



Richfield Public Schools, ISD 280

Public Hearing for Taxes Payable in 2025

DECEMBER 2, 2024

PRESENTED BY:

CRAIG HOLJE,

CHIEF HUMAN RESOURCES &
ADMINISTRATIVE OFFICER

Minnesota State Law Requirements

A Public Meeting...

- Between November 25th & December 30th
- 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



Background
Information on
School Funding



District's Budget



District's Proposed
Tax Levy for Taxes
Payable in 2025



Public Comments

MN Legislature Must Set Funding for Minnesota Public Schools

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

State Sets:

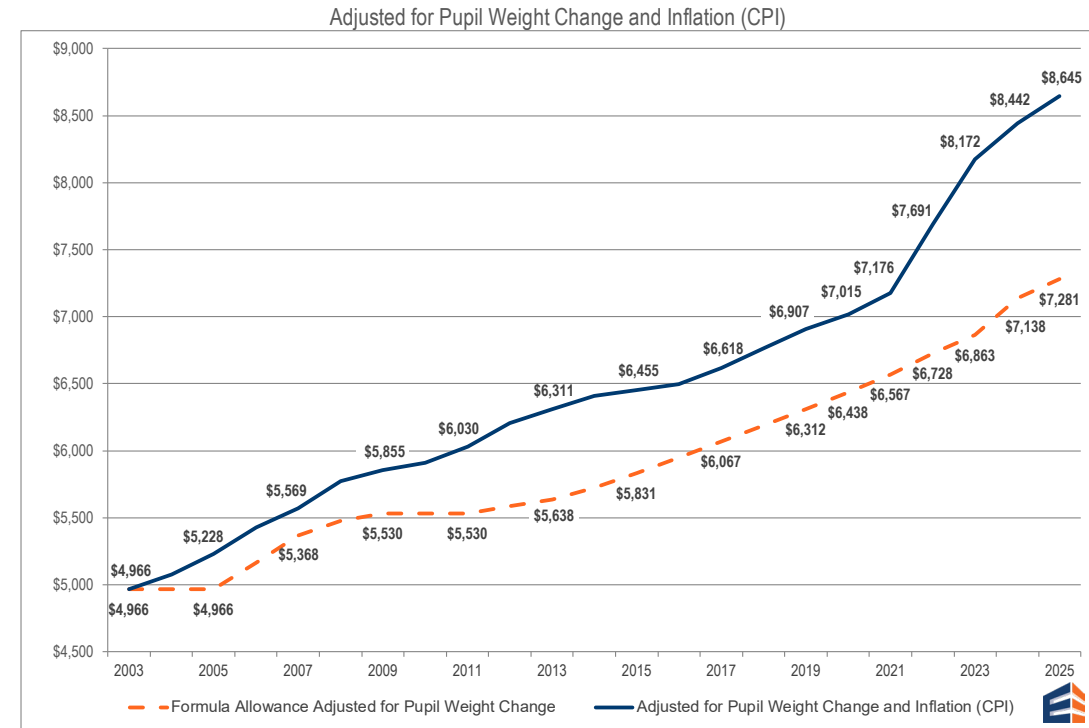
- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy
 - Districts can levy less, but not more than amount authorized by state, unless approved by voters in November

State also authorizes school board to submit referendums for operating & capital needs to voters for approval

General Education Formula Allowance, 2003-25

- Funding is Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2023-24, an increase of 4.00% or \$275 over previous year was approved
- For Fiscal Year 2024-25, an increase of 2.00% or \$143 over previous year was approved

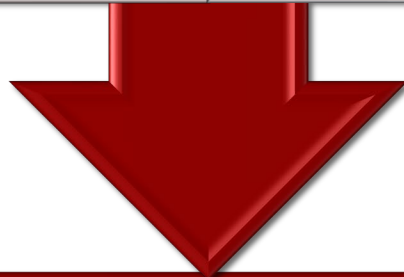
Per-pupil allowance for Fiscal Year 2024-25 of \$7,281 would need to increase by another \$1,364 (18.7%) to have kept pace with inflation since 2002-03, resulting in an allowance of \$8,645



According to MN Department of Education (MDE):

FY 2022 costs of providing programs were underfunded statewide by \$712 million

Even with recent funding, costs will be underfunded by \$408 million statewide by FY 2027



Primary options to bridge funding gap are to cut regular program budgets or increase referendum revenue, most districts have done both

Underfunding of Special Education

Budget Information

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 2025-26 budget will be adopted by School Board in June 2025.

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
- OPEB* Trust
- OPEB* Debt Service

**Other Post-Employment Benefits*



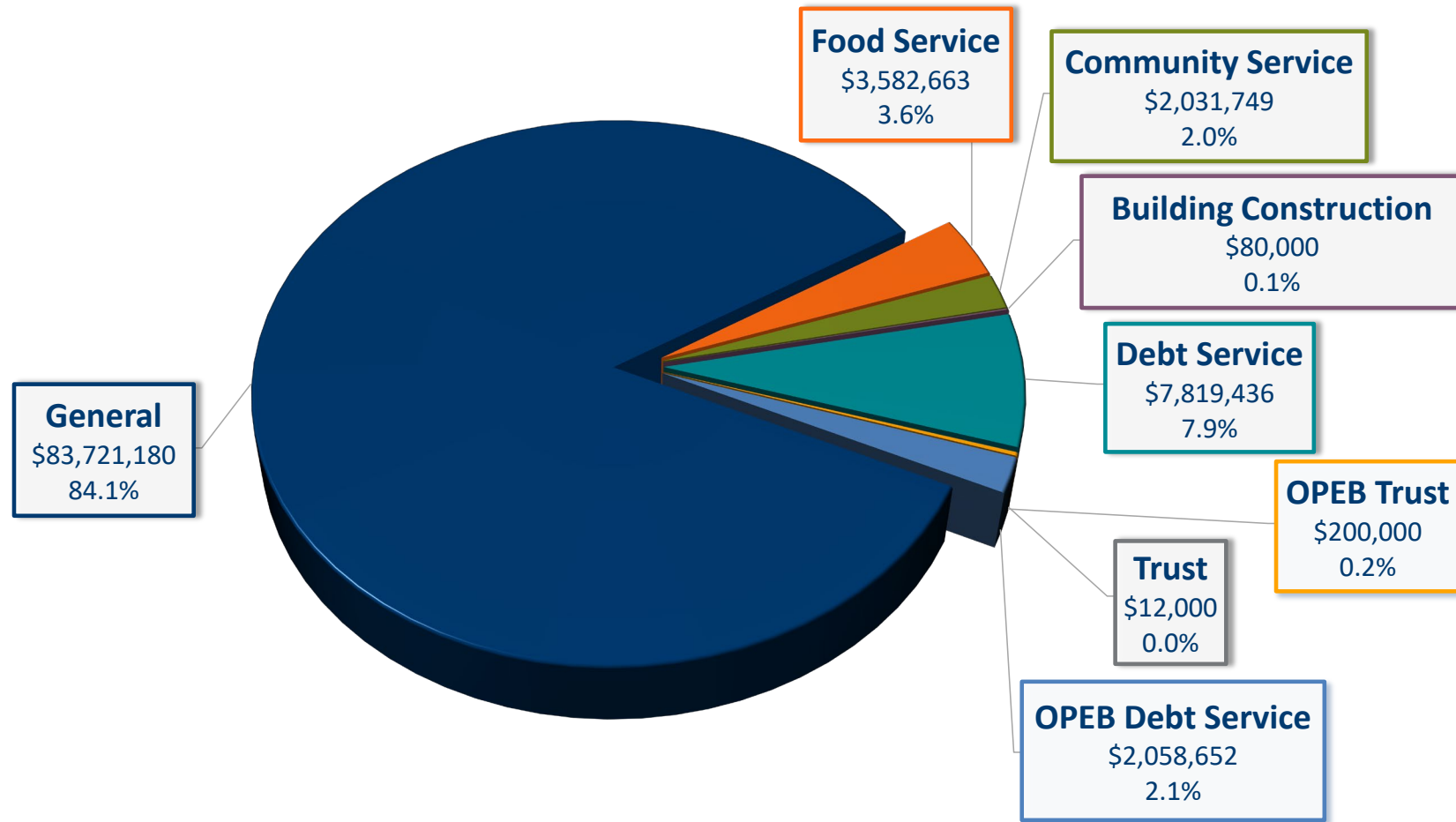
District Revenues & Expenditures
Actual for FY 2024, Budget for FY 2025

FUND	FISCAL 2024 BEGINNING	2023-24 ACTUAL		JUNE 30, 2024 ACTUAL	2024-25 BUDGET		JUNE 30, 2025 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES
General/Restricted	\$3,634,618	\$19,717,467	\$18,609,880	\$4,742,205	\$22,007,579	\$22,097,317	\$4,652,467
General/Other	13,895,019	62,289,437	62,266,942	13,917,514	61,713,601	61,488,832	14,142,283
Food Service	722,453	3,949,403	3,729,581	942,275	3,582,663	3,669,579	855,359
Community Service	292,919	2,322,904	2,258,199	357,624	2,031,749	1,999,439	389,934
Building Construction	3,227,953	2,767,467	1,834,310	4,161,110	80,000	2,000,000	2,241,110
Debt Service	1,650,268	8,086,343	7,949,447	1,787,164	7,819,436	7,688,838	1,917,762
Trust	45,934	30,570	9,075	67,429	12,000	12,000	67,429
Internal Service	3,821,400			4,262,587			4,264,882
OPEB* Irrevocable Trust	7,289,409	364,778	476,577	7,177,610	200,000	665,000	6,712,610
OPEB* Debt Service	388,864	2,013,317	2,025,100	377,081	2,058,652	2,022,175	413,558
Total All Funds	34,968,837	101,541,686	99,159,111	37,792,599	99,505,680	101,643,180	35,657,394

*Other Post Employment Benefits

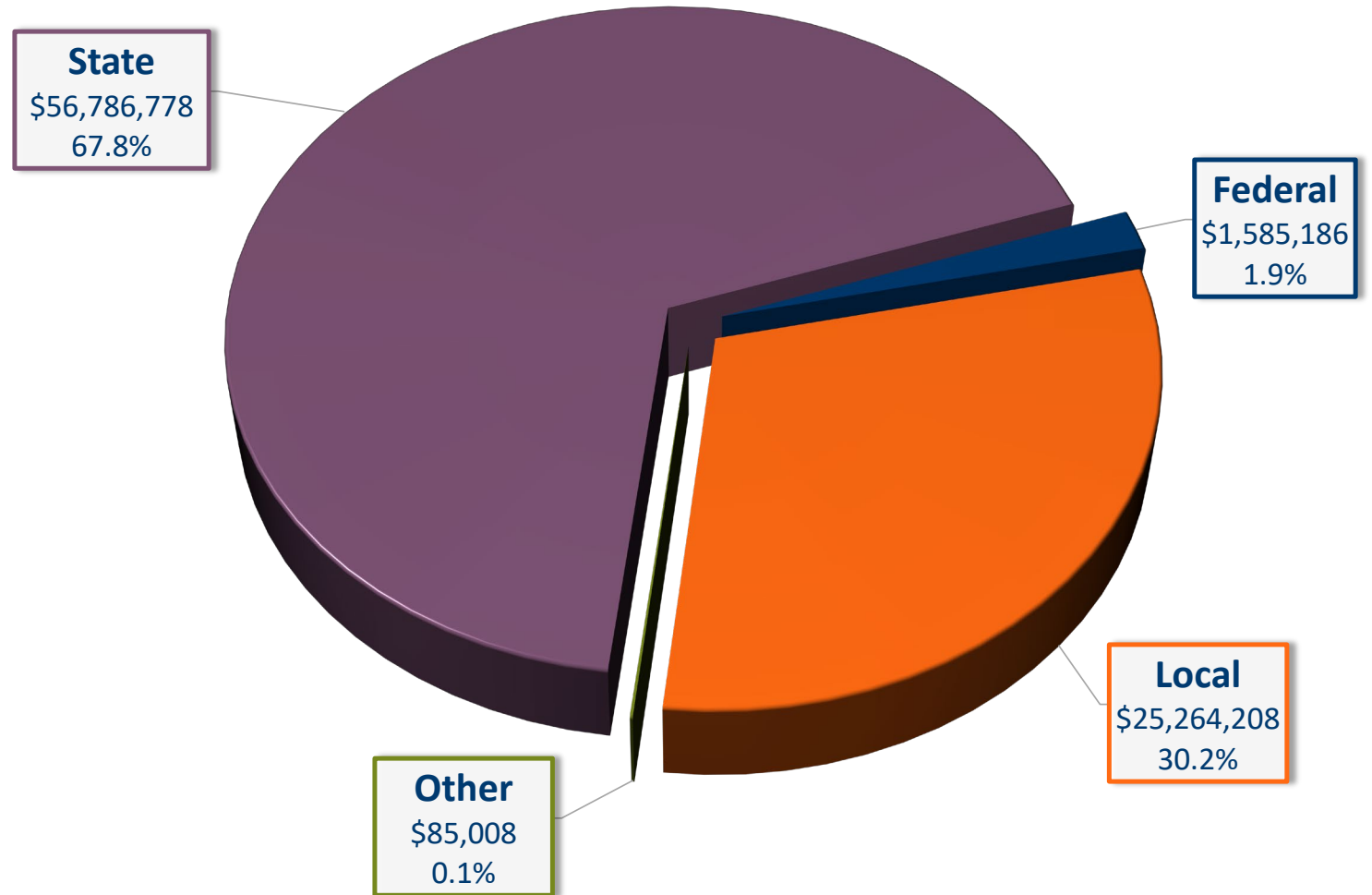
Revenue - All Funds -

2024-25 Budget
\$99,505,680



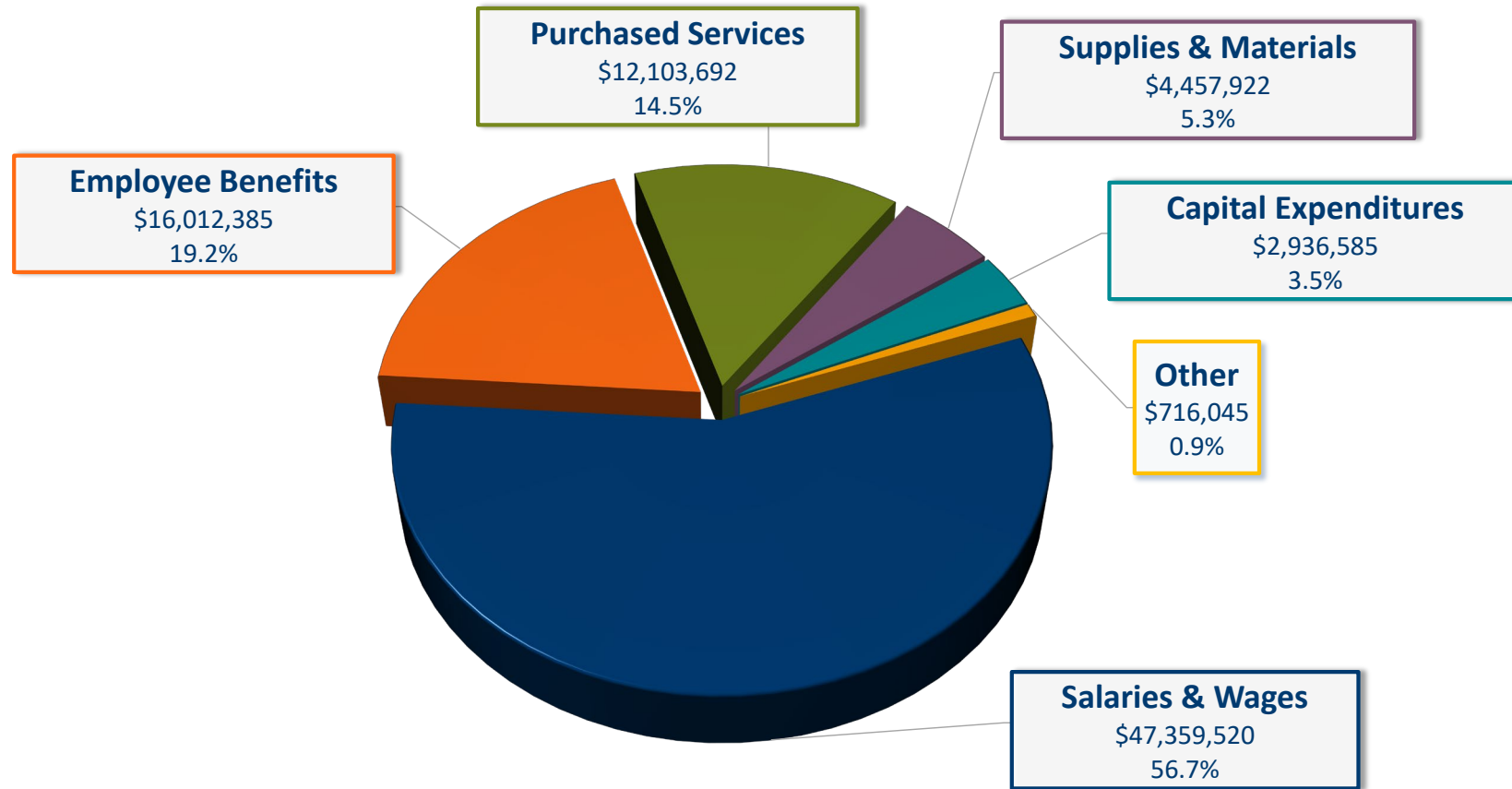
General Fund Revenue

2024-25 Budget
\$83,721,180



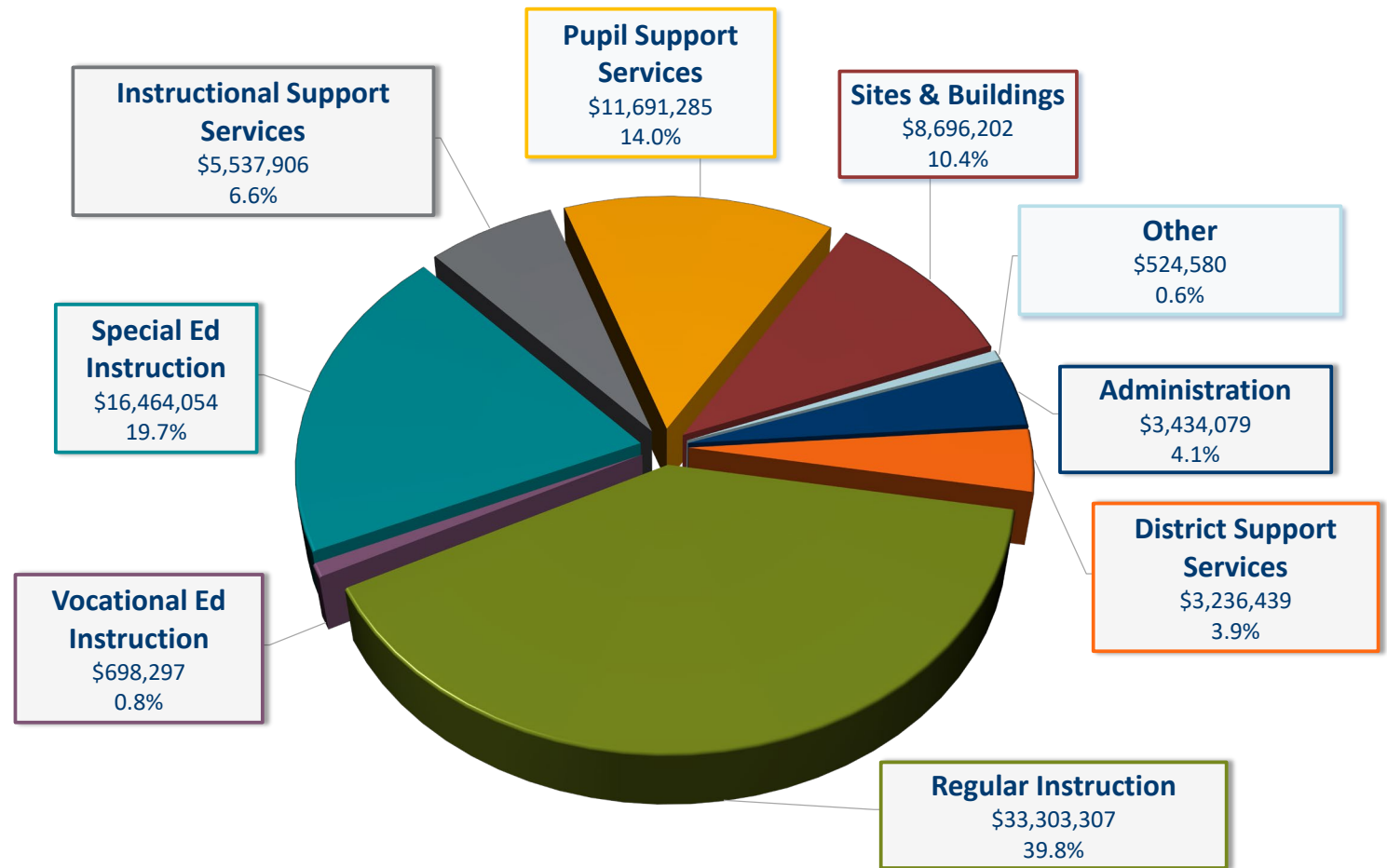
General Fund Expenditures - by Object -

2024-25 Budget
\$83,586,149



General Fund Expenditures - by Program -

2024-25 Budget
\$83,586,149



Change in Tax Levy does not Determine Change in Budget



Tax levy is based on many state-determined formulas plus voter approved referendums



Some increases in tax levies are revenue neutral, offset by reductions in state aid



Expenditure budget is limited by state-set revenue formulas, voter-approved levies & fund balance



An increase in school taxes does not always correlate to an equal increase in budget

Difference in Levy Cycles



School District:

- Budget year begins July 1st
- 2025 taxes provide revenue for 2025-26 fiscal year
- Budget adopted in June 2025




City/County:

- Budget year begins January 1st
- 2025 taxes provide revenue for 2025 calendar year budget

Sample of parcel specific notice mailed to every property owner between November 10th – 25th

Property Tax Background:

- 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 & distributes funds back to other taxing jurisdictions



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 Rd S
Spruceville, MN 55555-5555

Property Information
PIN Number: 01.234.56.789.R1 Property Address: 789 Pine Rd S
Spruceville, MN 55555

Property Description:
Lot 1, Block 1, Spruce Acres Subdivision

PROPOSED TAXES 2025			
THIS IS NOT A BILL. DO NOT PAY.			
Step 1	VALUES AND CLASSIFICATION		
	Taxes Payable Year	2024	2025
	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$33,0500
	Taxable Market Value	\$125,000	\$116,950
Class	Res NHmstd	Res Hmstd	
Step 2	PROPOSED TAX		
	Property taxes before credits		\$1,562.46
	School building bond credit		\$ 12.00
	Agricultural market value credit		
	Other credits		
Property taxes after credits		\$1,550.46	
Step 3	PROPERTY TAX STATEMENT		
	Coming in 2025		
The time to provide feedback on PROPOSED LEVIES is NOW It is too late to appeal your value without going to Tax Court.			

Proposed Property Taxes and Meetings by Jurisdiction for Your Property			
Contact Information	Meeting Information	Actual 2024	Proposed 2025
State General Property 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 5, 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 Voter Approved Levies Other Levies	December 9, 7:00 PM Spruceville High School Cafeteria	\$289.35 \$340.11	\$296.68 \$374.60
Metro Special Taxing Districts		\$57.76	\$58.70
Spruceville Metropolitan Council www.spruce.metrocouncil.org (555) 555-5555 Spruceville, MN 55055	December 11, 7:30 PM Spruce Park Centre 500 Pine St.		
Other Special Taxing Districts Tax Increment Tax	No public meeting No public meeting	\$12.80 \$10.15	\$13.02 \$11.22
Total excluding any special assessments		\$1,422.02	\$1,550.46 9.0%

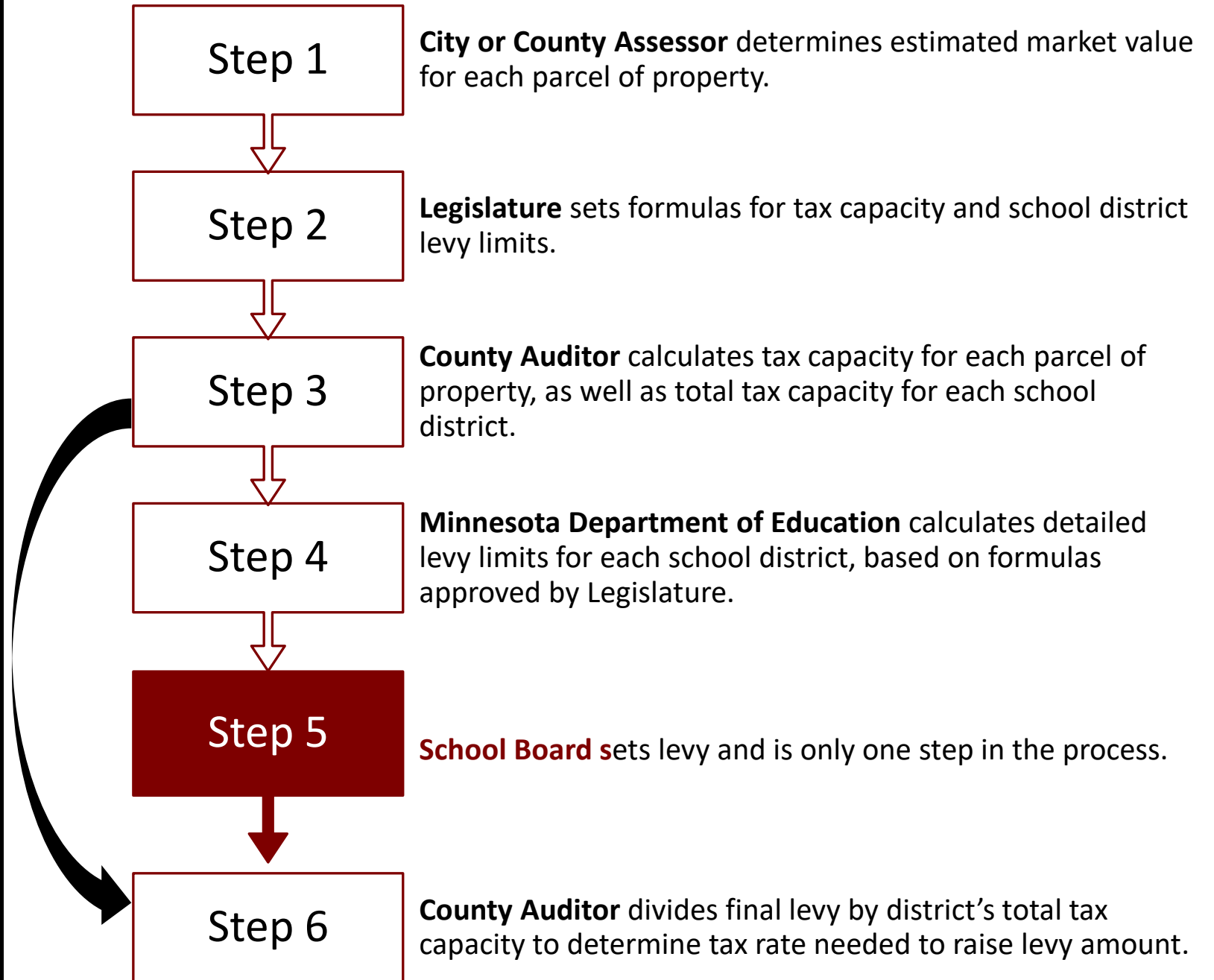
Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2025 may be higher than the proposed amount shown on this notice.

School District Property Taxes

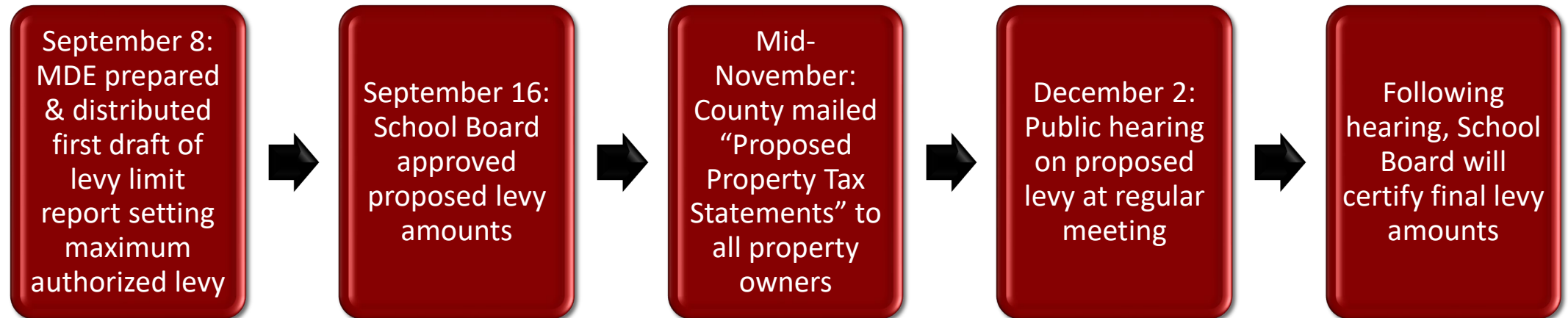
- Each school district has limited authority to levy taxes
- MDE calculates levy amounts for various categories, set by:
 - State law
 - Voter approval

School District Property Tax Process

Note: For certain levy categories, tax rates & levy amounts are based on referendum market value, rather than tax capacity.



Approval of District's Tax Levy in 2024 (Payable 2025)



A background image showing a close-up of financial documents, including bar charts and a calculator, suggesting a business or financial context.

Overview of District's Proposed Tax Levy

- Proposed Payable 2025 tax levy is an increase from 2024 of \$1,220,974 or 3.7%
- Changes by levy category and reasons for major increases & decreases in levy are included on following slides

Comparison of Actual Tax Levy Payable in 2024 to Proposed Levy Payable in 2025

Fund Levy Category	Actual Levy Payable in 2024	Proposed Levy Payable in 2025	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$9,273,726	\$9,846,483	\$572,757	
Local Optional Revenue (LOR)	3,047,673	3,187,839	140,166	
Equity	210,490	305,596	95,106	
Voter Approved Capital Project Levy	4,777,993	4,982,132	204,139	
Operating Capital	876,812	892,250	15,438	
Alternate Teacher Compensation	367,715	371,656	3,941	
Achievement and Integration	320,525	330,059	9,534	
Long Term Facilities Maintenance (LTFM)	1,655,350	1,729,019	73,669	
Lease Levy	822,017	740,571	(81,446)	
Other	970,619	1,031,054	60,435	
Prior Year Adjustments	384,782	284,665	(100,117)	
Total, General Fund	\$22,707,702	\$23,701,323	\$993,621	4.4%
Community Service				
Basic Community Education	\$313,585	\$280,959	(\$32,626)	
Early Childhood Family Education	167,473	170,302	2,829	
Other	11,443	11,682	239	
Prior Year Adjustments	(4,938)	3,019	7,957	
Total, Community Service Fund	\$487,564	\$465,963	(\$21,601)	-4.4%
Debt Service				
Voter Approved	\$3,903,008	\$5,174,033	\$1,271,025	
Other	0	239,873	239,873	
Long Term Facility Maintenance (LTFM)	4,161,873	2,970,752	(1,191,121)	
Other Post Employment Benefits (OPEB)	2,122,785	2,122,890	105	
Reduction for Debt Excess	(481,404)	(566,987)	(85,583)	
Prior Year Adjustments	91,742	106,397	14,655	
Total, Debt Service Fund	\$9,798,004	\$10,046,958	\$248,953	2.5%
Total Levy, All Funds	\$32,993,269	\$34,214,243	\$1,220,974	3.7%
Subtotal by Truth in Taxation Categories:				
Voter Approved	17,974,113	20,074,300	2,100,187	
Other	15,019,156	14,139,944	(879,213)	
Total	\$32,993,269	\$34,214,243	\$1,220,974	3.7%

Explanation of Levy Changes

Category:

General Fund – Voter Approved Operating Referendum

Change:

+\$572,757

Use of Funds:

General Operating Expenses

Reasons for Change:

- Existing voter approved authority includes an annual inflationary increase; inflation factors are determined by State, as set in statute
- Authority is based on enrollment which is higher than previously estimated

Explanation of Levy Changes

Category:

General Fund – Voter Approved Capital Project Referendum

Change:

+\$204,139

Use of Funds:

Technology Costs

Reason for Change:

Levy is based on voter approved tax rate applied to tax base,
District's tax base increased

Explanation of Levy Changes

Category:

Debt Service – Voter Approved & LTFM

Change:

+\$1,271,025 (Voter Approved) & -\$1,191,121 (LTFM)

Use of Funds:

Principal & Interest Payments on Existing Debt

**Reason for
Changes:**

Levies are coordinated with other capital & debt levies to maintain a level debt service tax rate

Explanation of Levy Changes

Category:

Debt Service – Other

Change:

+\$239,873

Use of Funds:

Principal & Interest Payments on Capital Facilities Bonds

Reason for Change:

Revenue is shifted from the General Fund Operating Capital to Debt Service for principal and interest payments on the bond issued in 2024

Factors Impacting Individual Taxpayers' School Taxes

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 within District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs & costs, voter-approved referendums & other factors

What's happening with each slice?

Higher Market Value Increase = Bigger Slice



Lower Market Value Increase = Smaller Slice



Each Property Owner pays a portion of the pie

Impact of Property Valuations

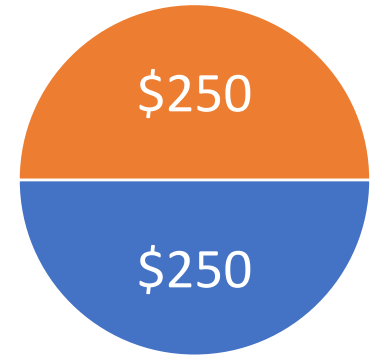
Two properties in the district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy

\$100,000



\$100,000



Impact of Property Valuations

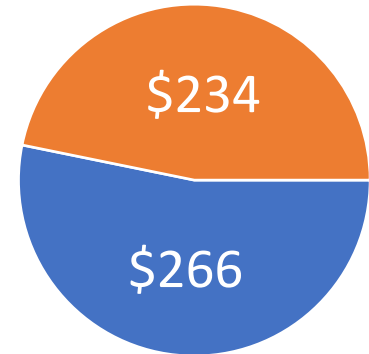
Two properties in the district

- Orange house value increases by 10%
- Blue house value increases by 25%

Total levy of \$500

- School District will still generate the same amount of levy even though values increased
- Orange house pays less
- Blue house pays more

\$110,000



\$125,000





Minnesota Legislative Changes for Pay 2025

In 2023, The Minnesota State Legislature passed laws that affect property taxes for taxes payable in 2025.

Recap of major changes:

- Provided a tax benefit to homeowners by increasing the homestead exclusion for valuations between \$76,000 and \$517,000; and
- Increased the first-tier limit for Ag Homestead land to \$3.5M from \$2.15M

Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and a 12.2% increase in property value for residential homes over the past four years
 - Actual changes in value may be more or less than this for any parcel of property
 - Intended to provide a fair representation of what happened to school district property taxes over this period for typical properties
- Examples are for property in City of Richfield
- Amounts for 2025 are preliminary estimates; final amounts could change slightly
- Estimates prepared by Ehlers (District's municipal advisors)

Estimated Changes in School Property Taxes, 2022 to 2025
Based on No Changes in Property Values

Type of Property	Estimated Market Value	Actual Taxes Payable in 2022	Actual Taxes Payable in 2023	Actual Taxes Payable in 2024	Estimated Taxes Payable in 2025	Change in Taxes 2022 to 2025	Change in Taxes 2024 to 2025
Residential Homestead	\$150,000	\$554	\$515	\$590	\$581	\$27	-\$9
	200,000	774	719	820	816	42	-4
	250,000	994	924	1,050	1,051	57	1
	300,000	1,215	1,129	1,280	1,286	71	6
	350,000	1,435	1,334	1,510	1,521	86	11
	400,000	1,655	1,539	1,740	1,756	101	16
	450,000	1,866	1,735	1,961	1,991	125	30
	500,000	2,073	1,928	2,179	2,226	153	47
	550,000	2,317	2,154	2,430	2,487	170	57
	600,000	2,560	2,381	2,681	2,743	183	62
Commercial/Industrial #	\$250,000	\$1,079	\$1,032	\$1,155	\$1,156	\$77	\$1
	1,000,000	4,718	4,519	5,006	5,000	282	-6
	2,500,000	11,996	11,493	12,709	12,686	690	-23
	3,500,000	16,848	16,143	17,844	17,811	963	-33
	4,000,000	19,274	18,467	20,412	20,373	1,099	-39
Apartments and Res. Non-Homestead (2 or more units)	\$500,000	\$2,432	\$2,264	\$2,511	\$2,564	\$132	\$53
	2,000,000	9,729	9,056	10,045	10,256	527	211
	3,500,000	17,026	15,849	17,579	17,948	922	369

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

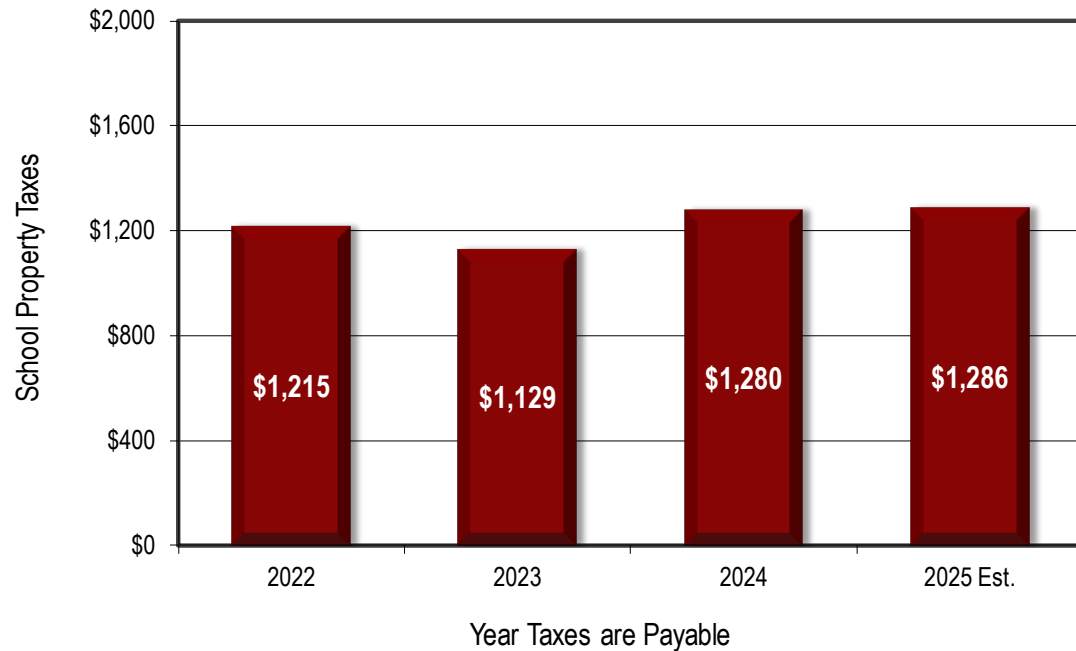
General Notes

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 2025 are preliminary, based on the best data available.
3. For all examples of properties, taxes are calculated based on no changes in estimated market value from 2022 to 2025.

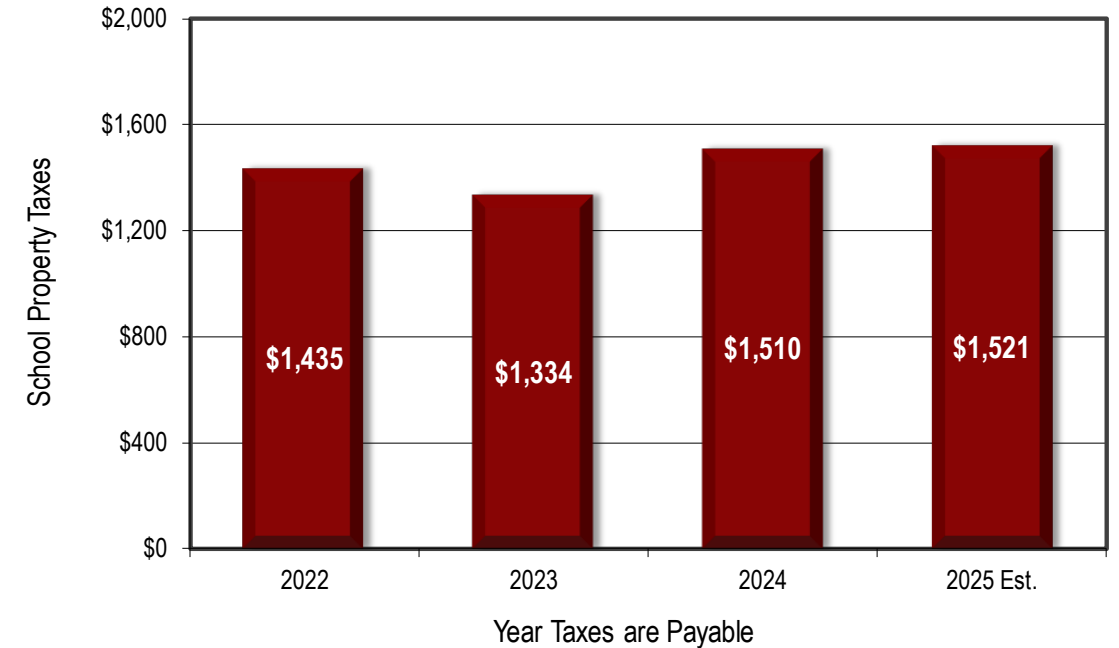
Estimated Changes in School Property Taxes, 2022-25

Based on No Changes in Property Value

Example 1: \$300,000 Residential Homestead Property



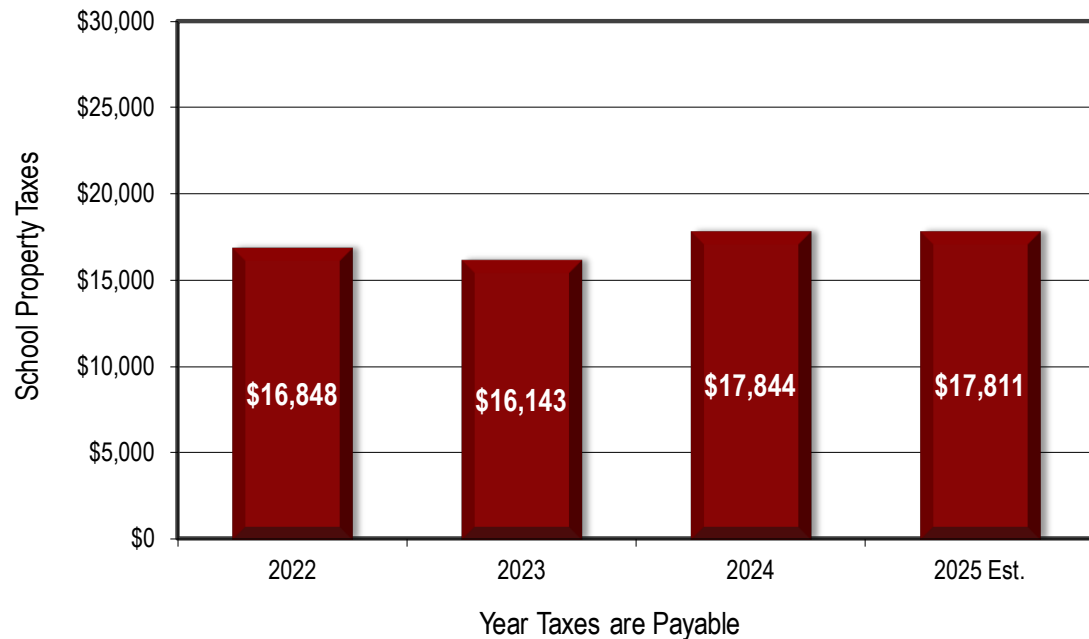
Example 2: \$350,000 Residential Homestead Property



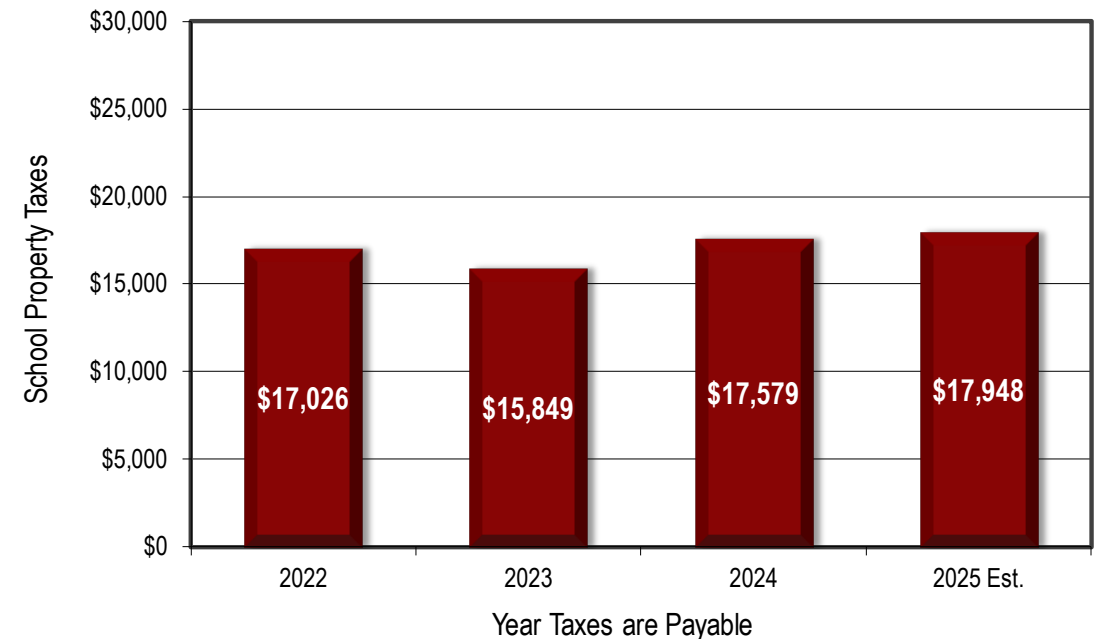
Estimated Changes in School Property Taxes, 2022-25

Based on No Changes in Property Value

Example 3: \$3,500,000 Commercial - Industrial Property

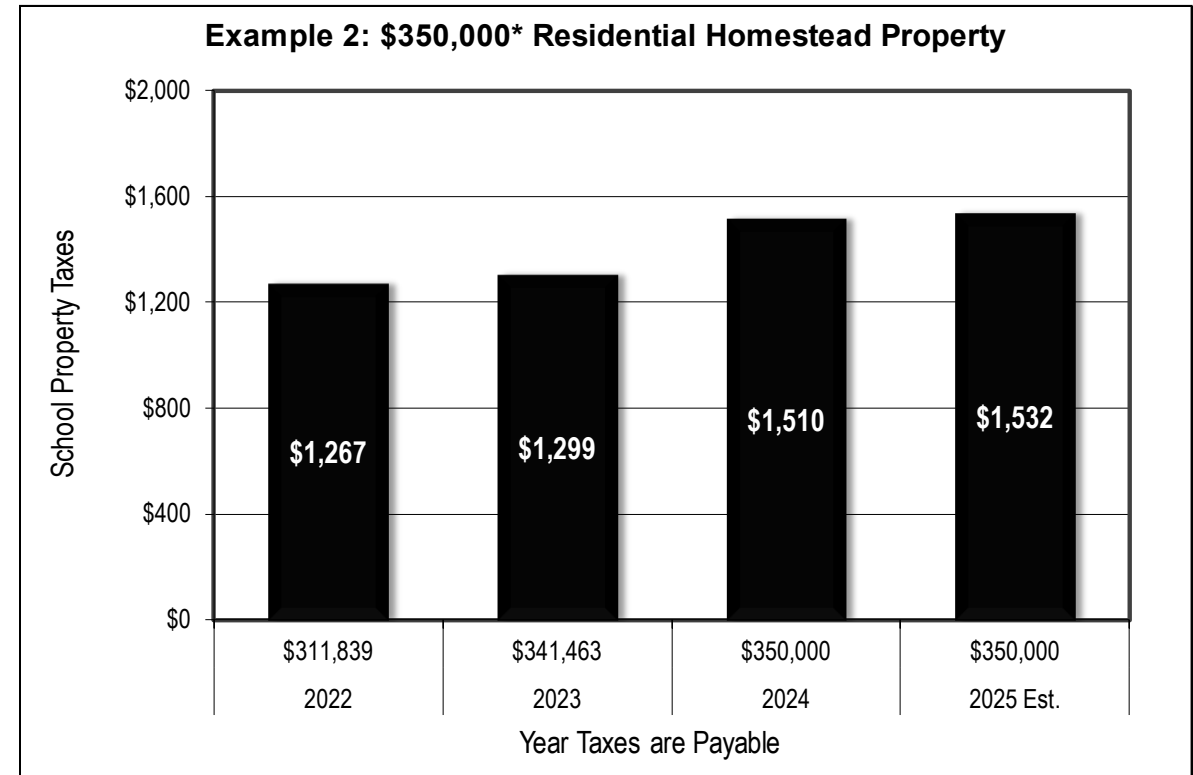
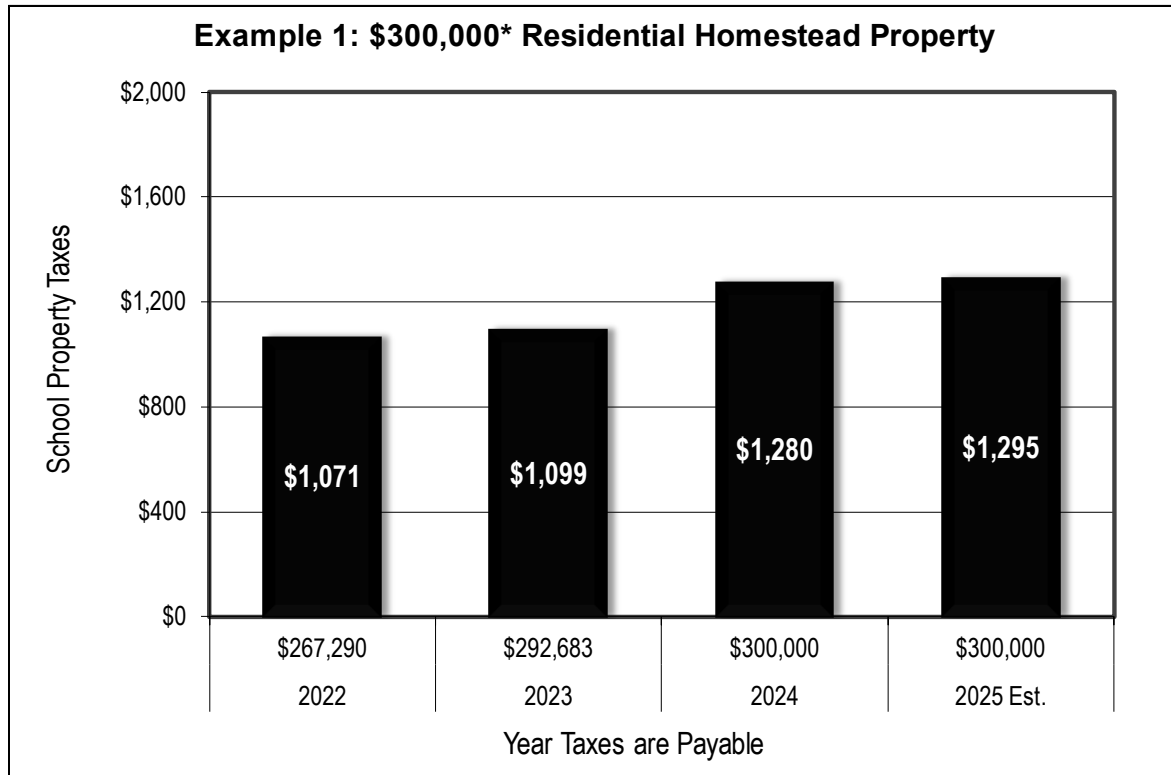


Example 4: \$3,500,000 Apartment - Non Residential Homestead Property



Estimated Changes in School Property Taxes, 2022-25

Based on 12.2% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2025. Taxes are calculated based on changes in market value of 9.5% from 2022 to 2023, 2.5% from 2023 to 2024 and 0.0% from 2024 to 2025.

State Property Tax Refunds & Deferral

Homestead Credit Refund

- Available for all homestead property, both residential and agricultural (house, garage and one acre (HGA) only)
- Refund is sliding scale, based on total property taxes and income (maximum refund is \$3,310 for homeowners and \$2,640 for renters)

Special Property Tax Refund

- Available for all homestead property, both residential & agricultural (HGA only) with a gross tax increase of at least 12% and \$100 over prior year
- Refund is 60% of tax increase that exceeds greater of 12% or \$100 (max \$1,000)

Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with household income of \$96,000 or less to defer a portion of property taxes on their home
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

Next Steps



Board accepts public
comments on
proposed levy

Board certifies 2025
property tax levy



PUBLIC COMMENTS