

**District Newsletter – December 2023 edition**

*“The 2023-2024 Somerset School District Business Office Update”*

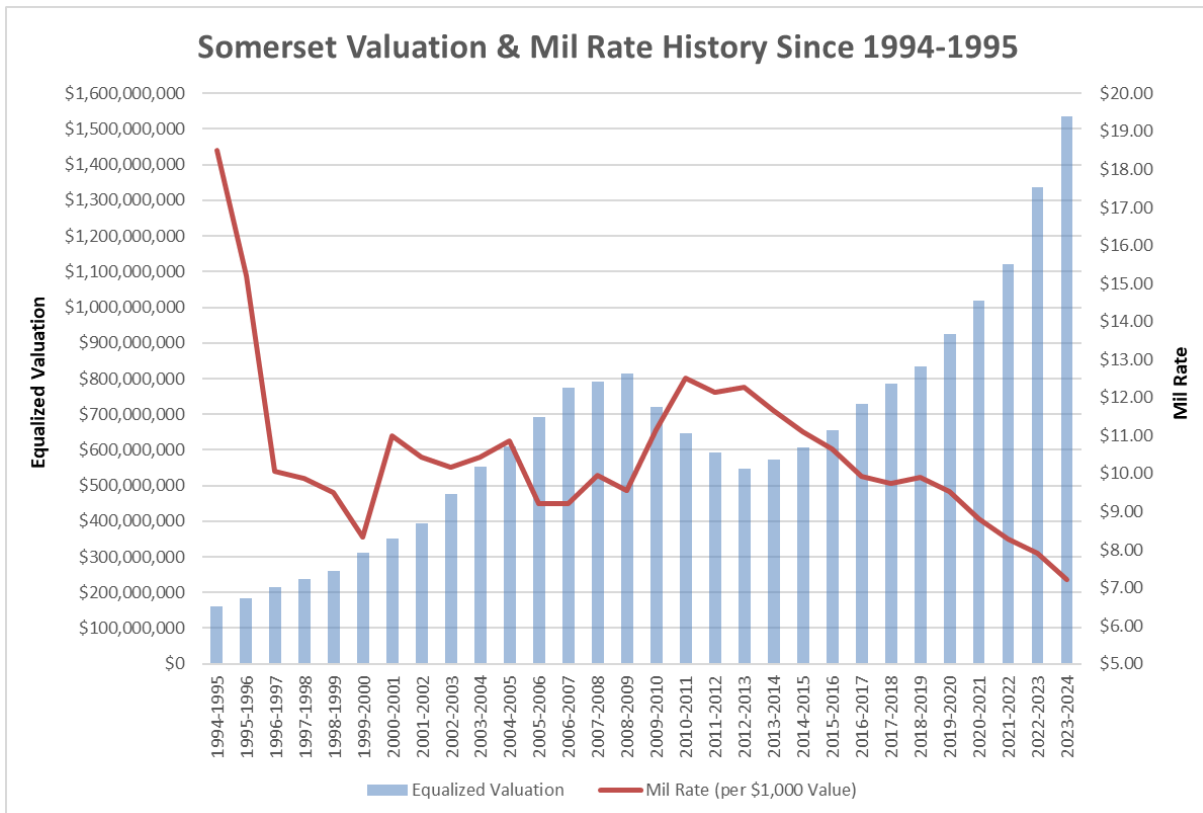
*– Dave Gerberding, Director of Business Services & Operations, Somerset School District*

Back in January the school board and administration began the process of building the School District’s 2023-2024 budget. In late October, the school board adopted its official budget for the year. The overall School District property tax levy has increased by 4.8% over last year. This equates to an increase of \$513,546, which is used to maintain a more stable mil rate and save interest cost by levying in advance for debt service payments. The levy for regular operations decreased by 0.3% from last year as a result of an increase in state aid.

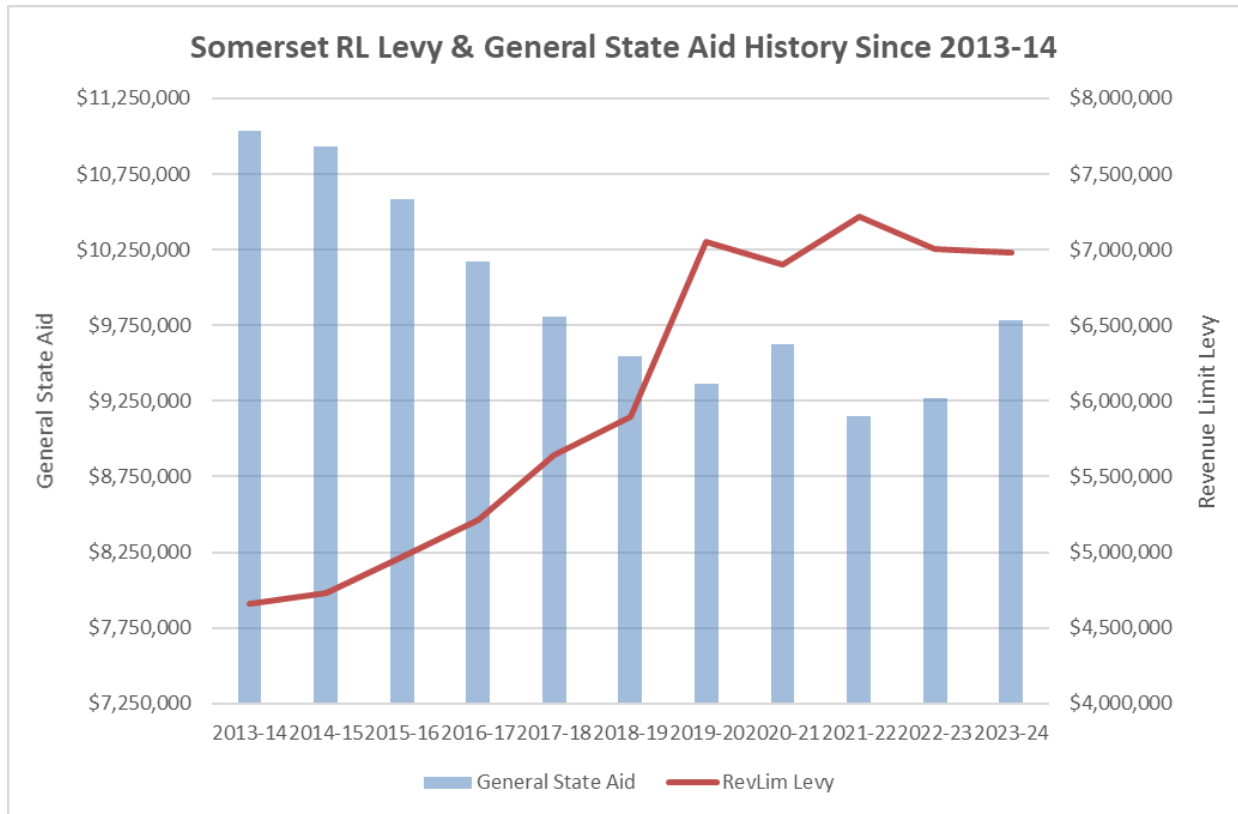
**Taxes:**

With the school tax levy increasing by 4.8%, how will this impact property tax payers? A common tool used to track changes over time in a district is the mil rate. The mil rate – a calculation of taxes per \$1,000 of equalized values – is going down 8.8% this year. The equalized value of property in the District increased by 15% in 2023, compared to 2022 (the eleventh year in a row of increasing values, and fifth year in a row of double digit increases). If the equalized value of property in the District had remained unchanged from the prior year, the mil rate would have increased by 4.8% rather than decreasing by 8.8%.

The school district equalized value (the blue bars below, scale on left side of chart) and mil rate (the red line below, scale on right side of chart) history since 1994-1995 is shown below.



The total actual levy amount is increasing by 4.8%, but the operating, or revenue limit levy is decreasing by 0.3%. The chart below shows the revenue limit (RL) levy (the red line below, scale on the right side of the chart) and general state aid (the blue bars below, scale on left side of the chart) for the last eleven years.



By municipality, the total levy change varies between 0.6% less and 38.4% more than the prior year.

So what’s the difference between the levy increase and the mil rate decrease? In large part it has to do with what the mil rate is, and what it is not. First and foremost, the mil rate is a reflection of the ratio of the total levy to Department of Revenue calculated equalized values. With an increase in equalized values (+15% compared to last year), the mil rate has to go down if there are no other changes. The mil rate is a mathematical calculation used to gauge tax rates between school districts across the state or in one district over time. The mil rate is **NOT** a reflection of what actually happens on an individual’s property tax bill.

Property Values: Equalized vs. Assessed: Before going much further, I need to back up a step and talk about “equalized value of property” (or EVOP). EVOP is determined by the state Department of Revenue and is intended to be an estimate of the fair market value of property relative to other property throughout the state. It takes into account variations across the state in assessment practices.

*Tax Invoice from a School to Municipalities to Collect on the School’s Behalf* – A school district uses the EVOP to determine how to divide property taxes between the municipalities which make up the district in a way that is reasonable. For example, this year the EVOP in the Village of Somerset equals 27.14% of the EVOP in the total school district. Therefore, 27.14% of the school district’s tax levy is applied to the Village of Somerset. The table below identifies the amounts by municipality.

	<b>Equalized Value</b>	<b>Pct of Total</b>	<b>Share of School Tax Levy</b>
Village of Somerset	\$416,968,600	27.14%	\$3,005,685
Town of Richmond	\$12,741,229	0.83%	\$91,844
Town of Saint Joseph	\$191,739,563	12.48%	\$1,382,139
Town of Somerset	\$693,666,887	45.15%	\$5,000,243
Town of Star Prairie	\$221,387,223	14.41%	\$1,595,852
<b>SCHOOL DISTRICT TOTAL</b>	<b>\$1,536,503,502</b>	<b>100.00%</b>	<b>\$11,075,763</b>

The school district tells each municipality how much tax to collect on the district’s behalf using this method. Each municipality turns around and divides the school tax among the property owners in the village or towns based on the **assessed** property values. If a person had property equal to 0.10% of the total assessed property in the Village, that person’s property tax would be 0.10% of the total tax levy collected by the Village for the school district.

So, the school tax levy is divided between municipalities based on the EVOP **relative** to the EVOP of other municipalities. And the municipalities then divide the tax between property owners based on the assessed value relative to the assessed value of other property owners.

At the school district level, we know how the proportions of EVOP have changed this year between the five municipalities in our district. The EVOP for the Village, as a percentage of the EVOP for the whole school district, has increased from 25.07% last year to 27.14% this year. The percentage of the total school levy applied to the Village will therefore increase compared to last year. In contrast, the EVOP of the Town of St Joseph (as a percentage of the EVOP of the district) has decreased from 13.17% to 12.48%, so the share of the school levy applied to the Town will likewise decrease.

This is not to say that property taxes for every individual taxpayer in the Village will increase or decrease. While the total school levy is up 4.8% and the levy amount certified to the Village of Somerset is up 13.53%, the rate for individual taxpayers is based on their assessed value and how that value has changed compared to other assessed values within the municipality.

*Tax Bills from a Municipality to Property Owners* – So, how does this impact tax payers? Well... There are questions to answer in order to say what the impact will be. 1) What is the share of the school levy for my municipality? 2) Was there reassessment or property development in my municipality? and 3) What is the impact of the school tax levy credit in my municipality?

- 1) For school districts, this is the easiest part to answer because we have that data. The change in the levy amount certified to each municipality compared to last year is below:

<b>Municipality</b>	<b>Levy Change</b>	<b>EVOP Change</b>
Village of Somerset	13.53%	24.53%
Town of Richmond	38.36%	51.77%
Town of Saint Joseph	-0.60%	9.03%
Town of Somerset	2.03%	11.91%
Town of Star Prairie	2.50%	12.43%

Assuming no other changes, this is what one could expect the impact of the school's tax levy to be on your property tax bill. (Rather than the overall 8.8% decrease in the mil rate shown above.)

- 2) If your municipality did not reassess this year, and there was no new property development, then the ratio of your assessed property value to that of everyone else should be the same and the above percentages should still hold true.

If, on the other hand, you were reassessed, then it depends on how that reassessment changed your property values relative to those in your community. If everyone's went up 10%, then there would be a slight adjustment to the percentages above. But if yours went up 10% and your neighbor's went down 3% (or vice versa), then everything above is out the window. If overall municipal property value was increased through new development, this will also cause a proportional shift in relative assessments.

- 3) The school tax levy credit is a "school aid" that comes to school districts through the municipalities. The state sends the municipalities an amount used to pay part of the school levy for the municipality. This lowers the amount of the tax bill that is passed on to property owners. School districts are not informed of the amount of the levy credit payments, it is simply received as part of the funds that the municipalities send to the district with the August tax payment. It is unknown at this time how much of this levy credit will go to each of the municipalities in the school district, or how much it will lower your property tax bill. In practice, this means that you should expect that your tax bill for school taxes will be lower than otherwise calculated from the percentages listed above as a result of receiving the school tax levy credit.

### **In summary:**

We know

- that the total school tax levy is 4.8% higher than last year;
- that the value of property in each municipality relative to other municipalities has changed (municipality increases in EVOP ranged from +9% to +51.8%) and this will shift the burden for school taxes between the municipalities;
- that the tax bills sent to the municipalities are between 0.6% lower and 38.4% higher than last year;
- that we don't know the exact amount that the school tax levy credit will impact the tax levies.

And we do not know what impact any reassessments or new development that may have happened in 2023 will have on you individually.

Somerset District officials are working hard to manage your money efficiently while also providing a great educational program to the children of Somerset. Thank you for reading!