budget adopted in June 2024



City/County:

- Budget year begins Jan. 1st
- 2024 taxes provide revenue for 2024 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 2024-25 budget will be adopted by School Board in June 2024.

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*



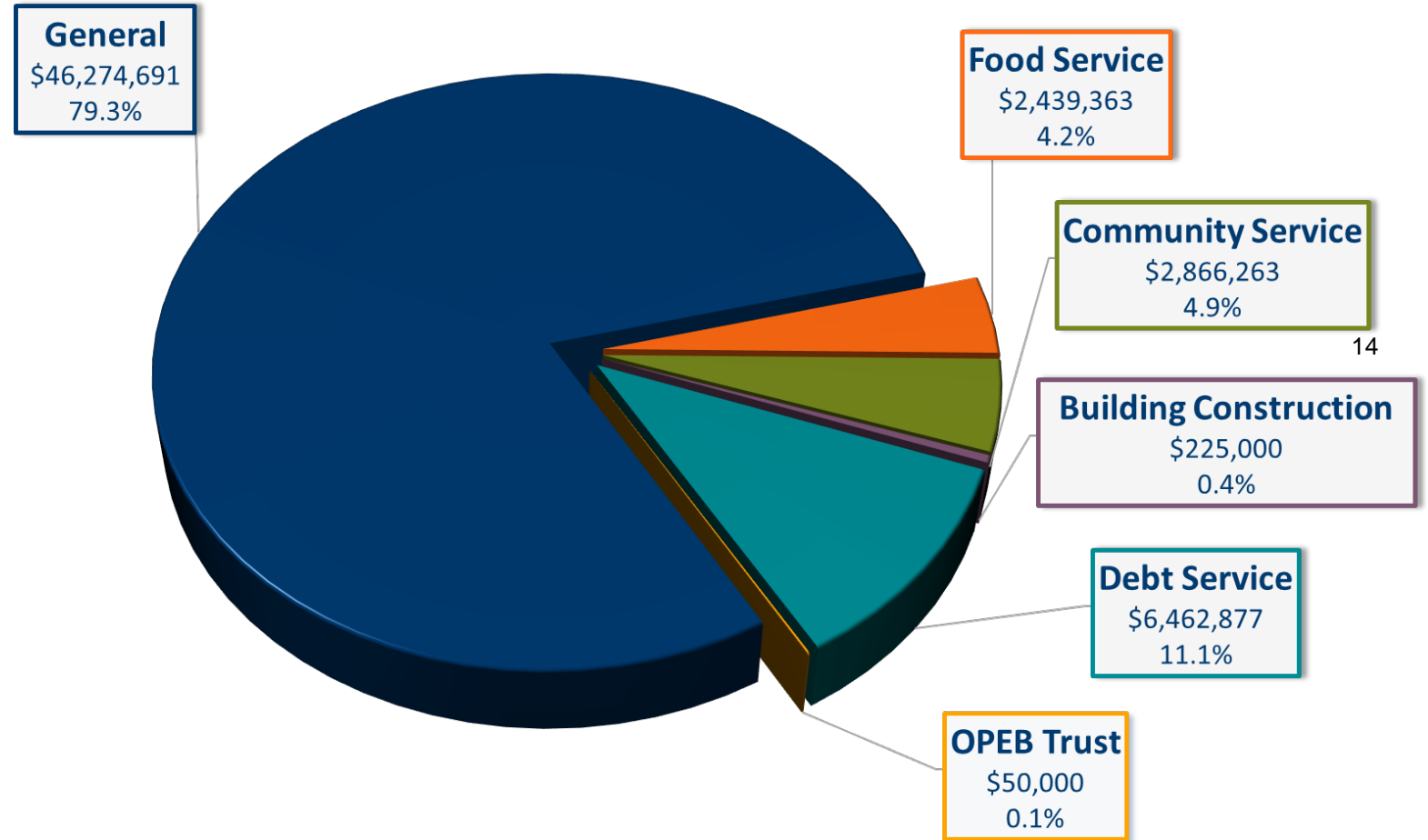
District Revenues & Expenditures
Actual for FY 2023, Budget for FY 2024

FUND	FISCAL 2023 BEGINNING	2022-23 ACTUAL		JUNE 30, 2023 ACTUAL	2023-24 BUDGET		JUNE 30, 2024 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES
General/Restricted	\$1,908,800	\$3,363,101	\$3,421,197	\$1,850,704	\$4,610,081	\$4,276,330	\$2,184,455
General/Other	10,033,093	38,257,376	38,990,837	9,299,632	41,664,610	41,410,545	9,553,697
Food Service	705,734	2,145,035	2,044,434	806,335	2,439,363	2,680,332	565,366
Community Service	912,605	3,353,129	3,074,681	1,191,053	2,866,263	2,905,975	1,151,341
Building Construction	27,590,333	496,703	9,603,563	18,483,473	225,000	9,728,058	8,980,415
Debt Service	1,582,724	5,928,563	6,049,728	1,461,559	6,462,877	6,464,376	1,460,060
OPEB* Irrevocable Trust	1,394,029	71,412	184,804	1,280,637	50,000	164,419	1,166,218
Total All Funds	44,127,318	53,615,319	63,369,244	34,373,393	58,318,194	67,630,035	25,061,552

*Other Post Employment Benefits

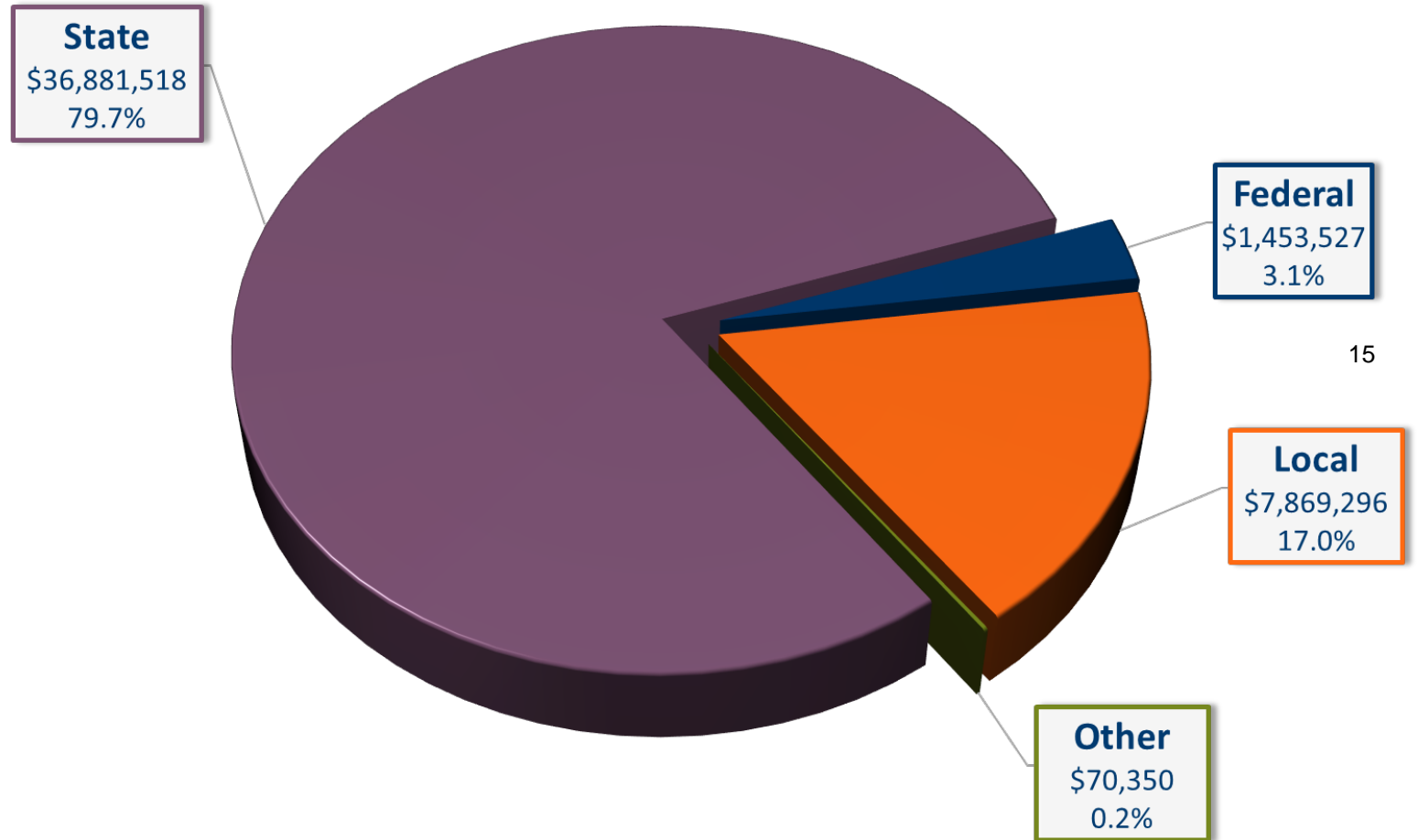
Revenue - All Funds -

2023-24 Budget
\$58,318,194



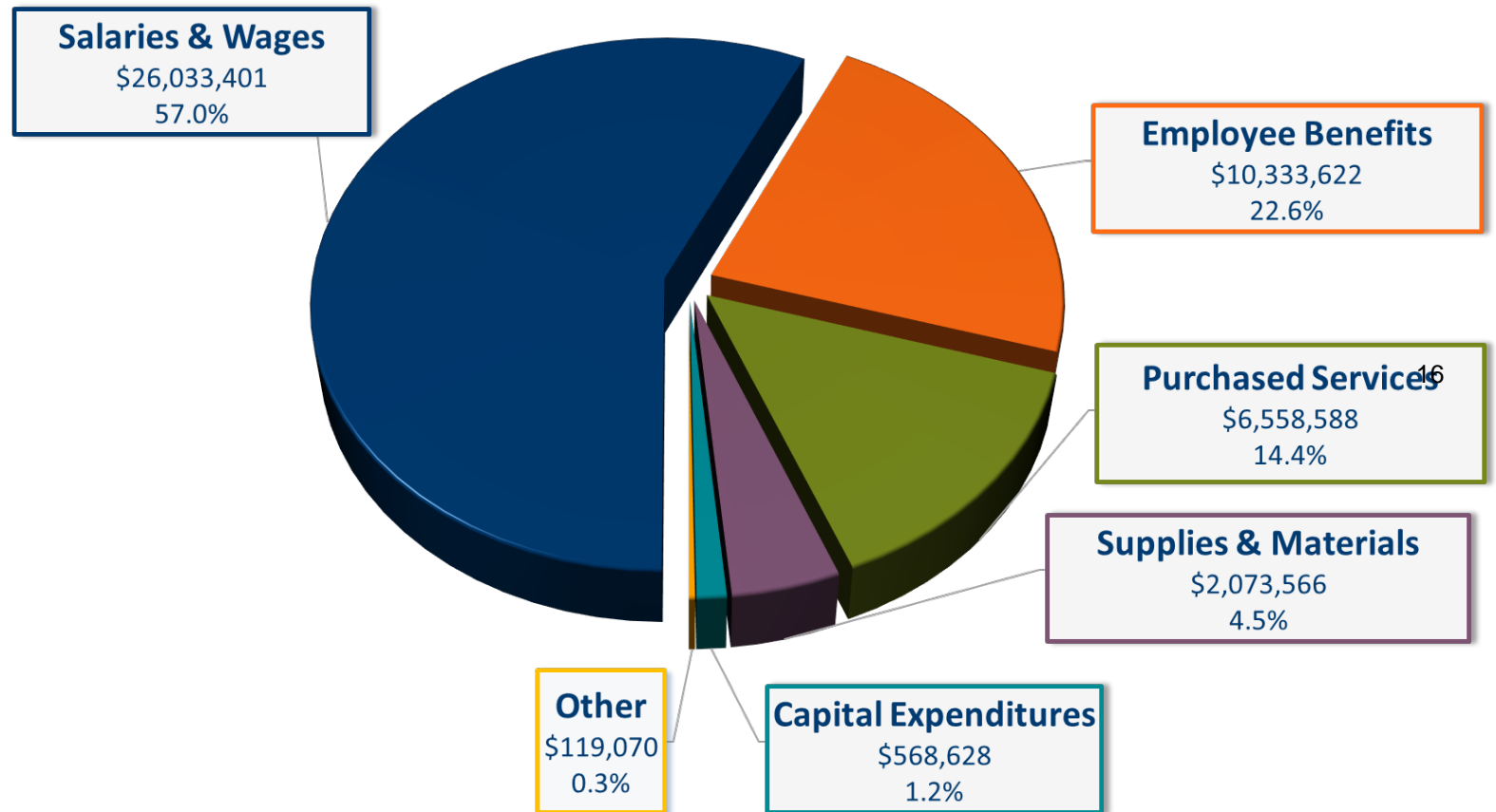
General Fund Revenue

2023-24 Budget
\$46,274,691



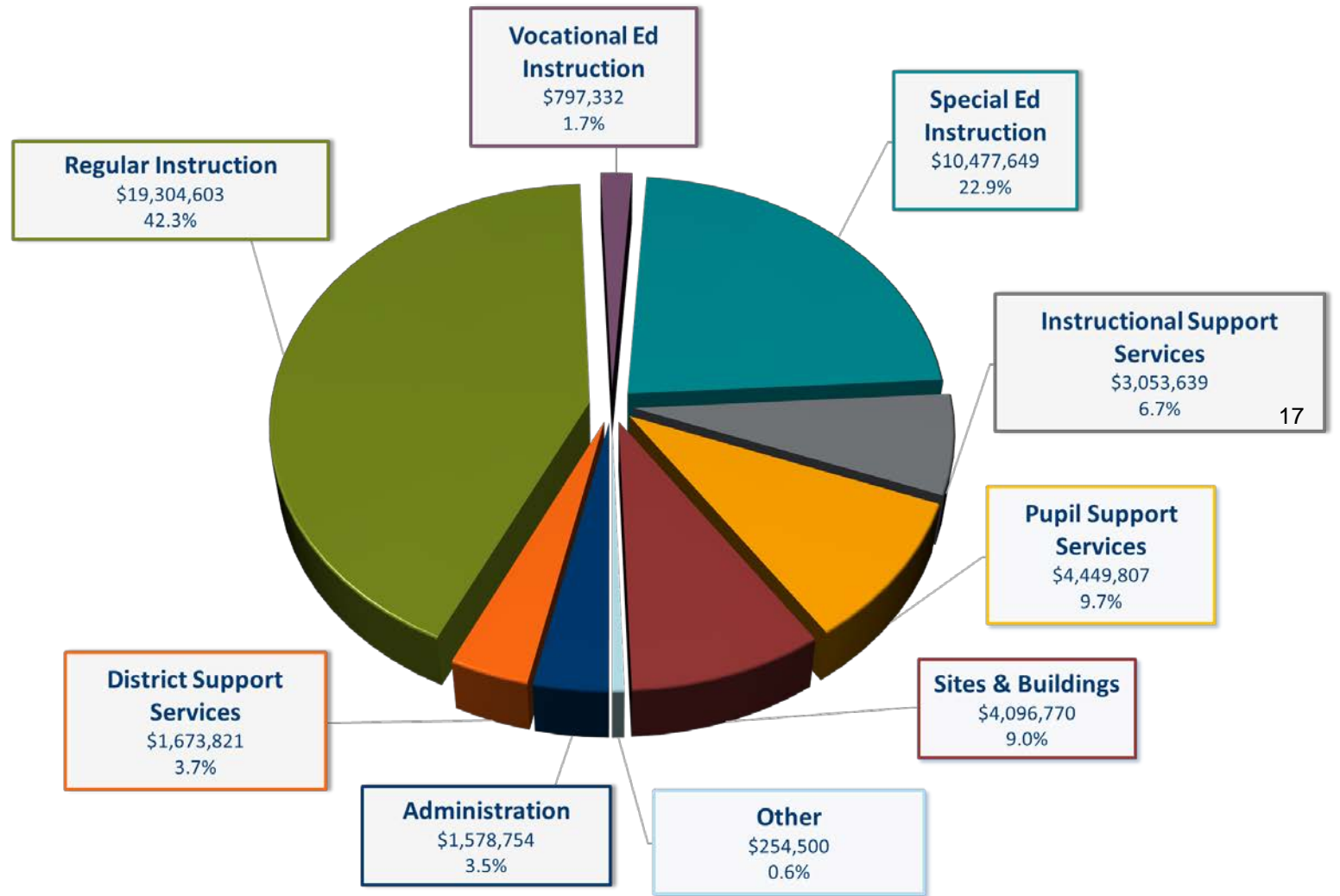
General Fund Expenditures - by Object -

2023-24 Budget
\$45,686,875



General Fund Expenditures - by Program -

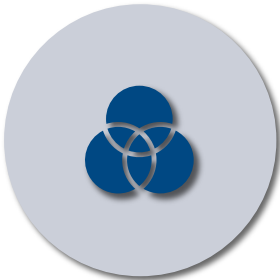
2023-24 Budget
\$45,686,875



Payable 2024 Property Tax Levy



Determination of levy



Compare 2023 to 2024 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 2024			
THIS IS NOT A BILL. DO NOT PAY.			
VALUES AND CLASSIFICATION			
Step	Taxes Payable Year	2023	2024
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			
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.			

20
Proposed Property Taxes and Meetings by Jurisdiction for Your Property

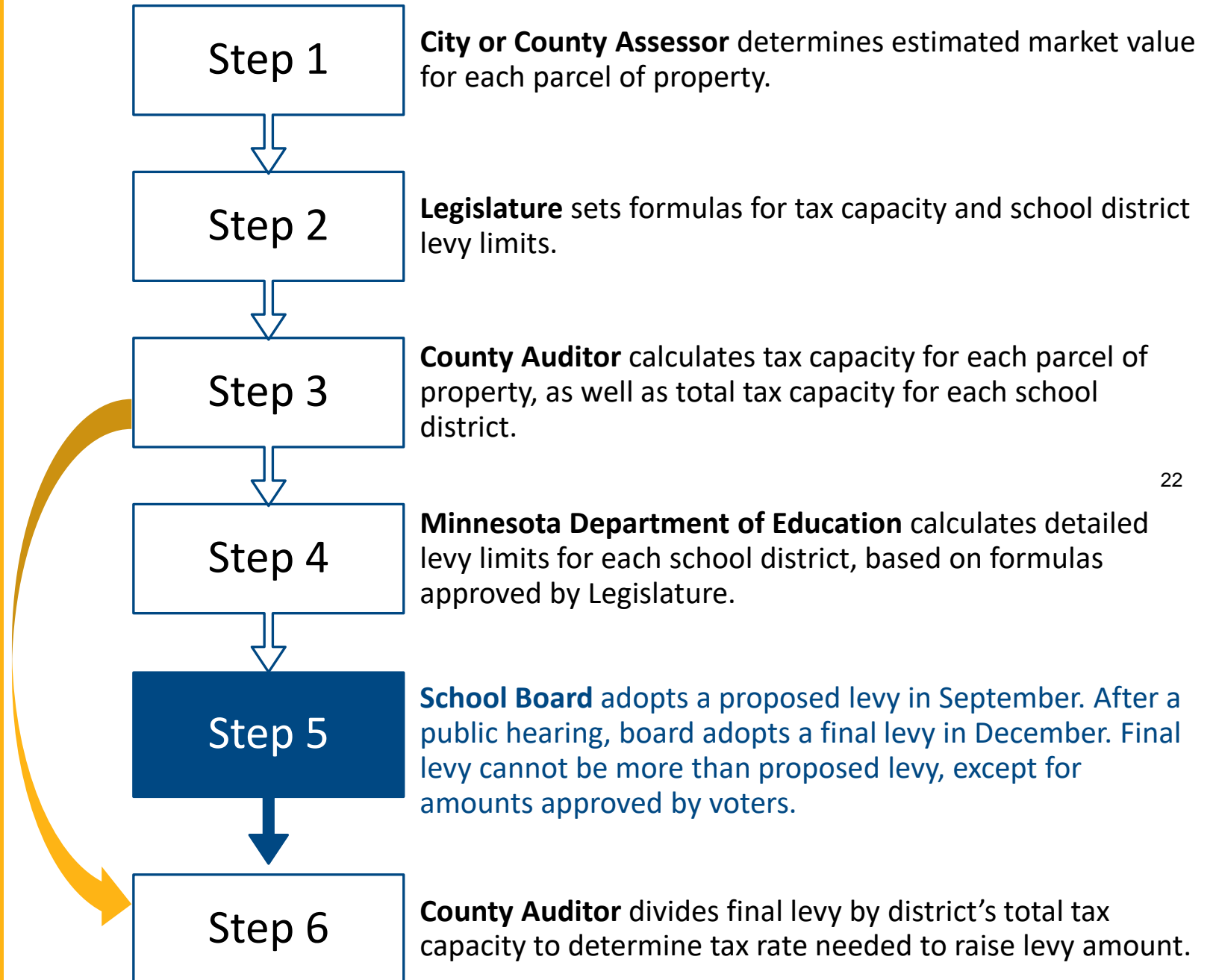
Contact Information	Meeting Information	Actual 2023	Proposed 2024
State General Property Tax	No public meeting	\$0	\$0
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 6, 7:00 PM	\$438.06	\$484.18
City of Spruceville Mayor's Office 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	December 9, 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 2024 may be higher than the proposed amount shown on this notice.</i>			
Total excluding any special assessments		\$1,341.31	\$1,467.52 9.4%

School District Property Taxes

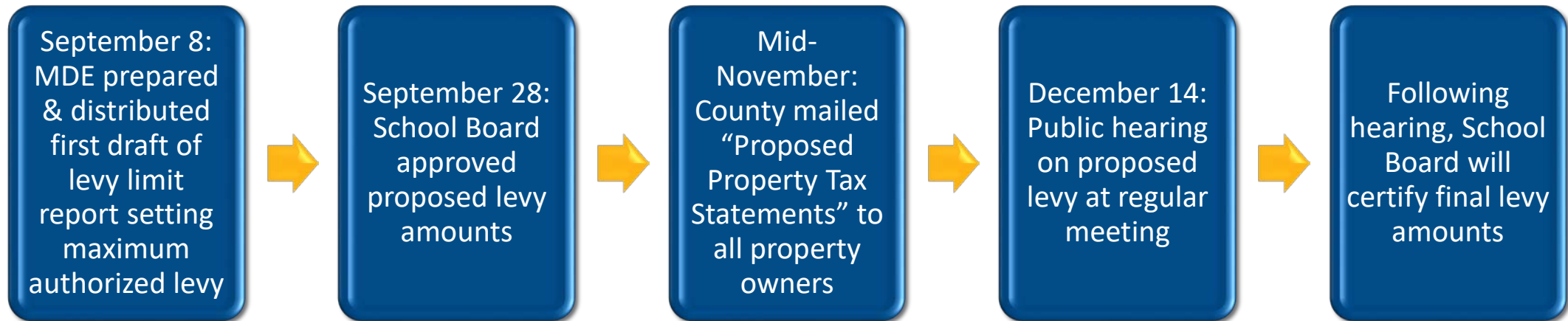
- Each school district may levy taxes in over 40 different categories
- Maximum levy amounts (calculated by MDE) for each category are set by:
 - State law
 - Voter approval
- Property Tax Process
 - Key steps in process are summarized on next slide
 - Any of these steps may affect taxes on a parcel 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 2023 (Payable 2024)





Overview of District's Proposed Tax Levy

- Proposed Payable 2024 tax levy is an increase from 2023 of \$915,039 or 7.3%
- Changes by levy category and reasons for major increases & decreases in levy are included on following slides

Comparison of Actual Tax Levy Payable in 2023 to Proposed Levy Payable in 2024

Fund Levy Category	Actual Levy Payable in 2023	Proposed Levy Payable in 2024	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$2,013,110	\$2,358,622	\$345,512	
Local Optional Revenue (LOR)	1,956,298	2,177,500	221,203	
Equity	439,777	466,818	27,042	
Voter Approved Technology Referendum	669,369	851,190	181,821	
Operating Capital	215,569	257,757	42,188	
Alternate Teacher Compensation	290,950	291,289	340	
Long Term Facilities Maintenance	222,367	261,409	39,042	
Instructional Lease	136,407	137,294	887	
Other	296,511	393,848	97,336	
Prior Year Adjustments	141,867	223,598	81,731	
Total, General Fund	\$6,382,225	\$7,419,325	\$1,037,101	16.2%
Community Service				
Basic Community Education	\$148,275	\$100,661	(\$47,614)	
Early Childhood Family Education	55,715	53,759	(1,956)	
School-Age Child Care	115,000	125,000	10,000	
Other	5,975	3,613	(2,362)	
Prior Year Adjustments	76	(3,956)	(4,032)	
Total, Community Service Fund	\$325,041	\$279,077	(\$45,964)	-14.1%
Debt Service				
Voter Approved	\$5,429,433	\$4,499,868	(\$929,565)	
Other	217,770	222,390	4,620	
Long Term Facility Maintenance	608,024	1,092,952	484,928	
Reduction for Debt Excess	(365,195)	0	365,195	
Prior Year Adjustments	2,391	1,116	(1,276)	
Total, Debt Service Fund	\$5,892,423	\$5,816,325	(\$76,098)	-1.3%
Total Levy, All Funds	\$12,599,689	\$13,514,727	\$915,039	7.3%
Subtotal by Truth in Taxation Categories:				
Voter Approved	8,036,312	7,892,265	(144,047)	
Other	4,563,377	5,622,462	1,059,086	
Total	\$12,599,689	\$13,514,727	\$915,039	7.3%

Explanation of Levy Changes

Category:	General Fund - Voter Approved Operating Referendum
Change:	+\$345,512
Use of Funds:	General Operating Expenses
Reasons for Change:	<ul style="list-style-type: none">• 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• All revenue for taxes payable in 2024 is local levy (approximately \$240,000 is state aid for taxes payable in 2023 and \$0 for Pay 2024)

Explanation of Levy Changes

Category:	General Fund – Local Optional Revenue (LOR)
Change:	+\$221,203
Use of Funds:	General Operating Expenses
Reasons for Change:	<ul style="list-style-type: none">• 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 – Voter Approved Technology Referendum

Change:

+\$181,821

Use of Funds:

Technology Costs

Reasons for Change:

- Levy is based on voter approved tax rate applied to tax base
- District's tax base increased

Explanation of Levy Changes

Category:	Debt Service – Voter Approved, Long Term Facilities Maintenance (LTFM) & Reduction for Debt Excess
Change:	-\$929,565 (Voter Approved), \$484,928 (LTFM) & +\$365,195 (Debt Excess)
Use of Funds:	Debt Payments
Reasons for Changes:	<ul style="list-style-type: none">• Debt service levies are coordinated to maintain a level or declining tax rate• Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections• Because delinquencies are generally less than 5%, most districts gradually build up fund balances in debt service funds• Formulas in state law determine adjustments to tax levy for debt excess balances

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

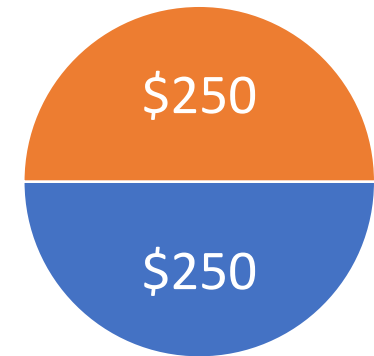
Two properties in the district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy

\$100,000



32

\$100,000



Impact of Property Valuations

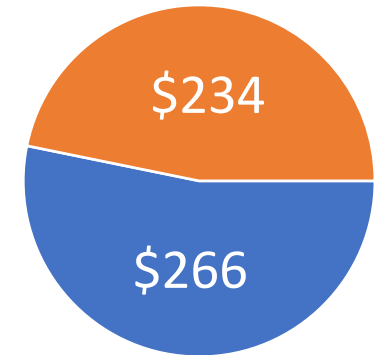
Two properties in the district

- 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



33

\$125,000



Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and a 37.4% 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 2024 are preliminary estimates; final amounts could change slightly
- Estimates prepared by Ehlers (District's municipal financial advisors)

Estimated Changes in School Property Taxes, 2021 to 2024
Based on No Changes in Property Values

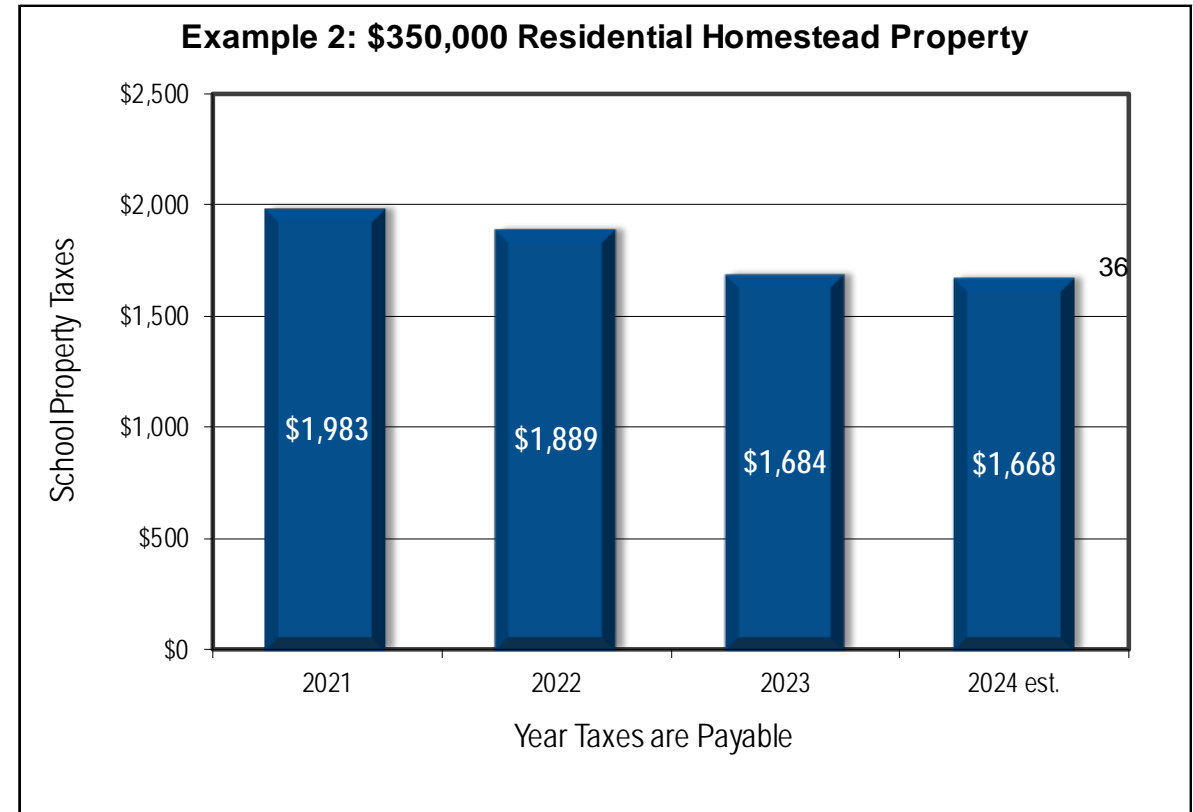
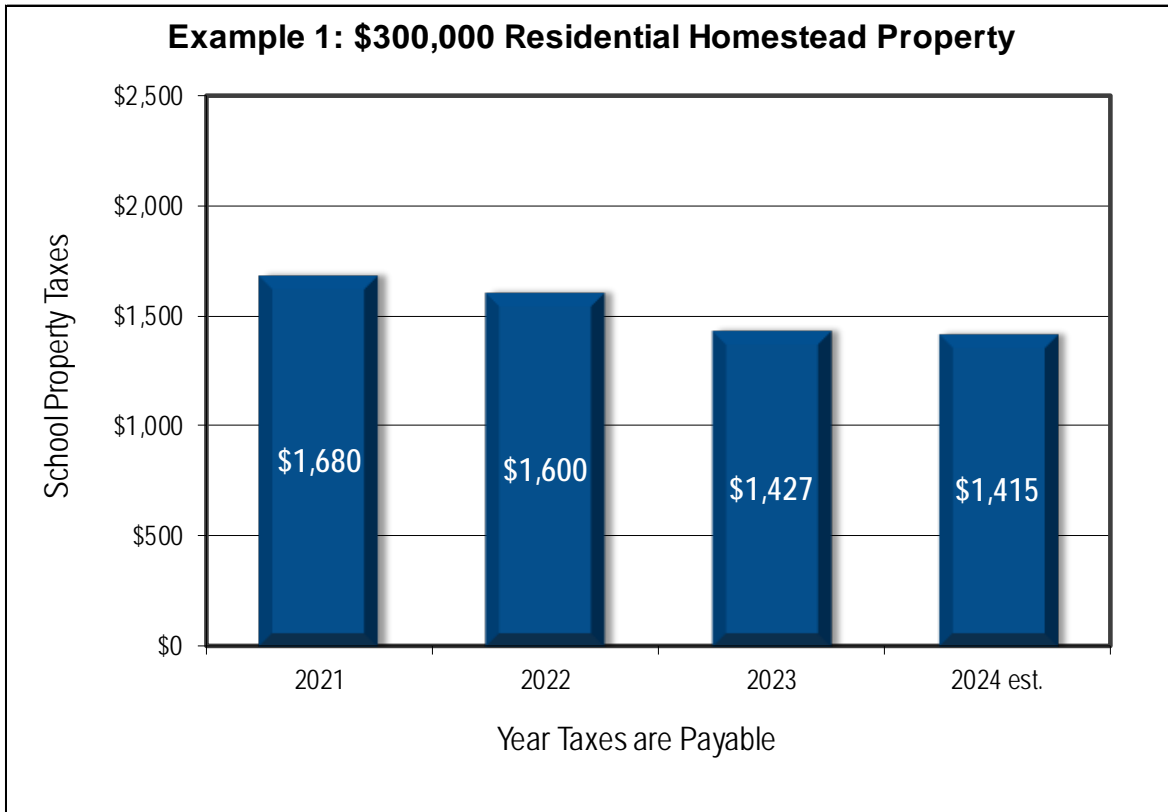
Type of Property	Estimated Market Value	Actual Taxes Payable in 2021	Actual Taxes Payable in 2022	Actual Taxes Payable in 2023	Estimated Taxes Payable in 2024	Change in Taxes 2021 to 2024	Change in Taxes 2023 to 2024
Residential Homestead	\$200,000	\$1,072	\$1,023	\$915	\$908	-\$164	-\$7
	300,000	1,680	1,600	1,427	1,415	-265	-12
	350,000	1,983	1,889	1,684	1,668	-315	-16
	400,000	2,287	2,178	1,940	1,922	-365	-18
	500,000	2,865	2,728	2,430	2,407	-458	-23
Commercial/ Industrial	\$250,000	\$2,102	\$1,983	\$1,738	\$1,703	-\$399	-\$35
	500,000	4,492	4,232	3,701	3,620	-872	-81
	1,000,000	9,271	8,730	7,626	7,454	-1,817	-172
	2,000,000	18,829	17,725	15,476	15,122	-3,707	-354
Apartments and Res. Non-Homestead (2 or more units)	\$500,000	\$3,343	\$3,170	\$2,804	\$2,764	-\$579	-\$40
	1,000,000	6,687	6,340	5,608	5,527	-1,160	-81
	2,000,000	13,374	12,680	11,215	11,054	-2,320	-161

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 2024 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 2021 to 2024.

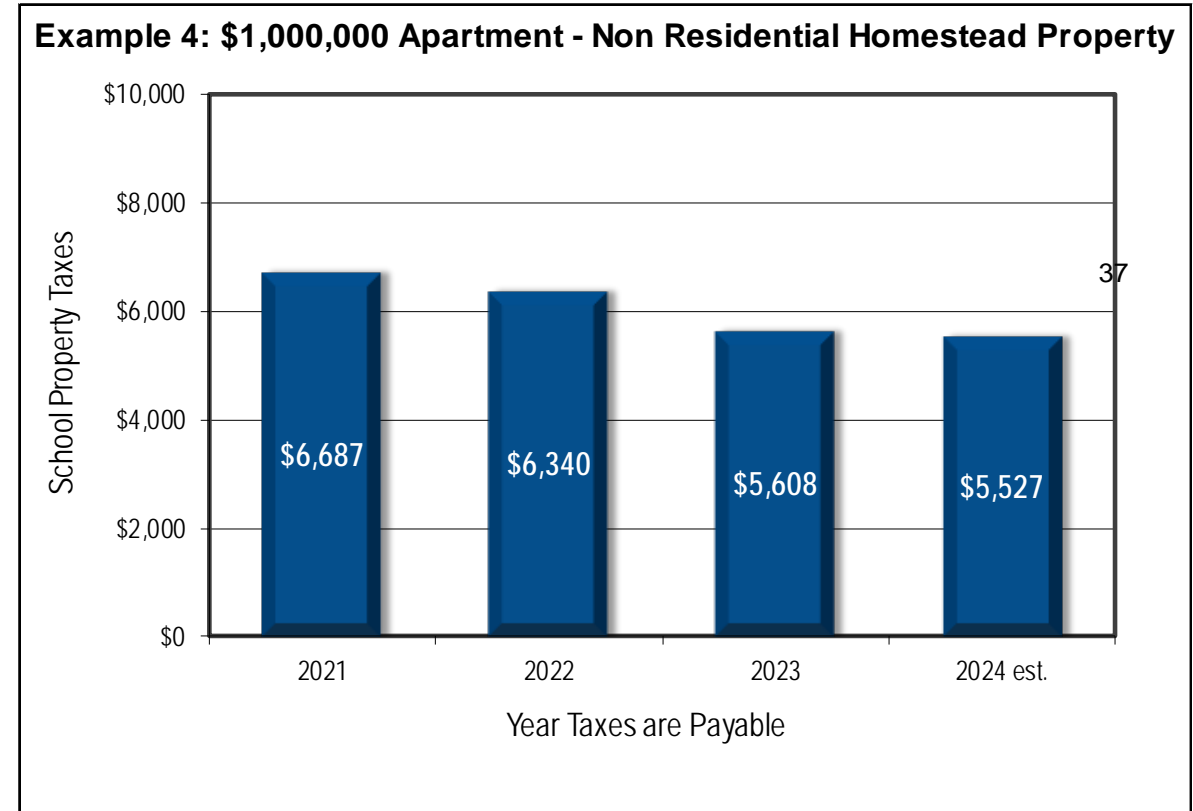
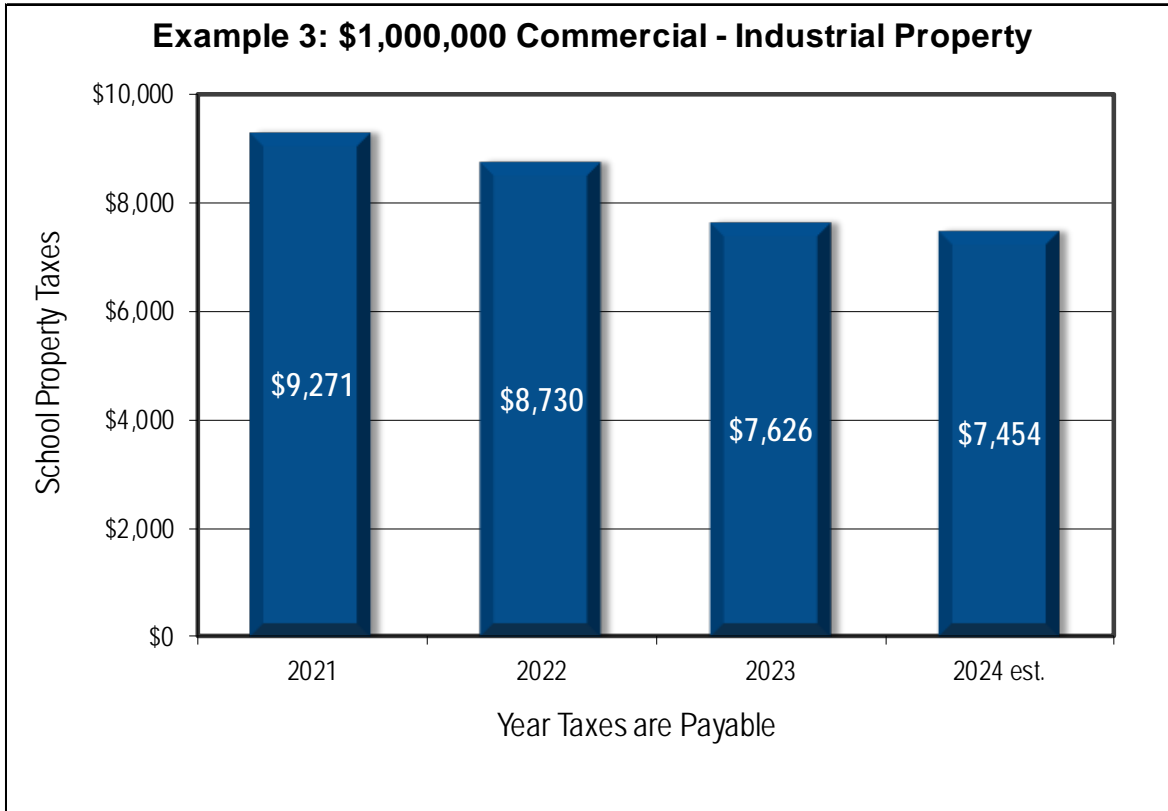
Estimated Changes in School Property Taxes, 2021-24

Based on No Changes in Property Value



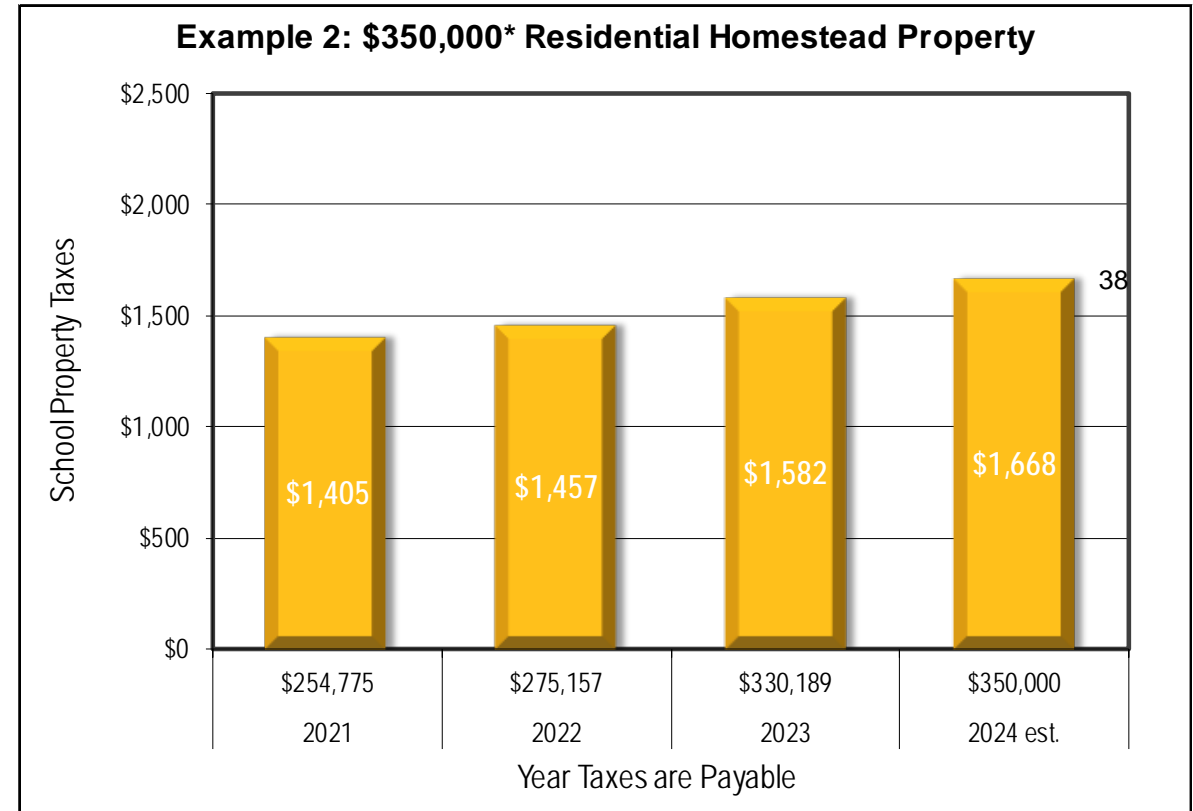
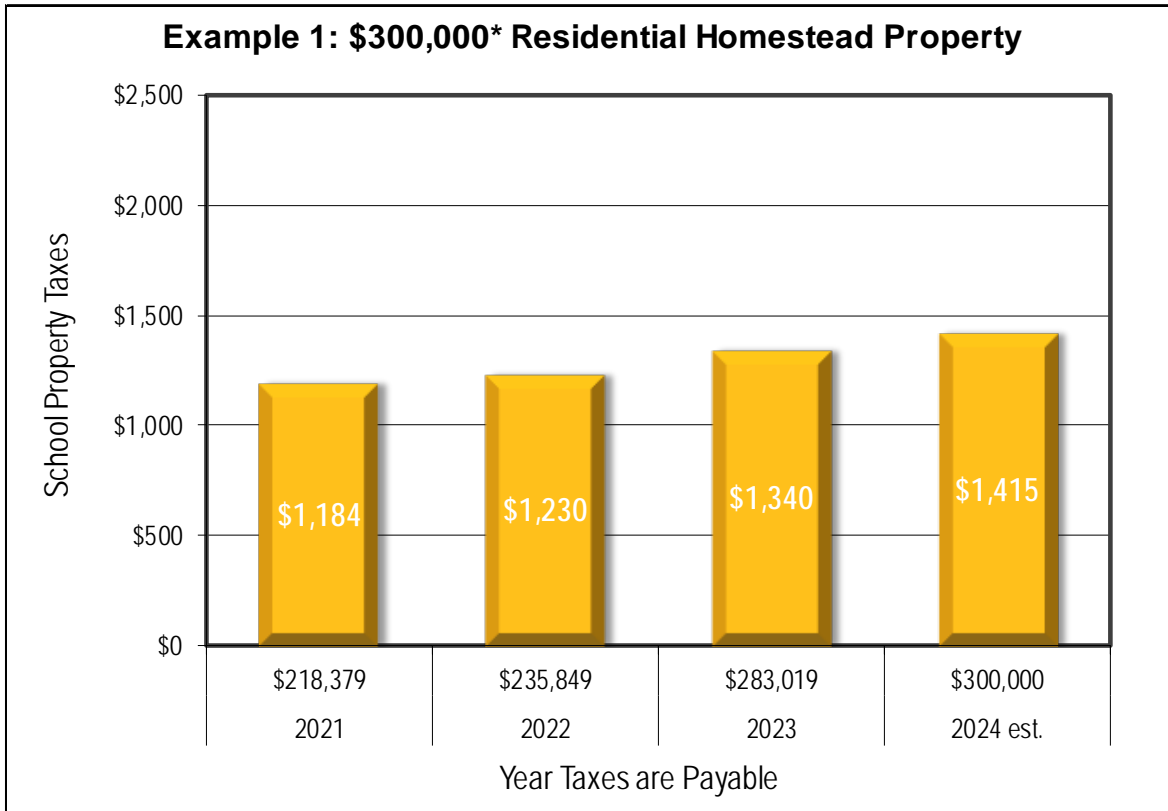
Estimated Changes in School Property Taxes, 2021-24

Based on No Changes in Property Value



Estimated Changes in School Property Taxes, 2021-24

Based on 37.4% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2024. Taxes are calculated based on changes in market value of 8.0% from 2021 to 2022, 20.0% from 2022 to 2023 and 6.0% from 2023 to 2024.

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 \$3,140 for homeowners and \$2,440 for renters)

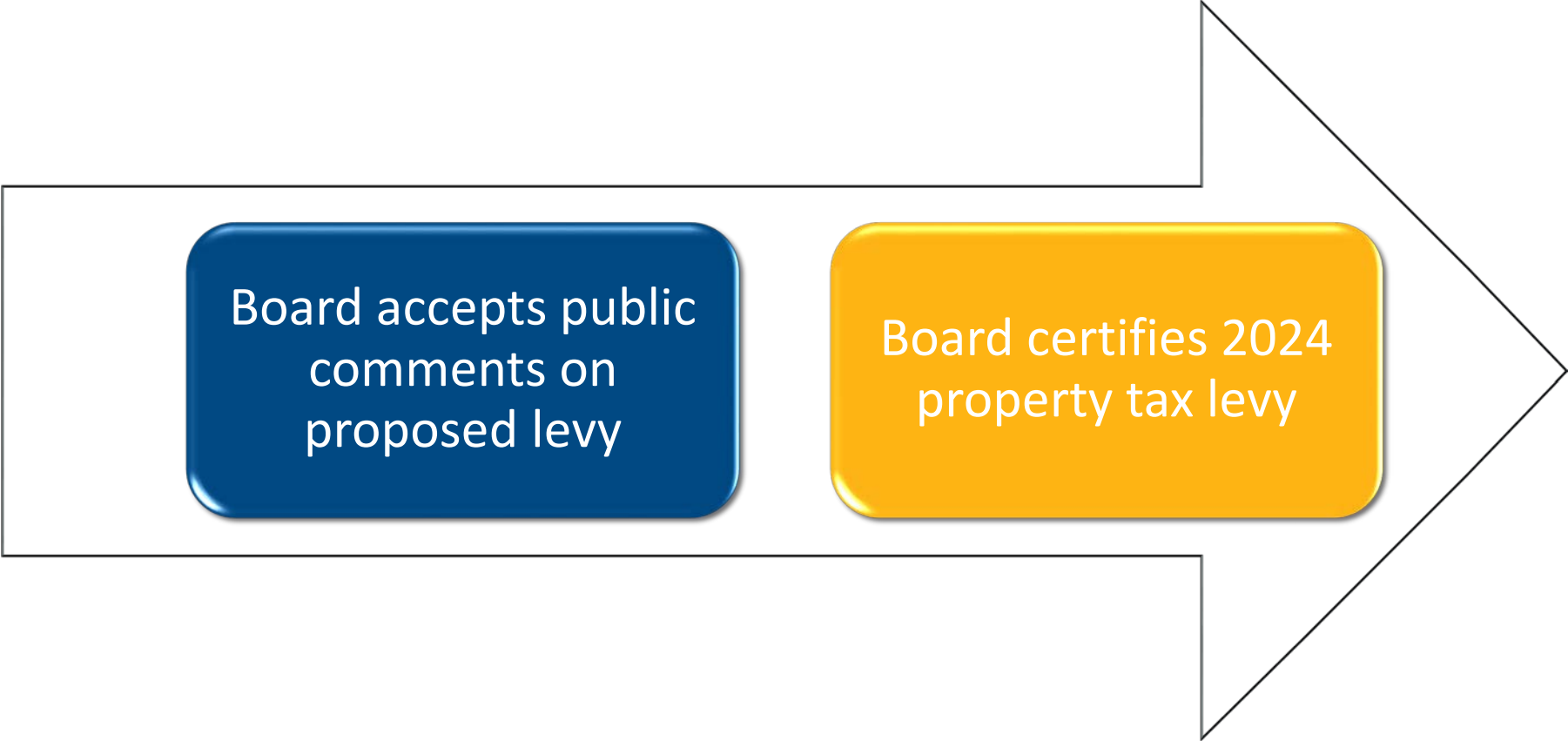
Special Property Tax Refund

- Available for all homestead property, both residential & agricultural (HGA only) with a gross tax increase of at least 6% and \$100 over prior year
- Refund is 60% of tax increase that exceeds greater of 6% or \$100 (max \$2,500)

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
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

Next Steps





PUBLIC COMMENTS