

# Eastern Carver County Schools

## Public Hearing for Taxes Payable in 2022

December 6, 2021

Presented By:  
Ron Meyer,  
Director of Finance & Operations



# Minnesota State Law Requires:

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## **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

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- Background Information on School Funding
- District's Budget
- District's Proposed Tax Levy for Taxes Payable in 2022
- Public Comments

# Background

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- School Funding
- Property Tax Levies
- Budgets

# MN Legislature Must Set Funding for Minnesota Public Schools

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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

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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

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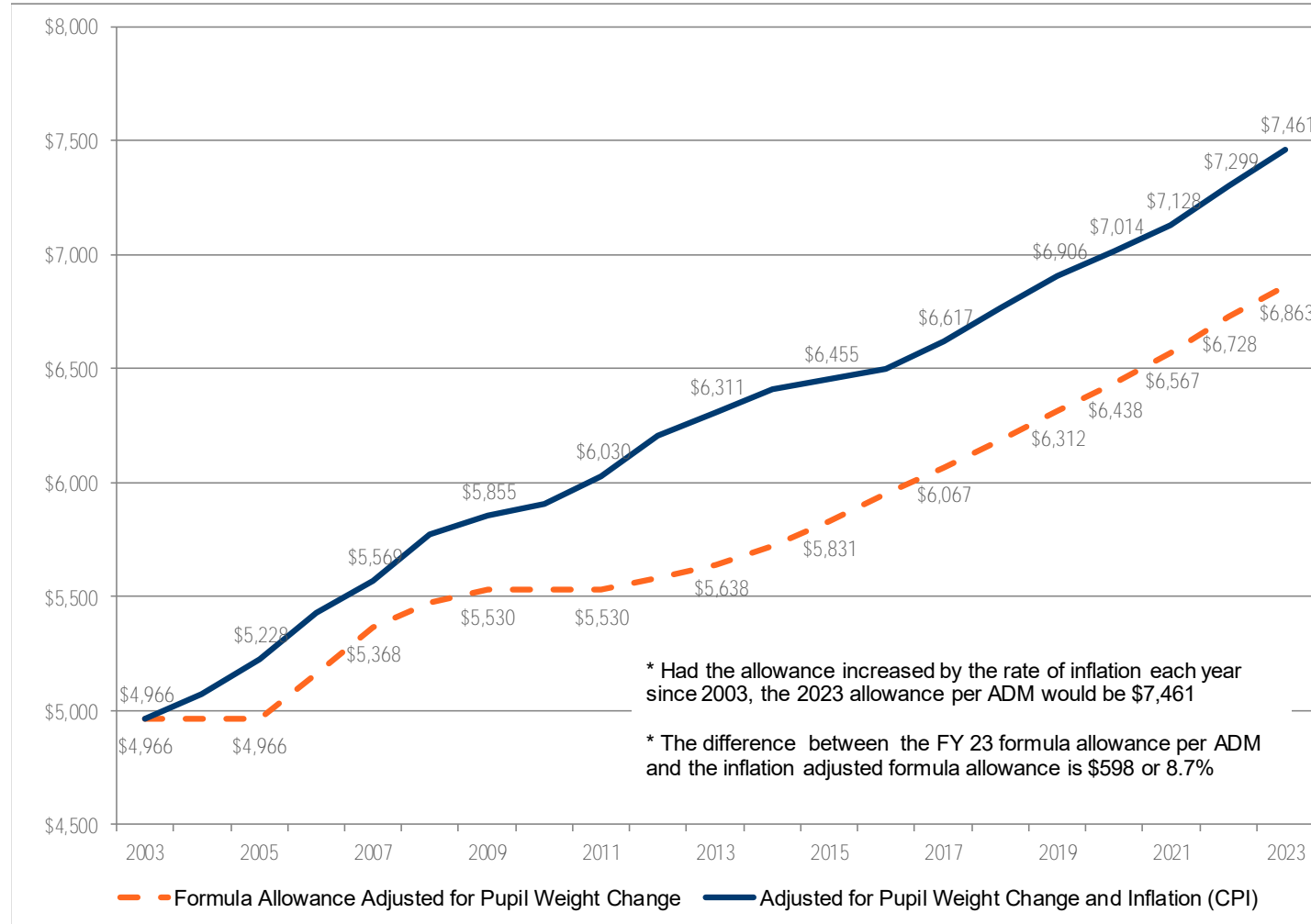
- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2021-22, an increase of 2.45% or \$161 over previous year was approved
- For Fiscal Year 2022-23, an increase of 2.00% or \$135 over current year was approved

*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



# Change in Tax Levy does not Determine Change in Budget

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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

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## **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

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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*

# Eastern Carver County Schools, ISD 112

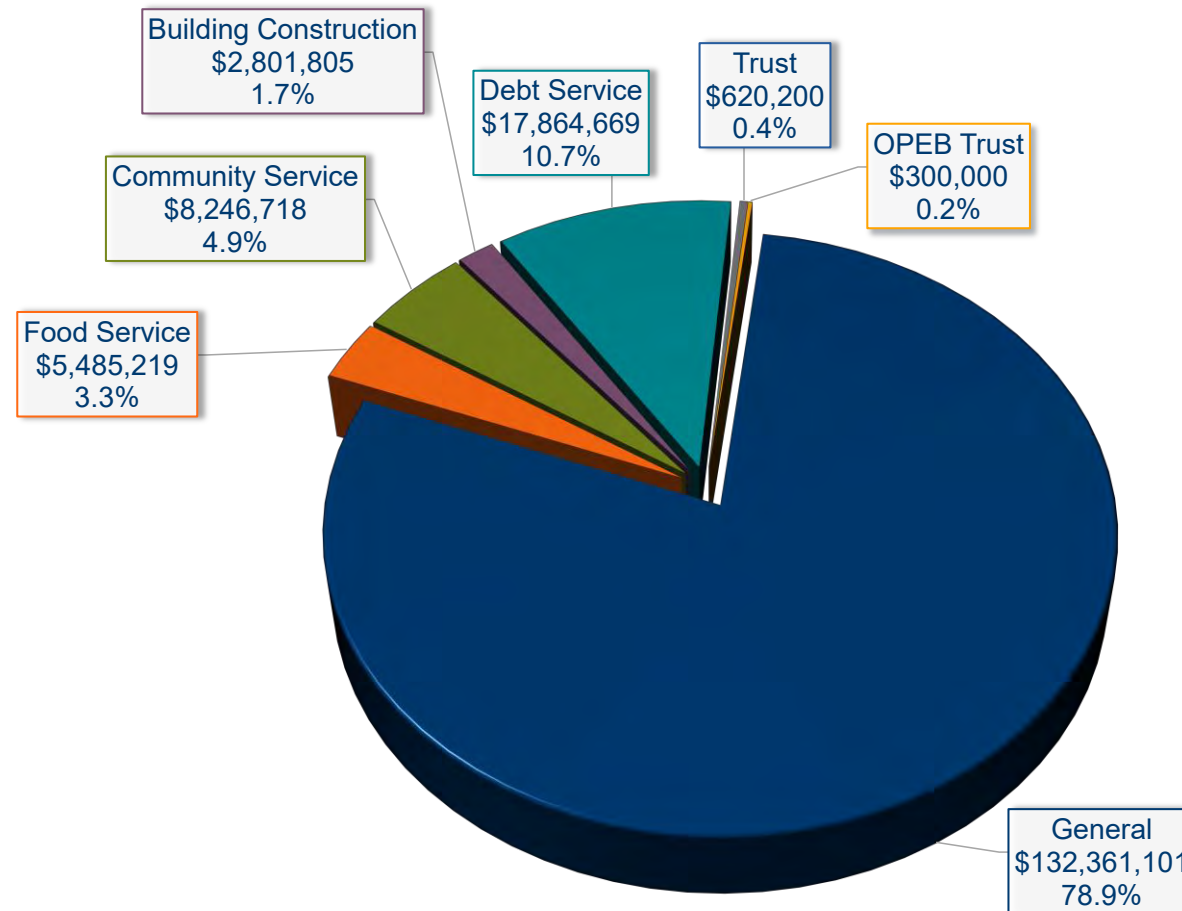
District Revenues and Expenditures  
Actual for FY 2021, Budget for FY 2022

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
<b>General/Restricted</b>	\$2,059,732	\$19,606,412	\$19,515,857	\$2,150,287	\$21,696,220	\$21,006,597	\$2,839,910
<b>General/Other</b>	11,341,782	116,781,490	110,854,103	17,269,169	110,664,881	110,141,030	17,793,020
<b>Food Service</b>	1,713,158	5,105,694	4,385,447	2,433,405	5,485,219	5,516,460	2,402,164
<b>Community Service</b>	397,900	6,783,574	6,595,945	585,529	8,246,718	8,019,021	813,226
<b>Building Construction</b>	397,481	2,481,507	2,490,994	387,994	2,801,805	2,801,805	387,994
<b>Debt Service</b>	4,440,843	64,504,657	18,667,895	50,277,605	17,864,669	31,929,220	36,213,054
<b>Trust</b>	296,861	108,891	328,873	76,879	620,200	595,000	102,079
<b>Internal Service</b>	6,705,860			7,564,090			6,929,773
<b>OPEB* Irrevocable Trust</b>	6,316,547	1,371,101	306,331	7,381,317	300,000	418,386	7,262,931
<b>Total All Funds</b>	<b>\$33,670,164</b>	<b>\$216,743,326</b>	<b>\$163,145,445</b>	<b>\$88,126,275</b>	<b>\$167,679,712</b>	<b>\$180,427,519</b>	<b>\$74,744,151</b>

\*Other Post Employment Benefits

# Eastern Carver County Schools, ISD 112

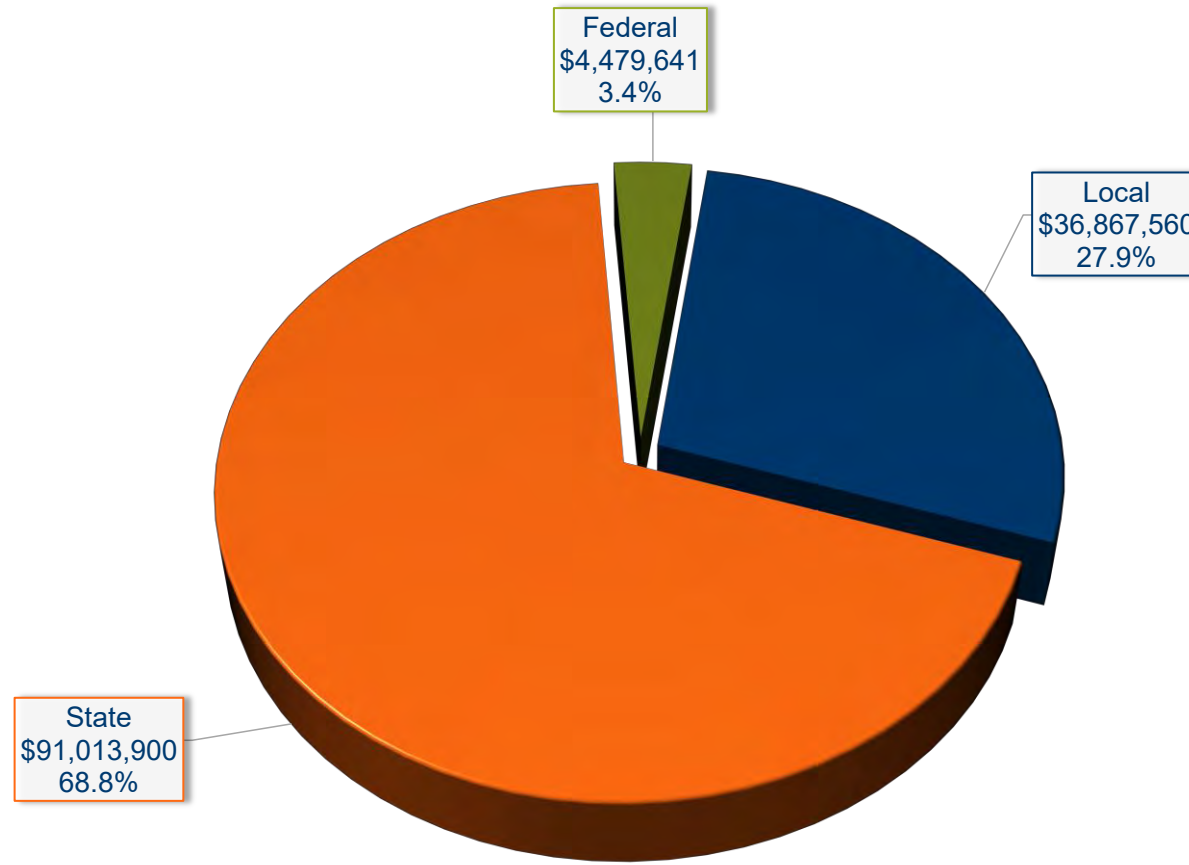
Revenue – All Funds  
2021-22 Budget \$167,679,712



# Eastern Carver County Schools, ISD 112

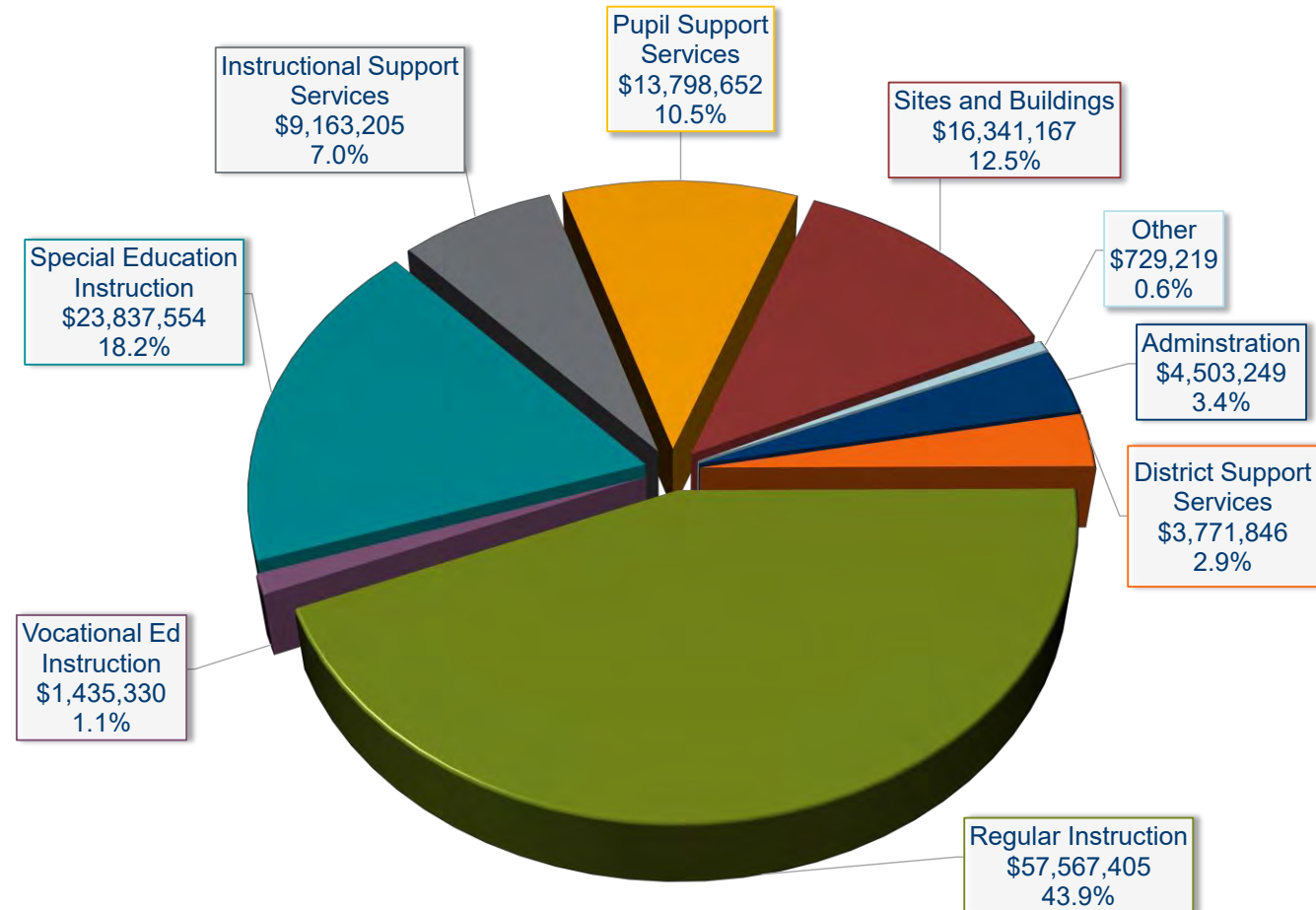
General Fund Revenue  
2021-22 Budget \$132,361,101

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# Eastern Carver County Schools, ISD 112

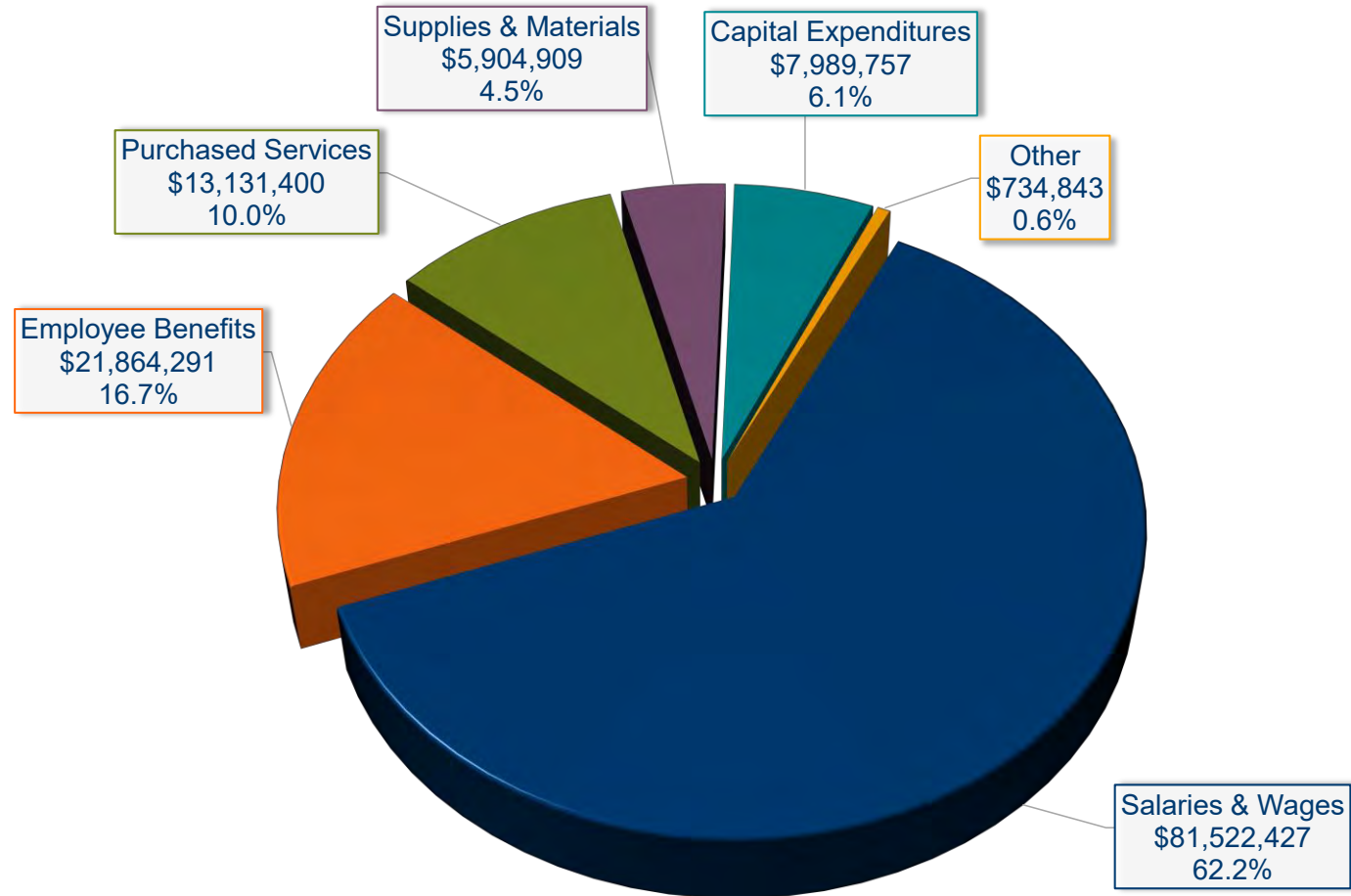
## General Fund Expenditures by Program 2021-22 Budget \$131,147,627





# Eastern Carver County Schools, ISD 112

## General Fund Expenditures by Object 2021-22 Budget \$131,147,627



# Payable 2022 Property Tax Levy

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- Determination of levy
- Comparison of 2021 to 2022 levies
- Reasons for changes in tax levy
- Impact on taxpayers

# Property Tax Background

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- 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		VALUES AND CLASSIFICATION		
PIN Number:	Property Address:	Step		
01.234.56.789.R1	789 Pine Rd S Spruceville, MN 55555	1		
Property Description: Lot 1, Block 1, Spruce Acres Subdivision				
<p><b>The time to provide feedback on PROPOSED LEVIES is NOW</b></p> <p><i>It is too late to appeal your value without going to Tax Court.</i></p>				
		Step 2	<p><b>PROPOSED TAX</b></p> <p>Property Taxes before credits \$1,479.52 School building bond credit \$ 12.00 Agricultural market value credit Other credits Property Taxes after credits <u>\$1,467.52</u></p>	
		Step 3	<p><b>PROPERTY TAX STATEMENT</b></p> <p>Coming in 2022</p>	

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 999 150 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		\$289.35	\$296.68
Other Levies		\$340.11	\$374.60
<p><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 2022 may be higher than the proposed amount shown on this notice.</i></p>			
<b>Total excluding any special assessments</b>		<b>\$1,341.31</b>	<b>\$1,467.52 9.44%</b>

# School District Property Taxes

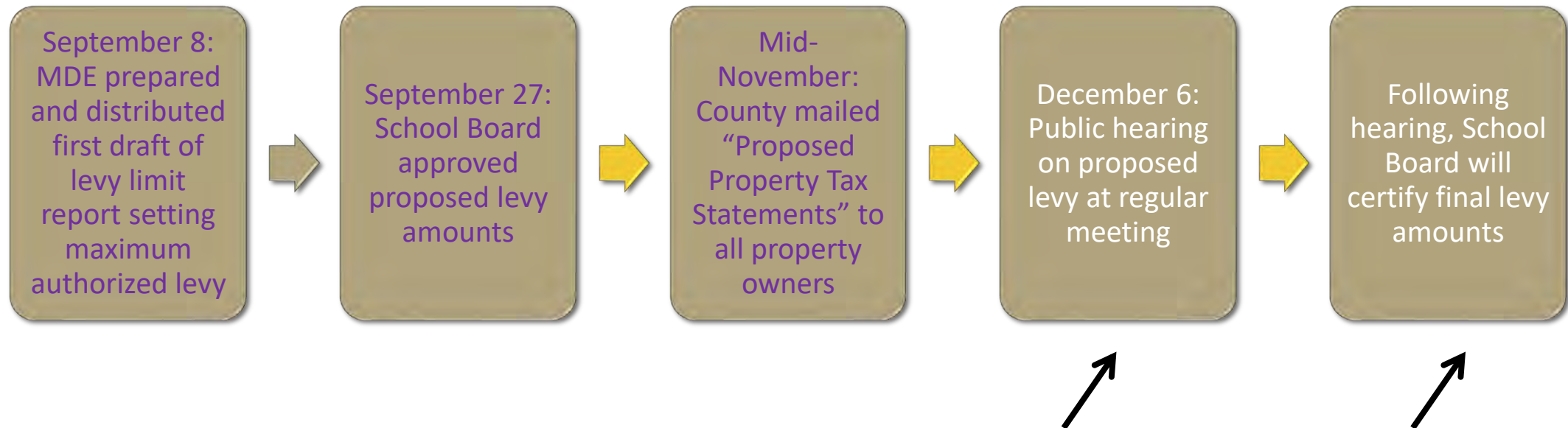
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- Each school district may levy taxes in over 40 different categories
- Maximum levy amounts for each category are set by:
  - State law
  - Voter approval

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

# Schedule of Events in Approval of District's 2021 (Payable 2022) Tax Levy

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# Overview of Proposed Levy Payable in 2022

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- Proposed property tax levy for 2022 is an increase from 2021 of \$5,536,590 or 10.9%
- Includes \$5,355,691 increase from initial proposed levy approved by School Board in September, due to operating referendum increase of \$550 per pupil approved by voters in an election held on November 2<sup>nd</sup>
- Reasons for major increases and decreases in levy from prior year are included on following slides



	FY 2021-22	FY 2022-23			\$ Change	% Change
	Prior Year Levy (Payable 2021)	Preliminary Levy 9-8-21 (Payable 2022)	Adjustments (Payable 2022)	Preliminary Levy (Payable 2022)	FY 2022 over FY 2021	FY 2022 over FY 2021
<b>Fund Levy Category</b>						
<b>General Fund</b>						
Referendum Levy	10,354,913.25	10,064,969.41	5,651,360.00	15,716,329.41	5,361,416.16	
Referendum Adjustments	(715,890.01)	(645,340.10)		(645,340.10)	70,549.91	
Referendum Equity Revenue	1,214,895.16	1,194,492.00	(295,668.88)	898,823.12	(316,072.04)	
Local Optional Revenue (LOR)	7,103,758.69	7,026,736.25		7,026,736.25	(77,022.44)	
Transition	43,976.19	42,744.83		42,744.83	(1,231.36)	
Eq. & Trans. Adjustments	(370,318.08)	(419,386.58)		(419,386.58)	(49,068.50)	
Operating Capital	928,837.11	1,016,497.20		1,016,497.20	87,660.09	
Achievement and Integration	294,738.43	296,426.25		296,426.25	1,687.82	
Alternative Compensation (Q-Comp)	937,992.45	872,091.47		872,091.47	(65,900.98)	
Reemployment	400,000.00	50,000.00		50,000.00	(350,000.00)	
Safe Schools	380,563.20	369,907.20		369,907.20	(10,656.00)	
Capital Project Referendum	4,808,680.59	5,031,300.79		5,031,300.79	222,620.20	
Long-Term Facilities Maintenance (LTFM)	5,279,307.38	7,340,326.71		7,340,326.71	2,061,019.33	
Ice Arena Operations	134,032.17	162,955.37		162,955.37	28,923.20	
Career Technical	382,686.75	392,043.37		392,043.37	9,356.62	
Building Lease	482,461.00	1,013,558.00		1,013,558.00	531,097.00	
Other Post Employment Benefits (OPEB)	0.00	106,750.00		106,750.00	106,750.00	
Equipment Certificates Offset	0.00	(975,467.00)		(975,467.00)	(975,467.00)	
SW Metro (Safe Schools, LTFM, Bldg Lease)	125,678.54	109,308.67		109,308.67	(16,369.87)	
Adjustments	632,555.63	(478,671.72)		(478,671.72)	(1,111,227.35)	
<b>TOTAL, GENERAL FUND</b>	<b>32,418,868.45</b>	<b>32,571,242.12</b>	<b>5,355,691.12</b>	<b>37,926,933.24</b>	<b>5,508,064.79</b>	<b>16.99%</b>
<b>Community Services</b>						
Basic Community Ed.	417,466.35	440,311.10		440,311.10	22,844.75	
Early Childhood Family	264,118.76	263,602.94		263,602.94	(515.82)	
Home Visiting	8,074.31	8,234.25		8,234.25	159.94	
Adults w/ Disabilities	30,000.00	30,000.00		30,000.00	0.00	
School Aged Care	273,847.00	292,785.00		292,785.00	18,938.00	
Adjustments	11,342.02	5,490.96		5,490.96	(5,851.06)	
<b>Total Comm. Services</b>	<b>1,004,848.44</b>	<b>1,040,424.25</b>	<b>0.00</b>	<b>1,040,424.25</b>	<b>35,575.81</b>	<b>3.54%</b>
<b>Debt Service</b>						
Initial General Debt Svc	17,338,756.00	17,122,246.00		17,122,246.00	(216,510.00)	
Reduction for Debt Excess	(1,111,351.84)	(991,237.13)		(991,237.13)	120,114.71	
Alternative Facility Bonds	953,625.39	0.00		0.00	(953,625.39)	
Reduction for Alt Facil Debt Excess	(70,666.37)	(56,471.44)		(56,471.44)	14,194.93	
Equipment Certificates (offset-General Fund)	0.00	975,467.00		975,467.00	975,467.00	
Adjustments	30,430.80	83,738.93		83,738.93	53,308.13	
<b>Total Debt Service</b>	<b>17,140,793.88</b>	<b>17,133,743.36</b>	<b>0.00</b>	<b>17,133,743.36</b>	<b>(7,050.62)</b>	<b>-0.04%</b>
<b>TOTAL, ALL LEVIES</b>	<b>50,564,510.87</b>	<b>50,745,409.73</b>	<b>5,355,691.12</b>	<b>56,101,100.85</b>	<b>5,536,589.98</b>	<b>10.95%</b>

# Explanation of Levy Changes

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**Categories:** General Fund – Voter Approved Operating Referendum & Equity

**Changes:** +\$5,361,416 (Operating Referendum) and -\$316,072 (Equity)

**Use of Funds:** General Operating Expenses

**Reason for Changes:**

- Voters approved an increase to operating referendum authority of \$550 per pupil
- Increases in operating referendum authority result in a reduction to referendum equity revenue, based on state-determined formula

# Explanation of Levy Changes

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**Category:** General Fund – Long-Term Facilities Maintenance (LTFM)

**Change:** +\$2,061,019

**Use of Funds:** Facilities Maintenance

**Reason for Change:**

- District is eligible for LTFM revenue based on state-approved project costs
- Increase is offset by prior year adjustments within LTFM program, due to timing for completion of projects

# Explanation of Levy Changes

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**Category:** General Fund – Instructional Lease

**Change:** +\$531,097

**Use of Funds:** Instructional lease costs

**Reason for Change:**

- Amount is based on state-approved instructional lease costs
- Includes payments related to new lease purchase financing for classroom addition at Carver Elementary School

# Explanation of Levy Changes

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**Category:** General Fund – Capital Equipment Certificates Adjustment

**Change:** -\$975,467

**Use of Funds:** Offset to debt service levy

**Reason for Change:**

- Capital equipment certificates were issued to finance bus purchases
- District is required to make a debt service levy each year to finance payments due on certificates; however, there is an equal offsetting reduction in General Fund levies
- Net impact is that annual payments on certificates will be funded from operating capital revenue or other general fund revenues

# Explanation of Levy Changes

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**Category:** General Fund – Prior Year Adjustments

**Change:** -\$1,111,227

**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
- For LTFM program, taxes payable in 2021 included large positive adjustments and taxes payable in 2022 includes large negative adjustments, due to timing for completion of projects

# 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



# Impact on Taxpayers

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- Examples are for property in City of Chaska for commercial-industrial property; school taxes in other parts of the District may be slightly higher or lower due to variations in impact of Fiscal Disparities Program
- 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

## Eastern Carver County Schools, ISD 112

Estimated Changes in School Property Taxes, 2019 to 2022

Based on 10.3% 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
								Without Referendum	Voter Approved Referendum*	Total		
Residential Homestead	\$181,302	\$948	\$190,367	\$930	\$194,175	\$911	\$200,000	\$896	\$113	\$1,009	\$61	\$98
	226,628	1,216	237,959	1,193	242,718	1,169	250,000	1,149	141	1,290	74	121
	271,953	1,484	285,551	1,457	291,262	1,427	300,000	1,402	169	1,571	87	144
	339,942	1,886	356,939	1,851	364,078	1,814	375,000	1,781	212	1,993	107	179
	362,605	2,020	380,735	1,983	388,350	1,943	400,000	1,908	226	2,134	114	191
	407,930	2,288	428,327	2,242	436,893	2,194	450,000	2,151	254	2,405	117	211
	453,256	2,545	475,919	2,491	485,437	2,438	500,000	2,390	282	2,672	127	234
	498,581	2,799	523,510	2,760	533,981	2,709	550,000	2,668	310	2,978	179	269
	543,907	3,091	571,102	3,048	582,524	2,992	600,000	2,946	339	3,285	194	293
Commercial/ Industrial #	679,884	3,968	713,878	3,913	728,155	3,841	750,000	3,780	423	4,203	235	362
	\$453,256	\$2,780	\$475,919	\$2,758	\$485,437	\$2,676	\$500,000	\$2,630	\$282	\$2,912	\$132	\$236
	679,884	4,250	713,878	4,216	728,155	4,090	750,000	4,018	423	4,441	191	351
	906,511	5,719	951,837	5,674	970,874	5,503	1,000,000	5,407	564	5,971	252	468
	1,133,139	7,189	1,189,796	7,131	1,213,592	6,917	1,250,000	6,795	705	7,500	311	583
Apartments and Res. Non-Homestead ( 2 or more units)	1,586,395	10,128	1,665,715	10,047	1,699,029	9,744	1,750,000	9,571	988	10,559	431	815
	\$453,256	\$2,926	\$475,919	\$2,884	\$485,437	\$2,830	\$500,000	\$2,780	\$282	\$3,062	\$136	\$232
	906,511	5,852	951,837	5,768	970,874	5,660	1,000,000	5,559	564	6,123	271	463
	1,359,767	8,777	1,427,756	8,652	1,456,311	8,490	1,500,000	8,339	846	9,185	408	695

\* Includes estimates for a voter-approved operating referendum increase.

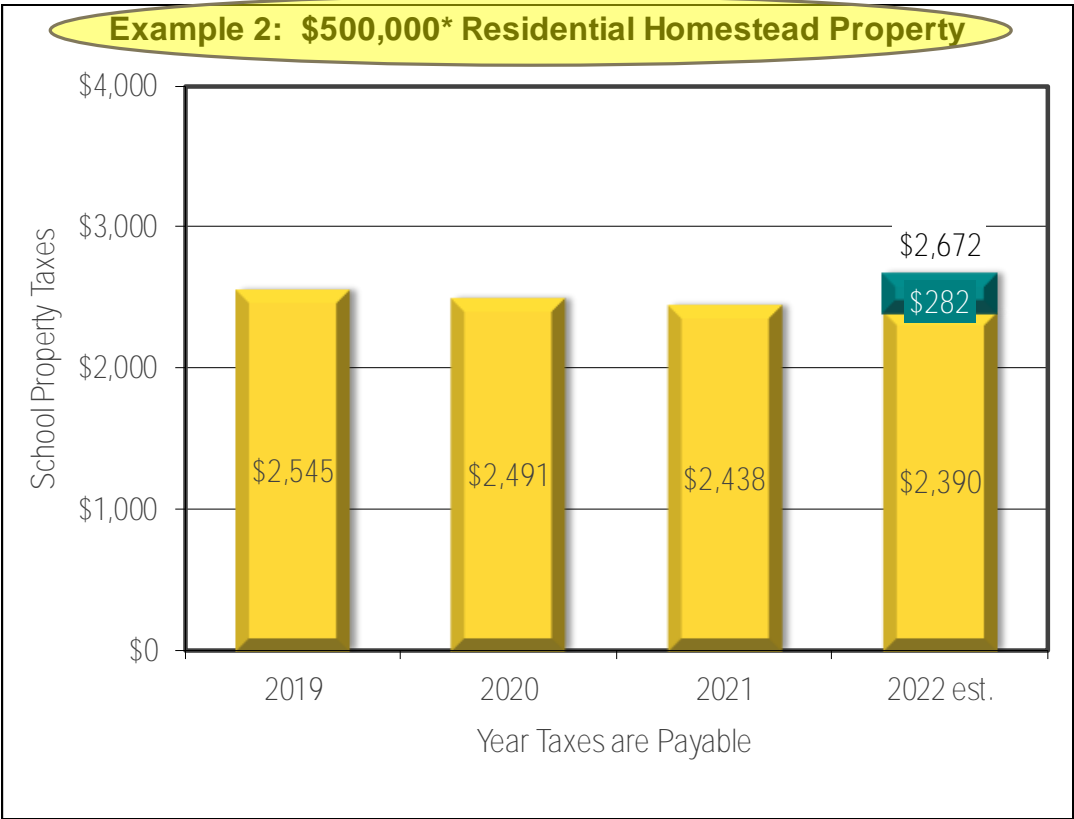
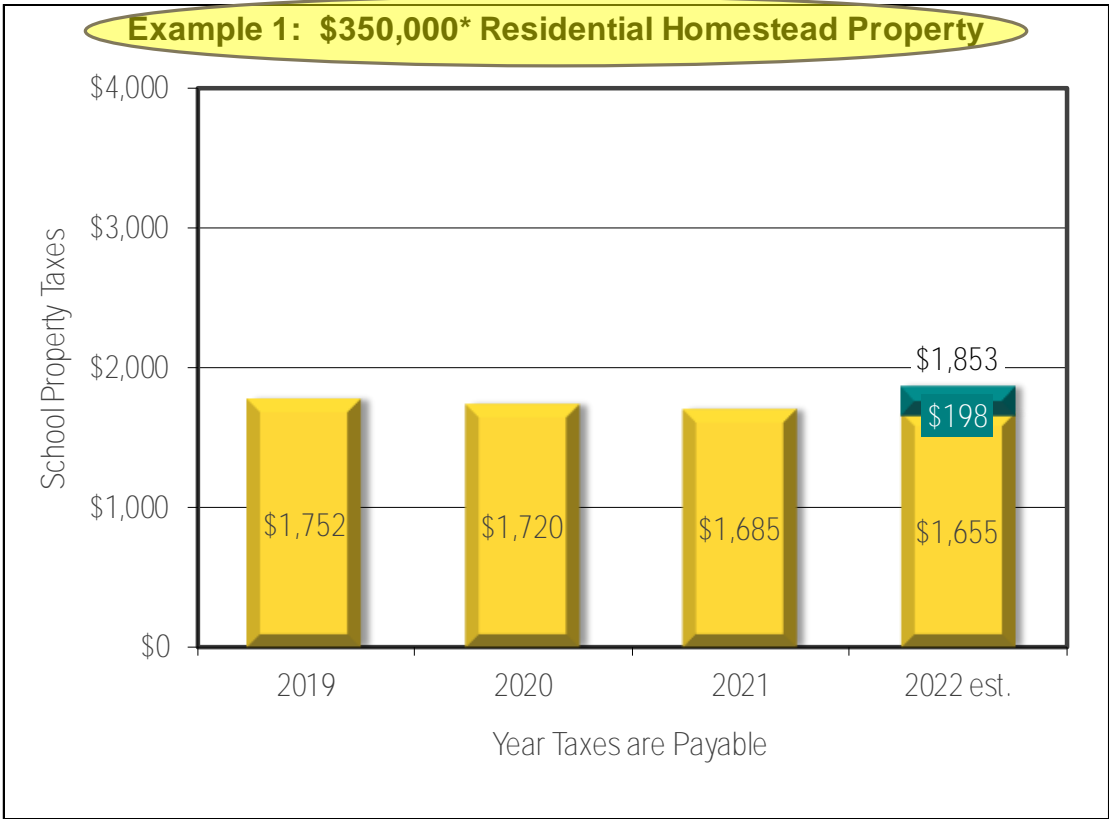
# For commercial-industrial property, amounts are for property in the City of Chaska. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

### 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 changes in taxable market value of 5.0% from 2019 to 2020 taxes, 2.0% from 2020 to 2021, and 3.0% from 2021 to 2022.

# Eastern Carver County Schools, ISD 112

Estimated Changes in School Property Taxes, 2019 to 2022  
Based on 10.3% 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, 2.0% from 2020 to 2021, and 3.0% from 2021 to 2022.

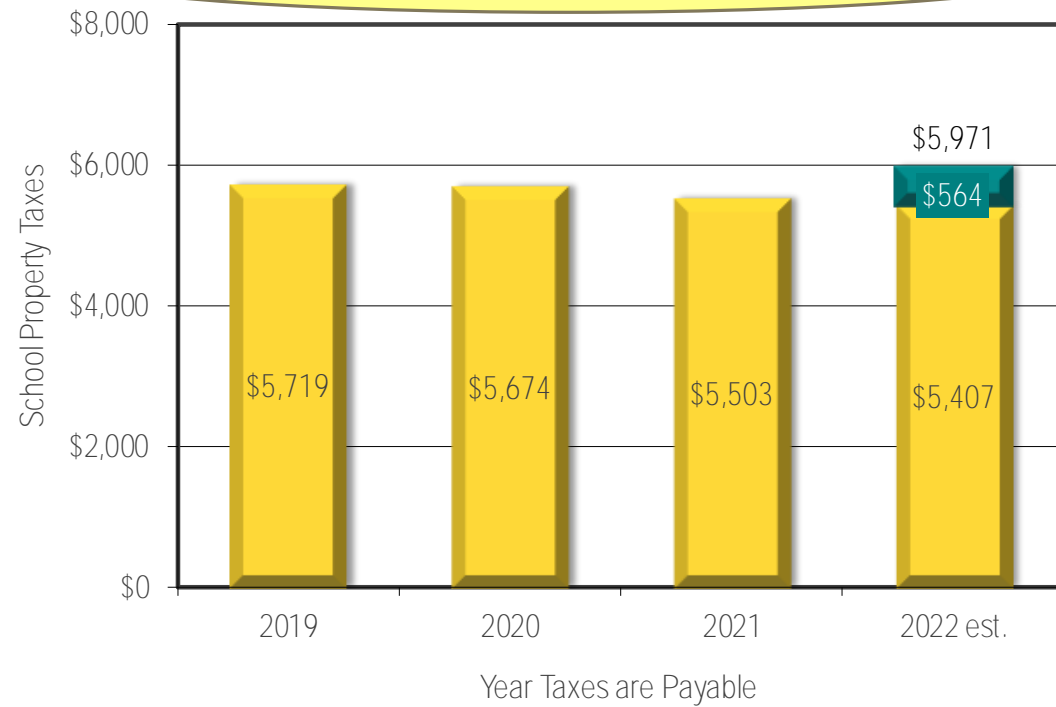
\*\* The darker portion of the 2022 bar represents the estimated taxes associated with a voter-approved operating referendum increase.

## Eastern Carver County Schools, ISD 112

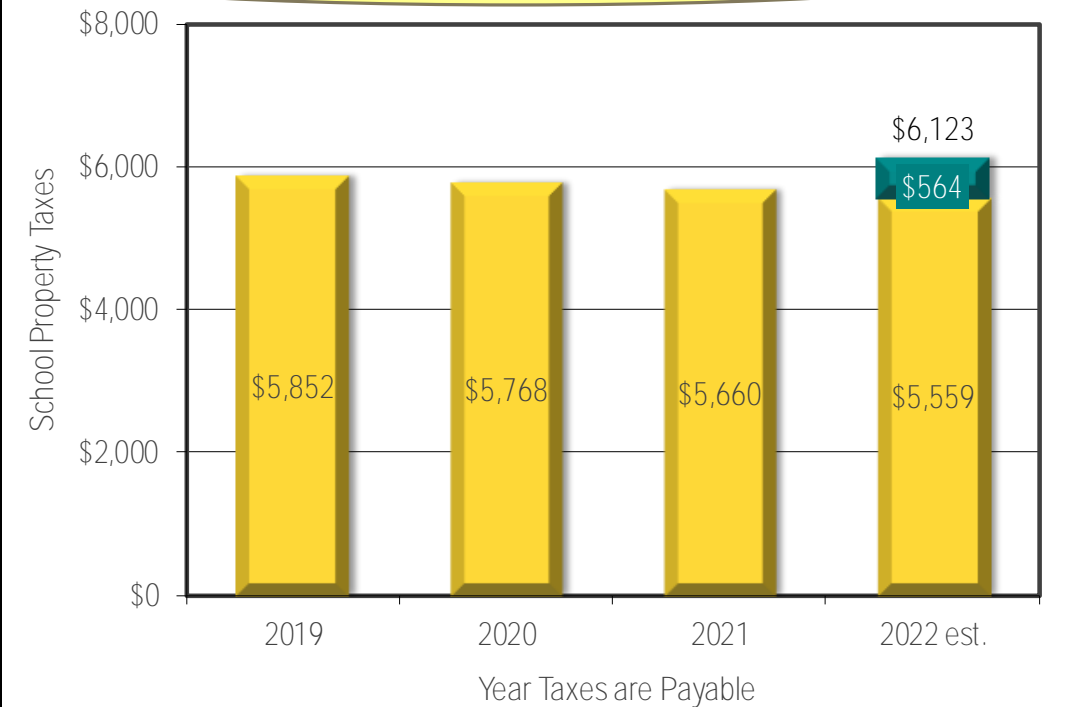
Estimated Changes in School Property Taxes, 2019 to 2022

Based on 10.3% Cumulative Changes in Property Value from 2019 to 2022 Taxes

**Example 3: \$1,000,000\* 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, 2.0% from 2020 to 2021, and 3.0% from 2021 to 2022.

\*\* The darker portion of the 2022 bar represents the estimated taxes associated with a voter-approved operating referendum increase.

# Minnesota Homestead Credit Refund “Circuit Breaker”

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- 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](http://www.revenue.state.mn.us))

# Minnesota Special Property Tax Refund

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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](http://www.revenue.state.mn.us))

# Senior Citizen Property Tax Deferral

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- 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

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1

Board will accept public comments on proposed levy

2

Board will certify 2022 property tax levy

# Proposed Final Levy Payable in 2022

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Fund	Pay 2022 Levy
General	37,926,933.24
Community Service	1,040,424.25
Debt Service	17,133,743.36
<b>Total</b>	<b>56,101,100.85</b>

# PUBLIC COMMENTS

Comments/Questions must be relevant to:

- 2021 Payable 2022 Tax Certification (fiscal year 2022-23)
- Eastern Carver County School's portion of taxes (not City or County's taxes)

Questions/Comment on valuation can be answered by Carver County



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