

# TRUTH IN TAXATION PUBLIC HEARING



Good evening and welcome to Mounds View Public School's public tax hearing.

We have handouts of tonight's presentation available in the back of the room, if you did not already receive a copy.

# Meeting Goals

- I. Introduction
- II. Explanation of the property tax statement  
(school portion only)
- III. Discussion of taxes payable 2009
- IV. Discussion of budgets
- V. Comments



The goals for tonight's meeting are to

- Provide some introductory information regarding the Minnesota property tax system.
- Explain the school portion of your property tax statement
- Discuss Mounds View's proposed 2009 taxes
- Discuss Mounds View's 2008-2009 budget
- And take comments or questions from the audience.

We would like to ask the audience to write down any questions or comments you may have and save them till the end of the presentation.

# INTRODUCTION



To begin I would like to provide some introductory information regarding the Minnesota property tax system.

## TRUTH IN TAXATION LAW

- Residents receive a mailed notice describing the tax levies proposed
- “Truth in Taxation” provides for a public hearing



There are many steps in the Minnesota property tax system but two important pieces are:

1. The law requires a mailed notice be sent to each property owner in the county which describes the tax levies proposed by the city, county and school district and what percent increase (decrease) such a levy would mean. You should have received this notice in the mail around mid November.
2. A second part of the law pertains to a truth in taxation public hearing in which the public can make comments regarding the proposed taxes for each jurisdiction.

# Why do taxes change?

- Value of your home and homes around you
- Spending of cities, counties & schools
- Actions of state and federal law makers
- The interactions of all these factors



Minnesota has a very complicated property tax system that is based on several factors:

- The value of your home, the homes around you and changes made to them can impact your taxes
- The spending of your city, county and school district can increase or decrease your taxes
- The actions of our state and federal law makers can impact your taxes
- And finally, all of these factors can interact which results in your final taxes

# EXPLANATION OF TAX STATEMENT



Our second goal for tonight is to explain the school portion of your property tax statement.

# **PUBLIC SCHOOL LEVY AUTHORITY**

IS

**1. STATE AUTHORIZED**

AND

**2. VOTER APPROVED**



Public schools have levy authority through state authorization and voter approval. These amounts appear under the heading of School District 621, and this appears as two lines on your property tax statement.

# EXPLANATION OF THE SCHOOL PORTION OF YOUR TAX STATEMENT

## 1. STATE AUTHORIZED LEVIES (Other Local Levies)

- Operating Capital
- Health & Safety
- Building Leases
- Deferred Maintenance
- Alternative Teacher Compensation
- Community Education
- Other Post Employment Benefits



The first category is state authorized levies, which on your statement is referred to as other local levies.

This category has many **formulas set by the state legislature**. They are restricted for specific purposes like operating capital, health & safety, building leases, deferred maintenance, alternative teacher compensation, community service programs, and other post employment benefits (OPEB).

The school district has some discretion in determining whether we need to levy the amount set by law or reduce the amount and provide less service. And, in some instances if the district does not levy to the maximum we can lose the state aid portion.

# EXPLANATION OF THE SCHOOL PORTION OF YOUR TAX STATEMENT

## 2. VOTER APPROVED LEVIES:

- 2003 **operating levy** for \$532 per student that expires in 2012.
- 2006 **operating levy** for \$990 per student that expires in 2015
- 1999 **debt service levy** for \$80 million for remodeling and renovation that will expire in 2024.



The second category is voter approved levies. These include: **OPERATING LEVIES** which are for operational costs such as staff salaries, supplies, heating expenses, transportation and co-curricular programs; and **DEBT SERVICE LEVIES** which are for remodeling and new construction or equipment. Currently Mounds View has three voter approved authorities.

# DISCUSSION OF TAXES PAYABLE 2009



Our third goal for tonight is to discuss Mounds View's proposed 2009 taxes.

## TIME LINE

- 2008 Taxes Certified
- 2009 Taxes Collected
- 2009-10 School Year when revenue is available



School districts are on a different timeline regarding budgets as compared to Ramsey County and your local city. All taxing authorities certify their final tax levy amount to the county in December 2008. The taxes are then collected by Ramsey County in May and October of 2009. But school districts cannot use this revenue until next school year 2009-2010.

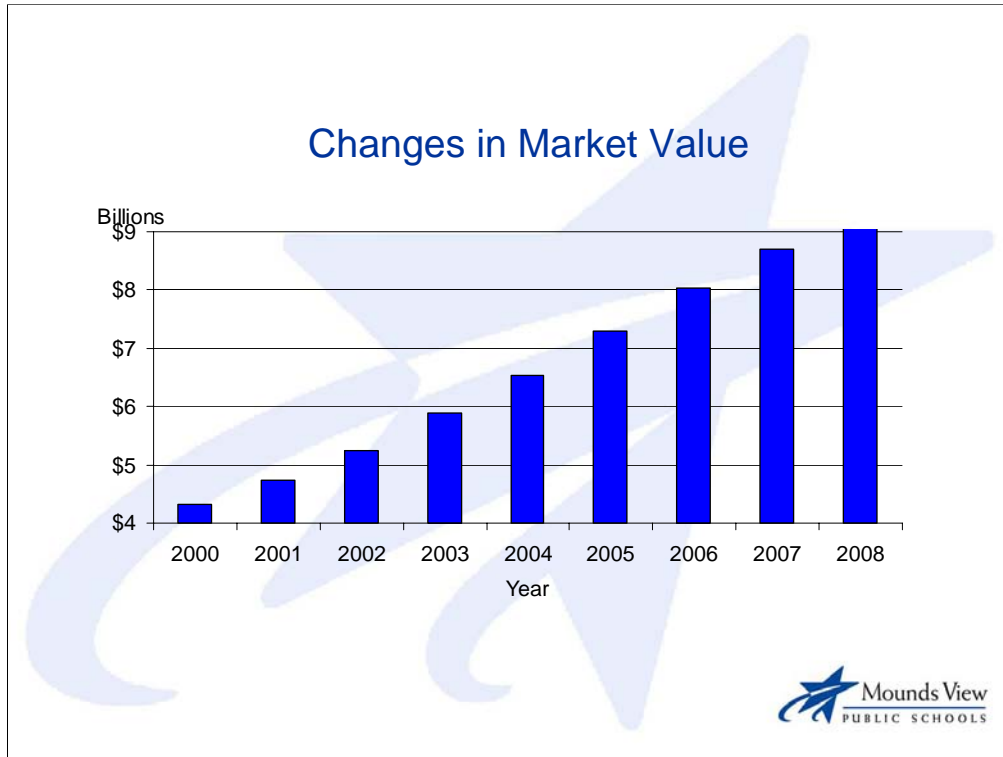
## **WHAT VARIABLES WOULD CAUSE THE SCHOOL PORTION OF YOUR TAXES TO INCREASE OR DECREASE?**

- 1. Changes in market values**
- 2. State formulas and mandates**
- 3. Changes in enrollment**
- 4. Property tax refunds**
- 5. The total proposed taxes**



As we have seen in the introduction, there are many reasons as to why some property owners are paying less, while others are paying more.

1. Changes in your market value year to year impact what you pay, and your change relative to other properties.
2. There are formula limits and mandated requirements at the state and federal level. A couple of examples are operating capital and health & safety.
3. And in the case of public schools, many authorizations are based on the number of students, so enrollment trends are important.
4. In addition, property tax refunds can decrease your share of the tax.
5. All of these factors interact and result in a final certified property tax amount.



As you can see in this chart the property values within Mounds View Public Schools have doubled between 2000 and 2008 from approximately \$4 billion to over \$9 billion in value. Your relative change compared to other property types can impact your share of the taxes.

## Changes in Market Value

These are not under the jurisdiction of  
Mounds View Public Schools.

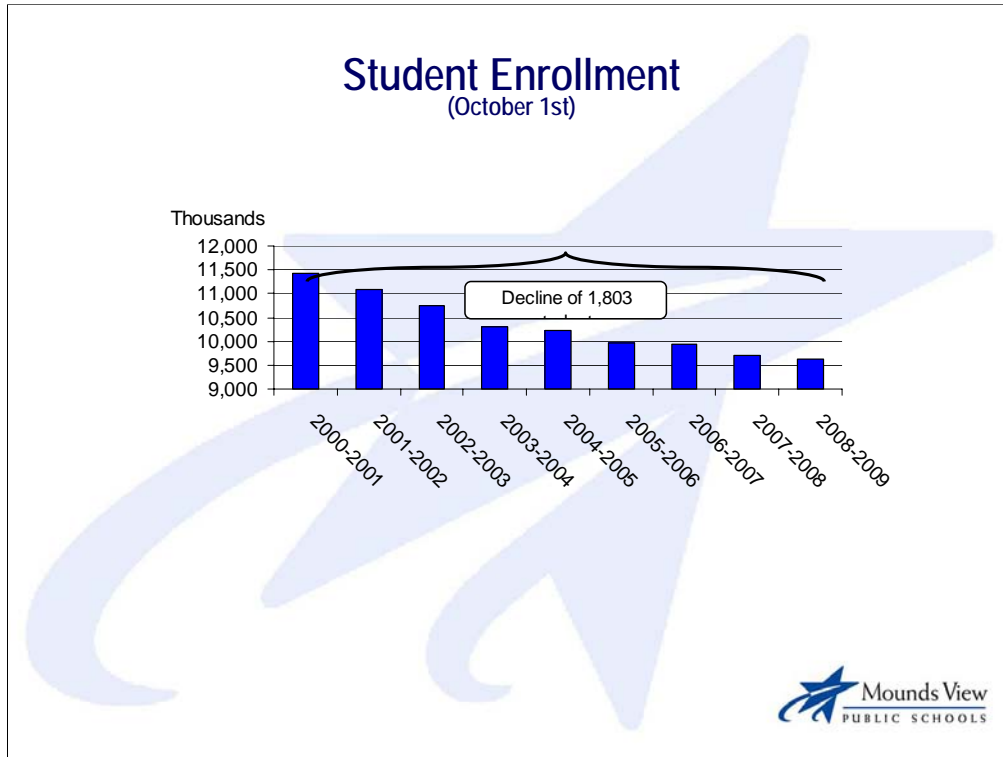
These are under the jurisdiction of  
Ramsey County.



Many residents believe that the truth in taxation meeting is when the market value information is open for discussion. Unfortunately, this base is established in the spring in order to determine how the tax levies are distributed.

In addition, Mounds View Public Schools does not determine your change in market value.

The Ramsey County Assessor's office and the Ramsey County Board of equalization determine this information. If you would like more information regarding that process there is a handout in the back of the room.



Unlike the cities and county, the school district receives much of its revenue based on a per pupil amount.

The reason this is critical for school budgets, and especially so for Mounds View, is because new revenue received from formula increases is reduced by revenue lost from students who are no longer in our system.

As you can see from this chart we have lost 1800 students over the last eight years. Demographic data clearly shows that there are fewer kindergarten students entering our system than there are seniors graduating from our system.

Mounds View has continued to reduce expenditures that are associated with declining enrollment.

## Property Tax Refunds

The legislature provides several different types of property tax relief. More information is available:

- ◆ Minnesota Department of Revenue (651)296-3781
- ◆ [www.taxes.state.mn.us](http://www.taxes.state.mn.us)
- ◆ Minnesota Tax Forms  
Mail Station 5510  
St Paul, MN 55146-5510



The legislature provides several different types of property tax relief. The homeowner's and renter's rebates are given to taxpayers whose property taxes are disproportionate to their income. A targeting refund is also available for homeowners whose taxes increase by more than 12% from the prior year.

Property owners file for these refunds using state form M1-PR that is sent out with the state income tax instructions. These forms can also be obtained by contacting the MN Dept of Revenue by phone, web site or mail.

## THE PROPOSED SCHOOL TAX LEVY FOR 2009

	<u>2008</u>	<u>2009</u>	<u>\$ Change</u>	<u>% Change</u>
Voter Approved	25,099,845	25,387,805	287,960	1.1%
Other Local	14,267,195	15,734,233	1,467,038	10.3%
School District Total	39,367,040	41,122,038	1,754,998	4.5%



The school district is proposing a total of \$41.1 million in tax revenue for the school year 2009-2010. Which is an increase of \$1.7 million over the previous year or 4.5%

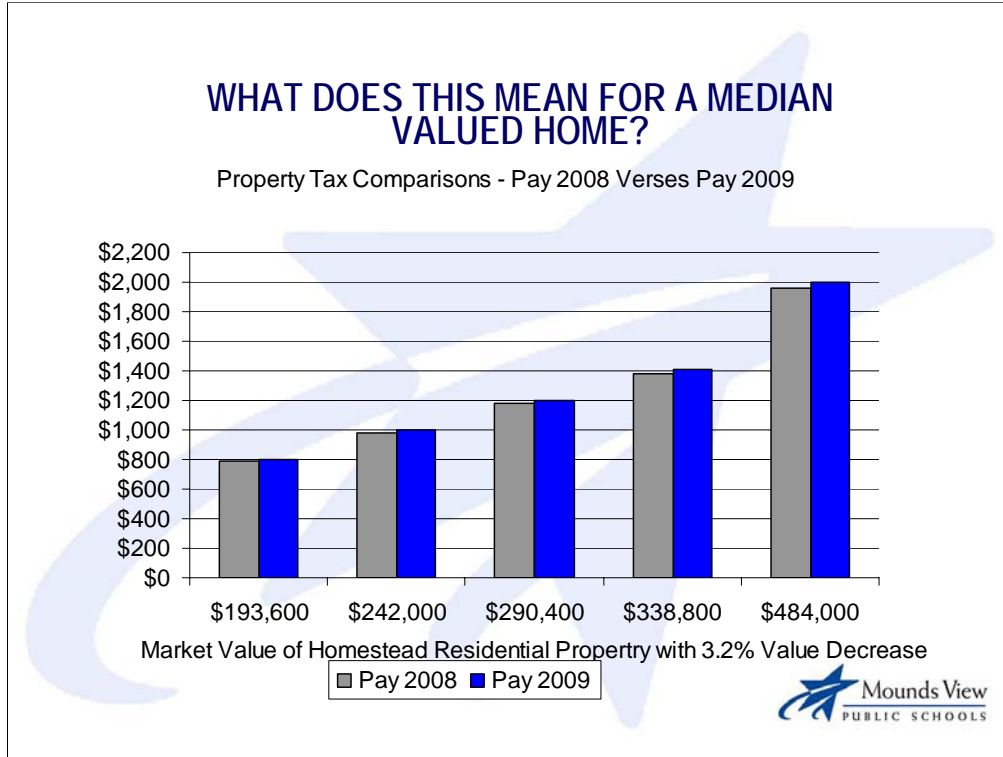
## THE PROPOSED SCHOOL TAX LEVY FOR 2009

- Voter approved
  - 1.1% = operating referendum  
inflationary growth & prior  
period enrollment adjustments
- Other local levies
  - 10.3% = several funding  
formulas



The change in proposed property taxes from 2008 to 2009 is the result of two main factors:

1. In the **voter approved** category, the operating referendum that was approved in 2006 has an inflationary growth factor and there are prior year adjustments because of the difference in enrollment projections vs actual for fiscal year 2007-2008.
2. In the **other local levies** category, the increase is the net of several funding formulas. One of the main reasons is, like many other Minnesota school districts, Mounds View is funding its Other Post Employment Benefits (OPEB) through the issuance of bonds. The state authorized this legislation to provide funding for retiree benefits. This option was chosen for several reasons:
  - All of the District's employee contracts have been modified to eliminate these benefits over time
  - It provides sound fiscal management of long-term liabilities
  - The debt schedule minimizes property tax increases by wrapping around existing levies



What does this mean for a median valued home?

The chart reflects the property tax change between 2008 and 2009 including a negative 3.2% change in median home value

For example:

A home valued at \$200,000 in 2008 would have a median value of \$193,600 in 2009 and would see an increase of \$15 in the school portion of their taxes.

*In 2008 it's a \$200,000 home with a school tax of \$786*

*In 2009 it's a \$193,600 home with a school tax of \$801, increase of \$15*

A home valued at \$350,000 in 2008 would have a median value of \$338,800 in 2009 and would see an increase of \$26 in the school portion of their taxes

*In 2008 it's a \$350,000 home with a school tax of \$1376*

*In 2009 it's a \$338,800 home with a school tax of \$1401, increase of \$26*

# DISCUSSION OF BUDGET



Our forth goal for tonight is to discuss Mounds View's 2008-2009 budget.

# School Budget Funds

- General Fund
- Community Service Fund
- Building Construction Fund
- Debt Service Fund



**Tax levies are permitted in 4 of our 7 accounting funds. They are:**

## **GENERAL FUND**

Which provides funding for the District's operational costs such as instructional programs, both regular, special education, and vocational education, transportation, utilities and the purchase of instructional supplies, equipment, building maintenance, and health & safety.

## **COMMUNITY SERVICE FUND**

Which provides for programs based upon Mounds View's adult population, children under age 5 and other community programs.

## **BUILDING CONSTRUCTION FUND**

Which provides for deferred maintenance on District facilities covering close to 2 million square feet of space.

## **DEBT SERVICE FUND**

Which provides for repayment of principal and interest on District debt retirement schedule.

## BUDGET SUMMARY 2008-09

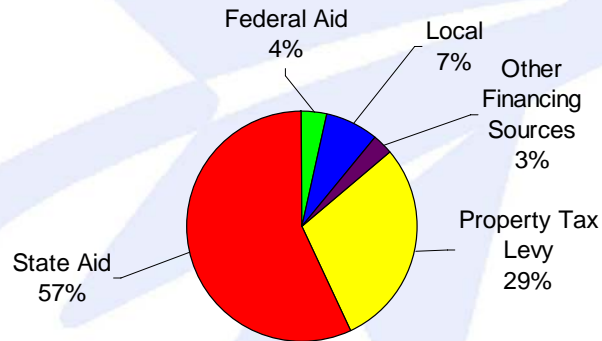
	<u>REVENUE</u>	<u>EXPENDITURES</u>
General Fund	\$109,997,879	\$108,193,743
Nutrition Service Fund	4,994,541	4,973,954
Community Service Fund	4,181,772	4,181,746
Building Construction Fund	3,865,599	4,469,460
Debt Service Fund	<u>11,634,440</u>	<u>12,342,496</u>
Total All Funds	<u>\$134,674,231</u>	<u>\$134,161,399</u>



The approved budgets for 2008-09 are \$134.7 million in revenues and \$134.2 million in expenditures. These resources are used to achieve the mission, goals and objectives of the school district and the community on behalf of the students.

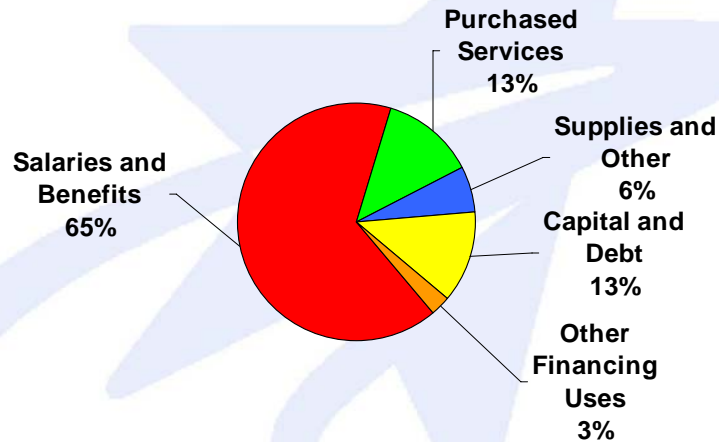
Note: In the Building Construction Fund and Debt Service Fund there are reserves available to account for the expenditures that exceed the budgeted revenues.

## APPROVED REVENUE BUDGETS 2008-09 (\$134,674,231)



Breaking down the revenue side you can see that 57% or \$77 million of our revenue comes from the state of Minnesota. The next largest category is property taxes at 29% or \$39 million. And the balance of 14% or \$19 million comes from the federal government or other local sources such as fees, interest, gifts and donations.

## APPROVED EXPENDITURE BUDGETS 2008-09 (\$134,161,399)



Looking at the expenditure budgets by type you can see that 65% or \$88 million of our budget is directed towards salary and benefits. The next largest category is purchased services 13% or \$17 million which pays for such things as transportation and utilities. And the remaining 22% or \$29 million pays for supplies, equipment, debt.

## ANTICIPATED CHANGES for the 2009-10 BUDGET

### Expenditure Adjustments

- Salary & benefit negotiations
- Staffing changes
- Transportation cost increases
- Property insurance increases
- Utility rate increases

### Revenue Adjustments

- Declining enrollment
- Legislative changes
- Participation fees down
- Grant changes



In December we will begin the annual budget process for the 2009-2010 school year. By law, the School Board must adopt a balanced budget by June 30, 2009.

Some of the challenges will be:

- Providing employee compensation in a competitive market place
- Projecting enrollment decline so that staffing decisions can be made
- And estimating what the future will cost for such things as transportation, utilities and property insurance.

At the same time:

- Projecting enrollment decline and its impact to revenue formulas
- Anticipating changes from Legislature
- And estimating other revenue sources such as participation fees and Federal grants.

## To Summarize

- Public schools have a process to follow in order to authorize levies
- An individual's property tax liability is influenced by many factors
- Tax revenues are an important component of school district budgets
- Mounds View Public Schools will certify the final tax levy at the December 9<sup>th</sup> or 11<sup>th</sup> board meeting

