



White Bear Lake Area Schools, ISD 624

Public Hearing for Taxes Payable in 2022

DECEMBER 13, 2021

PRESENTED BY:

TIM WALD
ASSISTANT SUPERINTENDENT FOR
FINANCE & OPERATIONS

ANDI JOHNSON
DIRECTOR OF FINANCE

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

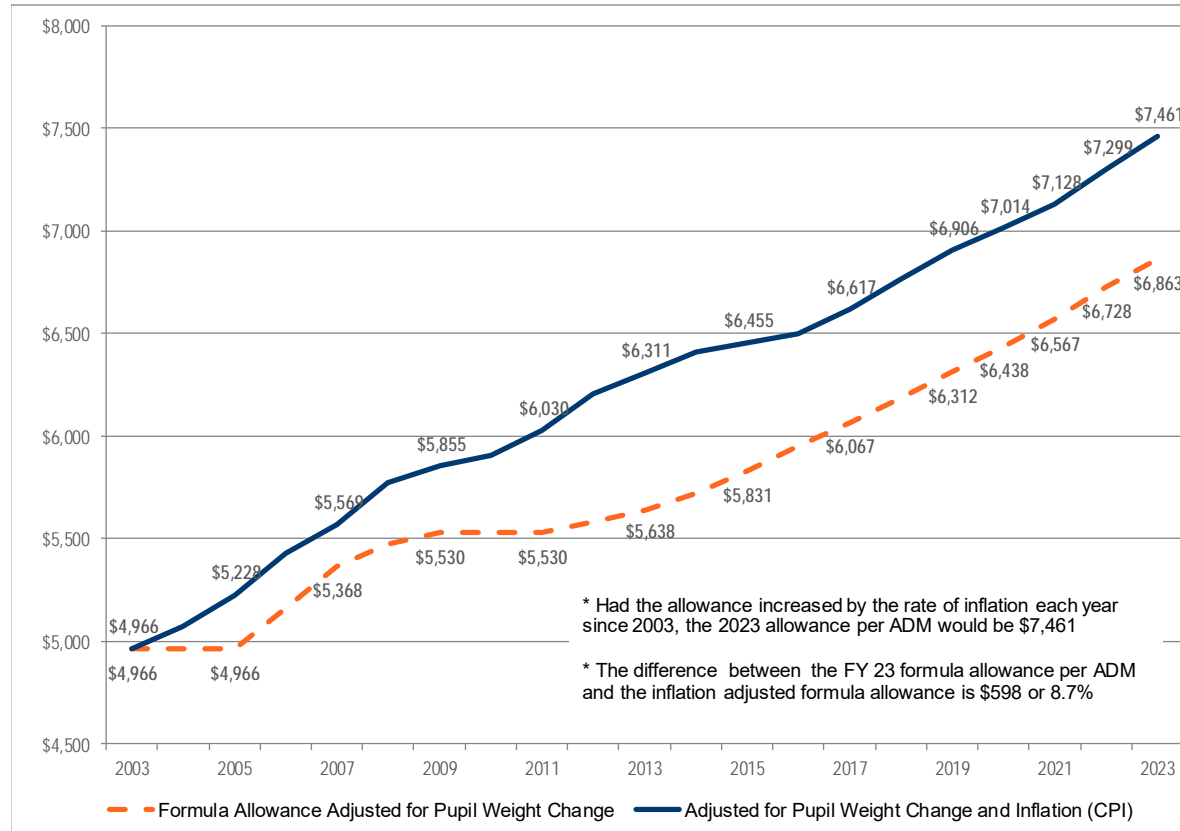
Challenge: State Set Basic General Education Formula Lags Inflation

- 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

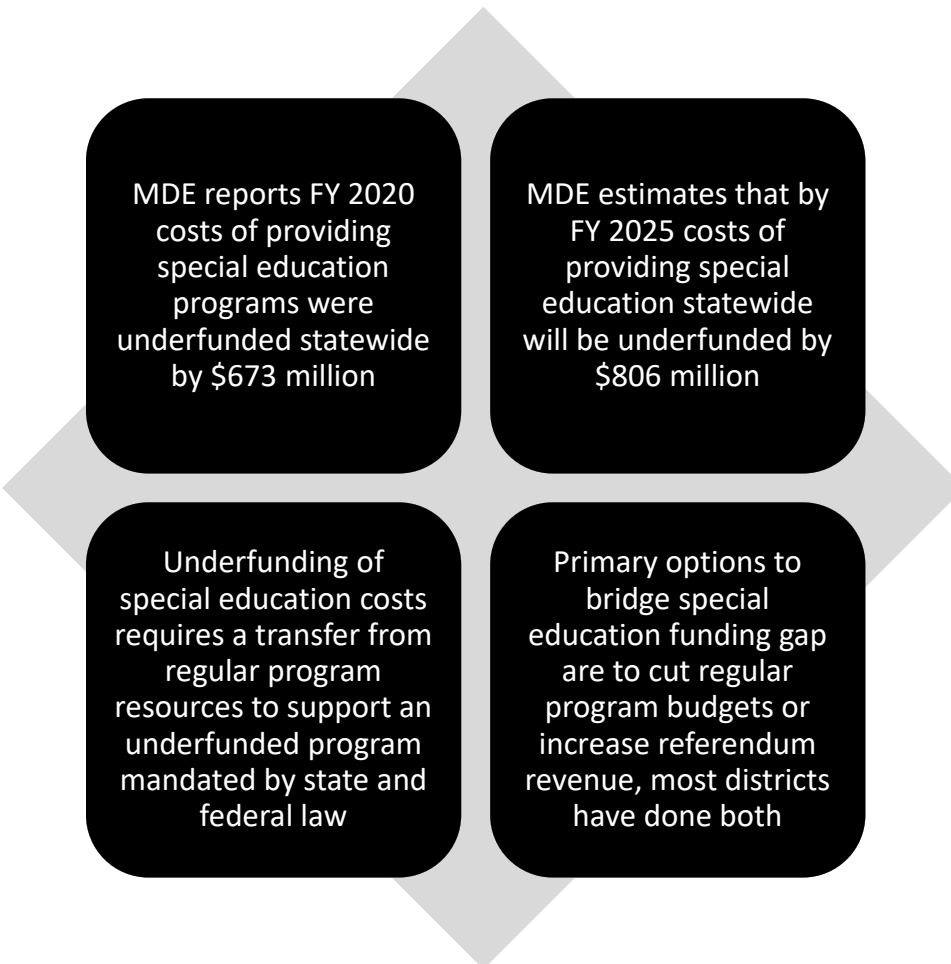
General Education Formula Allowance, 2003-2023

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 that 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
- Internal Service
- OPEB Trust

**Other Post-Employment Benefits*

White Bear Lake Area Schools, ISD 624

District Revenues and Expenditures

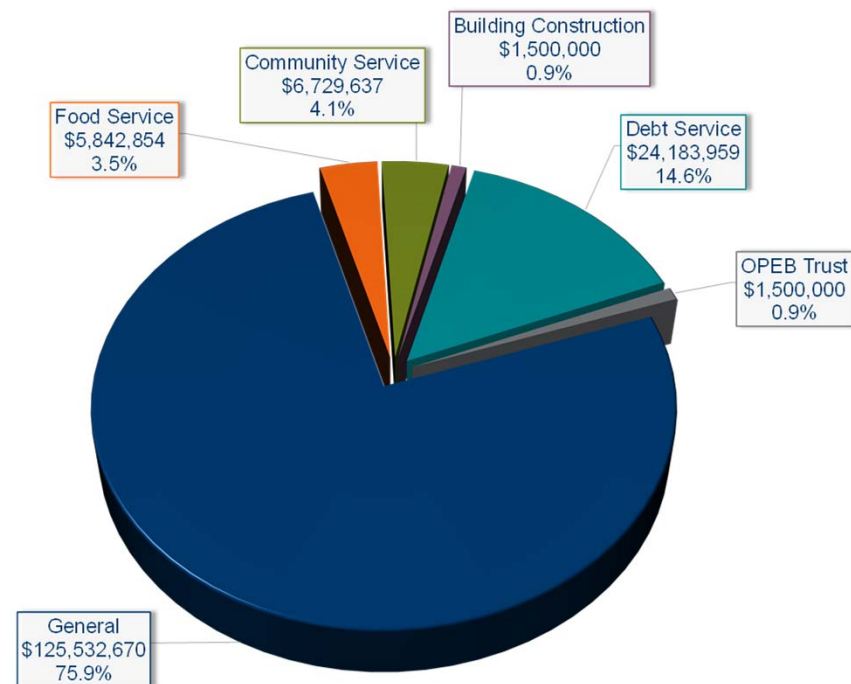
Actual for FY 2021, Budget for FY 2022

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	\$6,540,545	\$15,497,485	\$17,532,248	\$4,505,782	\$22,812,314	\$21,089,733	\$6,228,363
General/Other	9,242,861	109,788,033	106,732,172	12,298,722	102,720,356	103,757,858	11,261,220
Food Service	580,211	5,397,288	4,572,349	1,405,150	5,842,854	5,520,000	1,728,004
Community Service	703,417	6,491,551	6,399,792	795,176	6,729,637	6,840,866	683,947
Building Construction	261,314,543	1,948,559	38,750,116	224,512,986	1,500,000	86,314,290	139,698,696
Debt Service	1,105,276	35,451,016	32,843,740	3,712,552	24,183,959	23,914,498	3,982,013
Trust	220,162	64,085	130,401	153,846	100,000	100,000	153,846
Internal Service	1,759,364			4,352,081			4,352,081
OPEB* Irrevocable Trust	33,899,011	4,979,379	2,528,533	36,349,857	1,500,000	1,500,000	36,349,857
OPEB* Debt Service	1,824,463	9,172,902	10,997,365	-	-	-	-
Total All Funds	\$317,189,853	\$188,790,298	\$220,486,716	\$288,086,152	\$165,389,120	\$249,037,245	\$204,438,027

*Other Post Employment Benefits

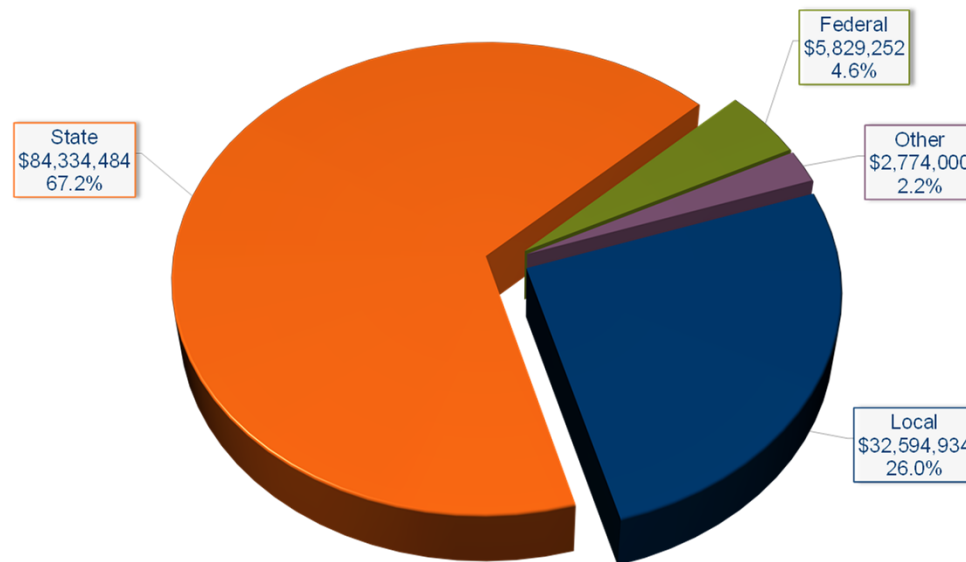
White Bear Lake Area Schools

Revenue – All Funds
2021-22 Budget \$165,289,120



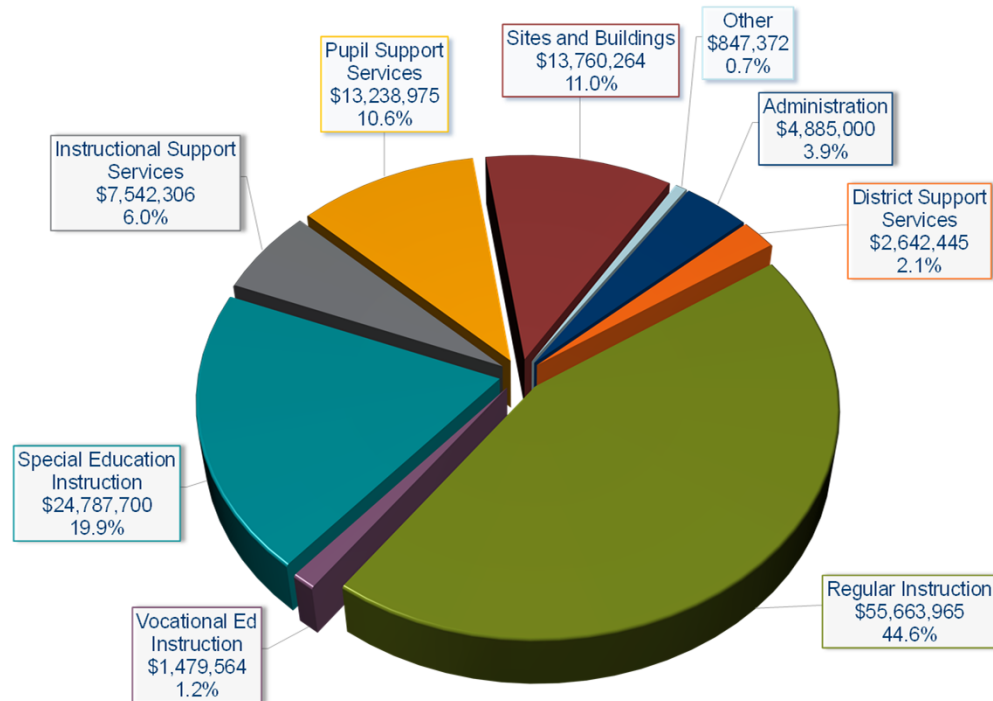
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General Fund Revenue
2021-22 Budget \$125,532,670



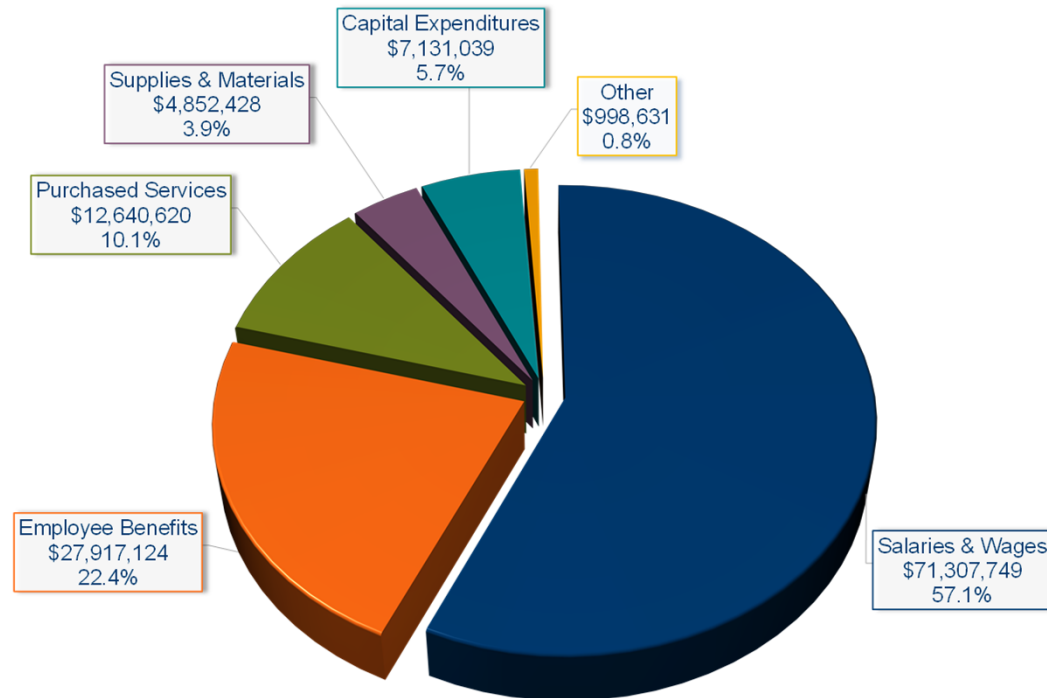
White Bear Lake Area Schools

General Fund Expenditures by Program
2021-22 Budget \$124,847,591



White Bear Lake Area Schools

General Fund Expenditures by Object
2021-22 Budget \$124,847,591



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


Sample of parcel specific notice mailed to every property owner between November 11 & November 24 with information on impact of Proposed 2022 levy

Contents:

- Proposed property taxes compared to last year
- By taxing jurisdiction
- Contains time and place of public meetings
- By voter approved and other for school district

PROPOSED TAXES 2022

THIS IS NOT A BILL. DO NOT PAY.



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 Road South
 Spruceville, MN 55555-5555

Property Information

PDN Number: 01.234.56.789 R1 **Property Address:** 789 Pine Rd S
 Spruceville, MN 55555

Property Description:
 Lot 1, Block 1, Spruce Acres Subdivision

The time to provide feedback on PROPOSED LEVIES is NOW

It is too late to appeal your value without going to 1st Court.

VALUES AND CLASSIFICATION			
Step	Taxes Payable Year	2021	2022
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class:	Res NHmstd	Res Hmstd
2	PROPOSED TAX		
	Property Taxes before credits	\$1,479.52	
	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
3	Property Taxes after credits	\$1,467.52	
PROPERTY TAX STATEMENT			
Coming in 2022			

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2021	Proposed 2022
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 3, 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 999 130 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-6789	December 10, 7:00 PM Spruceville High School Cafeteria		
Voter Approved Levies		\$389.35	\$206.68
Other Levies		\$340.11	\$374.60
Total excluding any special assessments		\$1,341.31	\$1,467.52 9.4%

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 2022 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 for each category are set by:
 - State law
 - Voter approval

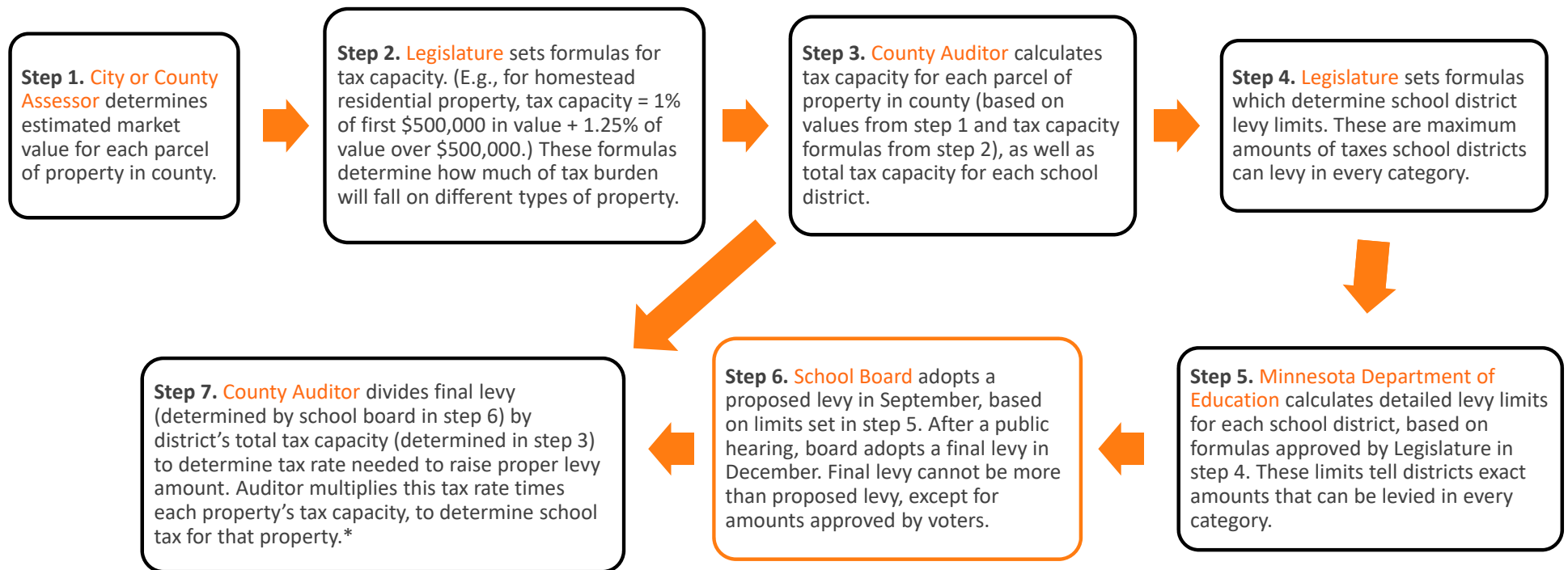
Minnesota Department of Education (MDE) calculates levy maximums for each district

Property Tax Background

School District Property Taxes

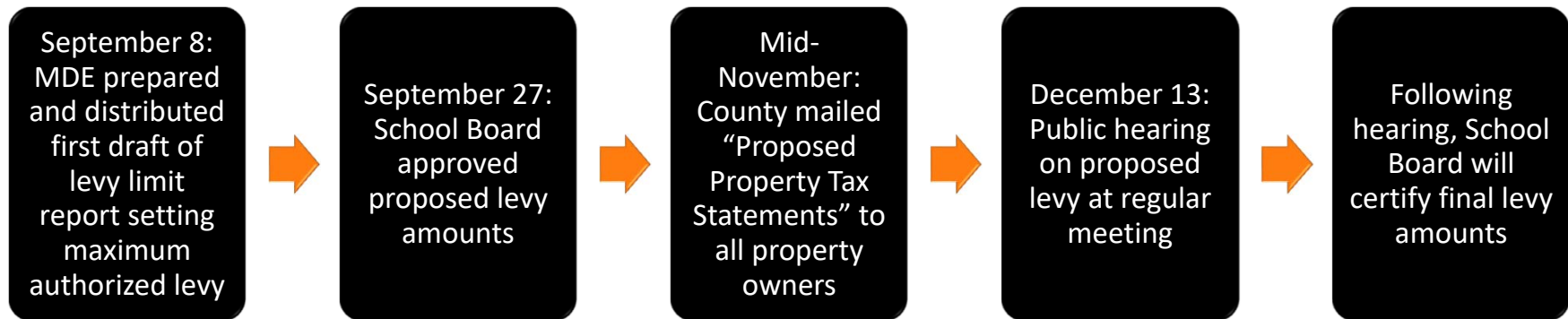
- Key steps in process are summarized on next slide
- Any of these steps may affect taxes on a parcel of property, but district has control over only 1 of 7 steps

School District Property Tax Process



Step 7*. For certain levy categories (referendum, equity & transition levies), tax 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 \$209,384 or 0.37%
- Reasons for major increases and decreases in levy are included on following slides

White Bear Lake Area School District, ISD 624

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	\$11,791,958	\$12,121,365	\$329,407	
Local Optional Revenue (LOR)	6,583,493	6,599,833	16,340	
Equity	897,550	892,345	(5,205)	
Capital Project Referendum	2,138,058	2,291,668	153,610	
Operating Capital	992,282	1,105,726	113,444	
Safe Schools	467,629	466,048	(1,581)	
Long Term Facilities Maintenance	6,887,059	5,574,264	(1,312,795)	
Instructional Lease	1,923,978	1,779,797	(144,181)	
Other	774,762	737,274	(37,488)	
Prior Year Adjustments	(601,056)	786,466	1,387,522	
Total, General Fund	\$31,855,713	\$32,354,787	\$499,075	1.6%
Community Service				
Basic Community Education	\$470,732	\$463,471	(\$7,261)	
Early Childhood Family Education	261,343	266,220	4,877	
School-Age Child Care	375,000	375,000	0	
Other	20,386	20,128	(258)	
Prior Year Adjustments	7,974	44,871	36,897	
Total, Community Service Fund	\$1,135,435	\$1,169,689	\$34,255	3.0%
Debt Service				
Voter Approved	\$18,778,282	\$12,378,267	(\$6,400,015)	
Long-Term Facility Maintenance	5,160,905	11,272,937	6,112,032	
Reduction for Debt Excess	(936,341)	(469,239)	467,102	
Prior Year Adjustments	993,681	490,617	(503,064)	
Total, Debt Service Fund	\$23,996,527	\$23,672,582	(\$323,946)	-1.3%
Total Levy, All Funds	\$56,987,674	\$57,197,058	\$209,384	0.4%
Subtotal by Truth in Taxation Categories:				
Voter Approved	32,081,438	26,855,382	(5,226,056)	
Other	24,906,236	30,341,677	5,435,440	
Total	\$56,987,674	\$57,197,058	\$209,384	0.4%

Explanation of Levy Changes

Categories: Voter Approved Operating Referendum & Local Optional Revenue (LOR)

Changes: Net change +\$329,407

Use of Funds: General Operating Expenses

Reason for Changes:

- Voter approved operating referendum authority includes an annual inflationary increase

Explanation of Levy Changes

Categories: General and Debt Service Funds – Long Term Facility Maintenance (LTFM) and Debt Service Fund – Voter Approved (VA)

Changes: -\$1,312,795 (General Fund LTFM), -\$6,400,015 (Debt Service Fund VA), and +\$6,112,032 (Debt Service Fund LTFM)

Use of Funds: Facilities maintenance and required payments on bond issues

Reason for Changes:

- District is eligible for LTFM revenue based on state-approved project costs
- LTFM projects are financed through a combination of annual General Fund levies, state aid and bond issues
- Levies are coordinated with other capital and debt levies to maintain a specified tax rate

Explanation of Levy Changes

Category: General Fund – Prior Year Adjustments

Change: +\$1,387,522

Use of Funds: Various

Reason for Change:

- 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
- Adjustments in several categories for taxes payable in 2022 are large positive amounts, while the adjustments for taxes payable in 2021 were large negative amounts

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 13.0% 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

- Examples are for property in City of White Bear Lake
- 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

White Bear Lake Area Public Schools, ISD 624

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 13.0% 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	\$132,724	\$589	\$139,360	\$734	\$145,631	\$714	\$150,000	\$727	\$138	\$13
	176,965	817	185,813	1,024	194,175	997	200,000	1,013	196	16
	221,206	1,046	232,266	1,314	242,718	1,281	250,000	1,299	253	18
	243,327	1,160	255,493	1,459	266,990	1,423	275,000	1,441	281	18
	309,689	1,503	325,173	1,894	339,806	1,849	350,000	1,870	367	21
	353,930	1,732	371,626	2,185	388,350	2,133	400,000	2,155	423	22
	398,171	1,960	418,080	2,473	436,893	2,409	450,000	2,430	470	21
	442,412	2,182	464,533	2,748	485,437	2,677	500,000	2,700	518	23
	486,654	2,400	510,986	3,033	533,981	2,976	550,000	3,013	613	37
	530,895	2,639	557,439	3,351	582,524	3,288	600,000	3,327	688	39
Commercial/ Industrial #	\$132,724	\$642	\$139,360	\$790	\$145,631	\$790	\$150,000	\$762	\$120	-\$28
	442,412	2,385	464,533	2,993	485,437	3,039	500,000	2,907	522	-132
	884,825	4,895	929,066	6,156	970,874	6,260	1,000,000	5,972	1,077	-288
	1,327,237	7,406	1,393,599	9,320	1,456,311	9,480	1,500,000	9,037	1,631	-443
	1,769,649	9,916	1,858,132	12,484	1,941,748	12,701	2,000,000	12,102	2,186	-599
Apartments and Res. Non-Homestead (2 or more units)	\$663,618	\$3,706	\$696,799	\$4,763	\$728,155	\$4,690	\$750,000	\$4,701	\$995	\$11
	884,825	4,941	929,066	6,351	970,874	6,253	1,000,000	6,268	1,327	15
	1,769,649	9,882	1,858,132	12,701	1,941,748	12,506	2,000,000	12,537	2,655	31

For commercial-industrial property, amounts 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.

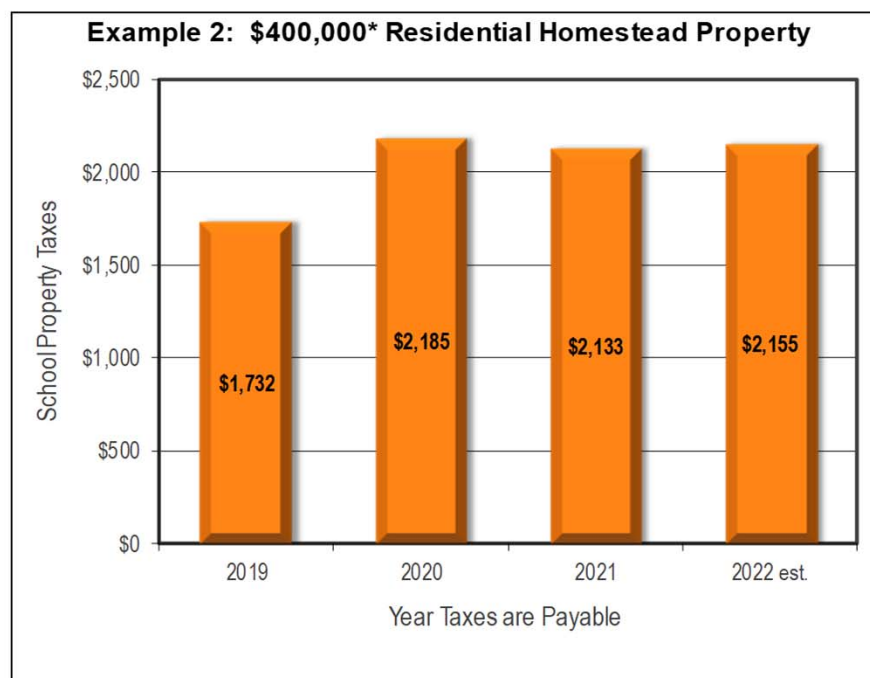
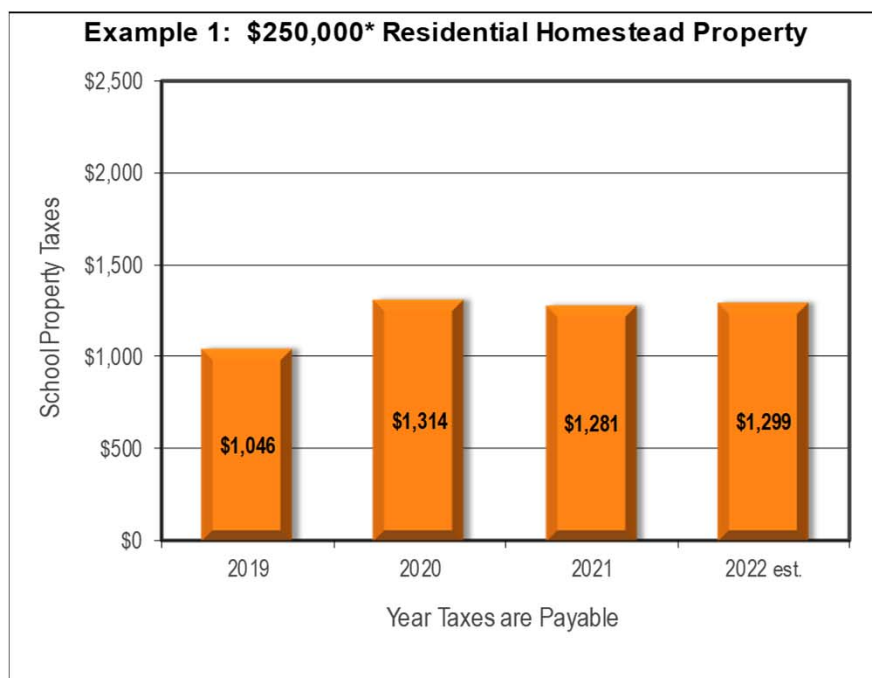
General Notes

1. 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, 4.5% from 2020 to 2021, and 3.0% from 2021 to 2022.

White Bear Lake Area Public Schools, ISD 624

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 13.0% Cumulative Changes in Property Value from 2019 to 2022 Taxes



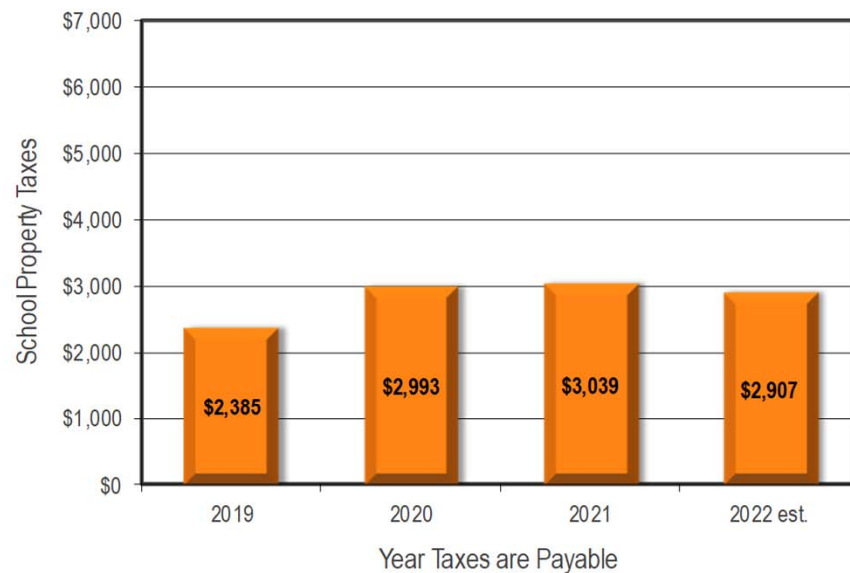
* Estimated market value for taxes payable in 2022. Taxes are calculated based on changes in market value of 5.0% from 2019 to 2020 taxes, 4.5% from 2020 to 2021, and 3.0% from 2021 to 2022.

White Bear Lake Area Public Schools, ISD 624

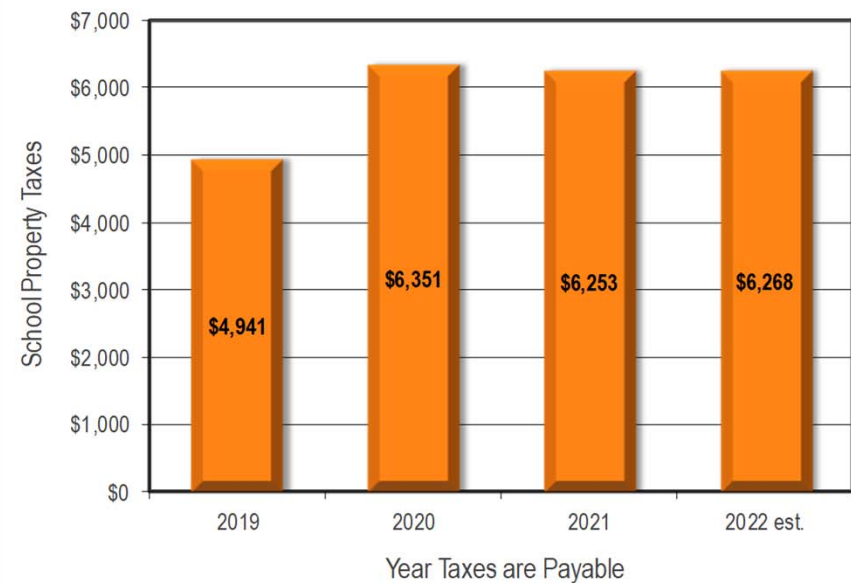
Estimated Changes in School Property Taxes, 2019 to 2022

Based on 13.0% Cumulative Changes in Property Value from 2019 to 2022 Taxes

Example 3: \$500,000* Commercial-Industrial Property



Example 4: \$1,000,000* Apartment - Non Residential Homestead



* 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, 4.5% from 2020 to 2021, and 3.0% 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



PUBLIC COMMENTS