

March 23, 2021

Dear Members of the House Property Tax Division:

Thank you for the opportunity to testify on Monday on the A21-0106 amendment to HF1735. This letter summarizes our concerns, as outlined during the testimony.

MN Property Tax Day – Article 1, Section 11

Budget Timelines

- On line 26.6, the language requires school districts to present budget information for the following fiscal year. While these proposed budget hearing timelines fit well for cities and counties who have a fiscal year that lines up with the calendar year, it does not fit well for school districts, who have a fiscal year that begins on July 1 and ends on June 30.
- Preparing an accurate subsequent year budget in December would be extremely challenging, as budget drivers for both revenues and expenses are uncertain and districts have just started their budget process for the following fiscal.

Revenues:

- Enrollment is the largest driver of revenue. To prepare a budget for the next fiscal year, school districts would need to estimate enrollment 10 months before the start of the school year.
- In odd-numbered years, the general education aid formula amount is set for the upcoming biennium. With the proposed language, a school district would have to project this revenue, which can represent over 60% of its total revenue, a month before the legislative session starts and approximately 5 months before the session is scheduled to adjourn.

Expenses:

- With enrollment numbers being uncertain, staffing levels are uncertain. It is typical for organizations, including school districts, that between 65 and 75% of expenses to be for wages and benefits, and this uncertainty makes budgeting challenging.

Meeting Times:

- Districts are concerned about the 8:00 p.m. start time for school proposed budget and levy meetings. School districts are the taxing jurisdiction that primarily serves families with young children. The late start time may discourage meeting attendance and participation.

Presentation Length:

- Having a hard limit of 20 minutes to present proposed levy and budget information may prevent the taxing jurisdictions from adequately informing the public about proposed changes and making year-to-year comparisons.

Notice of Proposed Property Taxes (Supplemental Information): Article 1, Section 10



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- While presenting information in December would be challenging, line 24.1 further tightens the timeline, as it requires proposed summary budget information for the following year to be included as a supplement with the proposed tax statements which must be mailed by the county auditor between November 10 and November 24.
- For this mailing, any November referendum elections likely would not have canvassed results before financial impacts would need to be provided for publication.
- Line 23.32 requires the summary budget information to include “information that is published according to 123B.10, subdivision 1, paragraph (b), for the current year and the following year.” For clarification, the publication required on or before November 30 as outlined in the statute reflects financials for the *prior year*.

In summary, school districts appreciate and support the committee’s desire for transparency and communication with taxpayers.

However, a non-calendar fiscal year creates unique challenges for school districts related to this language. School district budget development does not begin in earnest until after January 1, and it must be completed on or before June 30. Providing estimates before the process begins risks the transparency that is being sought; final budgets for the subsequent year could differ greatly from these early estimates.

MASBO members and MSBA are very open to continuing to work together to revise this language to accomplish the goals of the language ---- to provide accurate information and encourage public participation in the process.