

PUBLIC HEARING

**2020-21 Budget
& Proposed 2021
Property Taxes**

NRHEG Public Schools

December 21, 2020

6:00 pm

Secondary School Media Center

Resources provided by



TODAY'S AGENDA

Factors Affecting Taxes

- Big Picture
- Your Property Classification and Value
- School District Factors Affecting Pay '21
- Putting it All Together and Questions



Big Picture



Why have a Truth in Taxation Meeting?

- **Truth in Taxation Law, passed in 1989**
- **Two major requirements:**
 - 1. Tax Statements**

Counties must send out proposed property tax statements in November based on preliminary tax levies set by all taxing jurisdictions (counties, cities, townships, school districts, etc.)
 - 2. Public Hearing**

Most taxing jurisdictions must hold a public hearing prior to certifying the final levy and discuss:

 - Payable 2021 levy
 - Fiscal year 2021 budget
 - Public comments

**This is the school district's
annual required hearing**



Who sets the School Levy?

Components of a District Tax Levy are either:

- **Set By State Formula By Legislature**
 - General Education Formula, Operating Capital, Career & Technical, Reemployment, etc.
- **Voter Approved as Authorized by the State**
 - Operating Referendum or Building Bonds



How is my property tax determined?

- County Assessor determines market value for each parcel of property.
- MN Legislature sets formulas for Tax Capacity. These formulas determine how the tax burden is split on different types of property (residential, commercial, ag, etc.).
- County Auditor calculates the tax capacity for each parcel based on the above.
- County Auditor divides the total levy by total tax capacity of the District to determine tax rate needed. Tax rate is multiplied by each property's tax capacity*.

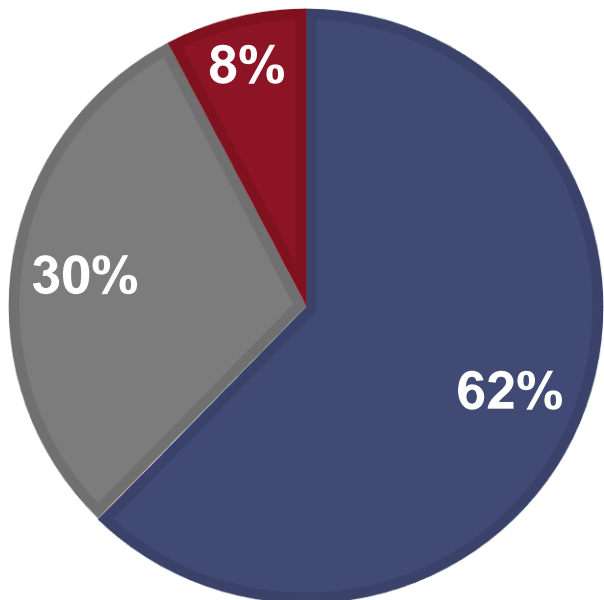
*Certain levies are spread based on Market Value rather than tax capacity.



State Aid Impact

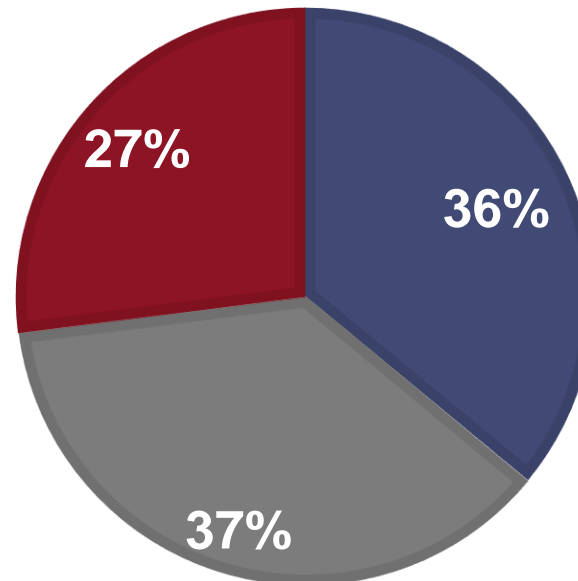
WHO COLLECTS

- State
- Non-Local School
- School District



WHO SPENDS

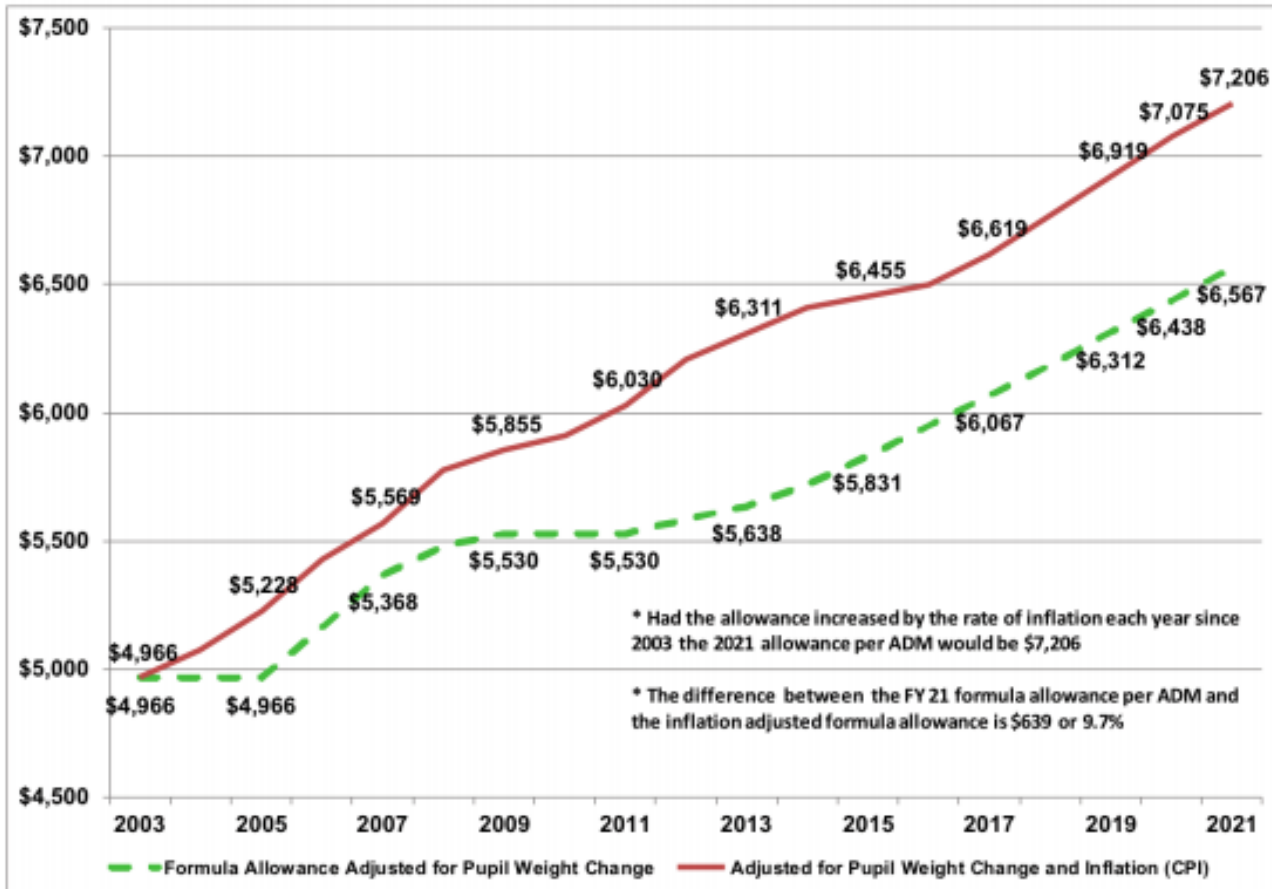
- State
- Non-Local School
- School District



(Data source, MN Department of Management and Budget, 2017)



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



Source: MDE August 2019 Inflation Estimates

AMSD Association of Metropolitan School Districts

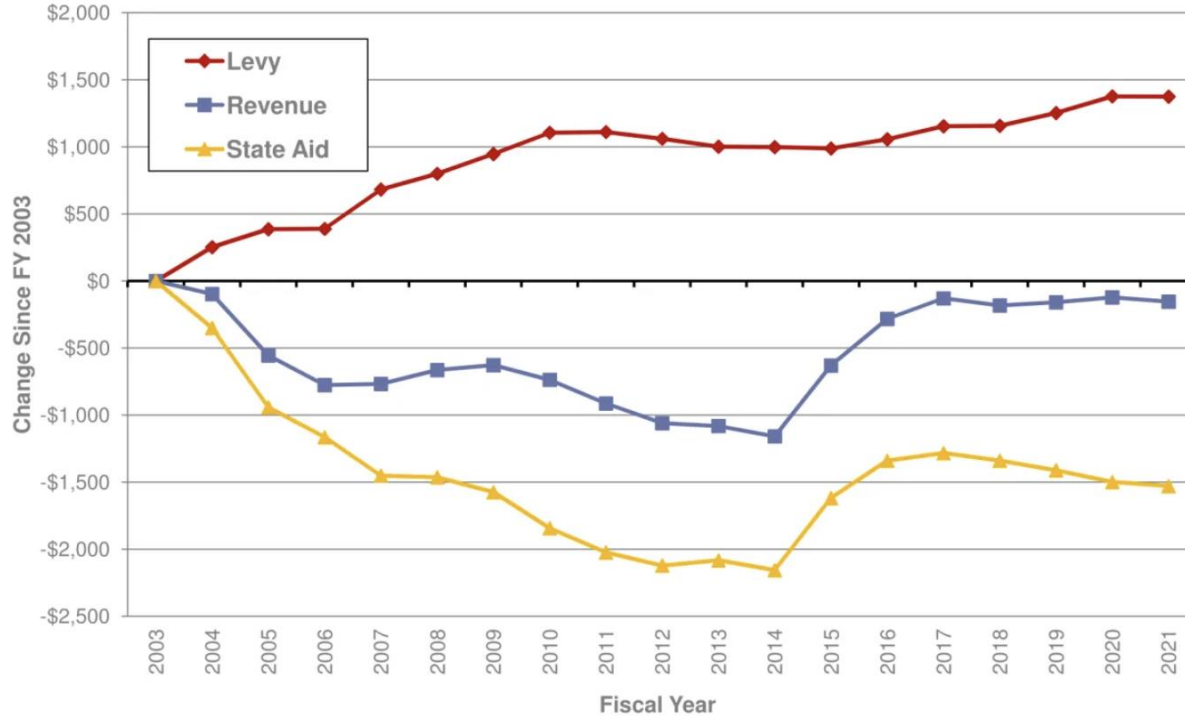
EHLERS

Funding trails inflation by **\$639 per pupil** since 2003, **\$568 million annually**.



Statewide Aid, Levies, Revenue

Constant FY 2020 Dollars Per Pupil



(Analysis by MREA, 2019, Data from MDE)

mreavoices.org

**Increases in Local Operating Referendum
needed to replace decline in formula buying power.**



NRHEG School District Budget

**Current School Year
2020-2021**



2020-2021 BUDGET OVERVIEW REVENUES

Revised 11-16-20

			19-20
20-21	Percent		Actual
	<u>Budget</u>	<u>Change</u>	
General Fund	9,849,971		10,022,346
1.75%			
Food Service	464,150		511,700 10.24%
Community Service	255,813		352,266 37.70%
Debt Service	302,714		768,303 153.8%

2020-2021 BUDGET OVERVIEW EXPENDITURES

Revised 11-16-20

20-21	Percent		19-20	
			<u>Actual</u>	
<u>Budget</u>	<u>Change</u>			
General Fund	9,725,559		10,204,531	4.9%
Food Service	468,756		508,019	8.4 %
Community Service	270,766		329,057	21.5%
Debt Service	<u>372,745</u>		<u>810,043</u>	<u>117%</u>
Totals	<u>\$10,837,826</u>		<u>\$11,851,650</u>	<u>9.35%</u>

2020-2021 Budget (Revised 11-16-20)

<u>Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Difference</u>
General	\$10,022,346	\$10,204,531	(\$182,185)
Food Service	\$511,700	\$508,019	\$3,681
Community Education	\$352,266	\$329,057	\$23,209
Debt Service	\$768,303	\$810,043	(\$41,740)
Scholarship Trust	\$675	\$1,000	(\$325)
Student Activity	<u>\$68,800</u>	<u>\$68,800</u>	<u>\$0</u>
Totals	\$11,724,090	\$11,921,450	(\$197,360)

Property Classifications and Value



Know Your Valuation

- Property classification and market value
- Sent Spring 2020; cannot change
- Watch for 2021 statement in SPRING and where to appeal

VALUATION NOTICE		2021
2020 Values for Taxes Payable in		

Property tax notices are delivered on the following schedule:

Step 1	Valuation and Classification Notice	See Details Below.
	Class: Residential Homestead	
	Estimated Market Value: \$150,000	
	Homestead Exclusion: \$23,800	
	Taxable Market Value: \$126,200	

Step 2	Proposed Taxes Notice	
	2021 Proposed Tax:	Coming November 2020

Step 3	Property Tax Statement	
	1st Half Taxes:	
	2nd Half Taxes:	Coming March 2021
	Total Taxes Due in 2021:	

Effective Tax Rates

Property Classification Rates set in statute by Legislature and Governor and result in range of Effective Tax Rates:

Property Classification	2016 Estimate (Net Taxes/Market Value)
Farm	0.52%
Seasonal Rec	1.01%
Residential Homestead	1.28%
Apartment	1.73%
Public Utility	2.93%
Commercial-Industrial	3.66%

Market Value x Class Rate = Taxable Value (NTC)

(Source: MN Dept. of Revenue)



Share of Tax Liability

Property Classification	Market Value Share (2019 Assessment)	Share of Net Taxes (Payable in 2020)
Farms	18%	7%
Seasonal Rec Residential	4%	3%
Commercial and Industrial	14%	32%
Residential Homes	50%	44%
Other Residential	14%	14%

(Source: Tim Strom - House Legislative Analyst)



Ag2School Tax Credit

- Permanent law enacted in 2017
- Affects all existing Fund 7 debt levies, except OPEB bonds
- Reductions for farmers and timber owners
- Scheduled to scale to 70% in 2023
- The revenue for Ag2School comes from state income, sales and other tax revenue



Increase in 2021

55% Ag Tax Credit on Bonds

Payable Year	Percent Increase	Total Credit Percent
2021	5%	55%
2022	5%	60%
2023	10%	70%



Find Your Ag2School Credit

Truth in Taxation Notice:

- Calculated on each parcel statement
- Sum all parcels for total
- Because paid by state, it does not show up on Levy Certification Report

PROPOSED TAXES 2021			
THIS IS NOT A BILL. DO NOT PAY.			
Step	VALUES AND CLASSIFICATION		
	<u>Taxes Payable Year</u>	<u>2020</u>	<u>2021</u>
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
Step	PROPOSED TAX		
2	Property Taxes before credits	\$1,479.52	
	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits	\$1,467.52	
Step	PROPERTY TAX STATEMENT		
3	Coming in 2021		
The time to provide feedback on PROPOSED LEVIES is NOW			
It is too late to appeal your value without going to Tax Court.			



School Factors Affecting Pay '21 Levies



Historical Changes to Levy Limits

Year	Levy Amount	%Change
2015 payable 2016	\$1,327,973.77	-6.00%
2016 payable 2017	\$1,375,496.29	3.58%
2017 payable 2018	\$1,254,611.52	-8.79%
2018 payable 2019	\$1,261,202.97	0.53%
2019 payable 2020	\$1,693,497.45	34.28%
2020 payable 2021	\$1,793,294.73	5.89%

Your School District Tax Levy

Possible reasons for changes to your parcel:

- Change in value or classification to your property
- Change in enrollment numbers
- Change in valuation of property in district
Equalization aid depends on district property wealth per pupil
- Local decisions and requirements
- Adjustment for prior years (estimate to actual)
- Legislative changes (Local Optional Revenue)



Putting it All Together



PROPOSED PAY '21 LEVY CERTIFICATION FOR NRHEG

Fund	Pay '21 Levy Limit	Increase (Decrease)	Percent Change
General	1,027,530.38	132,728.68	14.83
Community Education	87,877.65	-2,878.13	-3.17
General Debt Service	677,886.70	-30,053.27	-4.25
TOTAL	1,793,294.73	99,797.28	5.89



QUESTIONS?

Thank you for attending this hearing.

