



White Bear Lake Area Schools, ISD 624

Public Hearing for Taxes Payable in 2020

DECEMBER 9, 2019

PRESENTED BY:

TIM WALD,

ASSISTANT SUPERINTENDENT FOR
FINANCE & OPERATIONS

Minnesota State Law Requires:

A Public Meeting...

- Between November 24th & December 30th
- After 6:00 PM
- May be part of regularly scheduled meeting
- May adopt final levy at same meeting
- Must allow for public comments

...and Presentation of:

- Current year budget
- Prior year actual revenue & expenditures
- Proposed property tax levy including % increase
- Specific purposes & reasons taxes are being increased

Hearing Agenda

- Background: Student Achievement & School Funding
- District's Budget
- District's Proposed Tax Levy for Taxes Payable in 2020
- Public Comments

Minnesota Public School Student Achievement is Strong

State law requires all juniors and seniors be offered the ACT at no cost, but the test is no longer mandatory

In 2019 Minnesota ranks first among the 17 states where nearly all graduates take the ACT test, earning a composite score of 21.4

National composite score for 2019 is 20.7



Success Story-Academics

2019 MCA Test Results

Percentage Meeting or Exceeding Standards

	Math	Reading	Science	Avg % Meeting or Exceeding Standards
White Bear Lake	63.6%	63.6%	56.6%	61.3%
State Public School Average	58.1%	60.5%	52.6%	57.1%

2019 ACT Test Results

	Percent Taking ACT Test	Avg Eng	Avg Math	Avg Reading	Avg Sci	Avg Comp
White Bear Lake	85.8%	20.1	21.6	21.3	21.6	21.2
State Public School Average	83.8%	20.0	21.3	21.4	21.5	21.2

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)

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

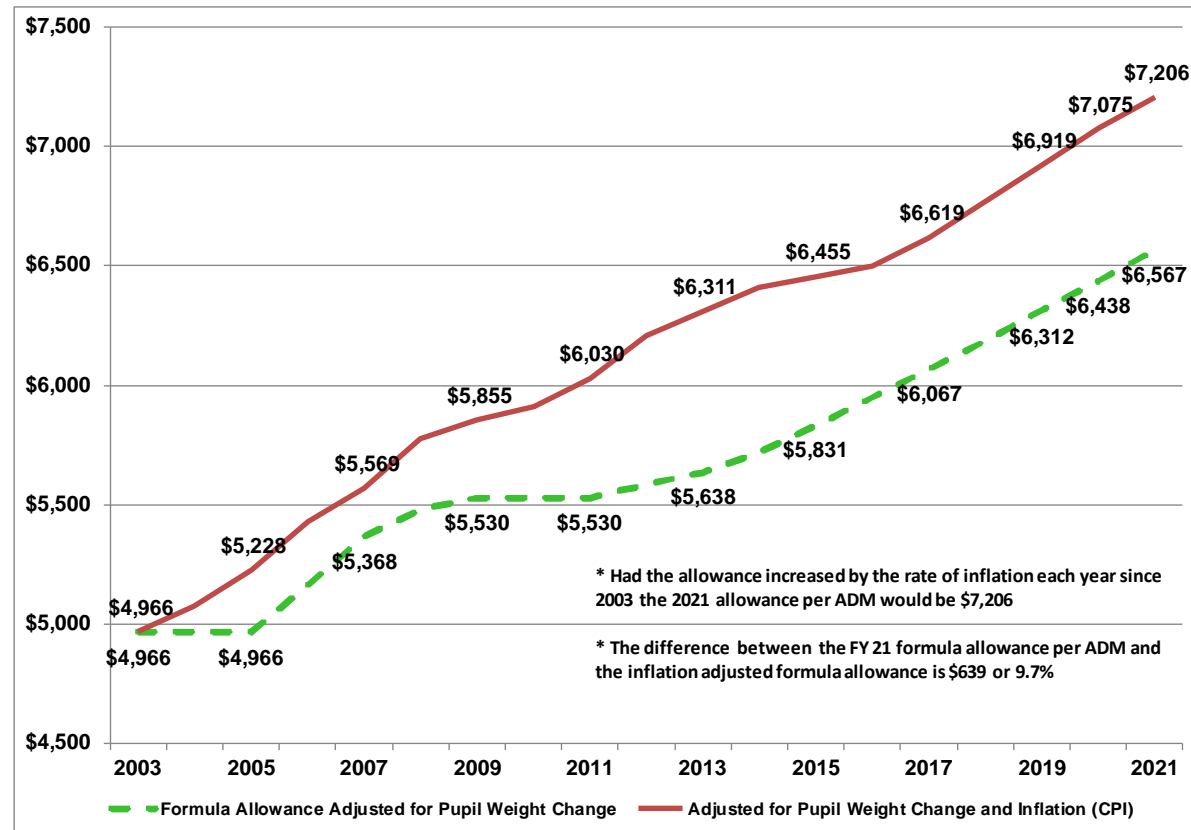
Since 2002-03, state General Education Revenue formula has not kept pace with inflation

For Fiscal Year 2019-20, Legislature approved an increase of 2% or \$126 per year, and for Fiscal Year 2020-21 an increase of 2% or \$129 was approved

Per-pupil allowance for Fiscal Year 2020-21 of \$6,567 would need to increase by another \$639 (9.7%) to have kept pace with inflation since 2002-03

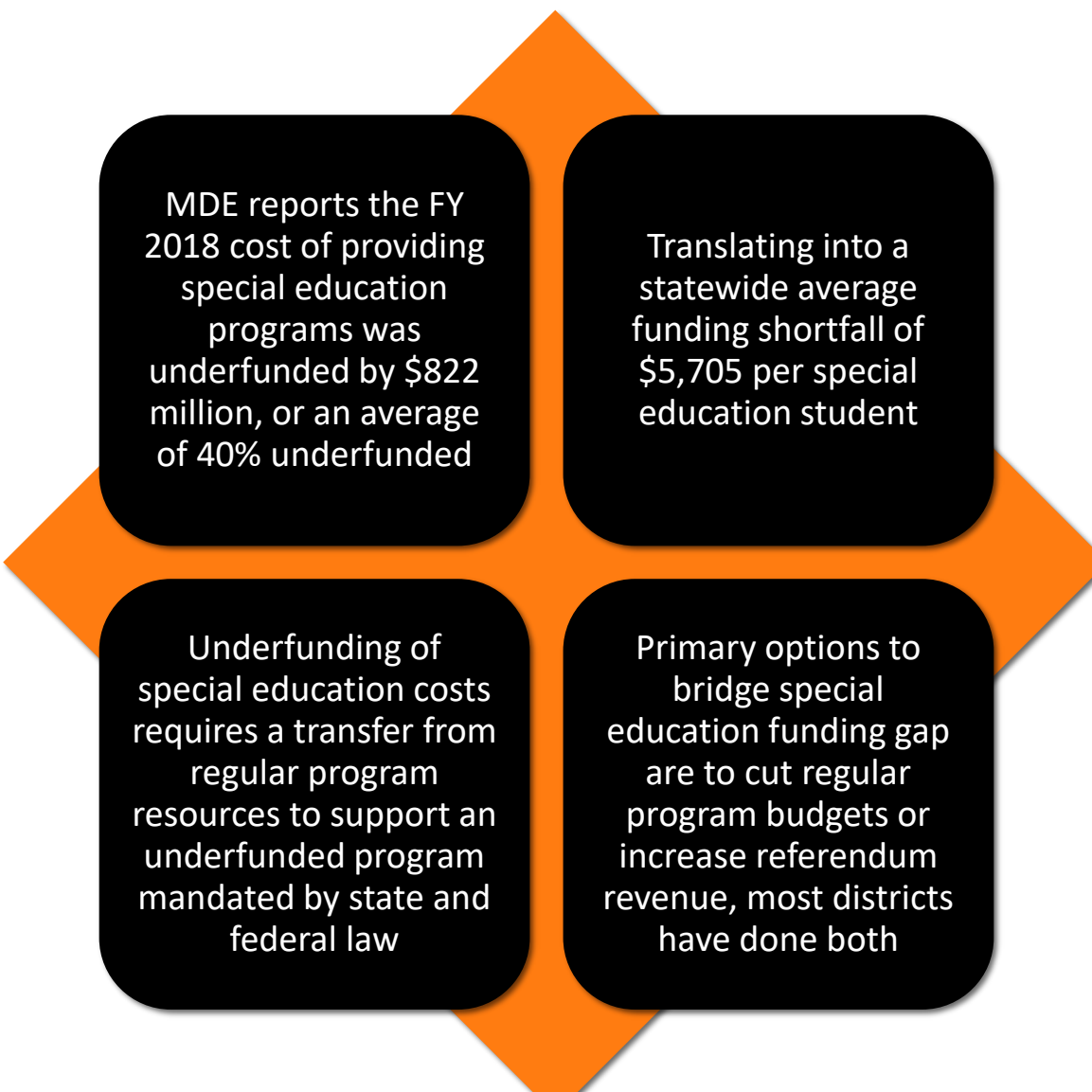
Basic General Education Formula Lags Inflation

General Education Formula Allowance, 2003-2021
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE August 2019 Inflation Estimates

Underfunding of Special Education



MDE reports the FY 2018 cost of providing special education programs was underfunded by \$822 million, or an average of 40% underfunded

Translating into a statewide average funding shortfall of \$5,705 per special education student

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

Result: Growing Dependence on Referendum Revenue

In 1992-93, 65% of districts had operating referendum revenue averaging \$332 per pupil

For 2020-21, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging \$1,475 per pupil

- Referendum revenue including Local Optional Revenue (LOR) provides 13.2% of General Fund operating revenue
- Of this amount, \$751 is a voter approved operating referendum, and \$724 is Local Optional Revenue (LOR)

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
- 2020 taxes provide revenue for 2020 calendar year budget

Schools:

- Budget year begins July 1st and coincides with school year
- 2020 taxes provide revenue for 2020-21 school fiscal year
- Budget will be adopted in June 2020

Budget Information

Because approval of school district budget lags certification of tax levy by six months, state requires only current year budget information and prior year actual financial results be presented at this hearing. The Fiscal 20-21 budget will be set in June 2020.

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*
- Internal Service*
- OPEB Irrevocable Trust
- OPEB Debt Service

**Annual budgets are not prepared for these funds*

District Revenues and Expenditures
Actual for FY 2019, Budget for FY 2020

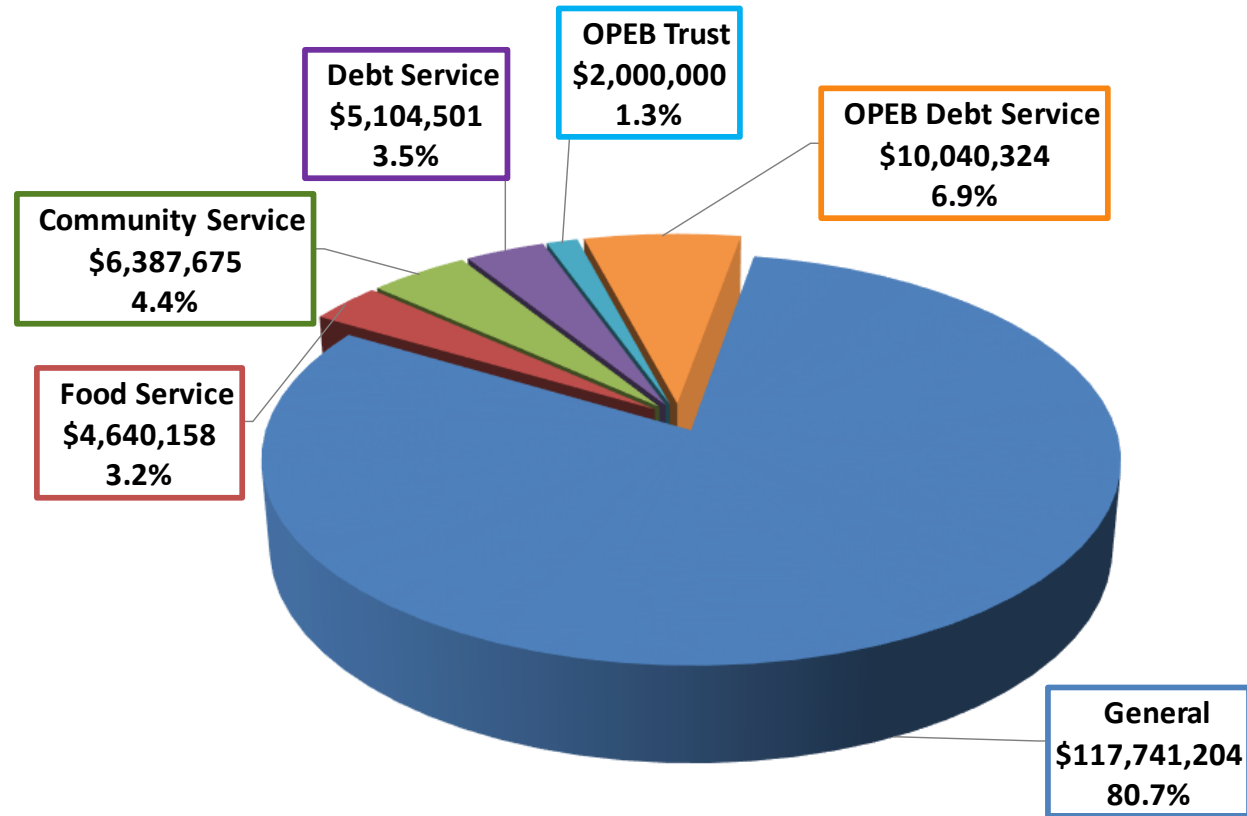
FUND	FISCAL 2019 BEGINNING FUND BALANCES	2018-19 ACTUAL REVENUES AND TRANSFERS IN	2018-19 ACTUAL EXPENDITURES & TRANSFERS OUT	JUNE 30, 2019 ACTUAL FUND BALANCES	2019-20 BUDGET REVENUES AND TRANSFERS IN	2019-20 BUDGET EXPENDITURES & TRANSFERS OUT	JUNE 30, 2020 PROJECTED FUND BALANCES
General/Restricted	\$1,360,676	\$7,945,718	\$5,582,501	\$3,723,893	\$7,314,664	\$5,699,427	\$5,339,130
General/Other	18,514,548	106,359,149	111,519,080	13,354,617	110,426,540	112,569,079	11,212,078
Food Service	688,961	4,610,756	4,552,807	746,910	4,640,158	4,806,708	580,360
Community Service	1,581,691	6,544,787	6,905,050	1,221,428	6,387,675	6,710,098	899,005
Building Construction	16,397,271	307,534	4,147,887	12,556,918	-	-	12,556,918
Debt Service	1,423,817	4,503,185	78,105	5,848,897	5,104,501	5,181,976	5,771,422
Trust	242,592	270,540	341,077	172,055	-	-	172,055
Internal Service	(923,098)			33,133			-
OPEB* Irrevocable Trust	32,767,798	2,279,203	2,000,719	33,046,282	2,000,000	1,300,000	33,746,282
OPEB* Debt Service	1,285,435	6,805,363	6,572,538	1,518,260	10,040,324	9,628,250	1,930,334
Total All Funds	\$73,339,691	\$139,626,235	\$141,699,764	\$72,222,393	\$145,913,862	\$145,895,538	\$72,207,584

*Other Post Employment Benefits

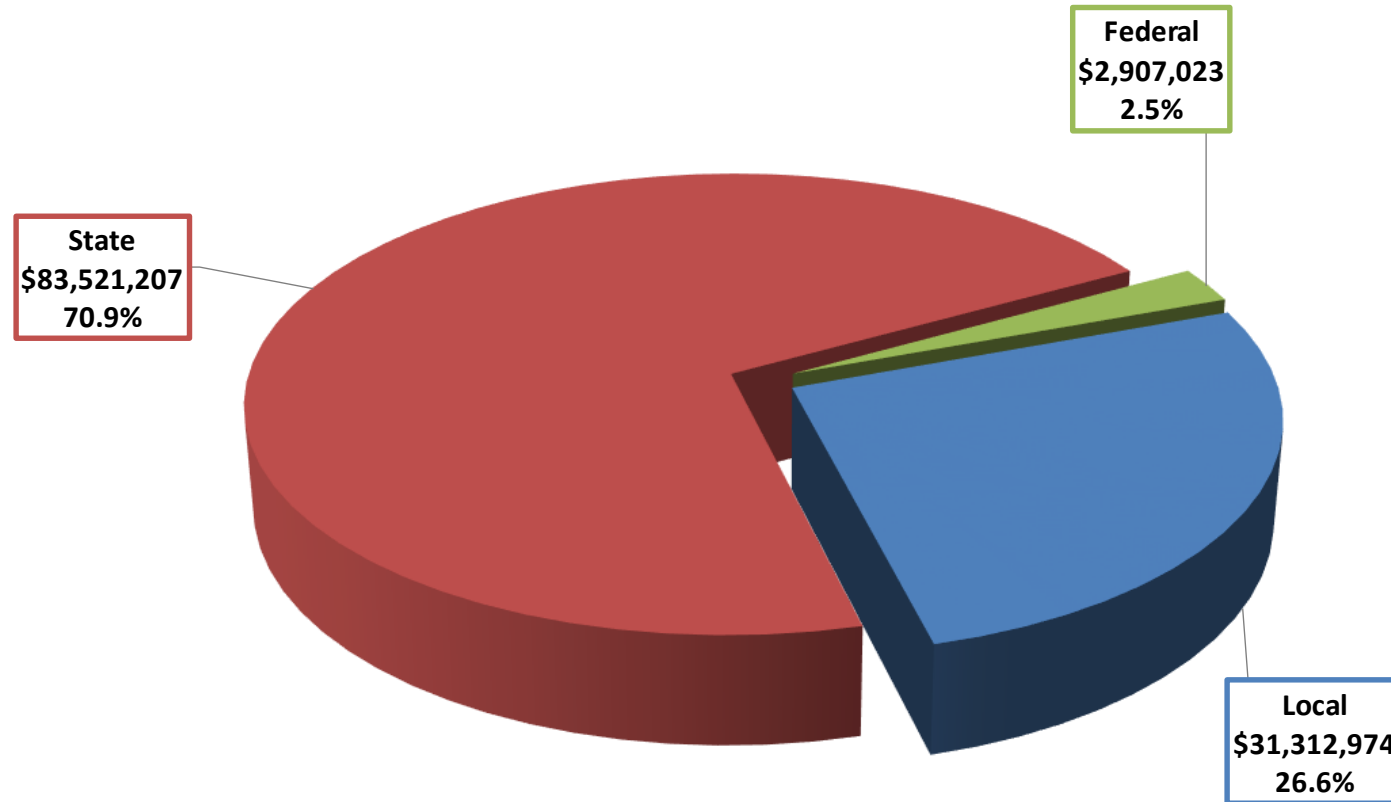
White Bear Lake Area Schools ISD #624

Revenue - All Funds

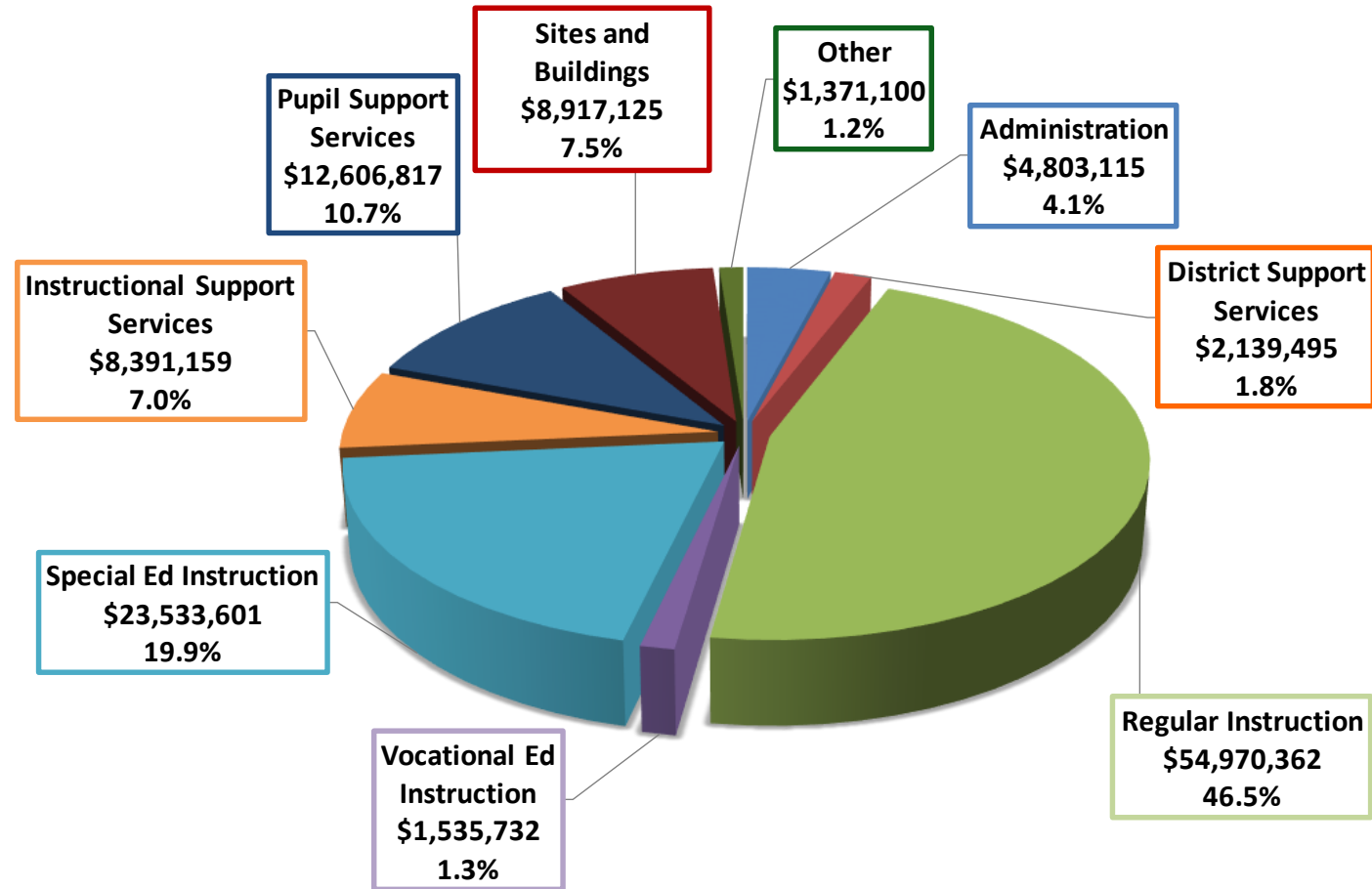
2019-20 Budget \$145,913,862



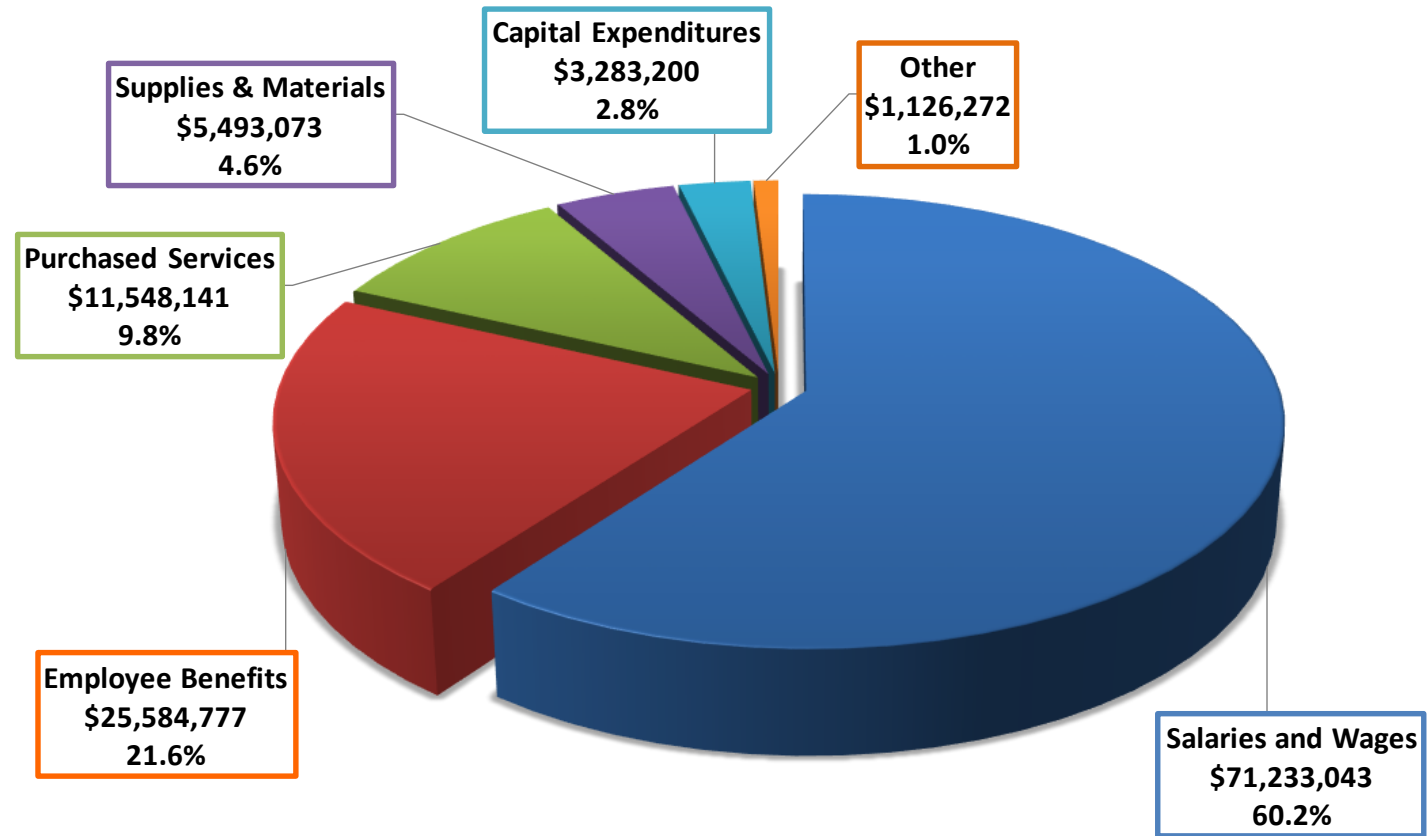
White Bear Lake Area Schools ISD #624
General Fund Revenue
2019-20 Budget \$117,741,204



White Bear Lake Area Schools ISD #624
General Fund Expenditures by Program
2019-20 Budget \$118,268,506



White Bear Lake Area Schools ISD #624
General Fund Expenditure by Object
2019-20 Budget \$118,268,506



Payable 2020 Property Tax Levy

- Determination of levy
- Comparison of 2019 to 2020 levies
- Specific 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

Parcel Specific Notice:

This is a sample of the notice mailed to every property owner between November 11-24 with information on the impact of the Proposed 2020 levy on their property.

Contents:

- Proposed property tax compared to last year
- By voter approved and other
- By taxing jurisdiction
- Contains time and place of public meeting



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 2020

THIS IS NOT A BILL. DO NOT PAY.

VALUES AND CLASSIFICATION			
Step			
1	<u>Taxes Payable Year</u>	<u>2019</u>	<u>2020</u>
	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		<u>\$1,550.46</u>
Step	PROPERTY TAX STATEMENT		
3	Coming in 2020		
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 2019	Proposed 2020
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 5, 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 3, 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 Voter Approved Levies Other Levies	December 10, 7:00 PM Spruceville High School Cafeteria	\$289.35 \$340.11	\$296.68 \$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 2020 may be higher than the proposed amount shown on this notice.</i>			
Metro 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 Tax Increment Tax	No public meeting No public meeting	\$12.80 \$10.15	\$13.02 \$11.22
Total excluding any special assessments		\$1,422.02	\$1,550.46 9.0%

School District Property Taxes

Each school district may levy taxes in over 40 different categories

“Levy limits” (maximum levy amounts) for each category are set by

- State law
- Voter approval

Minnesota Department of Education (MDE) calculates detailed levy limits 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 the taxes on a parcel of property, but district has control over only 1 of the 7 steps

Minnesota School District Property Taxes - Key Steps in the Process

Step 1. The **City or County Assessor** determines the estimated market value for each parcel of property in the county.

Step 2. The **Legislature** sets the formulas for tax capacity. (E.g., for homestead residential property, tax capacity = 1% of first \$500,000 in value + 1.25% of value over \$500,000.) These formulas determine how much of the tax burden will fall on different types of property.

Step 3. The **County Auditor** calculates the tax capacity for each parcel of property in the county (based on values from step 1 and tax capacity formulas from step 2), as well as the total tax capacity for each school district.

Step 7. The **County Auditor** divides the final levy (determined by the school board in step 6) by the district's total tax capacity (determined in step 3) to determine the tax rate needed to raise the proper levy amount. The auditor multiplies this tax rate times each property's tax capacity, to determine the school tax for that property.*

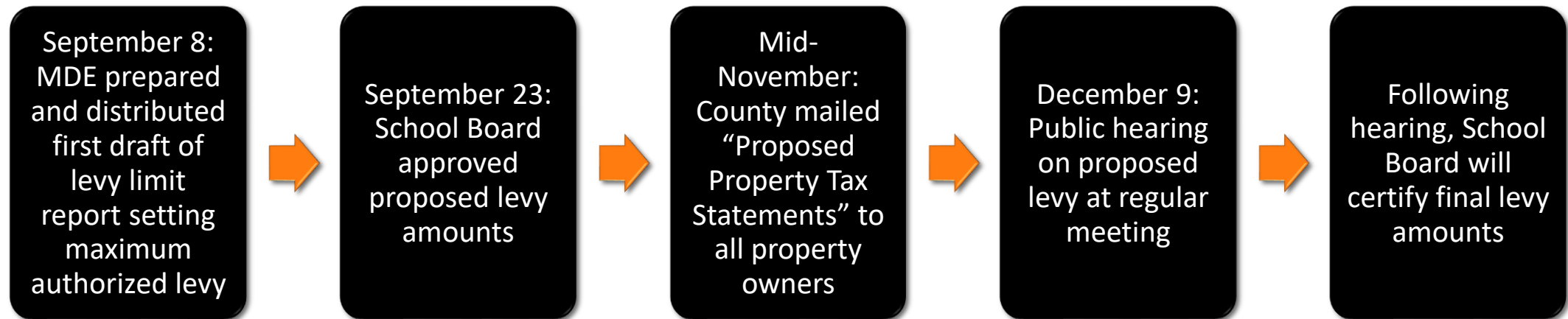
Step 4. The **Legislature** sets the formulas which determine school district levy limits. These are the maximum amounts of taxes that school districts can levy in every category.

Step 5. The **Minnesota Department of Education** calculates detailed levy limits for each school district, based on the formulas approved by the Legislature in step 4. These limits tell districts the exact amounts that can be levied in every category.

Step 6. The **School Board** adopts a proposed levy in September, based on the limits set in step 5. After a public hearing, the board adopts a final levy in December. Final levy cannot be more than the preliminary levy, except for amounts approved by voters.

* For certain levy categories (referendum, equity and transition levies), tax rates and levy amounts are based on **referendum market value**, rather than **tax capacity**.

Schedule of Events in Approval of District's 2019 (Payable 2020) Tax Levy



Overview of Proposed Levy Payable in 2020

Total 2020 proposed property tax levy is an increase from 2019 of \$11,976,473 (27.3%)

These amounts include a reduction of the School Age Care adjustment in Community Service Fund of \$320,782

State law requires that we explain reasons for major increases in levy

Some decreases in specific levies will also be explained

Fund Levy Category	Actual Levy Payable in 2019	Proposed Levy Payable in 2020	\$ Change	% Change
General				
Voter Approved Referendum	\$14,246,789	\$12,487,495	(\$1,759,294)	
Local Optional Revenue (LOR)	<u>4,047,165</u>	<u>6,864,268</u>	<u>2,817,103</u>	
Total Referendum and LOR	18,293,954	19,351,763	1,057,810	
Equity	935,907	966,252	30,345	
Capital Project - Technology	1,866,380	1,998,489	132,109	
Operating Capital	909,084	919,111	10,027	
Achievement and Integration	248,260	313,556	65,296	
Safe Schools	486,805	502,717	15,912	
Long Term Facilities Maintenance	737,551	700,000	(37,551)	
Instructional Lease	1,881,058	1,895,242	14,184	
Other	1,015,157	1,002,565	(12,592)	
Prior Year Adjustments	1,358,766	1,076,465	(282,301)	
Total, General Fund	\$27,732,923	\$28,726,160	\$993,238	3.6%
Community Service				
Basic Community Education	\$450,353	\$470,732	\$20,379	
Early Childhood Family Education	260,029	259,230	(799)	
School-Age Child Care	325,000	350,000	25,000	
Other	12,112	12,872	760	
Prior Year Adjustments	49,874	5,192	(44,682)	
Total, Community Service Fund	\$1,097,369	\$1,098,027	\$658	0.1%
Debt Service				
Voter Approved	\$930,510	\$11,946,645	\$11,016,135	
Long-Term Facility Maintenance	4,417,926	4,875,783	457,857	
Other Post Employment Benefits	10,109,663	9,602,775	(506,888)	
Reduction for Debt Excess	(477,776)	(418,883)	58,894	
Prior Year Adjustments	94,502	51,082	(43,420)	
Total, Debt Service Fund	\$15,074,825	\$26,057,403	\$10,982,577	72.9%
Total Levy, All Funds	\$43,905,116	\$55,881,590	\$11,976,473	27.3%
Subtotal by Truth in Taxation Categories:				
Voter Approved	17,918,322	27,099,171	9,180,849	
Other	25,986,794	28,782,419	2,795,625	
Total	\$43,905,116	\$55,881,590	\$11,976,473	27.3%

Explanation of Levy Changes

Category: Operating Referendum, Local Optional and Equity Revenue

Change: +\$1,088,155

Use of Funds: General Operating Expenses

Reason for Change:

- All of these revenues are based on the number of students in the district, which is estimated to increase by 312 pupil units
- No change in authorized levy per pupil for voter and board approved amounts
- Voter approved allowance includes an inflationary adjustment

Explanation of Levy Changes

Category: General Fund – Capital Project Levy

Change: +\$132,109

Use of Funds: Instructional technology software, hardware and support

Reason for Change:

- The levy is calculated based on a voter approved tax rate
- An increase in the tax base results in an increase in the total levy based on the approved tax rate

Explanation of Levy Changes

Category: General Fund Adjustments

Change: -\$282,301

Use of Funds: General Operating Expenses

Reason for Change:

- Initial levies are best estimates with prior year levy adjustments calculated by state for up to three years
 - In 2019, the levy adjustments in the general fund were \$1,358,766 positive
 - In 2020, the levy adjustments in the general fund were \$1,076,465 positive
 - The net result is a reduction from year to year of \$262,301
- Combination of 17 prior year levy adjustments and abatement levies

Explanation of Levy Changes

Category: Debt Service - Voter Approved

Change: +\$11,016,135

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

Reason for Change:

- District voters approved issuance of \$326 million in building bonds on November 5, 2019

Explanation of Levy Changes

Category: Debt Service – Long-Term Facility Maintenance Bonds & Other Post Employment Benefits Bonds

Change: +\$457,875 & -\$506,888 (net -\$49,031)

Use of Funds: Annual required payments of principal & interest on FM & OPEB Bonds

Reason for Change:

- Principal & interest payments are planned in combination to maintain a level tax rate on debt and capital levies

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 are a table and graphs showing examples of changes in school district portion of property taxes from 2017 to 2020

Examples include school district taxes only

All examples are based on a 15.8% 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 has happened to school district property taxes over this period for typical properties

Impact on Taxpayers

Amounts for 2020 are preliminary estimates, based on best available data – final amounts could change slightly

Estimates prepared by Ehlers, District's municipal financial advisors

White Bear Lake Area Public Schools

Estimated Changes in School Property Taxes, 2017 to 2020

Based on 15.8% Cumulative Changes in Property Value from 2017 to 2020 Taxes

Type of Property	Estimated Market Value for 2017 Taxes	Actual Taxes Payable in 2017	Estimated Market Value for 2018 Taxes	Actual Taxes Payable in 2018	Estimated Market Value for 2019 Taxes	Actual Taxes Payable in 2019	Estimated Market Value for 2020 Taxes	Estimated Taxes Payable in 2020			Change in Taxes 2017 to 2020	Change in Taxes 2019 to 2020
								Without Ballot Question*	Approved Ballot Question*	Total		
Residential Homestead	\$129,587	\$542	\$137,363	\$572	\$142,857	\$641	\$150,000	\$664	\$135	\$799	\$257	\$158
	172,783	752	183,150	793	190,476	887	200,000	918	193	1,111	359	224
	215,979	962	228,938	1,013	238,095	1,133	250,000	1,172	251	1,423	461	290
	237,577	1,067	251,832	1,123	261,905	1,256	275,000	1,298	280	1,578	511	322
	302,371	1,382	320,513	1,453	333,333	1,625	350,000	1,679	367	2,046	664	421
	345,566	1,592	366,300	1,674	380,952	1,871	400,000	1,933	425	2,358	766	487
	388,762	1,801	412,088	1,894	428,571	2,114	450,000	2,178	480	2,658	857	544
	431,958	2,007	457,875	2,105	476,190	2,349	500,000	2,420	533	2,953	946	604
	475,154	2,208	503,663	2,317	523,810	2,599	550,000	2,695	600	3,295	1,087	696
	518,350	2,420	549,451	2,555	571,429	2,865	600,000	2,969	666	3,635	1,215	770
Commercial/ Industrial #	\$129,587	\$591	\$137,363	\$626	\$142,857	\$691	\$150,000	\$712	\$154	\$866	\$275	\$175
	431,958	2,183	457,875	2,325	476,190	2,577	500,000	2,665	633	3,298	1,115	721
	863,916	4,480	915,751	4,767	952,381	5,279	1,000,000	5,456	1,318	6,774	2,294	1,495
	1,295,874	6,777	1,373,626	7,209	1,428,571	7,981	1,500,000	8,246	2,003	10,249	3,472	2,268
	1,727,832	9,073	1,831,502	9,650	1,904,762	10,683	2,000,000	11,037	2,688	13,725	4,652	3,042
Apartments and Res. Non-Homestead (2 or more units)	\$647,937	\$3,391	\$686,813	\$3,564	\$714,286	\$3,989	\$750,000	\$4,118	\$1,000	\$5,118	\$1,727	\$1,129
	863,916	4,522	915,751	4,751	952,381	5,318	1,000,000	5,491	1,333	6,824	2,302	1,506
	1,727,832	9,044	1,831,502	9,503	1,904,762	10,636	2,000,000	10,982	2,666	13,648	4,604	3,012

* Estimated Taxes Payable in 2020 includes estimates of additional taxes for the bond issue approved by voters on November 5, 2019 and planned underlevy in other categories

For commercial-industrial property, figures above are for property in the City of White Bear Lake. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

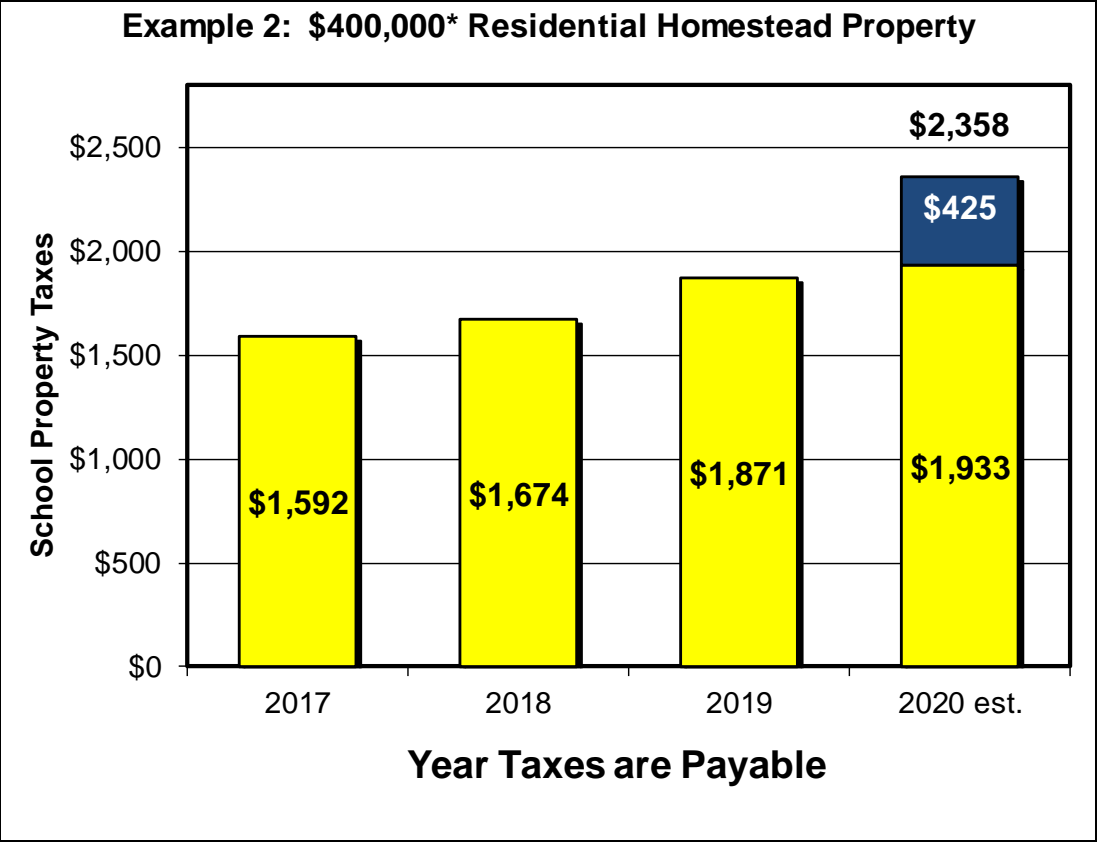
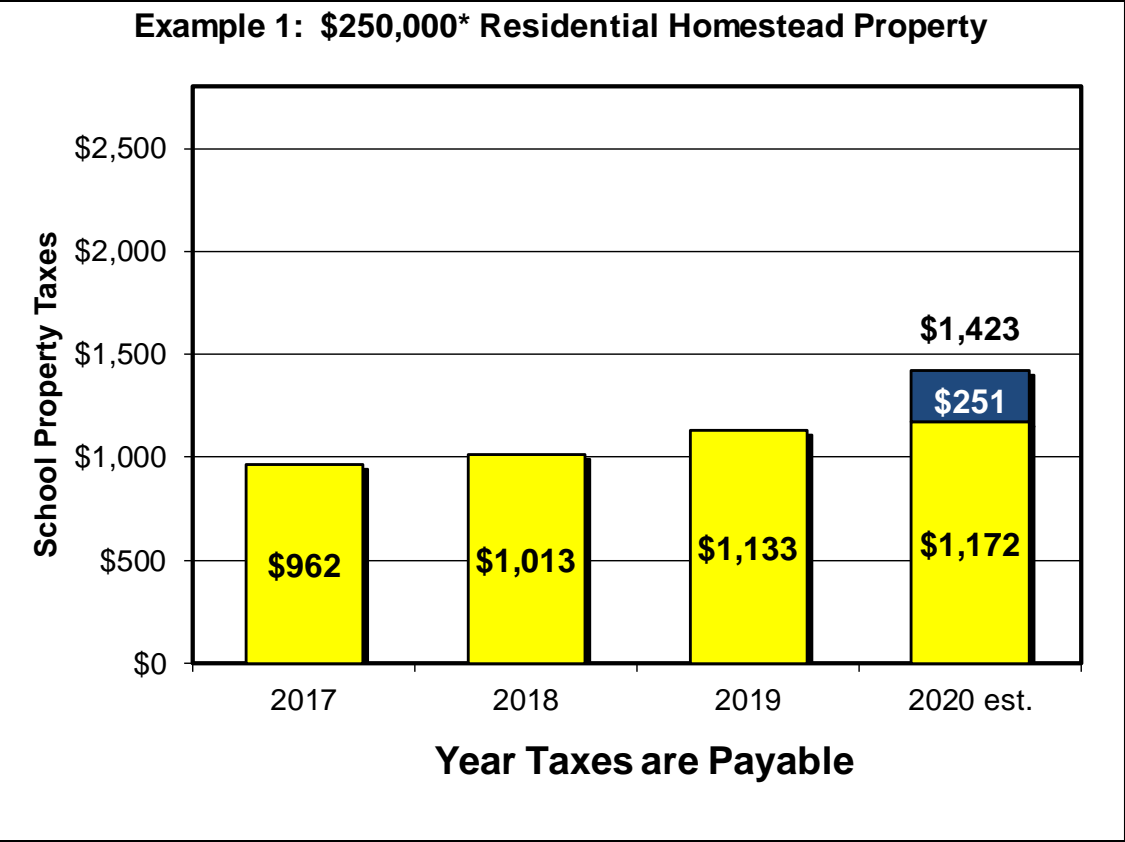
General Notes

1. The amounts in the table are based on school district taxes only, and do not include taxes for the city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2020 are preliminary, based on the best data available as of the date above.
3. For all examples of properties, taxes are based on changes in taxable market value of 6.0% from 2017 to 2018 taxes, 4.0% from 2018 to 2019, and 5.0% from 2019 to 2020.

White Bear Lake Area Public Schools

Estimated Changes in School Property Taxes, 2017 to 2020

Based on 15.8% Cumulative Changes in Property Value from 2017 to 2020 Taxes



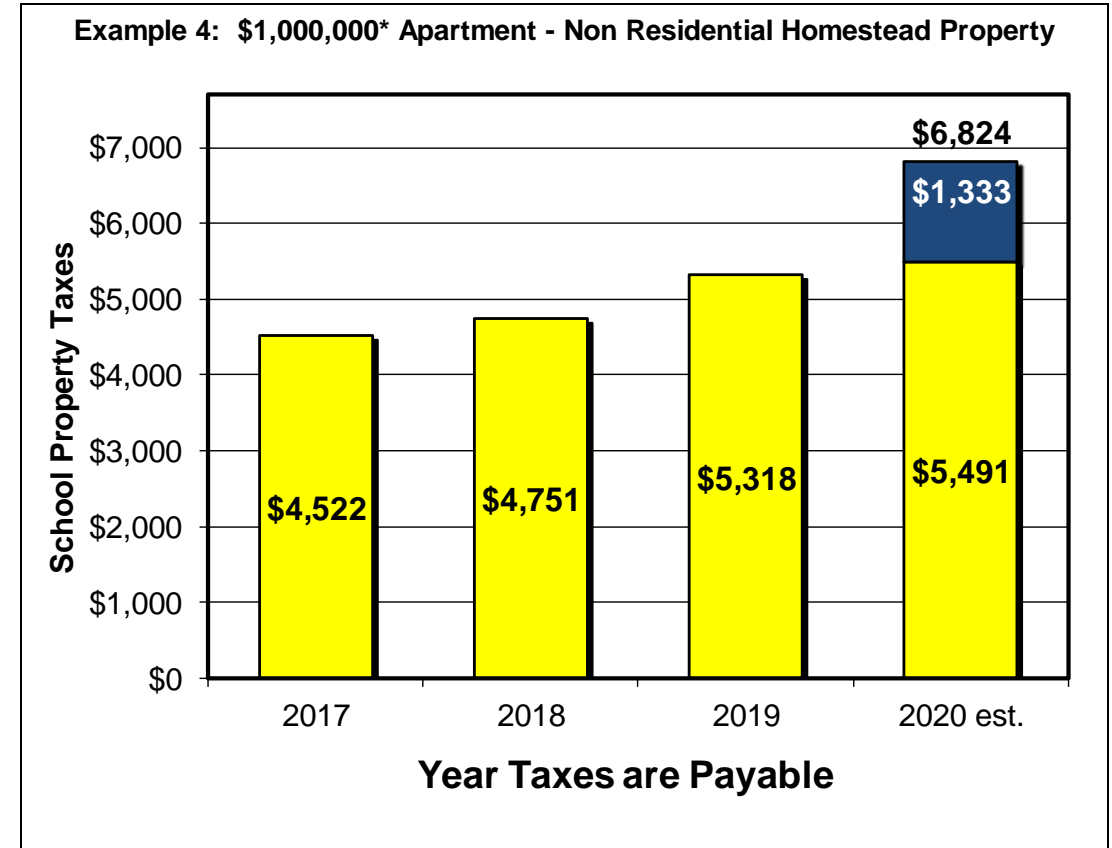
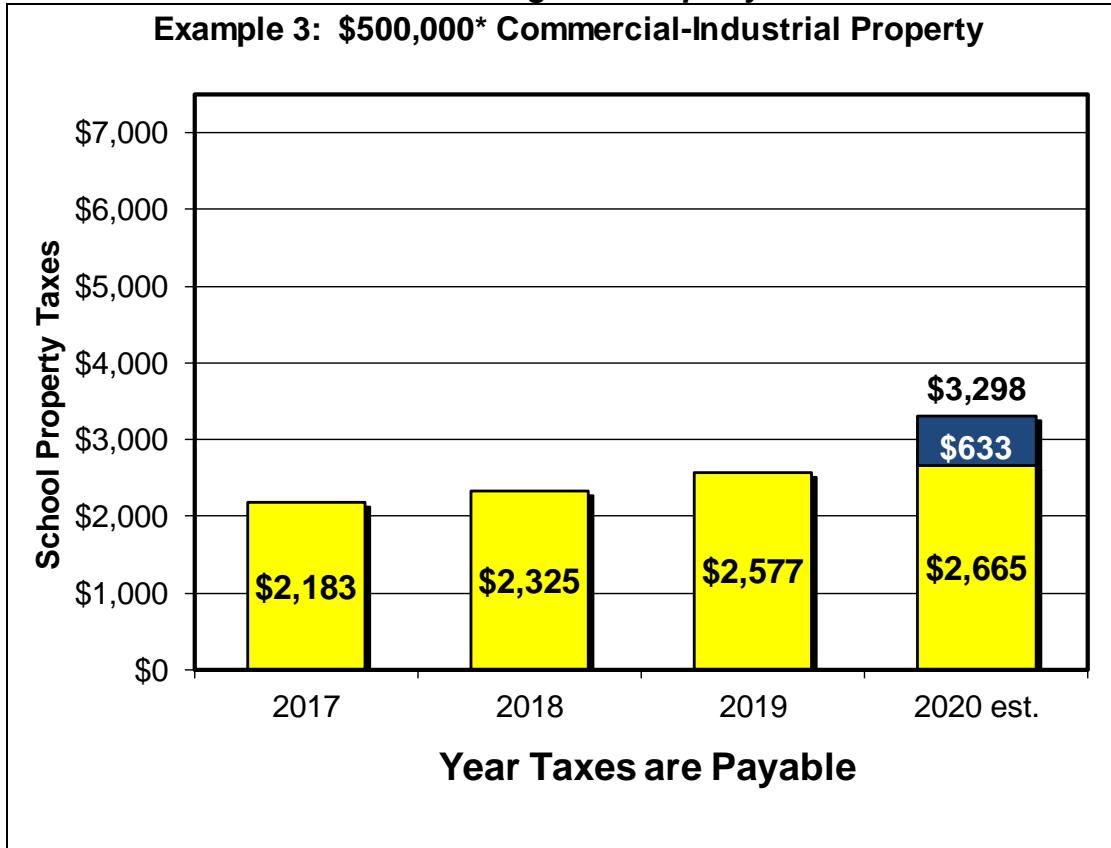
* For all four examples of properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2020. Taxes are calculated based on changes in market value of 6.0% from 2017 to 2018 taxes, 4.0% from 2018 to 2019, and 5.0% from 2019 to 2020.

** The darker portion of the 2020 bar represents the estimated taxes associated with bond issue approved by voters on November 5, 2019.

White Bear Lake Area Public Schools

Estimated Changes in School Property Taxes, 2017 to 2020

Based on 15.8% Cumulative Changes in Property Value from 2017 to 2020 Taxes



* For all four examples of properties, the value shown in the title of the chart is the estimated market value for taxes payable in 2020. Taxes are calculated based on changes in market value of 6.0% from 2017 to 2018 taxes, 4.0% from 2018 to 2019, and 5.0% from 2019 to 2020.

** The darker portion of the 2020 bar represents the estimated taxes associated with bond issue approved by voters on November 5, 2019.

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 \$113,150 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 \$2,770

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 their home

You have lived in, owned your home, and had it homesteaded for the 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 you pay will not change for as long as you participate in the 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 2020
property tax levy

Total Proposed School Tax Levy

General Fund	\$28,738,956
Community Service Fund	1,098,027
Debt Service	26,057,403
Total	55,894,386



White Bear Lake
Area Schools

Public
Comments
