



South Washington County Schools

Public Hearing for Taxes Payable in 2022

DAN PYAN, DIRECTOR OF FINANCE & OPERATIONS
December 16, 2021



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Minnesota State Law Requires:

A Public Meeting

- Between Nov. 25 and Dec. 28
- At 6 p.m. 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
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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.”

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

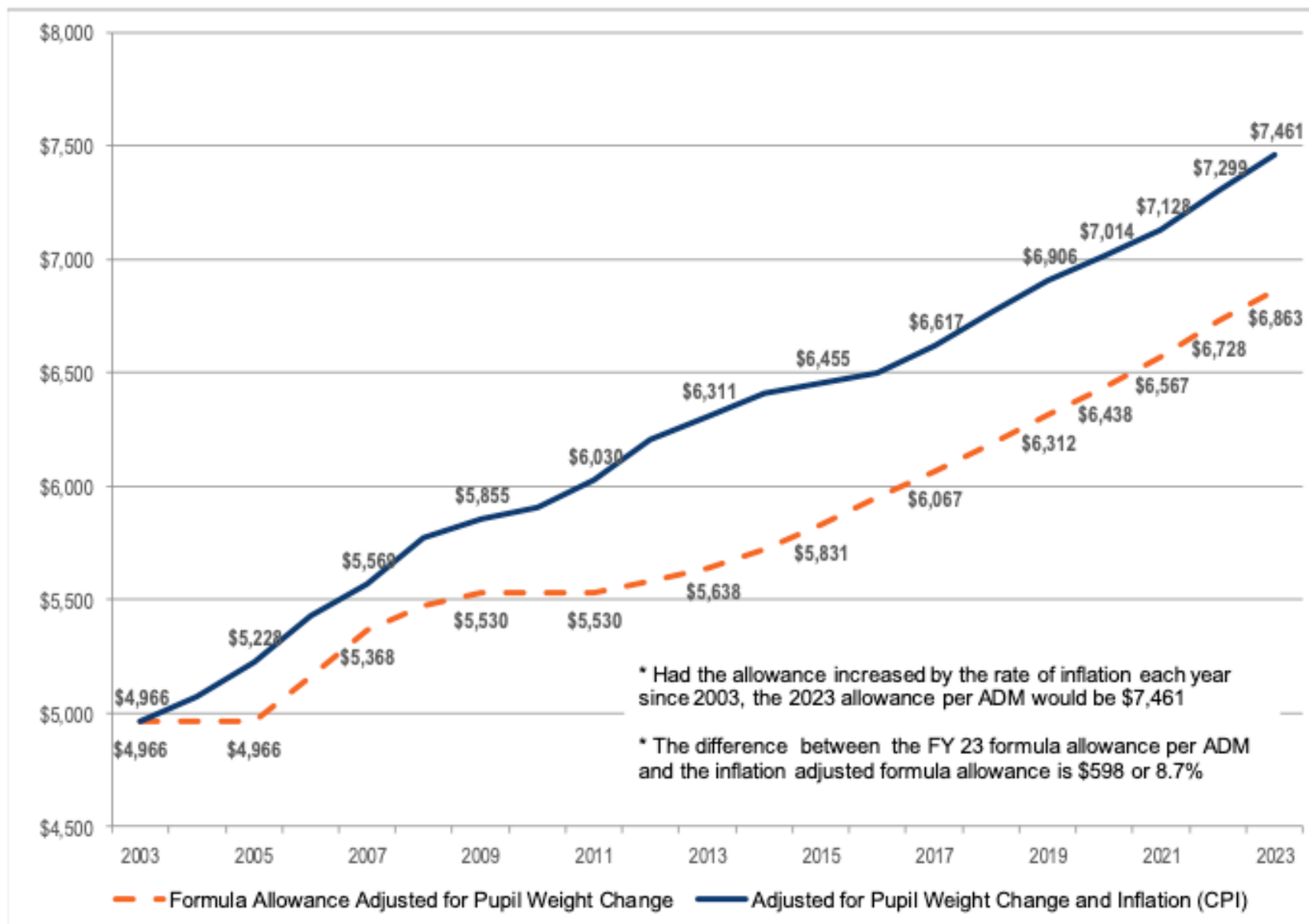


- Since 2002–03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2021–22, an increase of 2.45% or \$161 over previous year was approved
- For Fiscal Year 2022–23, an increase of 2.00% or \$135 over current year was approved

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)



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
 - Trust
 - OPEB* Trust

*Other Post-Employment Benefits

South Washington County Schools

District Revenues and Expenditures Actual for FY 2021, Budget for FY 2022

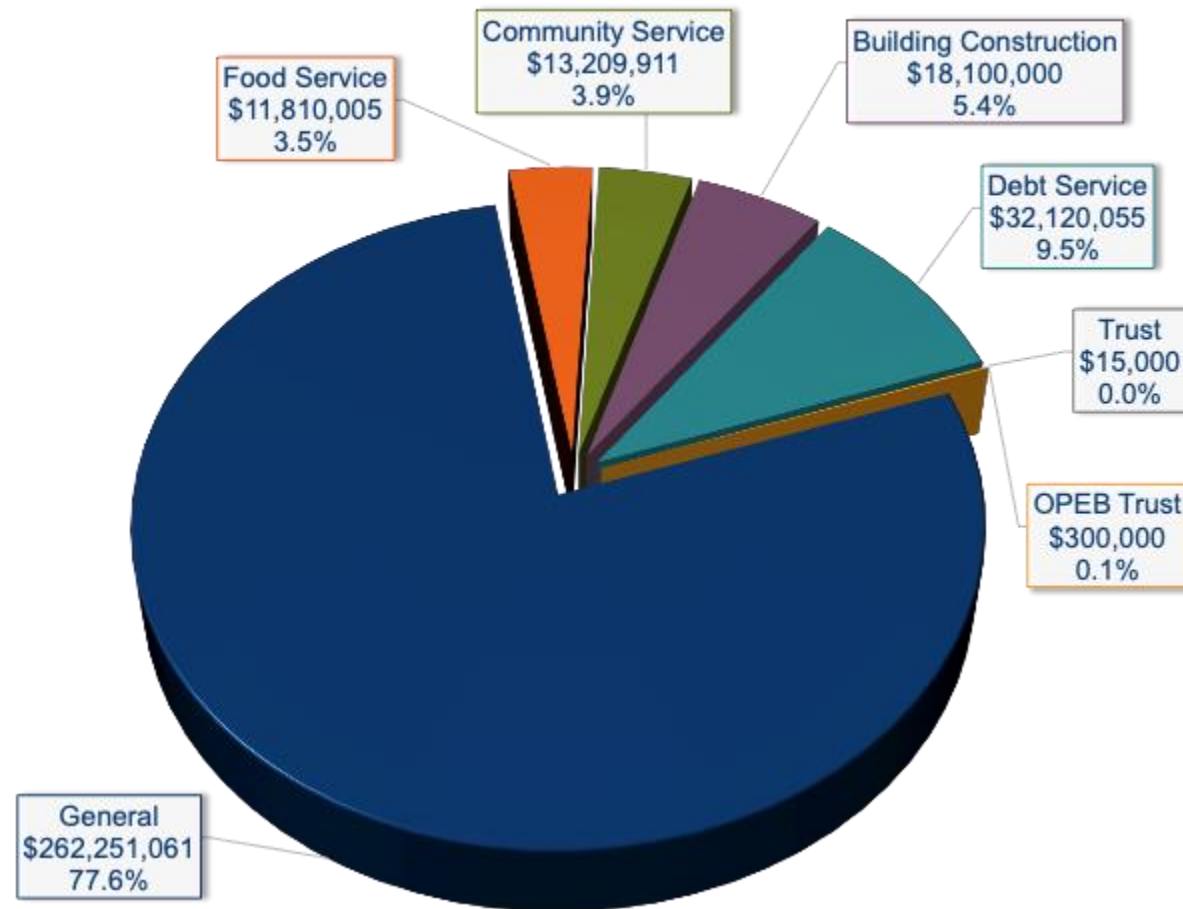
FUND	FISCAL 2021 BEGINNING	2020-21 ACTUAL	2020-21 ACTUAL	JUNE 30, 2021 ACTUAL	2021-22 BUDGET	2021-22 BUDGET	JUNE 30, 2022 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES
General/Restricted	\$4,100,938	\$31,014,855	\$31,895,076	\$3,220,717	\$31,081,204	\$31,664,630	\$2,637,291
General/Other	11,912,299	233,117,007	229,987,543	15,041,763	231,169,857	228,645,171	17,566,449
Food Service	811,627	6,226,326	5,964,154	1,073,799	11,810,005	10,703,118	2,180,686
Community Service	337,919	10,141,669	10,321,325	158,263	13,209,911	12,963,164	405,010
Building Construction	25,340,612	76,646	6,639,267	18,777,991	18,100,000	14,655,000	22,222,991
Debt Service	6,459,461	30,610,588	31,157,345	5,912,704	32,120,055	32,272,555	5,760,204
Trust	39,212	10,900	10,030	40,082	15,000	15,000	40,082
Internal Service	452,820			-			-
OPEB* Revocable Trust	3,067,288	855,733	19,909	3,903,112	300,000	316,042	3,887,070
Total All Funds	\$52,522,176	\$312,053,724	\$315,994,649	\$48,128,431	\$337,806,032	\$331,234,680	\$54,699,783

*Other Post Employment Benefits

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Revenue – All Funds

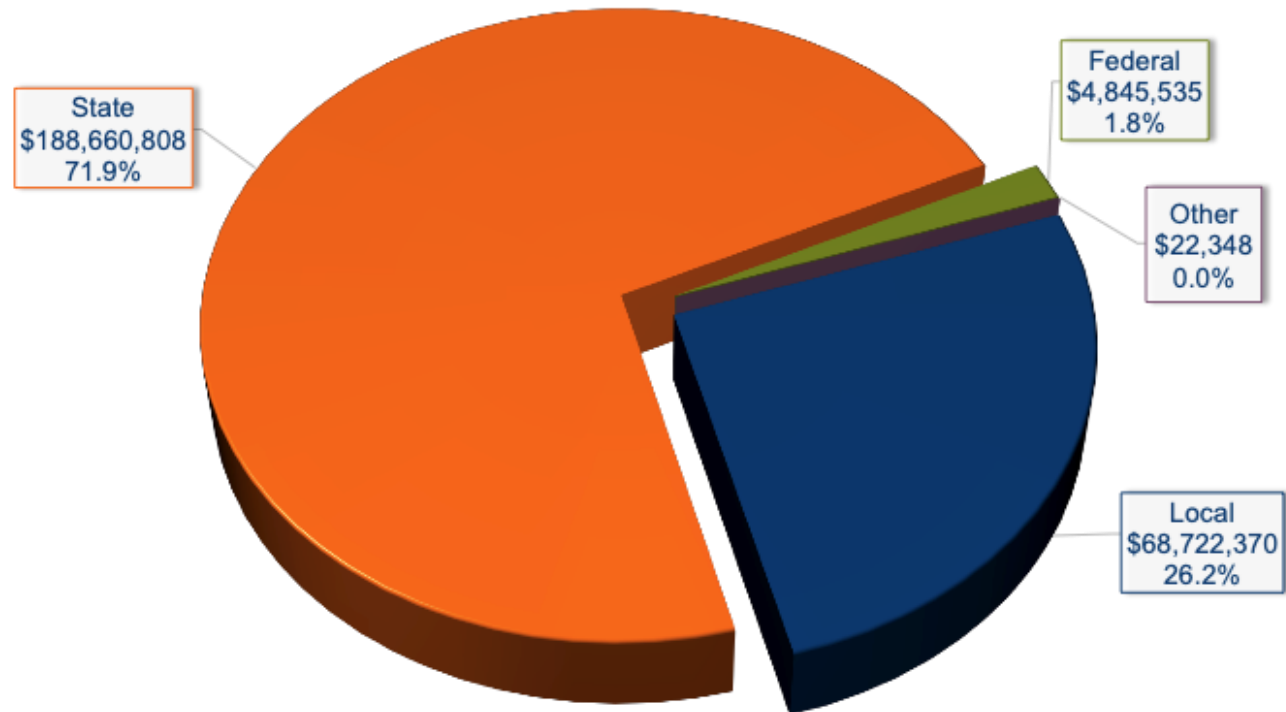
2021-22 Budget \$337,806,032



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General Fund Revenue

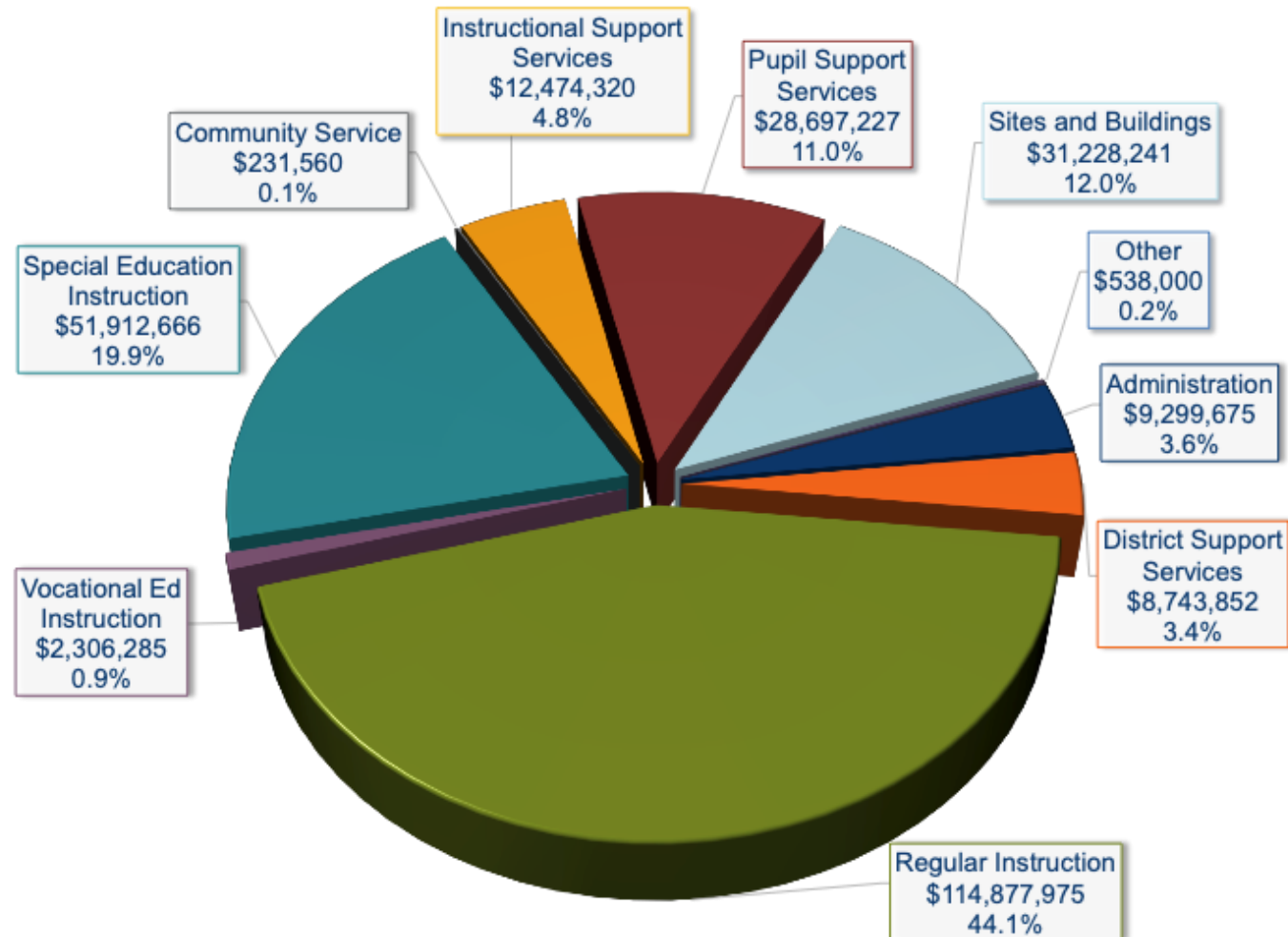
2021-22 Budget \$262,251,061



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General Fund Expenditures by Program

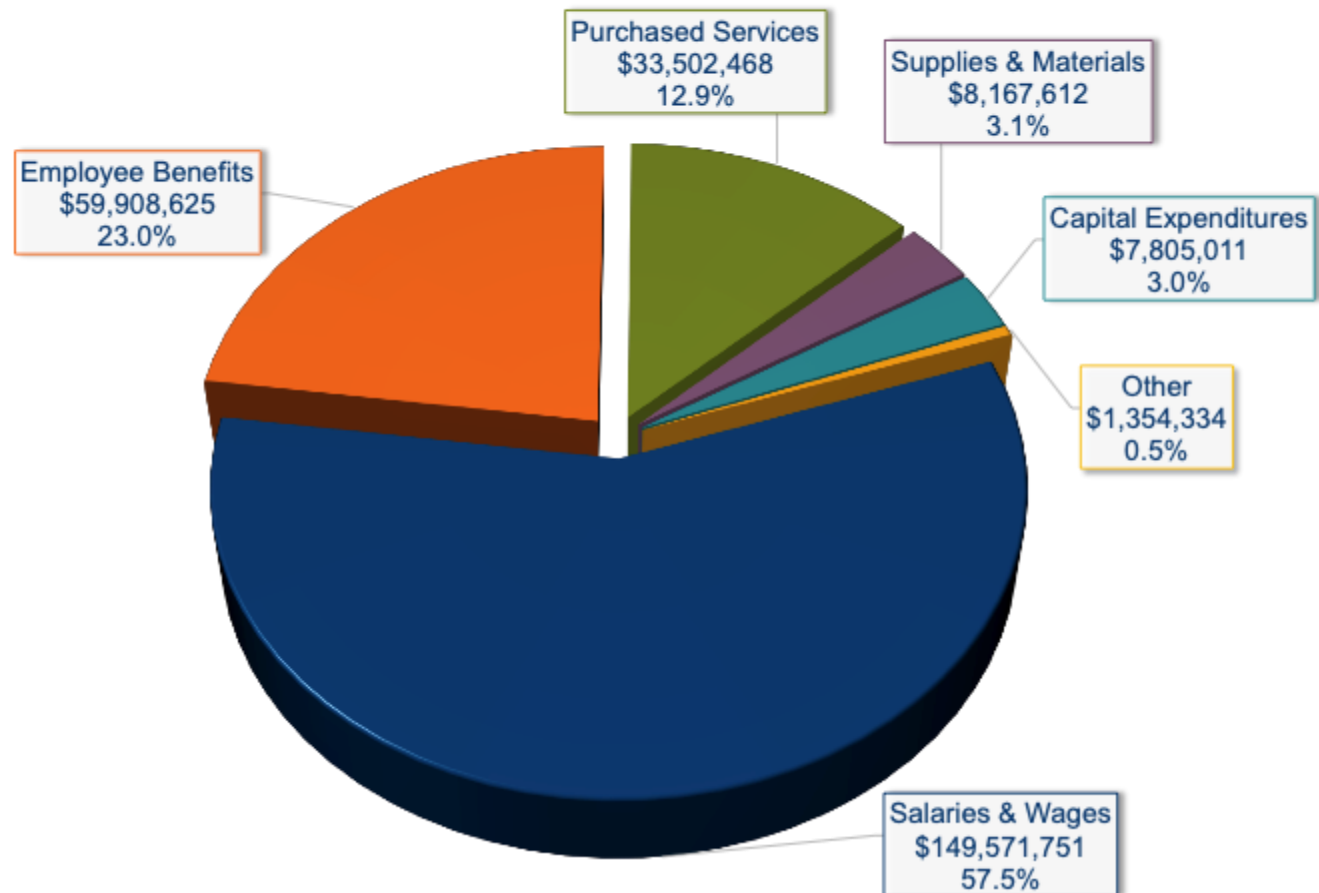
2021-22 Budget \$260,309,801



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General Fund Expenditures by Object

2021-22 Budget \$260,309,801



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

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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

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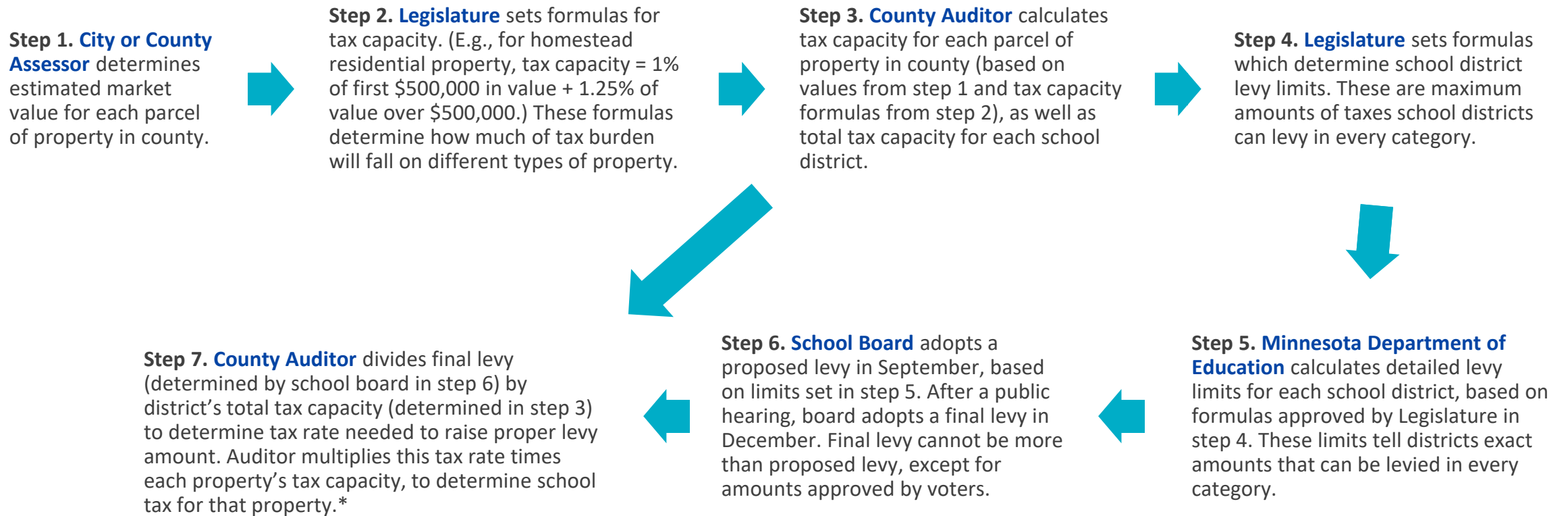
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Property Tax Background

- 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 \$7,265,349 or 7.5%
- Includes \$6,547,446 net increase from initial proposed levy approved by School Board in September
 - Operating referendum increase approved by voters in election held on November 2nd
 - District refinanced some of its existing bonds, reducing debt service levy
 - District will underlevy in Alternative Teacher compensation category
- Reasons for major increases and decreases in levy are included on following slides

South Washington County Schools, ISD 833

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

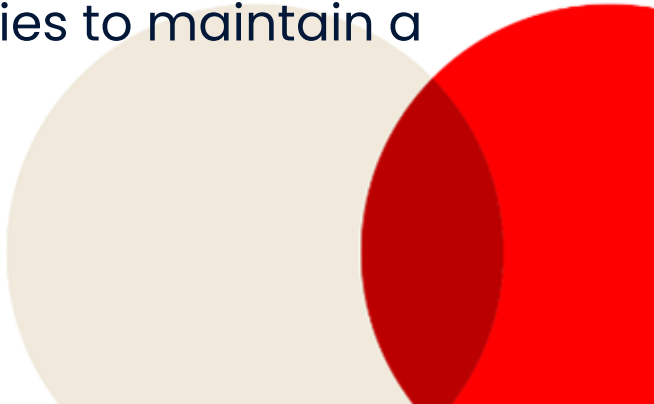
Fund Levy Category	Actual Levy Payable in 2021	Proposed Levy Payable in 2022	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$31,721,030	\$38,648,990	\$6,927,961	
Local Optional Revenue (LOR)	12,736,150	12,716,053	(20,096)	
Equity	1,766,764	1,413,028	(353,736)	
Voter Approved Capital Project/Technology Referendum	2,522,921	2,690,277	167,356	
Operating Capital	1,337,694	1,496,533	158,839	
Alternate Teacher Compensation	1,508,680	1,645,660	136,980	
Safe Schools	1,065,543	1,047,448	(18,095)	
Long Term Facilities Maintenance (LTFM)	7,323,751	7,367,036	43,285	
Instructional Lease	3,662,352	3,764,844	102,492	
Capital Facilities Bond Adjustment	(643,335)	(650,869)	(7,534)	
Other	3,312,685	2,839,493	(473,192)	
Prior Year Adjustments	(1,410,973)	(1,775,386)	(364,413)	
Total, General Fund	\$64,903,261	\$71,203,108	\$6,299,847	9.7%
Community Service				
Basic Community Education	\$686,767	\$753,890	\$67,123	
Early Childhood Family Education	375,078	381,944	6,866	
School-Age Child Care	325,000	625,000	300,000	
Other	16,675	17,274	599	
Prior Year Adjustments	94,660	2,805	(91,855)	
Total, Community Service Fund	\$1,498,180	\$1,780,913	\$282,733	18.9%
Debt Service				
Voter Approved	\$28,234,317	\$28,956,875	\$722,558	
Other	643,335	650,869	7,534	
Long-Term Facility Maintenance (LTFM)	2,362,452	2,383,373	20,921	
Reduction for Debt Excess	(1,334,307)	(1,391,573)	(57,266)	
Prior Year Adjustments	10,176	(803)	(10,978)	
Total, Debt Service Fund	\$29,915,973	\$30,598,741	\$682,769	2.3%
Total Levy, All Funds	\$96,317,414	\$103,582,763	\$7,265,349	7.5%
Subtotal by Truth in Taxation Categories:				
Voter Approved	60,905,290	67,629,011	6,723,722	
Other	35,412,125	35,953,752	541,627	
Total	\$96,317,414	\$103,582,763	\$7,265,349	7.5%

Explanation of Levy Changes

- **Categories:** General Fund – Voter Approved Operating Referendum & Equity
- **Changes:** +\$6,927,961 (Operating Referendum) and -\$353,736
- **Use of Funds:** General Operating Expenses
- **Reason for Changes**
 - Voters approved an increase to operating referendum authority in election held on November 2, 2021
 - Increases in operating referendum authority result in a reduction to equity revenue, based on state-determined formula



Explanation of Levy Changes

- **Category:** Debt Service Fund – Voter Approved
 - **Changes:** +\$722,558
 - **Use of Funds:** Annual required payments on bonds
 - **Reason for Changes:**
 - Planned increase to maintain a level tax rate and minimize interest costs, due to expected growth in the District's tax base
 - Levies are also coordinated with other capital and debt levies to maintain a level tax rate
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Factors Impacting Individual Taxpayers' School Taxes

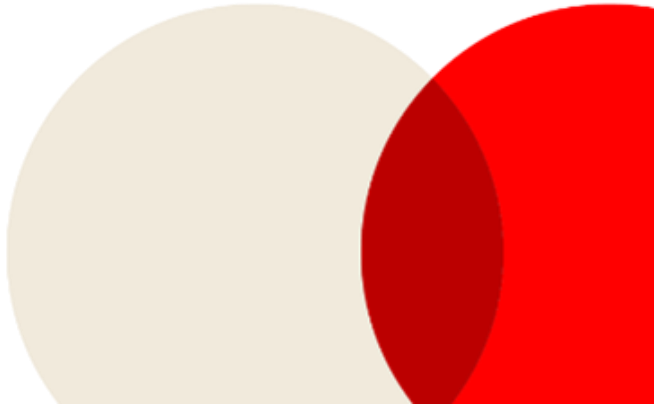


Many factors can cause tax bill for an individual property to increase or decrease from year to year

- 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

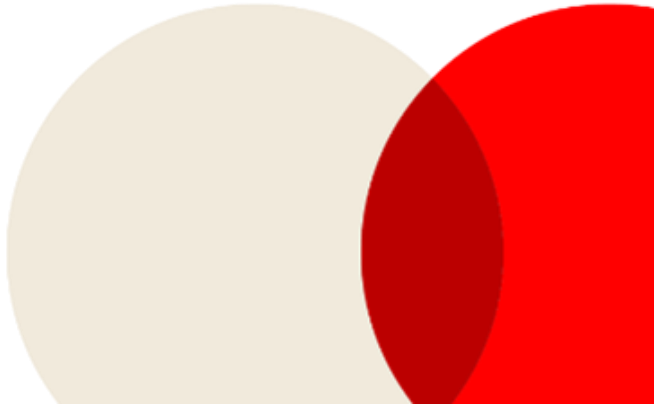
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Four Year School Levy Comparison

- 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
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- Two overlapping circles are located in the bottom right corner: a light beige circle and a red circle.



Impact on Taxpayers

- Examples are for property in City of Woodbury
 - 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
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- Two overlapping circles, one light beige and one red, located in the bottom right corner of the slide.

South Washington County Schools

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 Taxes Payable in 2022			Change in Taxes 2019 to 2022	Change in Taxes 2021 to 2022
					Initial Proposed	Net Change*	Total		
Residential Homestead	\$100,000	\$600	\$569	\$561	\$529	\$49	\$578	-\$22	\$17
	150,000	965	917	905	857	72	929	-36	24
	200,000	1,330	1,265	1,249	1,185	97	1,282	-48	33
	250,000	1,695	1,613	1,594	1,512	121	1,633	-62	39
	300,000	2,060	1,961	1,938	1,840	145	1,985	-75	47
	350,000	2,425	2,309	2,282	2,167	170	2,337	-88	55
	400,000	2,789	2,657	2,626	2,495	194	2,689	-100	63
	500,000	3,492	3,326	3,288	3,124	242	3,366	-126	78
	600,000	4,278	4,076	4,031	3,833	290	4,123	-155	92
	750,000	5,457	5,201	5,146	4,897	362	5,259	-198	113
Commercial/Industrial #	\$100,000	\$683	\$647	\$641	\$605	\$49	\$654	-\$29	\$13
	500,000	3,806	3,610	3,587	3,395	241	3,636	-170	49
	1,000,000	7,779	7,380	7,336	6,949	481	7,430	-349	94
	1,500,000	11,751	11,150	11,086	10,503	722	11,225	-526	139
	2,000,000	15,724	14,920	14,835	14,057	962	15,019	-705	184

* Net Change includes estimates for a voter-approved operating referendum increase, savings from refunding of a bond issue, and underlevy in the Alternative Teacher Compensation category.

For commercial-industrial property, amounts are for property in the City of Woodbury. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

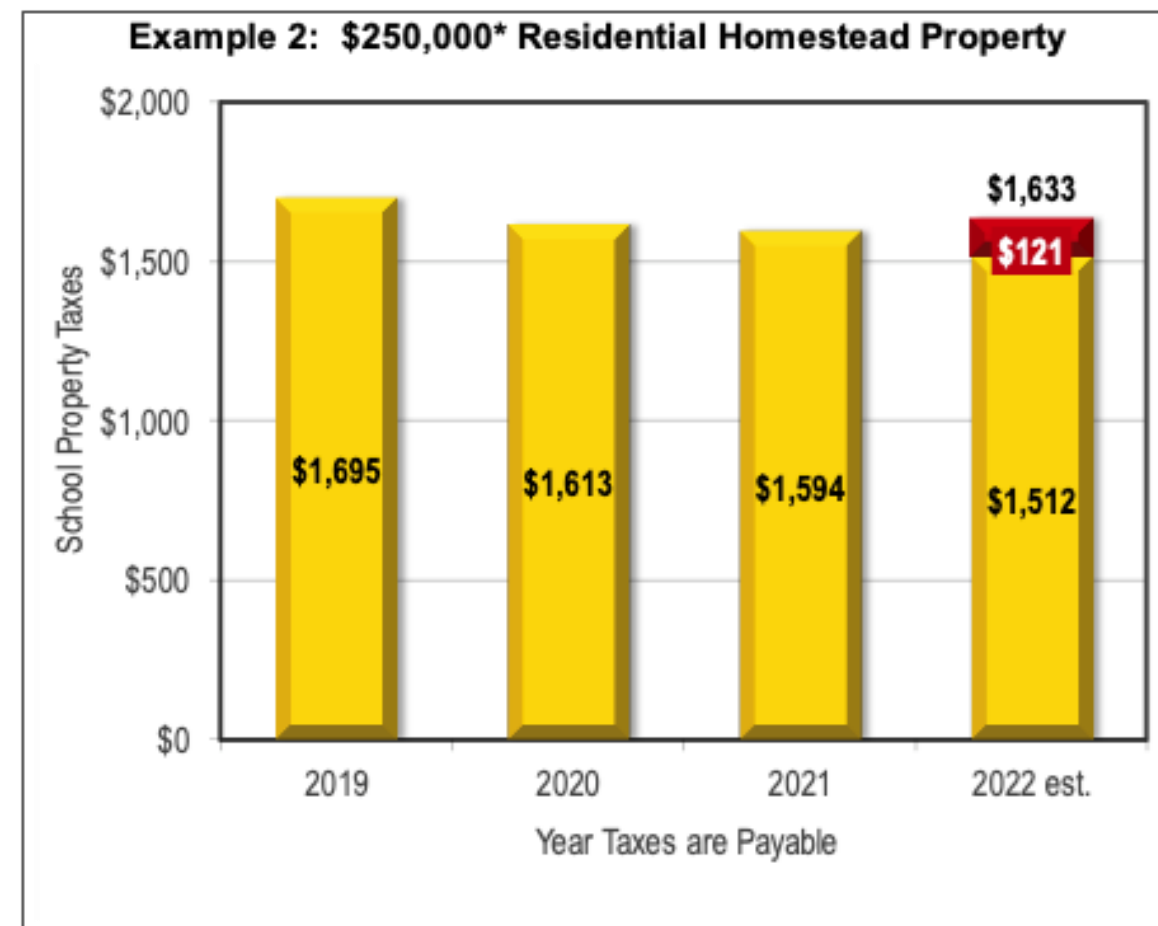
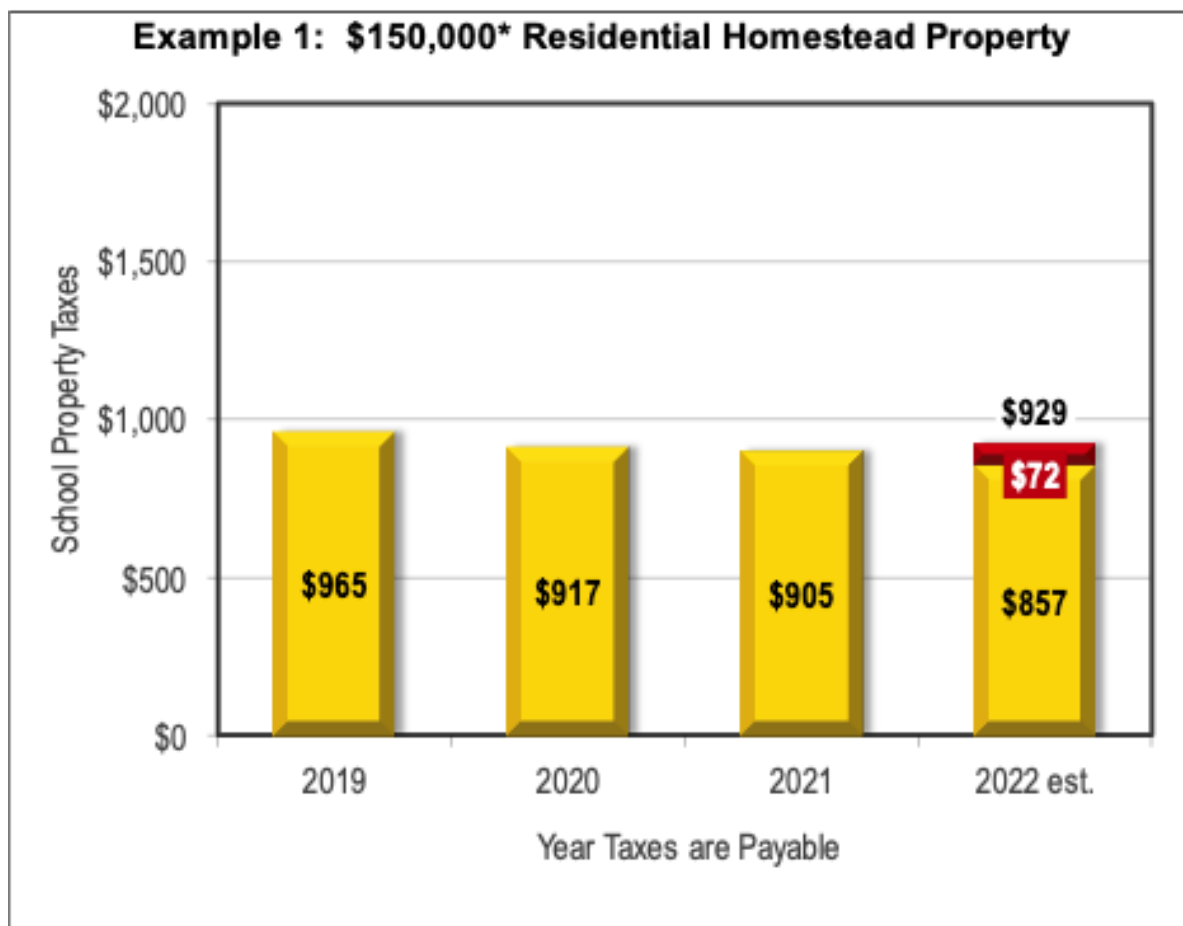
General Notes

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 best data available.
3. For all examples of properties, taxes are based on no changes in estimated market value from 2019 to 2022.

South Washington County Schools

Estimated Changes in School Property Taxes, 2019 to 2022

Based on No Increases in Property Values



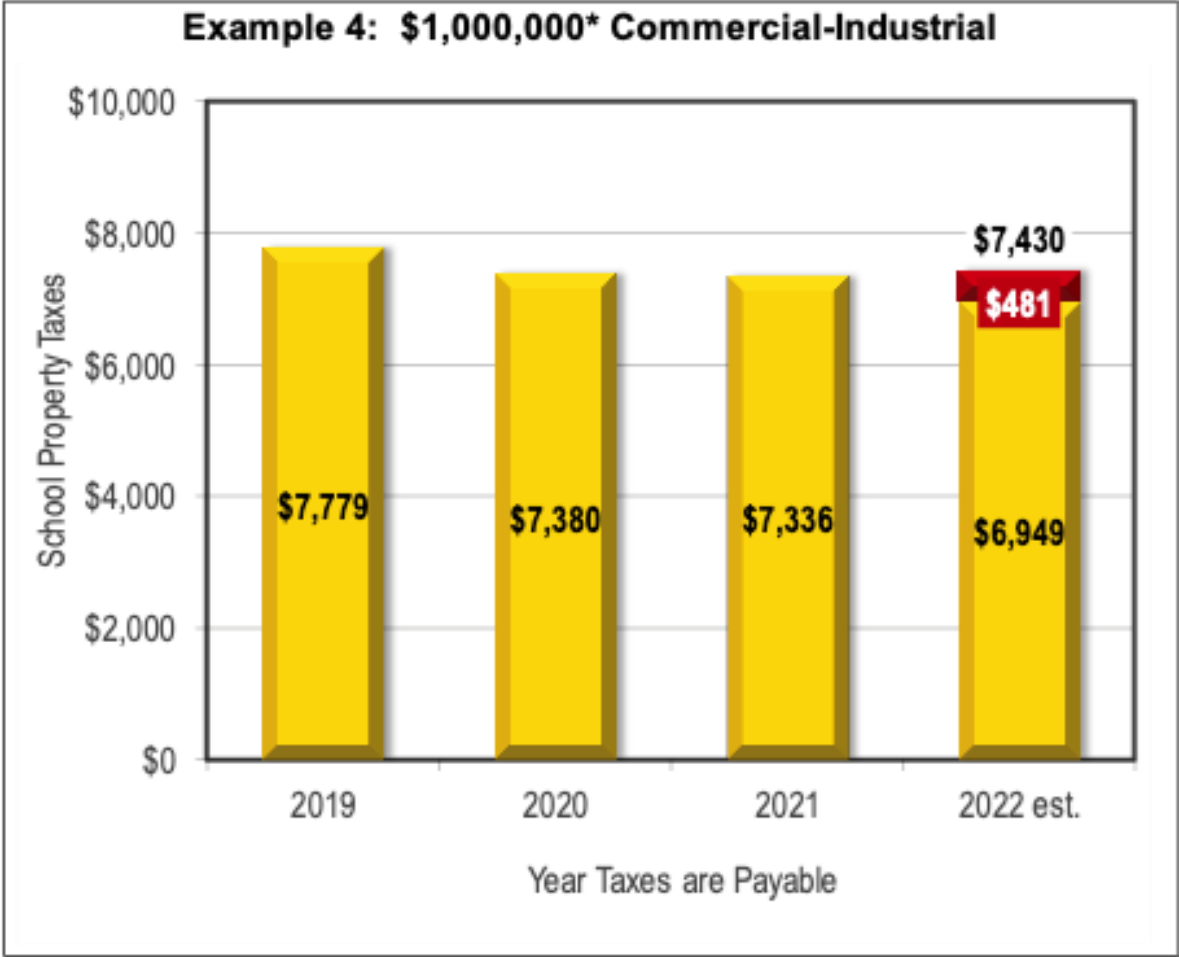
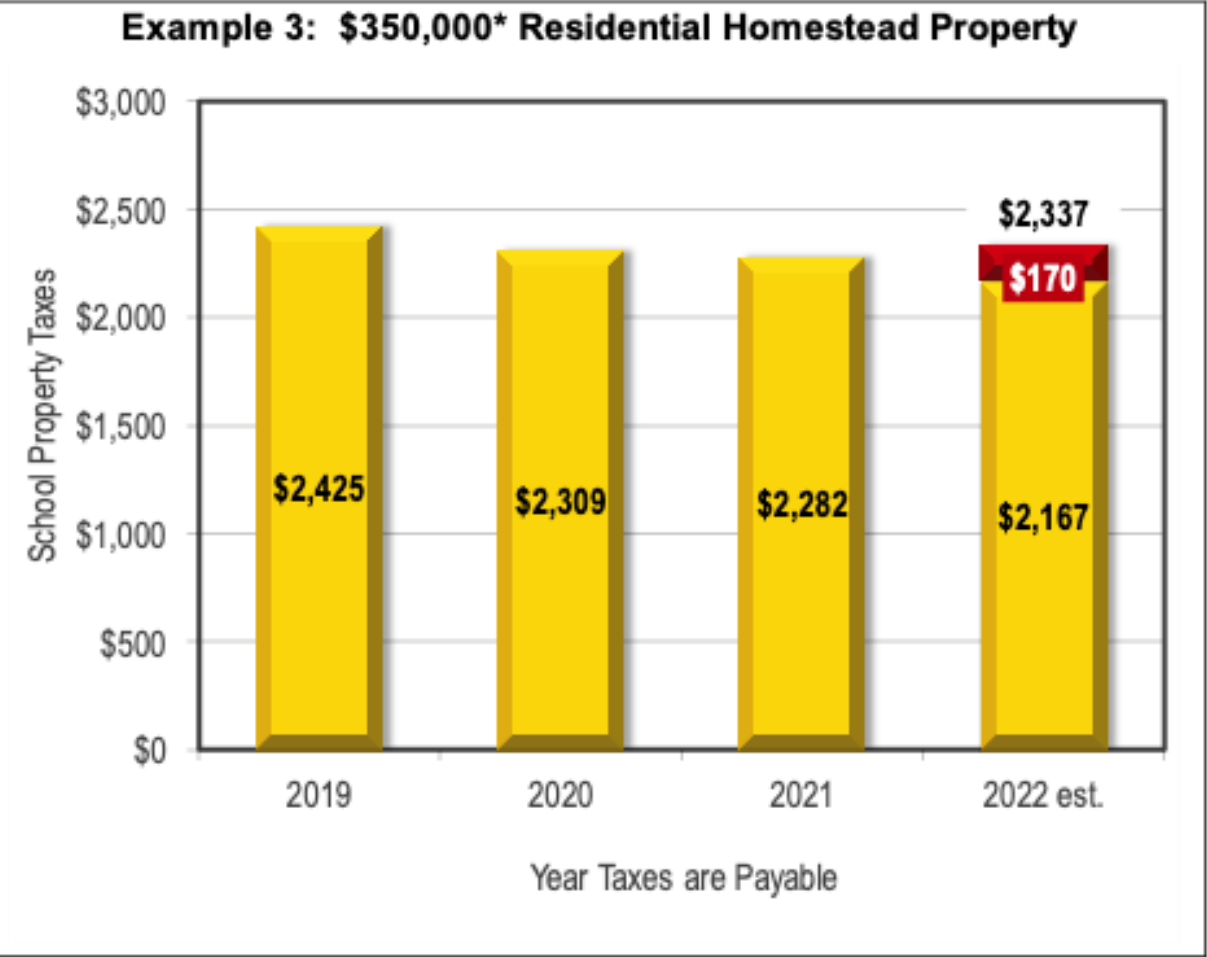
* Estimated market value for taxes payable in 2022. Taxes are calculated based on no changes in market value from 2019 to 2022.

** Darker portion of 2022 bar represents net increase in estimated taxes due to a voter-approved operating referendum increase, savings from refunding of a bond issue, and underlevy in the Alternative Teacher Compensation category.

South Washington County Schools

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.

** Darker portion of 2022 bar represents net increase in estimated taxes due to a voter-approved operating referendum increase, savings from refunding of a bond issue, and underlevy in the Alternative Teacher Compensation category.

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

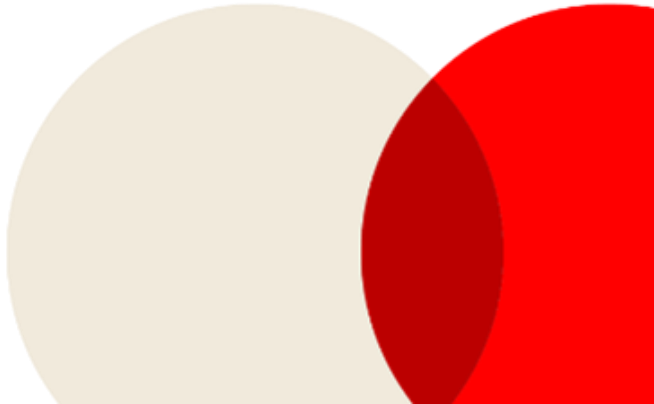
Refund is 60% of amount by which tax increase exceeds greater of 12% or \$100, up to a maximum of \$1,000

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