Milaca Public School District #912

December 6, 2021

Christina Wordes
Business Manager

Truth in Taxation

Truth in Taxation Law

Requires cities, counties and school districts to follow two steps before adopting a tax levy for the following year:

1. Mailed Notice to each property owner in the county including:
    - Tax levies proposed by city, county, and school district
    - What percent increase/(decrease) such a levy would mean in dollars
2. Conduct a Truth in Taxation public hearing for each taxing jurisdiction, including a specific public notice.

Hearing Requirements

- Present budget
- Present proposed property tax levy
- Public comment must be allowed

Budget

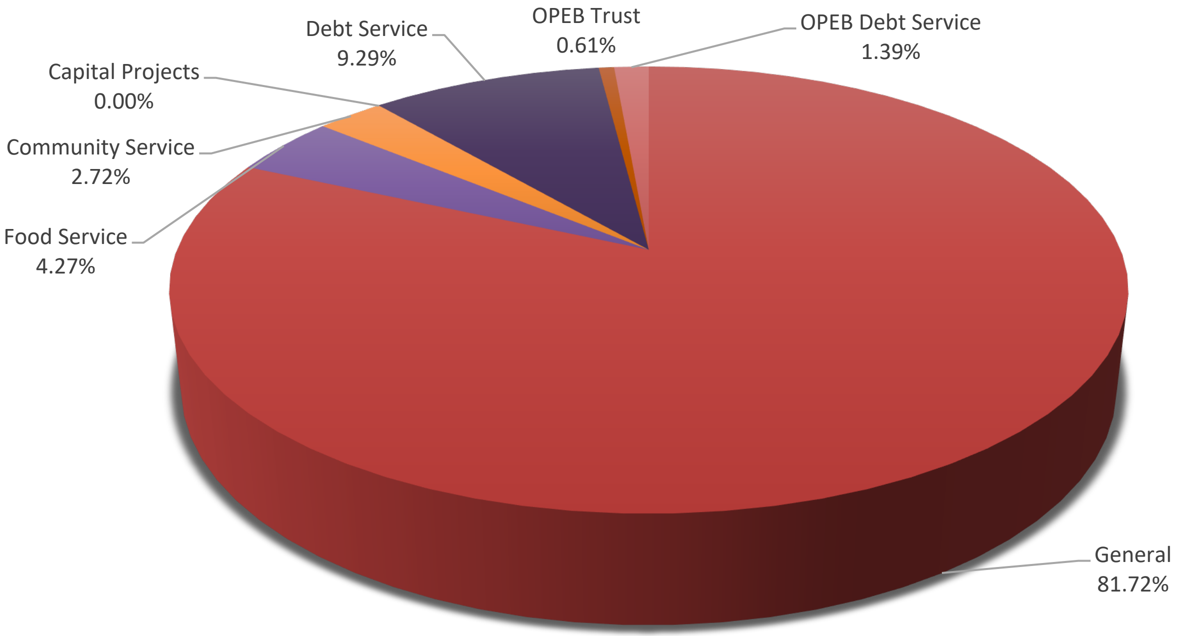
Current School Year

2021-2022

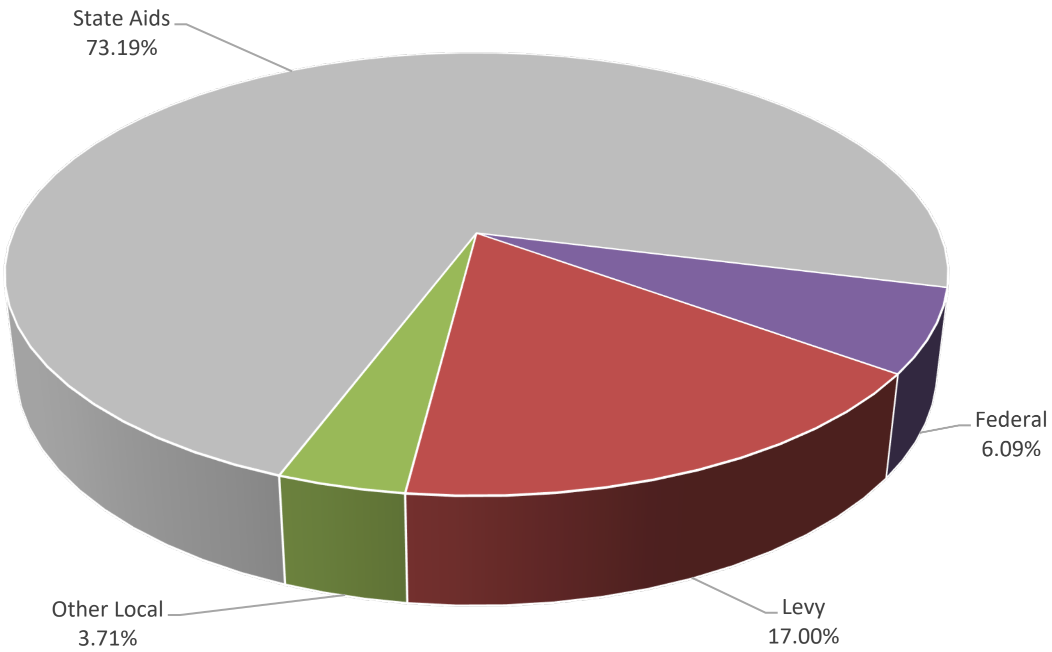
Budget

Category	General	Food Service	Community Service	Capital Projects	Debt Service	OPEB Trust	OPEB Debt Service	Total
Revenues								
Levy	1,893,104	-	120,786	-	1,800,075	-	338,436	4,152,401
Other Local	398,731	31,400	326,720	10	-	150,000	-	906,861
State Aids	17,208,077	3,000	216,020	-	447,970	-	-	17,875,067
Federal	458,423	1,009,573	-	-	20,000	-	-	1,487,996
Total Revenues	**19,958,335**	**1,043,973**	**663,526**	**10**	**2,268,045**	**150,000**	**338,436**	**24,422,325**
Expenditures								
Salaries and Benefits	14,398,292	513,725	538,636	-	-	150,000	-	15,600,653
Purchased Services	3,961,239	11,200	73,255	-	-	-	-	4,045,694
Supplies and Materials	696,499	533,494	46,761	-	-	-	-	1,276,754
Capital Outlay	324,029	3,899	2,250	73,708	-	-	-	403,886
Debt Service	330,295	-	-	-	2,140,015	-	343,130	2,813,440
Other	163,500	3,300	2,624	-	-	-	-	169,424
Total Expenditures	**19,873,854**	**1,065,618**	**663,526**	**73,708**	**2,140,015**	**150,000**	**343,130**	**24,309,851**
Net Change in Fund Balance	**84,481**	**(21,645)**	**-**	**(73,698)**	**128,030**	**-**	**(4,694)**	**112,474**

Revenues by Fund



Revenues by Category

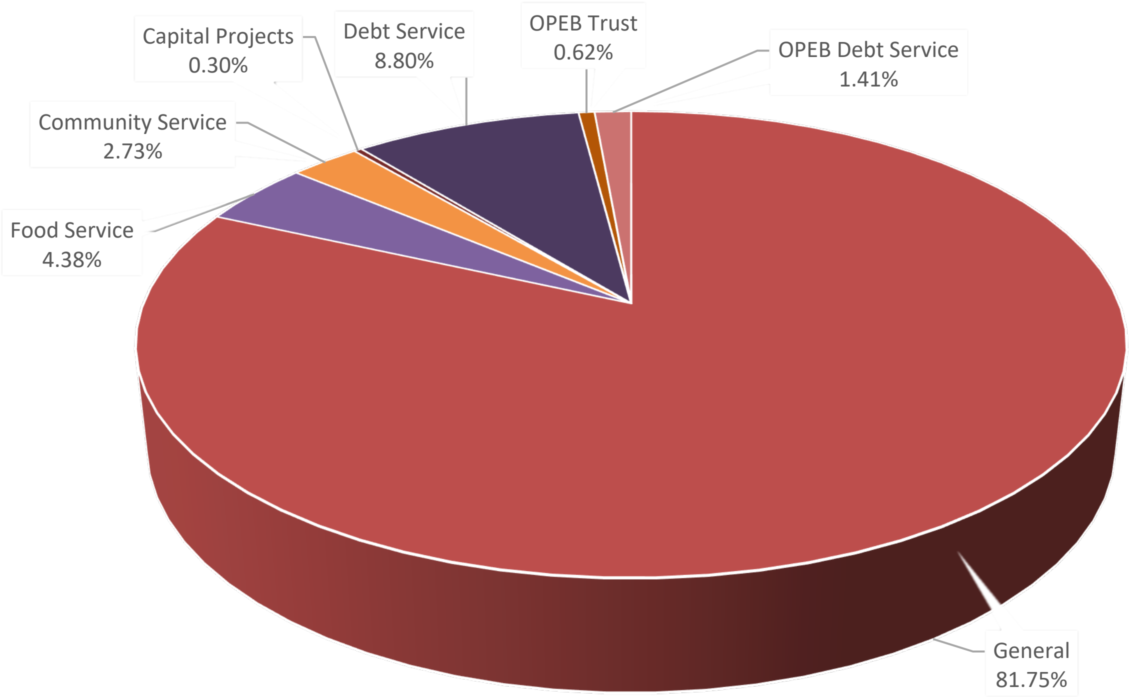


How Does our District Compare?

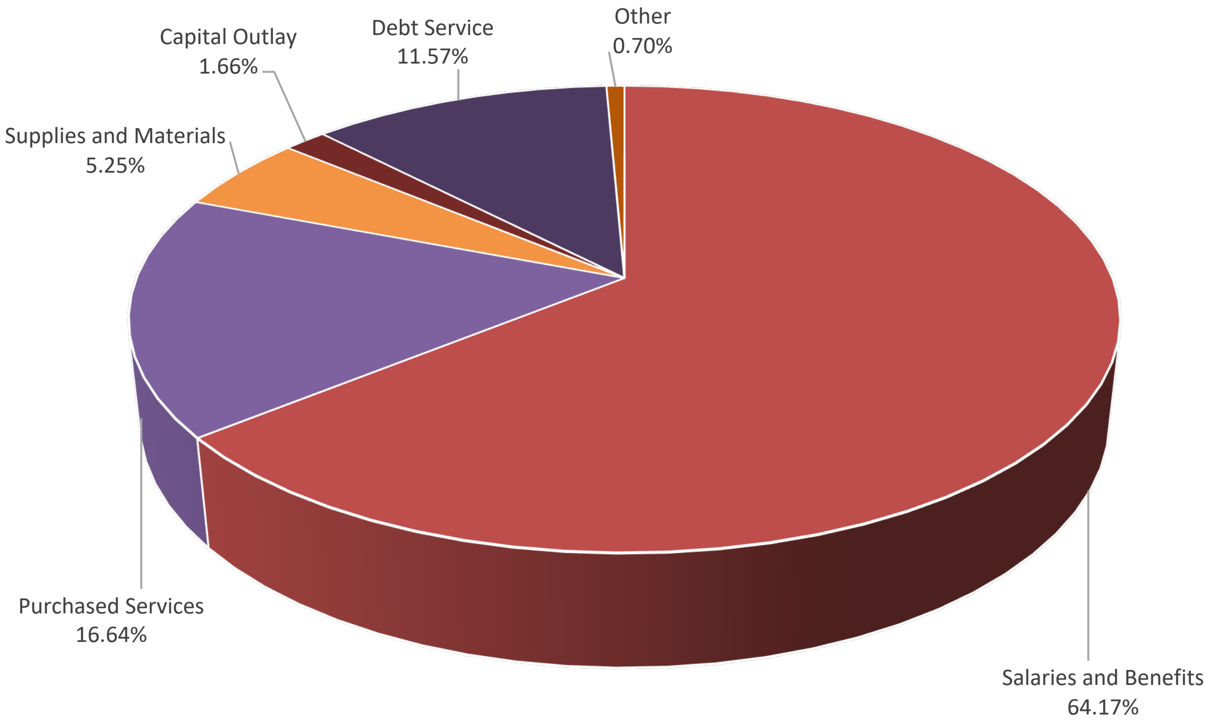
Total Property Tax Revenue per Average Daily Membership (ADM) using 2019-2020 data:

-District 912	$ 826 per ADM
-State Average	$2,180 per ADM

Expenditures by Fund



Expenditures by Category



How Does our District Compare?

Total General Fund Expenditures per Average Daily Membership (ADM) using 2019-2020 data:

-District 912	$12,195 per ADM
-State Average	$13,313 per ADM

Proposed Tax Levy

Taxes Payable 2022

Funding for 2022-2023 School Year

Property Tax Background

Every owner of taxable property pays property taxes for the various “taxing jurisdictions” (county, city or township, school district, special districts) in which the property is located.

Each taxing jurisdiction sets its own tax levy, often based on limits in state law.

County mails 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 a number of different categories.

“Levy limits” (or maximum levy amounts) for each category are set either by state law or voter approval.

Minnesota Department of Education (MDE) calculates detailed levy limits for each district.

School District Property Taxes

Key steps in the process are summarized on the next slide.

Any of these steps may affect the taxes on a parcel of property, but the district has control over only 1 of the 7 steps.

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 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.

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.*

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

Proposed Levy Payable in 2022

Schedule of events in approval of the levy:

Mid-September: MDE prepared and distributed first draft of levy limit worksheets setting maximum authorized levy.

September 20: School board approved proposed levy (maximum)

Mid-November: County mailed “Proposed Property Tax Statements” to all property owners

December 6: Public hearing on proposed levy

December 20: School board to certify final levy amounts

Proposed Levy Payable in 2022

Four funds have a levy: General, Community Service, Debt Service, and OPEB Debt Service.

The total 2022 recommended property tax levy for all four funds combined, is a decrease from 2021 by 2.20% or $90,796.

Category by Fund	Actual Payable in 2021	Recommended Payable in 2022	Change $	Change %
General Fund				
Voter Approved Referendum	297,439	312,345	14,905	
Local Optional Revenue	766,230	775,312	9,082	
Equity	196,599	194,619	(1,980)	
Operating Capital	90,455	110,167	19,711	
Long Term Facilities Maintenance	161,484	154,796	(6,688)	
Other	367,279	333,899	(33,380)	
Abatement Adjustments	(1,072)	689	1,761	
Adjustments for Prior Years	(10,310)	(83,147)	(72,837)	
Total General Fund	**1,868,104**	**1,798,678**	**(69,426)**	**-3.72%**
Community Service				
Basic Community Education	89,043	96,516	7,473	
Early Childhood Family Education	24,494	27,177	2,682	
School-Age Child Care	13,000	20,000	7,000	
Other	606	745	139	
Abatement Adjustments	(176)	54	230	
Adjustments for Prior Years	2,891	636	(2,255)	
Total Community Service	**129,859**	**145,128**	**15,269**	**11.76%**
Debt Service				
Voter Approved	1,356,134	1,356,984	850	
Long Term Facilities Maintenance	443,644	497,793	54,150	
Abatement Adjustments	297	715	418	
Excess Reduction	-	(98,975)	(98,975)	
Total Debt Service	**1,800,075**	**1,756,517**	**(43,558)**	**-2.42%**
OPEB Debt Service				
Voter Approved	360,287	361,547	1,260	
Abatement Adjustments	(19)	159	178	
Excess Reduction	(21,832)	(16,351)	5,481	
Total OPEB Debt Service	**338,436**	**345,355**	**6,919**	**2.04%**
Total All Funds	**4,136,474**	**4,045,678**	**(90,796)**	**-2.20%**

General Fund Explanation

- Includes several categories
- Change from prior year: $(69,426) or (3.72)%
- Reasons include:
  - Voter approved
  - State formula changes
  - Other category based on estimates which will be settled on subsequent levies once estimates change to actuals

Community Service Explanation

- Includes several categories
- Change from prior year: $15,269 or 11.76%
- Reasons include:
  - Census update
  - State formula changes
  - Based on estimates which will be settled on subsequent levies once estimates change to actuals

Debt Service Explanation

- Based on bond schedules to fund principal and interest payments
- Change from prior year: $(43,558) or (2.42)%
- Reasons include:
  - State formula changes
  - Law requires levy at 105% of annual payments to account for delinquents. Since delinquencies are generally less than 5%, excess accumulates gradually. MDE calculates our excess and adjusts to lower future tax burden.

OPEB Debt Service Explanation

- Also based on bond schedules to fund principal and interest payments – used to help pay retiree benefits.
- Change from prior year: $6,919 or 2.04%
- Reasons include:
  - State formula changes
  - Law requires levy at 105% of annual payments to account for delinquents. Since delinquencies are generally less than 5%, excess accumulates gradually. MDE calculates our excess and adjusts to lower future tax burden.

Recap

The total 2022 recommended property tax levy for all four funds combined, is a decrease from 2021 by 2.20% or $90,796.

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 in District

~Changes in state funding formulas, local needs and costs, voter-approved referendums and other factors

State Property Tax Refunds

The State of Minnesota has two refund programs and one tax deferral program available for owners of homestead property.

These programs may reduce the net tax burden for local taxpayers, but only if you complete and submit the forms.

For help with the forms and instructions:

1. Contact your tax professional, or
2. Visit the Department of Revenue website at www.taxes.state.mn.us

Next Steps

Board will accept public comments and questions on proposed levy.

Board action at the Regular Board Meeting (12.20.2021) to certify 2022 school tax levy.

Contact Information

Christina Wordes

Business Manager

christina.wordes@milaca.k12.mn.us