



Truth in Taxation Presentation

December 14, 2020

for Taxes Payable in 2021

# Truth in Taxation Law

- State law initially approved in 1988
- Amended in 2009
- Requirements
  - Counties must send out “proposed property tax statements” between November 11-24, based on preliminary tax levies set by all taxing jurisdictions (counties, cities, townships, school districts, etc.)
  - Taxing jurisdictions must present information on proposed levy and current year budget
    - Discuss percentage change and reasons for change- **Total 2020 levy will increase by \$497,197 (3.26%)**
  - Allow for comments from audience at a regularly scheduled meeting

# School Levy vs. Budget Cycle

Unlike cities and counties, a school district does not set its budget when setting the tax levy

- **Property Tax Levy**

- Final levy set in December
- Property taxes levied on a calendar year basis

- **Budget**

- Final budget approved in June, 6 months later
- School fiscal year is July 1 through June 30
- Mid-year budget revision to be completed in January

# Tax Levy – Budget Relationship

- Tax levy is based on many state-determined formulas
- Some changes in tax levies are revenue neutral, offset by reductions or increases in state aid
- Expenditure budget is limited by state-set revenue formulas, voter-approved levies, available fund balance, and program needs, not just by tax levies
- Because approval of the budget lags behind certification of the tax levy by six months, only current year budget information and prior year actual financial results will be presented at this hearing

# Budget Information

- All school district budgets are divided into separate funds, based on purposes of revenue, as required by law
- For our district, 8 active funds:
  1. General fund (includes former transportation and capital expenditure funds)
  2. Food Service fund
  3. Community Service fund
  4. Building Construction fund
  5. Debt Service fund
  6. OPEB Debt Service fund
  7. HRA Trust fund
  8. OPEB Trust fund

# 2020-21 Revenues by Fund

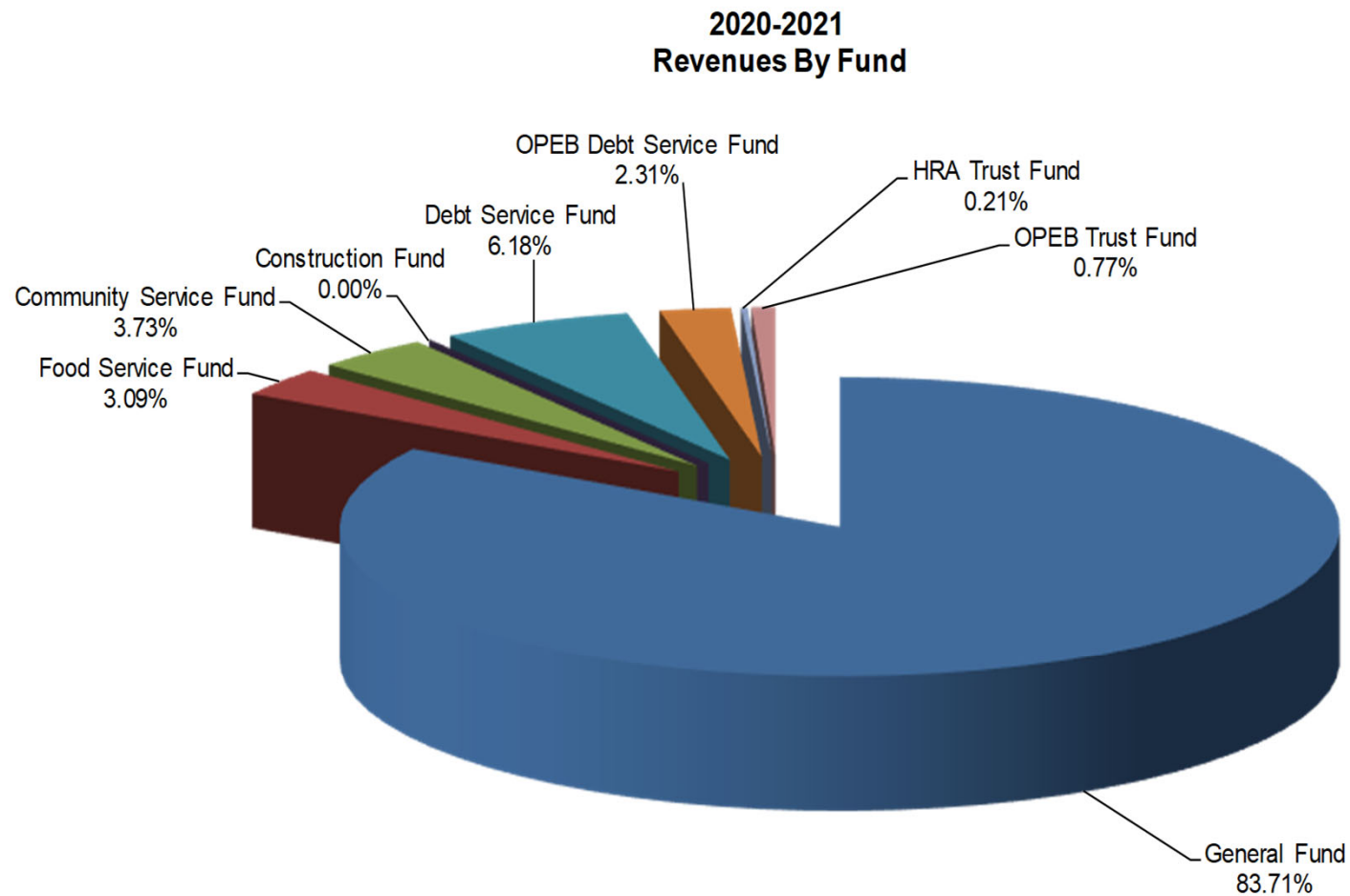
ISD 877 BUFFALO-HANOVER-MONTROSE

2020-2021 BUDGET

## ALL FUNDS - REVENUE SUMMARY

	2017-18 Actual	2018-19 Actual	2019-20 Revised Budget	2019-20 Actual	2020-21 Budget	Amount Change
General Fund	\$64,371,662	\$67,537,743	\$68,060,841	\$68,482,098	\$73,922,464	\$5,440,366
Food Service Fund	\$2,992,989	\$3,060,614	\$3,052,726	\$3,431,538	\$2,731,184	(\$700,354)
Community Service Fund	\$3,719,932	\$3,687,297	\$3,369,617	\$3,380,385	\$3,294,254	(\$86,131)
Construction Fund	\$75,661	\$190,174	(\$30,789)	\$111,837	\$0	(\$111,837)
Debt Service Fund	\$12,495,625	\$5,505,781	\$5,536,520	\$5,528,794	\$5,453,077	(\$75,717)
OPEB Debt Service Fund	\$1,280,247	\$2,085,059	\$2,047,529	\$2,046,075	\$2,036,852	(\$9,223)
HRA Trust Fund	\$284,950	\$240,087	\$212,034	\$226,523	\$189,464	(\$37,059)
OPEB Trust Fund	\$983,849	\$1,168,781	(\$232,752)	\$706,564	\$679,776	(\$26,788)
<b>Total</b>	<b>\$86,204,916</b>	<b>\$83,475,536</b>	<b>\$82,015,726</b>	<b>\$83,913,814</b>	<b>\$88,307,071</b>	<b>\$4,393,257</b>

# 2020-21 Revenues by Fund



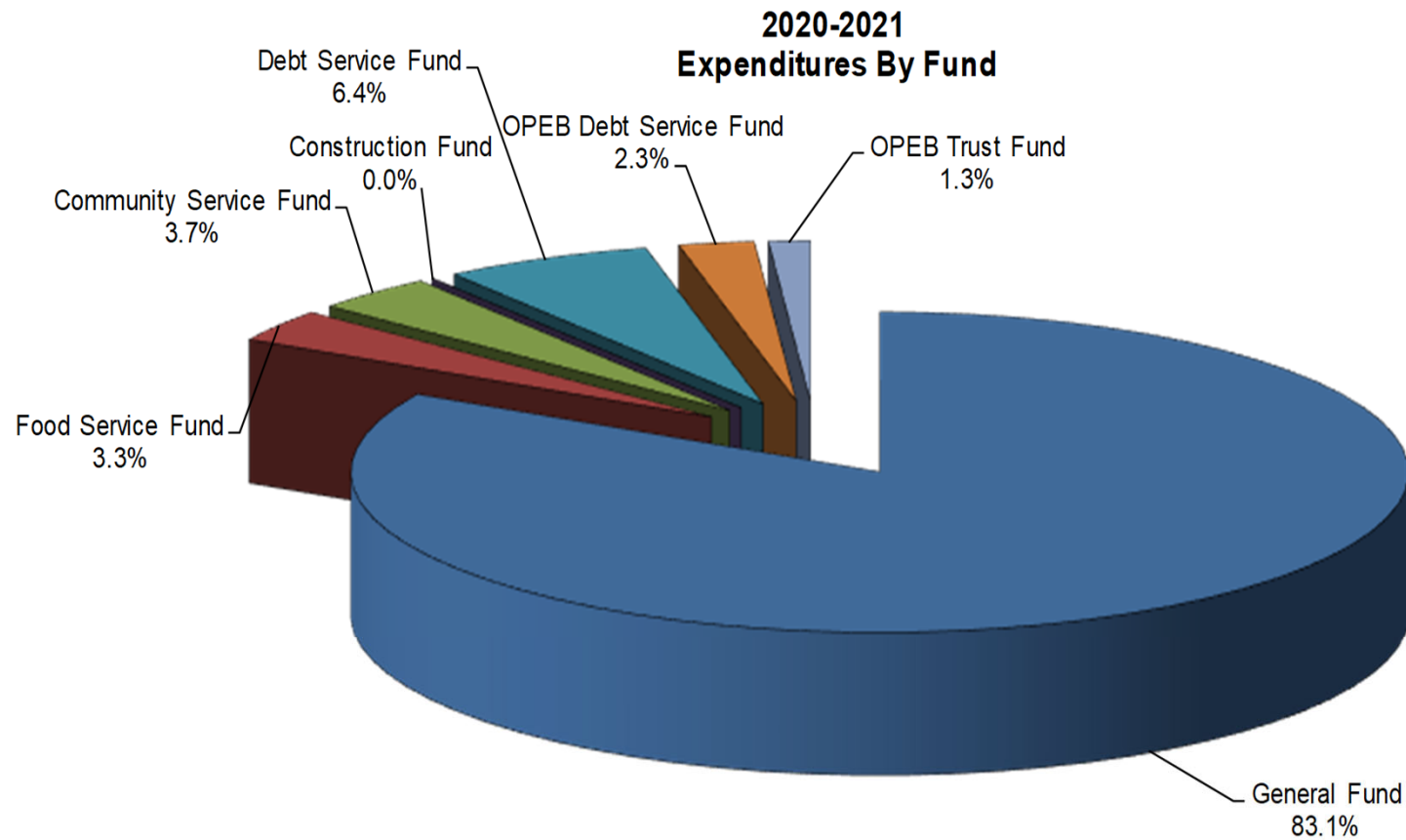
# 2020-21 Expenditures By Fund

## ISD 877 BUFFALO-HANOVER-MONTROSE 2020-2021 BUDGET

### ALL FUNDS - EXPENDITURE SUMMARY

	2017-18 Actual	2018-19 Actual	2019-20 Revised Budget	2019-20 Actual	2020-21 Budget	Amount Change
General Fund	\$65,672,888	\$68,940,964	\$69,421,499	\$67,409,716	\$72,202,714	\$4,792,998
Food Service Fund	\$3,078,907	\$2,910,458	\$3,132,128	\$3,122,855	\$2,846,137	(\$276,718)
Community Service Fund	\$3,679,357	\$3,444,578	\$3,498,364	\$3,472,358	\$3,232,988	(\$239,370)
Construction Fund	\$4,213,641	\$1,281,799	\$880,286	\$878,422	\$0	(\$878,422)
Debt Service Fund	\$6,601,799	\$11,644,271	\$5,571,198	\$5,571,123	\$5,549,998	(\$21,125)
OPEB Debt Service Fund	\$1,229,766	\$1,971,835	\$1,986,235	\$1,985,285	\$1,999,810	\$14,525
OPEB Trust Fund	\$1,168,134	\$1,119,312	\$976,571	\$1,054,139	\$1,103,957	\$49,818
<b>Total</b>	<b>\$85,644,492</b>	<b>\$91,313,218</b>	<b>\$85,466,281</b>	<b>\$83,493,898</b>	<b>\$86,935,604</b>	<b>\$3,441,706</b>

# 2020-21 Expenditures By Fund



# Budget Information

- **General Fund Revenue Changes for 2020-21**
- \$129 increase to the General Education Aid formula (\$6,567 in total) which represents a 2% increase over the prior year
- \$750 per pupil operating referendum approved in November 2019
- PreK-12 enrollment projection of 5,730 based on November 2019 projection
- Kindergarten projection assumes 99.5% of the students will attend the full day program
- Integration and Achievement Revenue
- OPEB contributions continue in 2020-21
- Includes Alternative Teacher Development program (QComp/PPD)
- Continued full implementation of the Long-Term Facilities Maintenance Program

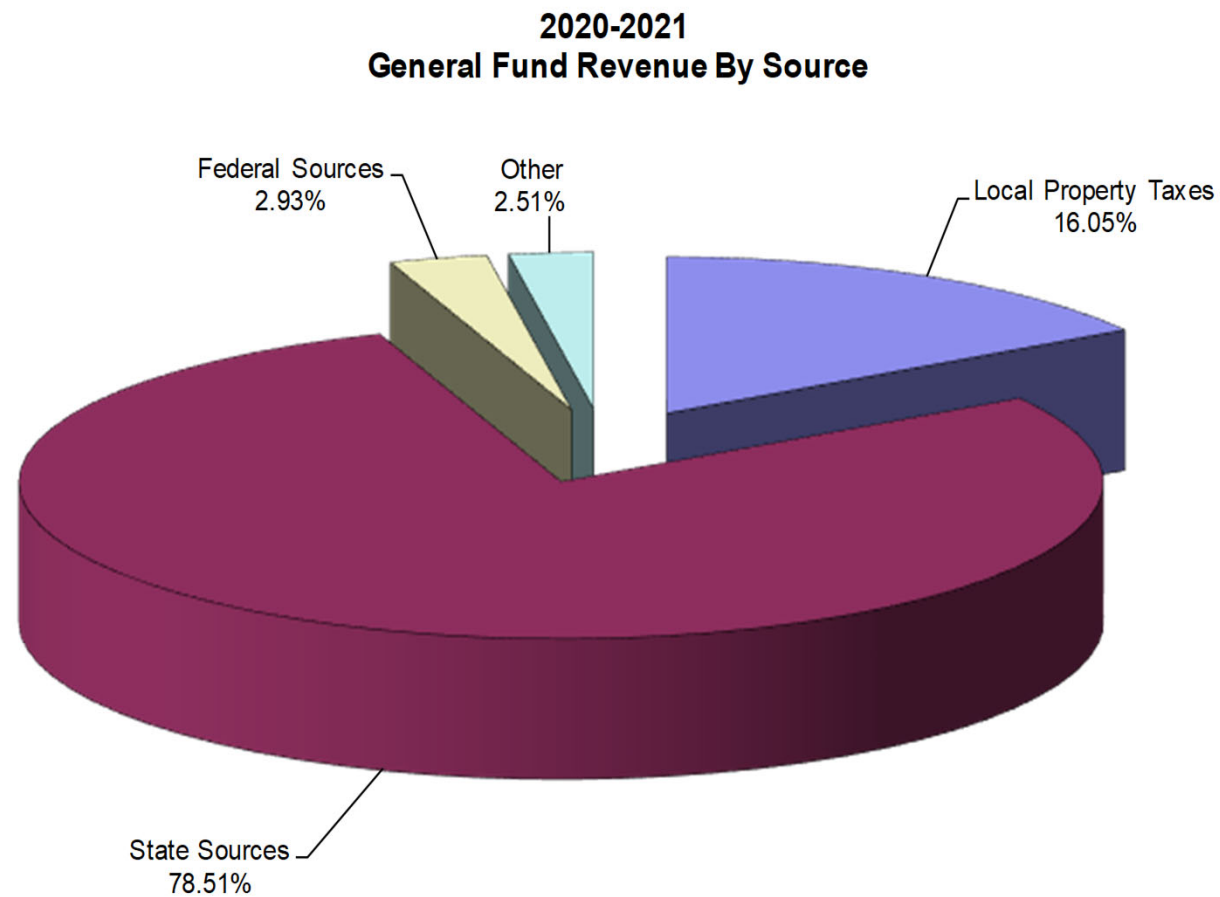
# 2020-21 General Fund Revenue Summary

## ISD 877 BUFFALO-HANOVER-MONTROSE 2020-2021 BUDGET

### GENERAL FUND 01 - REVENUE SUMMARY BY SOURCE

	2017-18 Actual	2018-19 Actual	2019-20 Revised Budget	2019-20 Actual	2020-21 Budget	Amount Change
Local Property Taxes	\$6,528,647	\$7,016,659	\$7,418,516	\$7,557,111	\$11,864,957	\$4,307,846
State Sources	\$54,339,704	\$56,485,820	\$56,676,566	\$56,801,416	\$58,036,612	\$1,235,196
Federal Sources	\$1,599,381	\$1,809,493	\$2,101,957	\$2,135,167	\$2,163,388	\$28,221
Other	\$1,903,930	\$2,225,772	\$1,863,802	\$1,988,403	\$1,857,507	(\$130,896)
<b>Total</b>	<b>\$64,371,662</b>	<b>\$67,537,743</b>	<b>\$68,060,841</b>	<b>\$68,482,098</b>	<b>\$73,922,464</b>	<b>\$5,440,366</b>

# 2020-21 General Fund Revenue Summary



# Budget Information

- **General Fund Expenditure Changes for 2019-20**

- Superintendent Contingency at 2.95 FTEs to address staffing issues
- Special Education Contingency at 1.0 FTE to address staffing issues
- Maintains 2014-15 approved staffing ratios less 2019-20 budget reductions
- Continuation of 6.0 FTE for Class Size Reduction-includes Marketing budget and social workers
- Continuation of 6.0 FTE addition for Location Equity Revenue funding
- Salary and benefit changes based on settlements in place and market conditions for non-settled contracts
- Non-Salary, Non-Benefits Costs are estimated to increase at 0-5%
- Continued cost containment initiatives such as joint purchasing agreements, energy use reduction, paper reduction, insurance contracts, and other operational efficiencies
- QComp (PPD) continues for 2020-21 assuming matching revenues and expenditures
- \$259,000 of fund balance assigned for technology to be spent in 2020-21
- Full implementation of the Long-Term Facilities Maintenance Program
- LTFM expenditures to match revenue less \$100,000 set aside for field turf

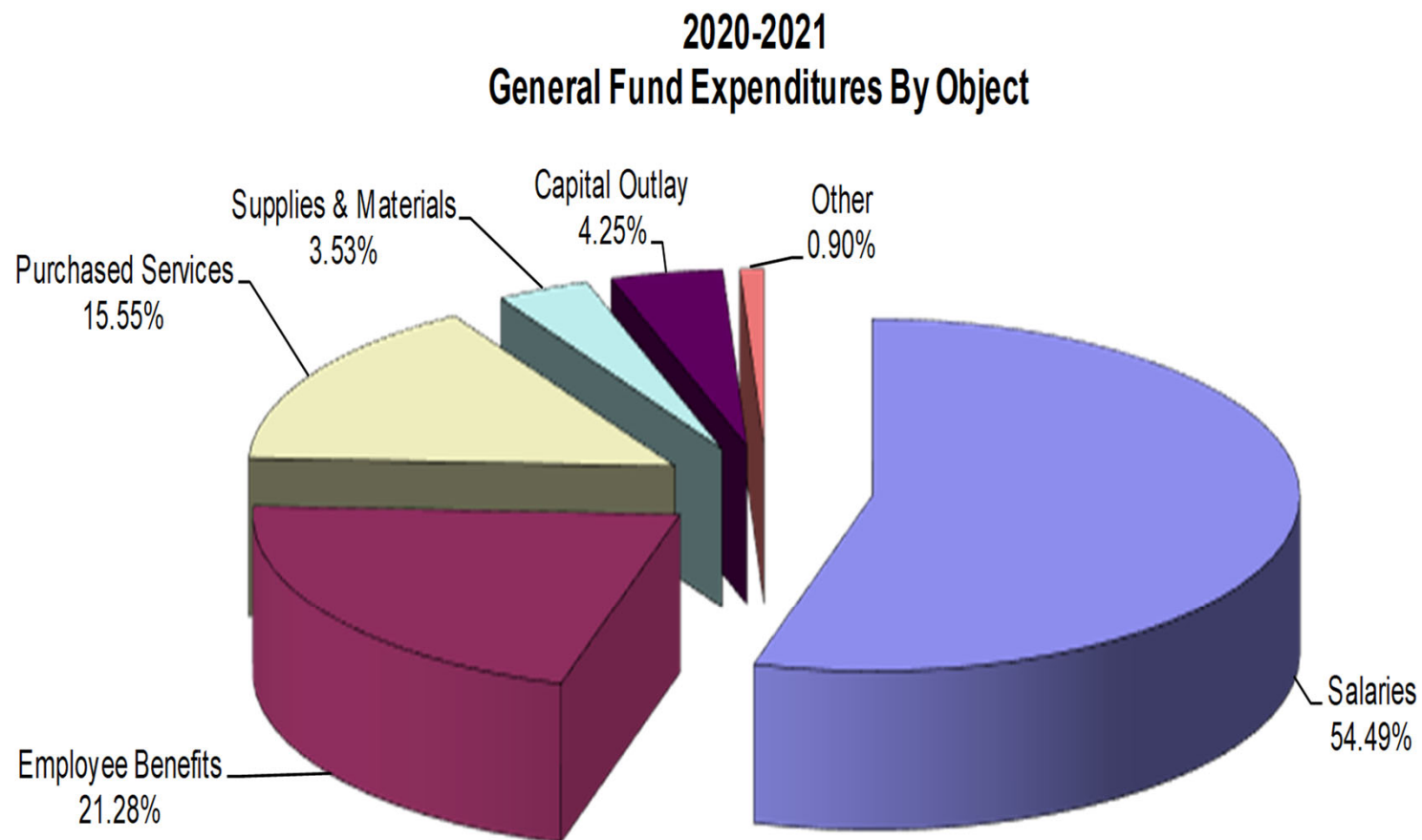
# 2020-21 General Fund Expenditure Summary

## ISD 877 BUFFALO-HANOVER-MONTROSE 2020-2021 BUDGET

### GENERAL FUND 01 - EXPENDITURE SUMMARY

	2017-18 Actual	2018-19 Actual	2019-20 Revised Budget	2019-20 Actual	2020-21 Budget	Amount Change
Salaries	\$36,416,491	\$37,638,672	\$37,895,640	\$37,522,395	\$39,341,100	\$1,818,705
Employee Benefits	\$13,652,227	\$14,326,980	\$14,490,525	\$14,053,710	\$15,361,490	\$1,307,780
Purchased Services	\$10,292,283	\$10,272,057	\$10,820,858	\$9,952,115	\$11,230,376	\$1,278,261
Supplies & Materials	\$2,622,893	\$3,254,715	\$2,675,873	\$2,162,818	\$2,550,680	\$387,862
Capital Outlay	\$2,086,909	\$2,780,454	\$2,849,892	\$3,138,813	\$3,067,742	(\$71,071)
Other	\$602,085	\$668,087	\$688,711	\$579,865	651,326.00	\$71,461
<b>Total</b>	<b>\$65,672,888</b>	<b>\$68,940,964</b>	<b>\$69,421,499</b>	<b>\$67,409,716</b>	<b>\$72,202,714</b>	<b>\$4,792,998</b>

# 2020-21 General Fund Expenditure Summary



# Overview of Proposed Levy Payable in 2021

- Law requires that we explain the major changes in the levy
  1. We will review how taxes are determined
  2. We will review the major changes in the levy total and the reasons for those changes
  3. We will look at some specific examples of tax impact
  4. We will review the Minnesota Property Tax Refund programs

# School Revenues and Taxes are Highly Regulated by the State

- **State sets** formulas which determine revenue; most revenue is based on specified amounts per pupil (Other local levies)
- **State sets** tax policy for local schools
- **State sets** maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by the voters)
- **State authorizes** school board to submit referendums for operating and capital needs to voters for approval

## Minnesota School District Property Taxes- Key Steps and Participants in the Process

### A. Tax Determination and Preparation

**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 A.1. and tax capacity formulas from step A.2.), as well as the total tax capacity for each school district.

**Step 4.** The **County Auditor** divides the final levy (determined by the school board in step B.3. by the district's total tax capacity (determined in step A.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.\*

### B. Levy Determination and Certification

**Step 1.** 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 2.** The **Minnesota Department of Education** calculates detailed levy limits for each school district based on the formulas approved by the Legislature in step B.1. These limits tell districts the exact amounts that can be levied in every category.

**Step 3.** The **School Board** adopts a proposed levy in September based on the limits set in step B.1. and calculated in step B.2. After a public hearing, the board adopts a final levy in December. The 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**.

# Overview of Proposed Levy Payable in 2021

- Four main factors affect your taxes-(School portion only for this discussion)
  1. Levy total - Increased \$497,197 or 3.26%
  2. Total value of all property within the school district boundaries-(tax base)- Referendum Market Value and Net Tax Capacity **up** for the district- **County Assessor**
  3. Assessed value of your property (estimated and taxable market value)-**County Assessor**
  4. Market Value Exclusion- **State Legislature**
    - Reduces your taxable market value based on a state-determined formula
    - It is the reason why many statements show a difference between Estimated Market Value and Taxable Market Value

# School Levy Total-Truth in Taxation

Buffalo-Hanover-Montrose School District #877			November 9, 2020	
Comparison of Final Proposed Tax Levy Payable in 2021 to Actual Levy Payable in 2020 by Fund				
Using Final Levy Payable in 2020 as Base Year				
	2020 Final Levy	2021 Proposed Levy	Change from Prior Year	Percent Change
Category	2020 Final Levy	2021 Proposed Levy	Change from Prior Year	Percent Change
General Fund	\$ 11,795,773	\$ 12,166,462	\$ 370,689	5.04%
Community Education	\$ 476,953	\$ 597,305	\$ 120,351	26.42%
Debt Service	\$ 7,363,627	\$ 7,369,783	\$ 6,156	0.08%
Total Certified Levy	\$ 19,636,353	\$ 20,133,550	\$ 497,197	3.26%

# Explanation of Levy Changes- Payable 2021

General Fund	Amount of Change	Reason For Change
Voter Approved Operating levy	\$ 126,486	Voter approved operating referendum levy
RMV Adjustments	\$ (99,172)	Prior year adjustments
Equity Revenue and Transition Revenue	\$ 54,607	Change in Levy % due to valuation increase and pupil units
Local Option Revenue	\$ 195,758	Change in Levy % due to valuation increase and pupil units
Operating Capital	\$ 35,389	Change in Levy % due to valuation increase and pupil units
Long-Term Facilities Maintenance Revenue	\$ 56,779	Change in Levy % due to valuation increase and pupil units
Alternative Teacher Compensation (PPD)	\$ 11,892	Change in Levy % due to valuation increase and pupil units
Integration	\$ 5,880	Change in Levy % due to valuation increase and pupil units
Career Technical	\$ 13,298	Change in Levy % due to valuation increase and pupil units
General Fund Adjustments	\$ (15,258)	Prior year adjustments
Other	\$ (14,969)	Change in levy % due to valuation increase or expenditure estimate
<b>Total General Fund Levy</b>	<b>\$ 370,689</b>	

# Explanation of Levy Changes- Payable 2021

Community Education	Amount of Change	Reason For Change
CE Adjustments	\$ 117,448	Prior year adjustments
Other	\$ 2,903	Change in Levy % due to valuation increase and pupil units
<b>Total Community Education</b>	<b>\$ 120,351</b>	

Debt Service	Amount of Change	Reason For Change
Voter approved debt service principal, interest and 5% overlevy	\$ (6,405)	Planned debt service structure
Reduction for debt excess-All Categories	\$ 4,773	Change in MDE allowable retention of 5% overlevy from prior year
Debt Service fund adjustments-all categories	\$ (10,482)	Tax abatement adjustments and change in LTFM levy
Debt Service-OPEB/Pension JOBZ Nonexempt	\$ 18,271	Planned debt service structure for OPEB bond issue
<b>Total Debt Service Levy</b>	<b>\$ 6,156</b>	

# Property Value Changes- School District Portion

Buffalo-Hanover-Montrose School District #877			11/9/2020
Estimated Valuations used in Tax Calculations for Final Proposed Pay 2021 Levy			
Combined Values for Hennepin and Wright County			
Category	Pay 2020 Final	Pay 2021 Proposed	Net Change
Referendum Market Value*	\$ 3,393,912,150	\$ 3,659,774,925	\$ 265,862,775
Net % Change in Value			7.83%
Net Tax Capacity*	\$ 38,775,970	\$ 41,817,004	\$ 3,041,034
Net % Change in Value			7.84%
*All values for taxes payable in 2021 are estimates from Hennepin and Wright County			

# Property Value Changes- Tax Rate Calculations

<b>Buffalo-Hanover-Montrose School District #877</b>		
<b>Analysis of Impact of Proposed 2021 Tax Levy and Rates</b>		
<b>Using Final Levy Payable in 2020 as Base Year</b>		
<b>Split of Taxes into Voter Approved and Other Local Levies</b>		
<b>Tax Rate Calculations Used for Final Tax Rates</b>	<b>2020</b>	<b>2021</b>
	<b>Final Levy</b>	<b>Proposed Levy</b>
Voter Approved Levy		
Referendum Market Value Tax Rate	0.12115%	0.11511%
Net Tax Capacity Tax Rate	13.4187%	12.3785%
Other Local Levies		
Referendum Market Value Tax Rate	0.12296%	0.11744%
Net Tax Capacity Tax Rate	15.6493%	14.7932%
Totals		
Total Referendum Market Value Tax Rate	0.24411%	0.23255%
Total Net Tax Capacity Tax Rate	29.0680%	27.1718%

# Market Value Exclusion Review

- Specifics
  - Applies to residential homestead property only
  - Eliminates the homestead market value credit
  - Declines to \$0 at property value of \$413,800
  - Reduces the Taxable Market Value of your property on a sliding scale in relationship to \$76,000 of value
    - Excludes 40% of the value up to \$76,000
    - Adds back 9% of the value over \$76,000
- Effects on property values
  - Artificially reduces your taxable market value
    - The exclusion is the difference between your Estimated Market Value for 2021 and your Taxable Market Value for 2021 as shown on your tax statement
  - Artificially reduces the net tax capacity of the school district causing a higher tax rate
- Effects on taxes
  - Shifted state paid credits onto local levies
  - Created a greater net tax capacity tax rate
  - Shifted tax burden among the different property classes
  - Pay 2021 is the tenth year of the program

# Impact on Taxpayers- School Portion Only

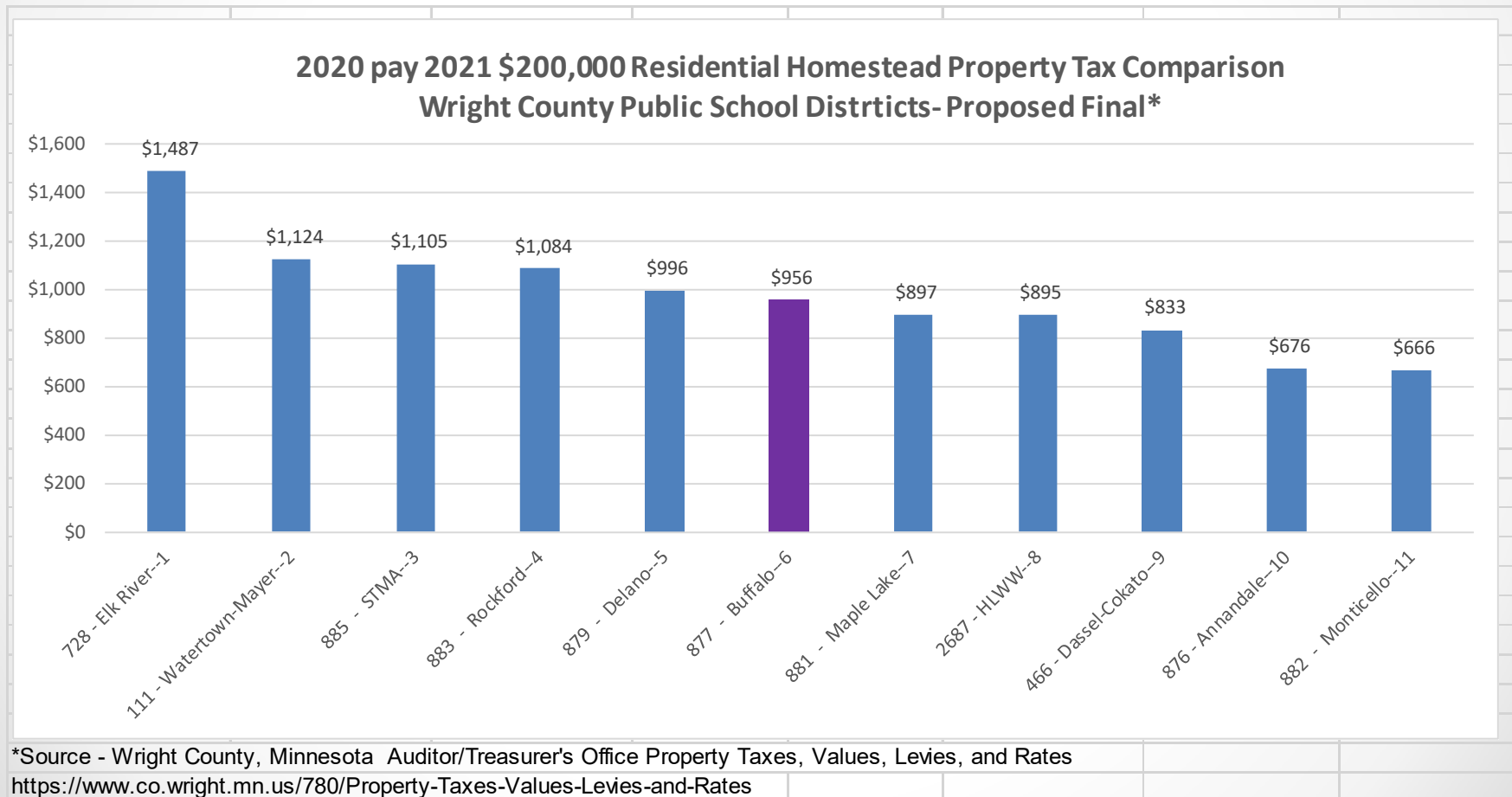
<b>Buffalo-Hanover-Montrose School District #877</b>		<b>November 9, 2020</b>	
<b>Analysis of Impact of Proposed 2021 Tax Levy and Rates</b>			
<b>Final Tax Statement Estimates Including Operating Referendum</b>			
<b>Using Final Levy Payable in 2020 as Base Year</b>			
Tax Impact on Various Classes of Property-School Portion Only	2020	2021	Difference From Prior Year
	Final Levy W/ Oper. Ref.	Proposed Levy	
Residential Homestead Property			
\$100,000	\$ 453	\$ 428	\$ (25)
\$150,000	\$ 733	\$ 692	\$ (41)
\$200,000	\$ 1,014	\$ 956	\$ (58)
\$215,667	\$ 1,102	\$ 1,039	\$ (63)
\$300,000	\$ 1,575	\$ 1,485	\$ (90)
\$400,000	\$ 2,136	\$ 2,014	\$ (122)
Commercial/Industrial Property			
\$75,000	\$ 510	\$ 480	\$ (30)
\$100,000	\$ 680	\$ 640	\$ (40)
\$107,834	\$ 733	\$ 690	\$ (43)
\$250,000	\$ 1,846	\$ 1,736	\$ (110)
Agricultural Homestead Property			
\$400,000.00 Ag Homestead+	\$ 1,304	\$ 1,228	\$ (76)
\$600,000.00 Ag Homestead+	\$ 1,595	\$ 1,500	\$ (95)
\$800,000.00 Ag Homestead+	\$ 1,886	\$ 1,771	\$ (115)
\$1,000,000.00 Ag Homestead+	\$ 2,176	\$ 2,043	\$ (133)
**Referendum revenue aid and levy based on an estimated 6,268.90 adjusted pupil units submitted to MDE by the school district			
*Includes all changes for Q Comp, LTFM, and debt service			
-Referendum market values are based on an estimated 7.83% average increase for Wright and Hennepin Counties for taxes payable in 2021			
-Net Tax Capacity values are based on an estimated 7.84% average increase for Wright and Hennepin Counties for taxes payable in 2021			
+A value of \$200,000.00 was assumed for the house, garage, and 1 acre for Ag Homestead Property			

# Individual Property Examples- Truth In Taxation

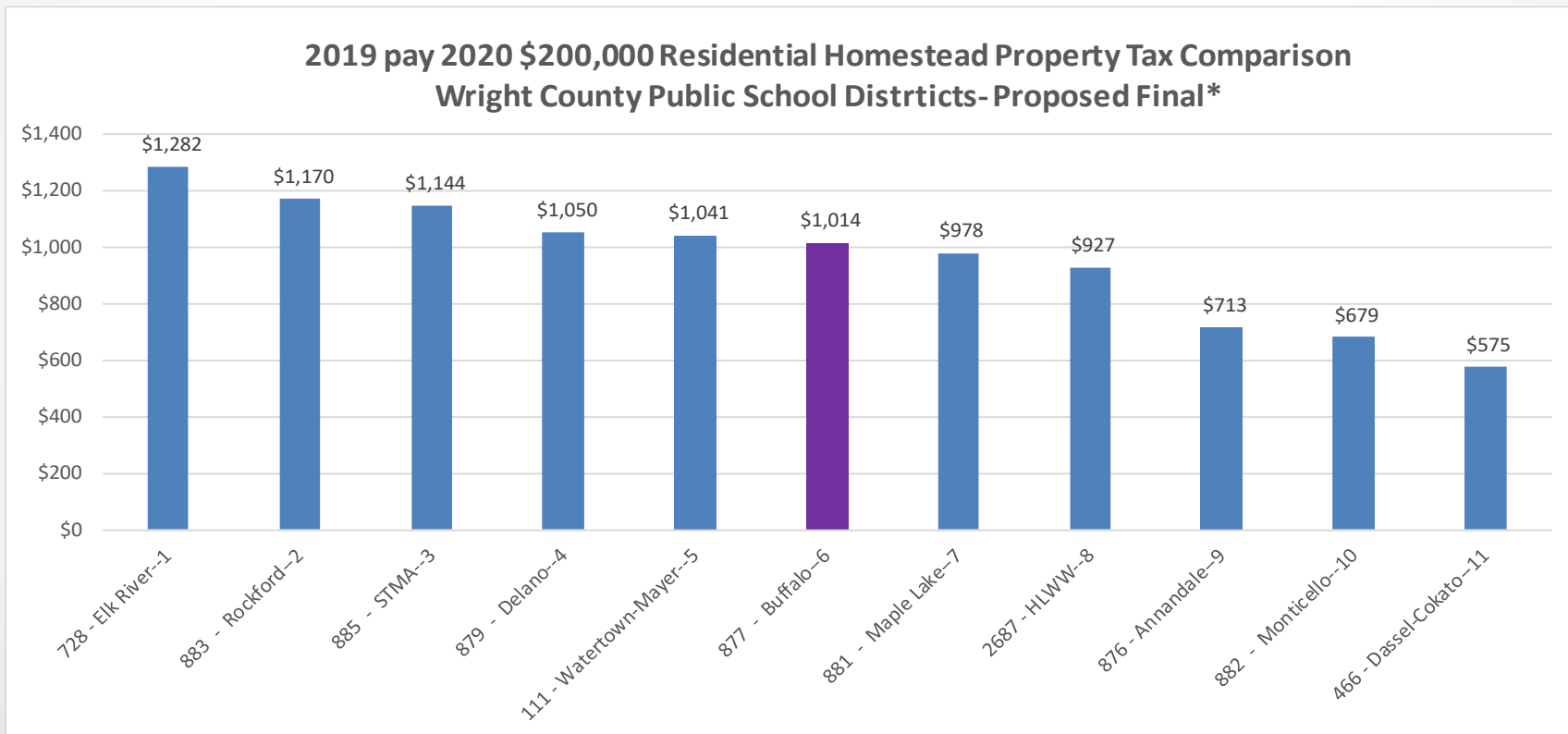
	Parcel #1-City of Buffalo			Parcel #2-Hennepin County		
	2020	2021	Net Change	2020	2021	Net Change
Estimated Market Value	\$ 173,000	\$ 179,400	\$ 6,400	\$ 415,000	\$ 416,000	\$ 1,000
EMV % Change			3.7%			0.2%
Taxable Market Value	\$ 151,300	158,300	\$ 7,000	\$ 415,000	416,000	\$ 1,000
TMV % Change			4.6%			0.2%
Market Value Exclusion	\$ 21,700	\$ 21,100	\$ (600)	\$ -	\$ -	\$ -
Voter Approved Levies						
RMV Levy	\$ 209	\$ 206	\$ (3)	\$ 501	\$ 479	\$ (22)
NTC Levy	\$ 203	\$ 196	\$ (7)	\$ 559	\$ 512	\$ (47)
Total Voter Approved Levy	\$ 412	\$ 402	\$ (10)	\$ 1,060	\$ 991	\$ (69)
Other Local Levies						
RMV Levy	\$ 212	\$ 211	\$ (1)	\$ 508	\$ 489	\$ (20)
NTC Levy	\$ 238	\$ 234	\$ (4)	\$ 652	\$ 618	\$ (34)
Total Other Local Levies	\$ 450	\$ 445	\$ (5)	\$ 1,160	\$ 1,107	\$ (53)
Voter Approved Levy	\$ 412	\$ 402	\$ (10)	\$ 1,060	\$ 991	\$ (69)
Other Local Levies	\$ 450	\$ 445	\$ (5)	\$ 1,160	\$ 1,107	\$ (53)
Total Tax Amount Proposed Final Levy	\$ 863	\$ 847	\$ (15)	\$ 2,220	\$ 2,097	\$ (122)

- District estimated EMV percentage – 7.83% increase
- District estimated TMV percentage – 7.84% increase

# Proposed Property Tax Comparison- Truth In Taxation



# Proposed Property Tax Comparison- Final Estimates



\*Source - Wright County, Minnesota Auditor/Treasurer's Office Property Taxes, Values, Levies, and Rates

<https://www.co.wright.mn.us/780/Property-Taxes-Values-Levies-and-Rates>

Watertown-Mayer and Elk River increases for recently approved ballot questions received from district estimates

# State Property Tax Refunds

- State of Minnesota has two tax 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 take time to complete and send in the forms
- For help with the forms and instructions:
  - Consult your tax professional, or
  - Visit the Department of Revenue website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us)

# State Property Tax Refunds

- Minnesota Property Tax Refund
  - (aka “Circuit Breaker” Refund)
  - Has existed since 1970s
  - Available to all owners of homestead property
  - Annual income must be approximately \$115,020 or less (income limit is higher if you have dependents)
  - Refund is a sliding scale, based on total property taxes and income
  - Maximum refund is \$2,820
  - Especially helpful to those with lower incomes
  - Fill out state tax form M-1PR

# State Property Tax Refunds

- Special Property Tax Refund
  - Available for all homestead properties with a gross tax increase of more than 12% and \$100 or more over the prior year
  - Refund is 60% of the amount by which the tax increase exceeds the greater of 12% or \$100, up to a maximum of \$1,000
  - Increase was not due to improvements you made to the property
  - No income limits
  - Fill out state tax form M-1PR

# Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with a household income of \$60,000 or less to defer a portion of the property taxes on their home
- Taxes paid in any year limited to 3% of household income for the year before entering deferral program; this amount does not change in future years
- Additional taxes are deferred, but not forgiven
- State charges interest on deferred taxes and attaches a lien to the property
- The deferred property taxes plus accrued interest must be paid when the home is sold or the homeowner(s) dies
- Must have lived in, owned your home, and had it homesteaded for the last 15 years

# Next Steps

- Tonight
  - Board will accept public comments and questions on proposed levy
  - Board certifies final amount of tax levy payable in 2021
- Final levy is certified to county auditor by December 28, 2020