



Orono Schools

2020 Pay 2021 Levy
Final – Truth in Taxation

December 7, 2020 • 7 p.m.

Minnesota State Law Requires:

A Public Meeting...

- Between November 24th & December 30th
- Meeting starts after 6:00pm
- May be part of a regularly scheduled meeting
- May adopt the final levy at the same meeting
- Must allow for public comments

... and a Presentation of:

- Current Year Budget
- Prior year actual revenue & expenditures
- Proposed property tax levy including % of increase
- Specific purposes & reasons taxes are being increased



Truth in Taxation Agenda

1. Background: Student Achievement & School Funding
2. District Budget
3. District's Proposed Tax Levy for Taxes Payable in 2021
4. Public Comments & Questions



Academic Success at Orono

2019 MCA Test Results

Percentage Meeting or Exceeding Standards

	Math	Reading	Science	Avg % Meeting or Exceeding
Orono Schools	75.6%	78.9%	75.6%	76.7%
State Public School Average	60.5%	60.1%	51.6%	57.4%

2019 ACT Results

	Percent Taking ACT Test	Avg English	Avg Math	Avg Reading	Avg Science	Avg Comp
Orono Schools	99.1%	24.7	24.5	25.1	24.8	25.0
State Average	83.8%	20.0	21.3	21.4	21.5	21.2
National Average	52.0%	20.1	20.4	21.2	20.6	20.7



Education Funding is Highly Regulated

School Funding is controlled by the MN Legislature

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.”

State Sets:

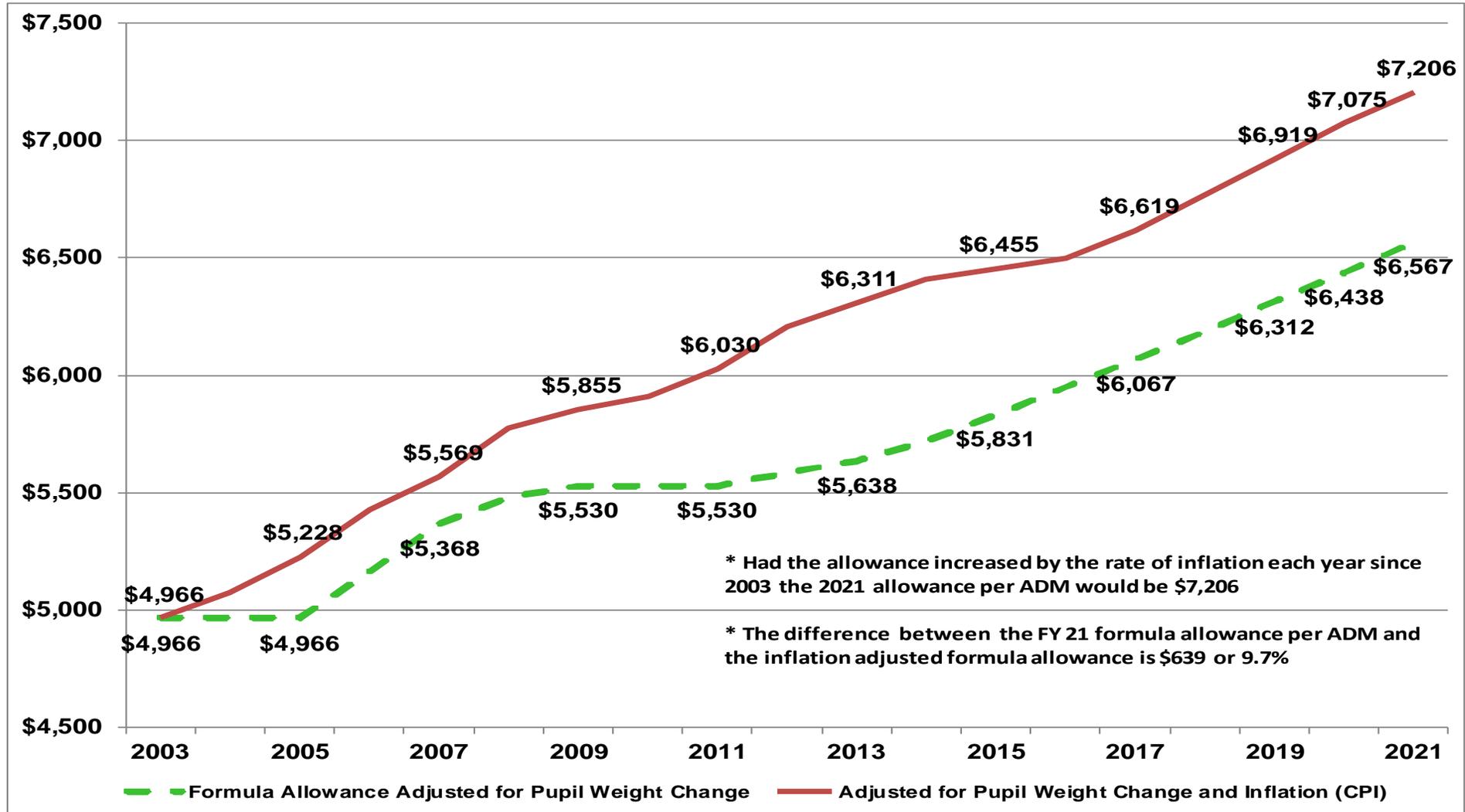
- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by voters)

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



Basic General Education Formula Lags Inflation

General Education Formula Allowance, 2003-2021
Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE August 2019 Inflation Estimates



Growing Dependence on Referendum Revenue

- In 1992-93, 65% of districts had operating referendum revenue averaging \$332 per pupil
- For 2020-21, all Minnesota districts have referendum revenue and/or local optional revenue levy authority averaging \$1,475 per pupil
 - Referendum revenue including Local Optional Revenue (LOR) provides 13.2% of General Fund operating revenue
 - Of this amount, \$751 is a voter approved operating referendum, and \$724 is Local Optional Revenue (LOR)



Budget Information

Because approval of the school district budget lags the certification of the tax levy by six months, the state requires only current year budget information and prior year actual financial results be presented at this hearing. The Fiscal 2021-2022 budget will be set in June 2021.

All school district budgets are divided into separate funds, based on purposes of revenue, as required by law

Orono District Funds:

- General
- Food Service
- Community Service
- Building Construction
- Debt Service
- Custodial
- Internal Service
- OPEB Trust
- OPEB Debt Service





ORONO INDEPENDENT SCHOOL DISTRICT #278

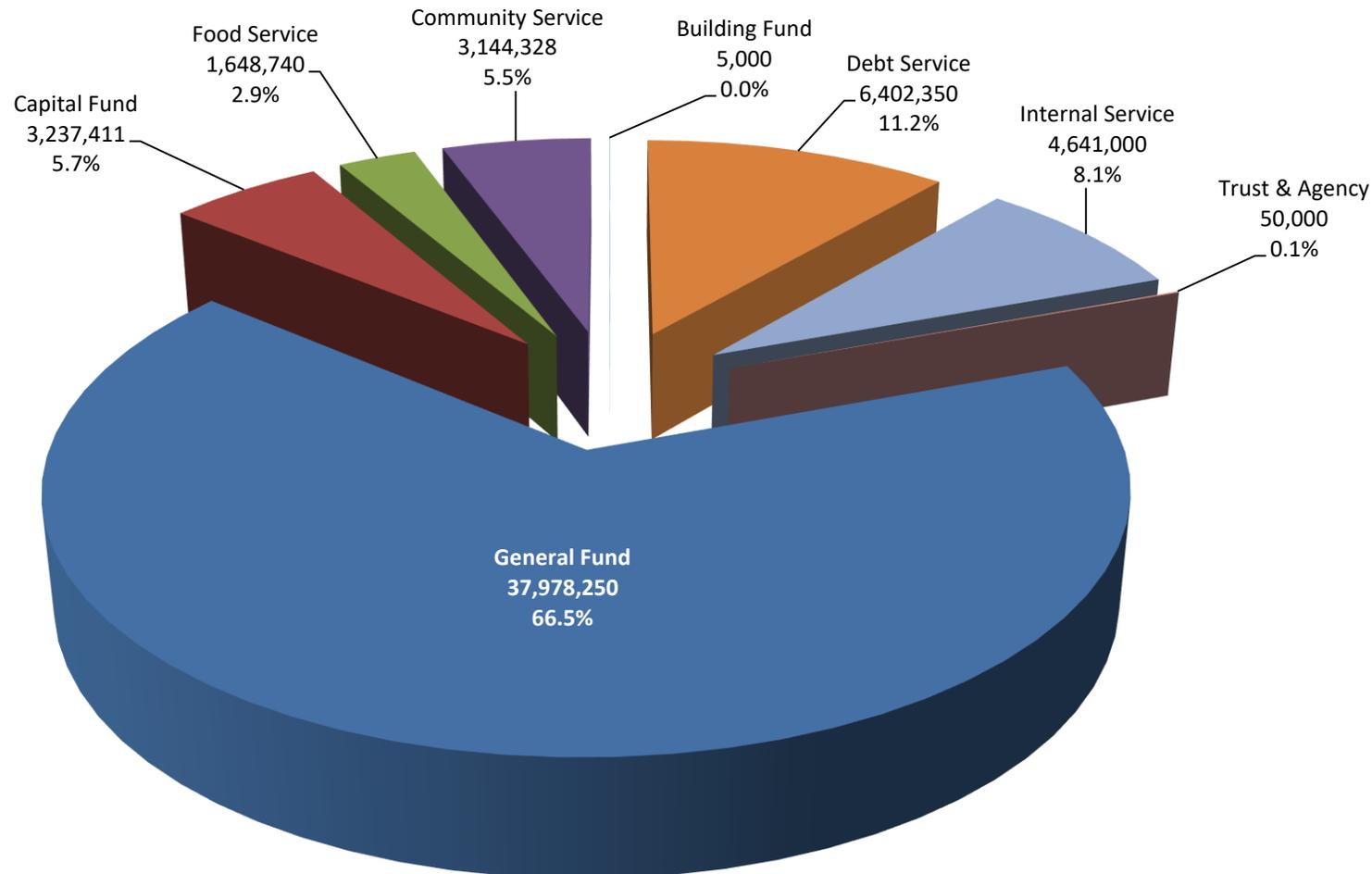
COMBINED STATEMENT OF OPERATING AND NON-OPERATING FUNDS JULY 1, 2019 - JUNE 30, 2021

Fund Description	Audit Balance 6/30/19	2019-20 Final Revenue	2019-20 Final Expense	Audit Balance 6/30/20	2020-21 Proposed Revenue	2020-21 Proposed Expense	Preliminary Balance 6/30/21
Non-Spendable (Inventory & Prepays)	225,691			201,063			201,063
Restricted for Achievement & Integration	-			20,395	168,586	168,586	20,395
Restricted for Staff Development	39,347			65,825			65,825
Restricted for Basic Skills Extended Time	1,352			3,533			3,533
Restricted for Student Activities	-			165,070	211,100	211,100	165,070
Restricted for Scholarships	-			715,812			715,812
Assigned for Building Carryover	127,089			158,334			158,334
Assigned for Curriculum & Development	176,721			232,039			232,039
Assigned for Capital	110,072			110,072			110,072
Assigned for Severance Pay	501,437			692,353			692,353
Assigned for Wellness	74,134			66,085			66,085
Assigned for Insurance Recovery	141,147			-			-
General - Unassigned	6,399,432	36,256,613	37,043,623	5,522,578	37,598,564	37,415,680	5,771,547
Total General Fund	7,796,422	36,256,613	37,043,623	7,953,159	37,978,250	37,795,366	8,136,043
Capital Projects Levy (Tech)	101,233	1,032,850	1,105,763	28,320	1,066,451	1,026,025	68,746
Long-Term Facilities Maintenance (LTFM)	(300,476)	890,439	588,105	1,858	961,203	819,945	143,116
Operating Capital	1,776,588	1,160,081	1,355,437	1,581,232	1,209,757	1,063,967	1,727,022
Total Capital Fund	1,577,345	3,083,370	3,049,305	1,611,410	3,237,411	2,909,937	1,938,884
Operating Fund Total	9,373,767	39,339,983	40,092,928	9,564,569	41,215,661	40,705,303	10,074,927
			Unassigned Fund Balance %		13.6%		
Food Service	396,633	1,302,374	1,446,787	252,220	1,648,740	1,600,811	300,149
Community Education (Non Spendable - Prepaid)	1,305	-	-	4,577			4,577
Community Education	636,930	2,985,321	3,321,684	300,567	3,146,305	3,291,809	155,063
Early Childhood/Family Education	138,428	-	-	82,017	-	-	82,017
Learning Readiness	124,331	-	-	73,733	-	-	73,733
Community Service Total	900,994	2,985,321	3,321,684	460,894	3,146,305	3,291,809	315,390
Restricted for Building Construction	1,128,160	29,826	807,838	350,148	5,000	653,183	(298,035)
Restricted for LTFM	-	-	-	-	-	-	-
Building Construction Total	1,128,160	29,826	807,838	350,148	5,000	653,183	(298,035)
Debt Service	772,205	7,393,903	7,444,737	721,371	6,035,458	5,988,788	768,041
OPEB Debt Service	95,371	363,369	371,657	87,083	366,892	370,083	83,892
Bond Refunding	-	-	-	-	-	-	-
Debt Service Total	867,576	7,757,272	7,816,394	808,454	6,402,350	6,358,871	851,933
Dental	108,441	287,265	229,265	166,441	291,000	275,000	182,441
Medical	(72,895)	4,016,080	3,209,648	733,537	4,350,000	3,950,000	1,133,537
Internal Service Total	35,546	4,303,345	3,438,913	899,978	4,641,000	4,225,000	1,315,978
Trust & Agency Total	705,578	-	-	-	-	-	-
OPEB Trust Total	4,087,103	118,116	128,505	4,076,714	50,000	366,395	3,760,319
GRAND TOTAL - ALL FUNDS	17,495,357	55,836,237	57,053,049	15,679,440	57,109,056	57,201,372	15,187,124

2020-21 Revenue by Fund

\$57,107,079

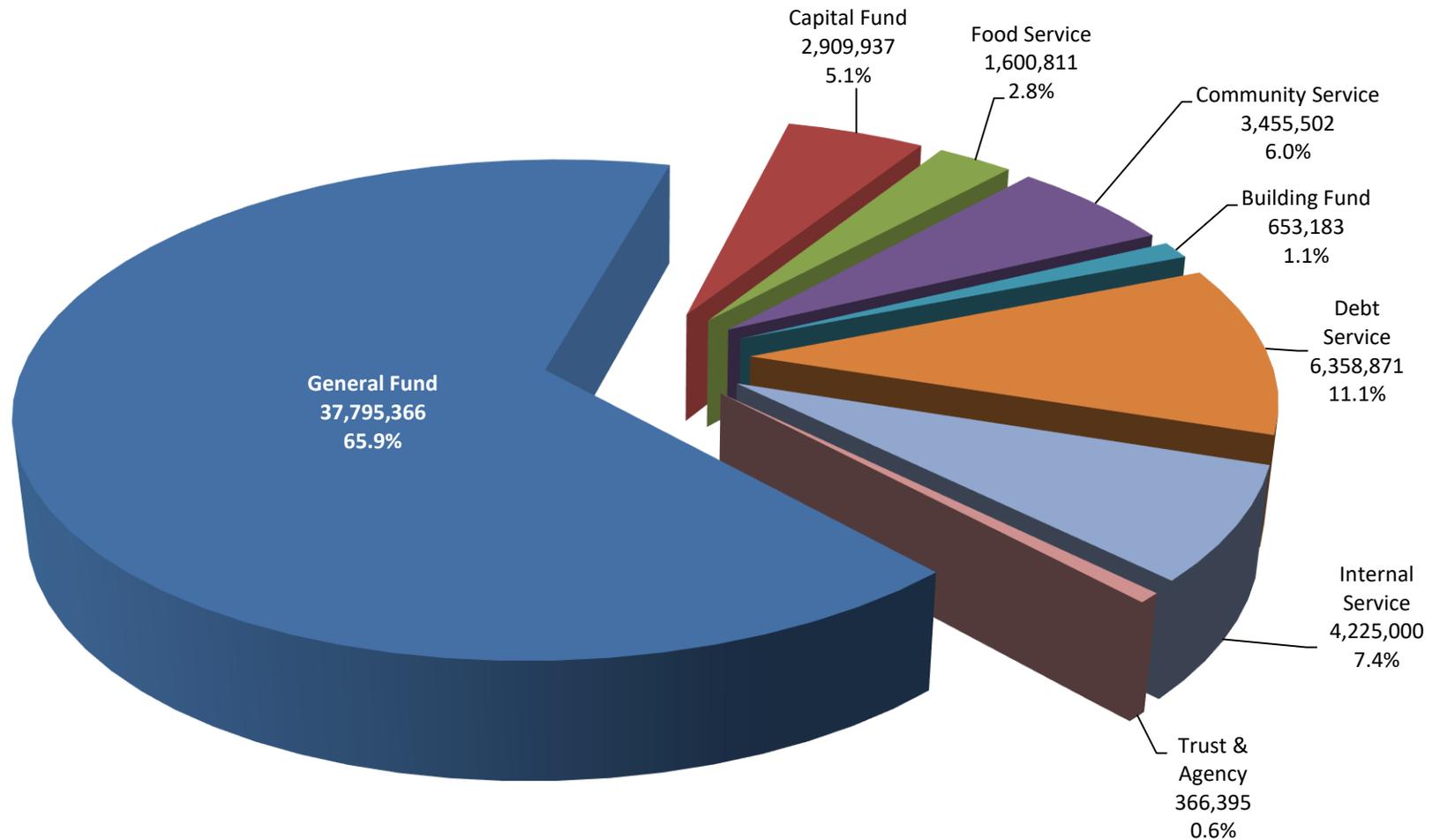
2020-21 Revenue Budget - All Funds



2020-21 Expenditures by Fund

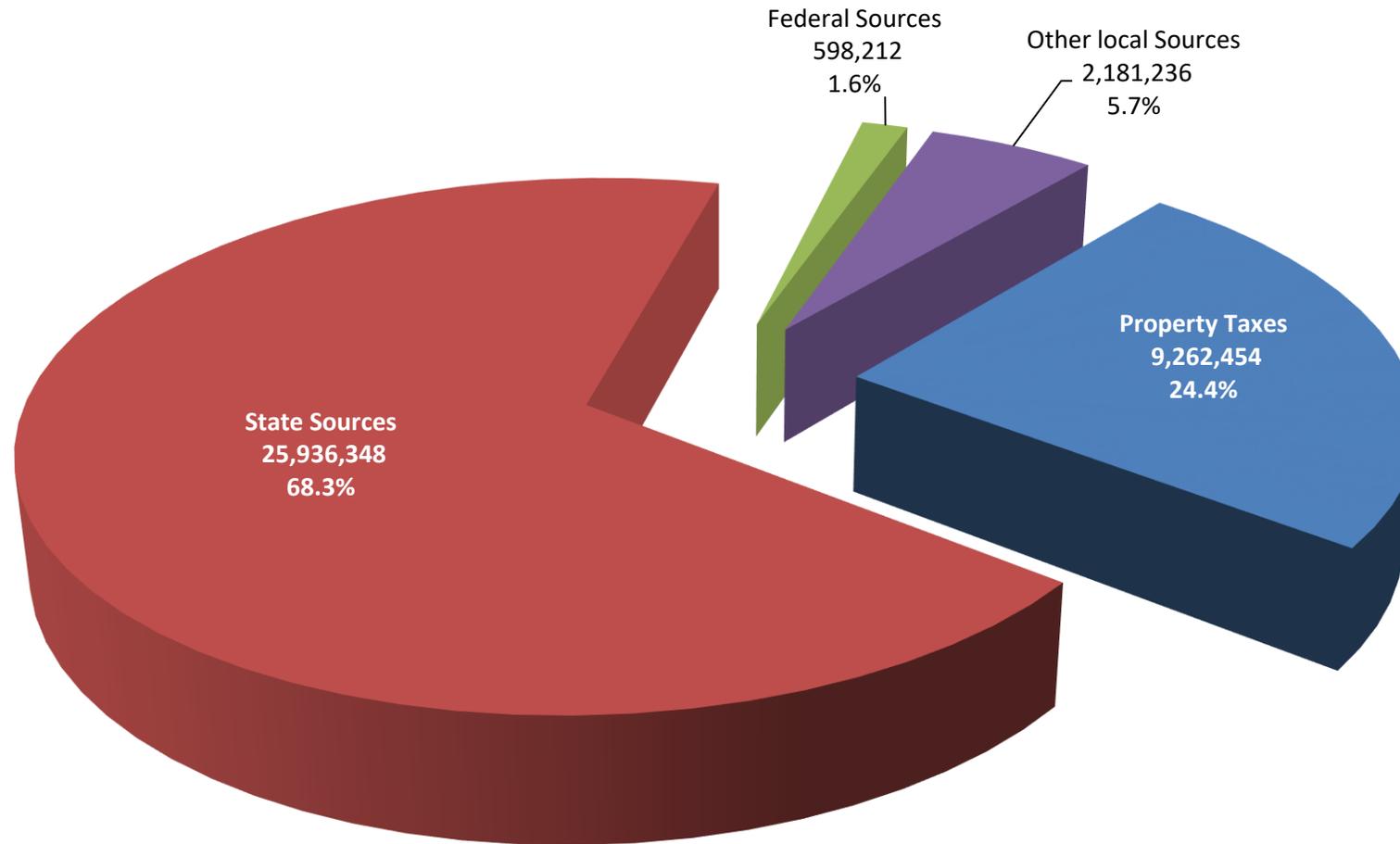
\$57,365,065

2020-21 Expenditure Budget - All Funds



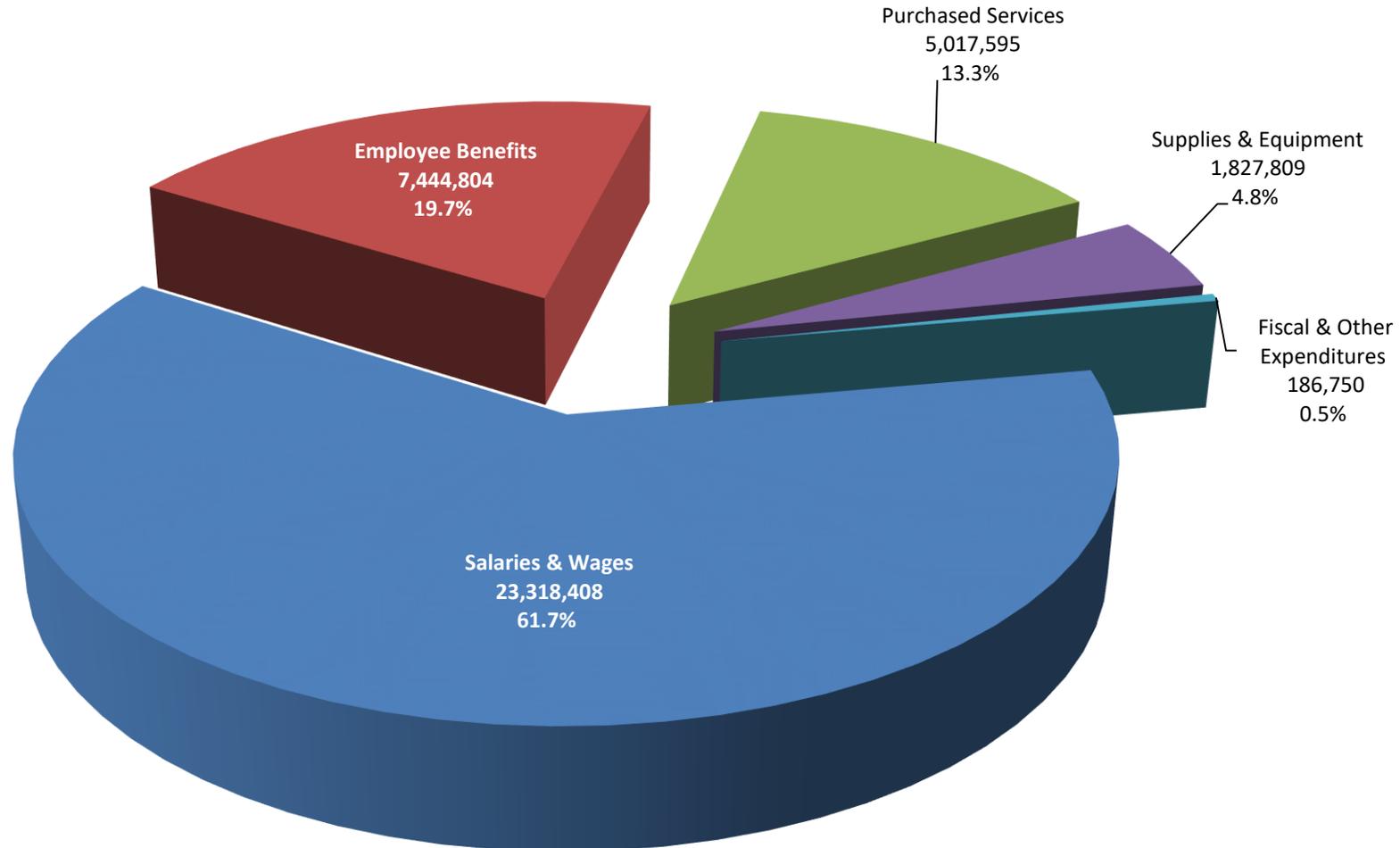
2020-21 Revenues by Source

General Fund \$37,978,250



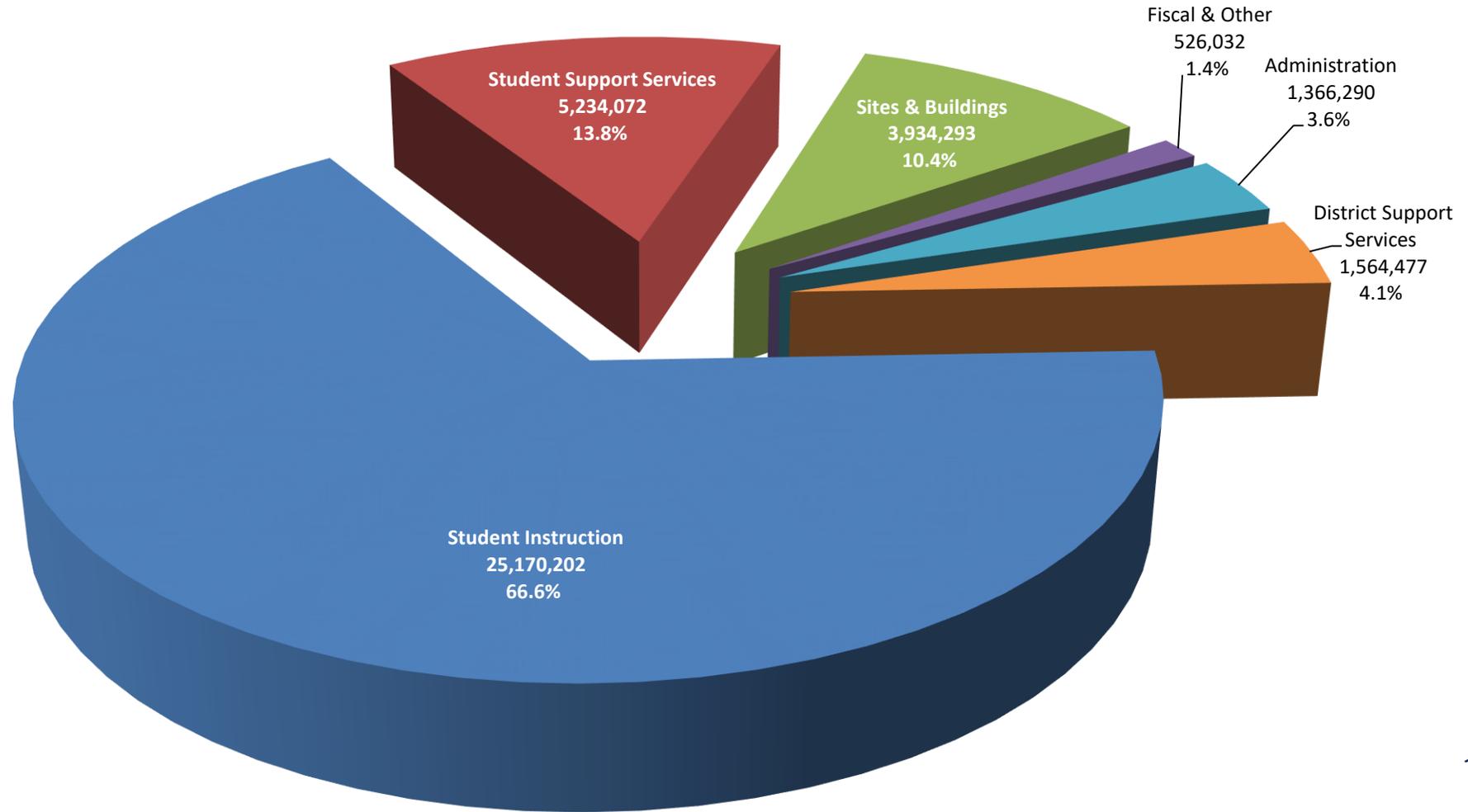
2020-21 Expenditures by Object Area

General Fund \$37,795,366



2020-21 Expenditures by Program Area

General Fund \$37,795,366



Payable 2021 Property Tax Levy

- Determination of levy
- Comparison of 2019 to 2020 levies
- Specific reasons for changes in tax levy
- Impact on taxpayers



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, and distributes funds back to other taxing jurisdictions

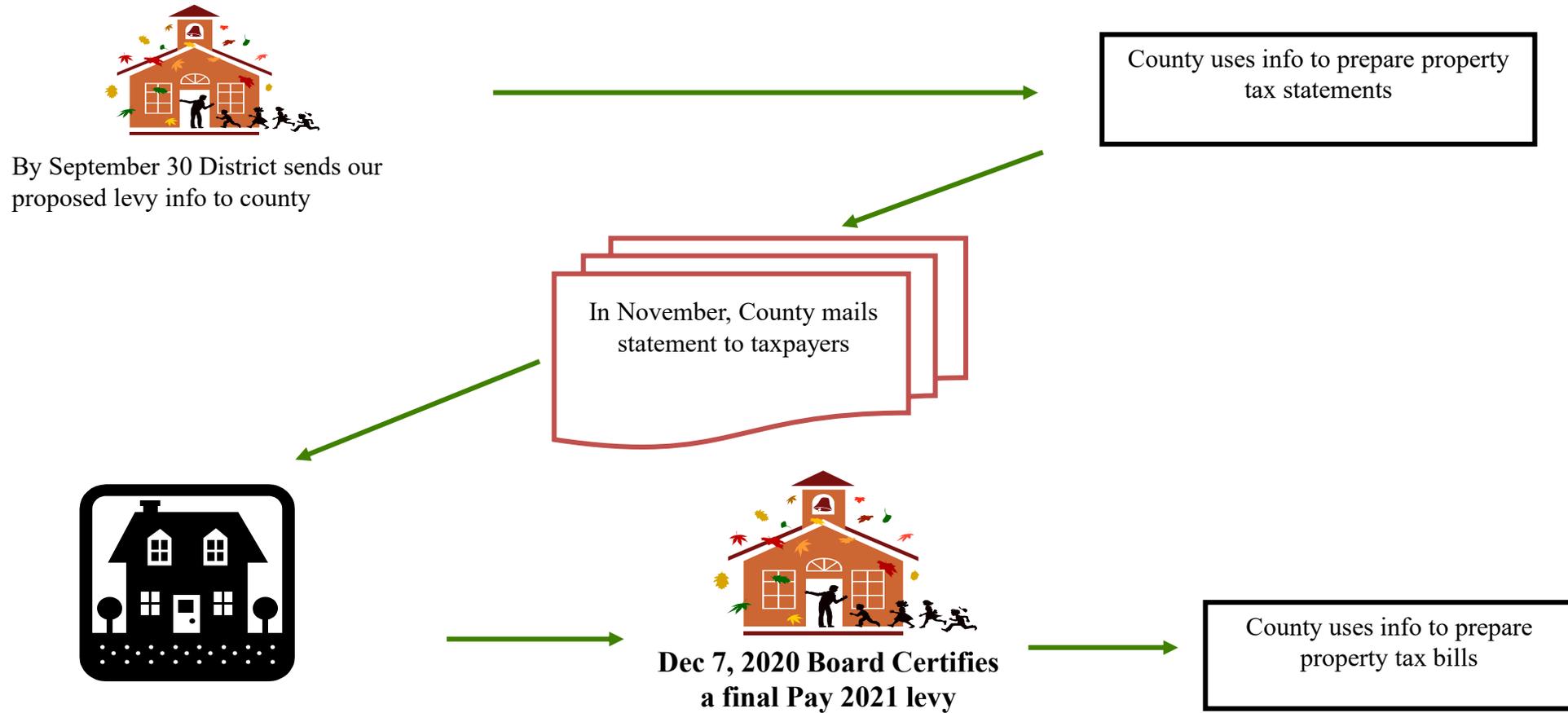


School District Property Taxes

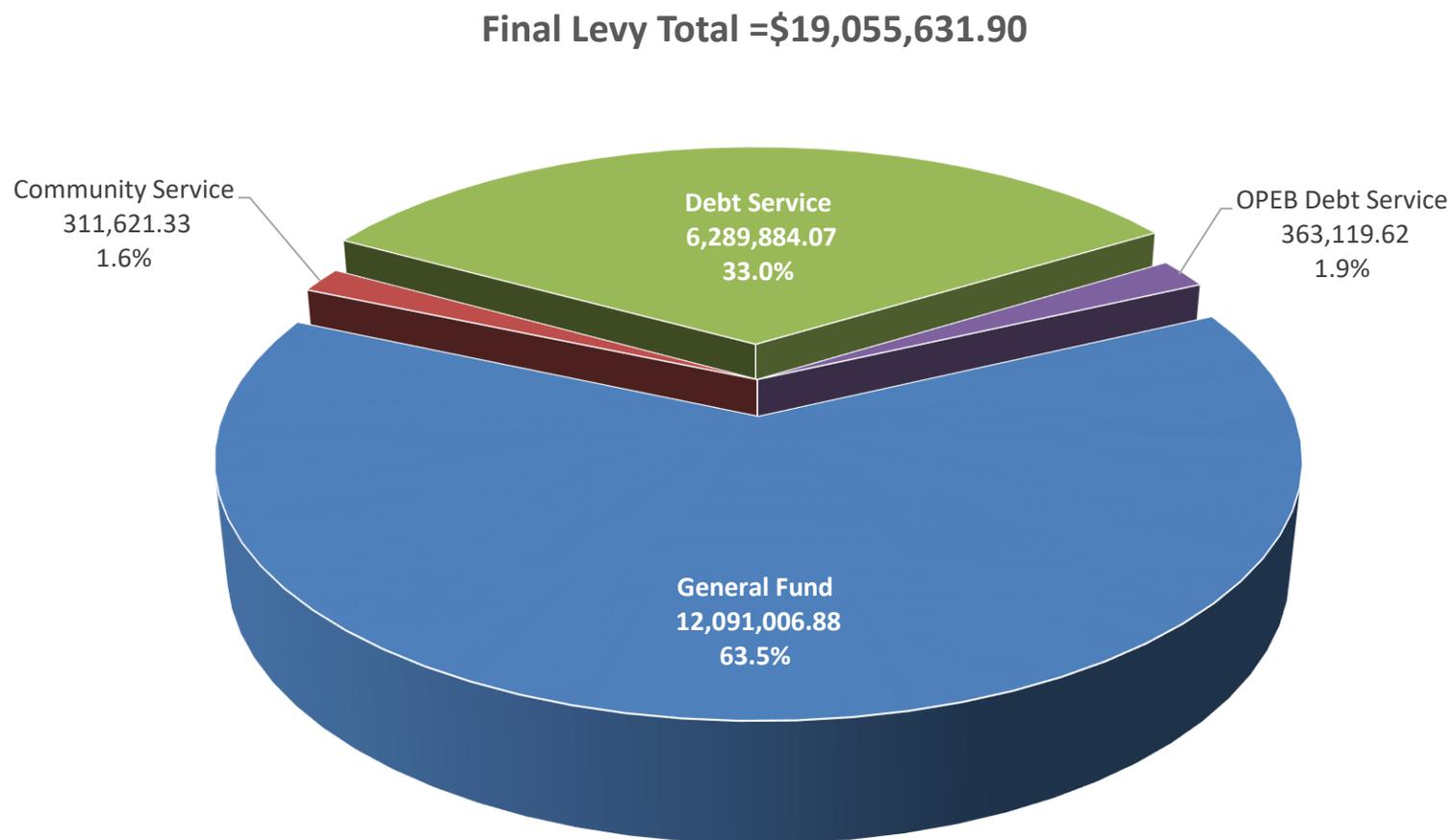
- **Each school district may levy taxes in over 40 different categories**
- **“Levy limits” (maximum levy amounts) for each category are set by**
 - **State law**
 - **Voter approval**
- **Minnesota Department of Education (MDE) calculates detailed levy limits for each district**



Property Taxes – Key Steps in the Process



2020 Payable 2021 Property Tax Levy



Property taxes are 33% of Total Budget



Explanation of Levy Changes

Category: Operating Referendum, Local Optional & Equity Revenue

Change: \$140,594.05

Use of Funds: General Operating Expenses

Reason for Change:

- All of these revenues are based on the number of students in the District, which was estimated to increase by 37 pupil units (prior to Covid) for fiscal year 2021-22
- No change in authorized levy per pupil for voter and Board approved amounts
- All of these revenues are also partially funded by the State through equalization aid. The district's total valuation increased, resulting in a reduction in aid from the State, and an offsetting increase in local levy.



Explanation of Levy Changes

<u>Category:</u>	Unemployment Levy
<u>Change:</u>	\$188,000
<u>Use of Funds:</u>	Unemployment Claims Payment
<u>Reason for Change:</u>	

- Due to the Covid pandemic, the District will see a dramatic increase in unemployment claims
- All claims are secondary, meaning the District did not lay off any staff during the pandemic. Claims come for former employees who were laid off by their most recent employer, but their 18 month pay history still includes some of their employment with the District.



Explanation of Levy Changes

<u>Category:</u>	General Fund Adjustments
<u>Change:</u>	(\$327,218)
<u>Use of Funds:</u>	General Operating Expenses
<u>Reason for Change:</u>	

- Initial levies are best estimates with prior year adjustments calculated by the state for up to three years
 - In 2020, the levy adjustments in the general fund were \$146,217 positive
 - In 2021, the levy adjustments in the general fund were \$181,001 negative
 - The net result is a reduction from year to year of (\$327,218)
- Made up of a combination of 11 prior year levy adjustments and abatement levies



Explanation of Levy Changes

Category: Debt Service

Change: \$290,345

Use of Funds: Payments of principal & interest of voter approved bonds

Reason for Change:

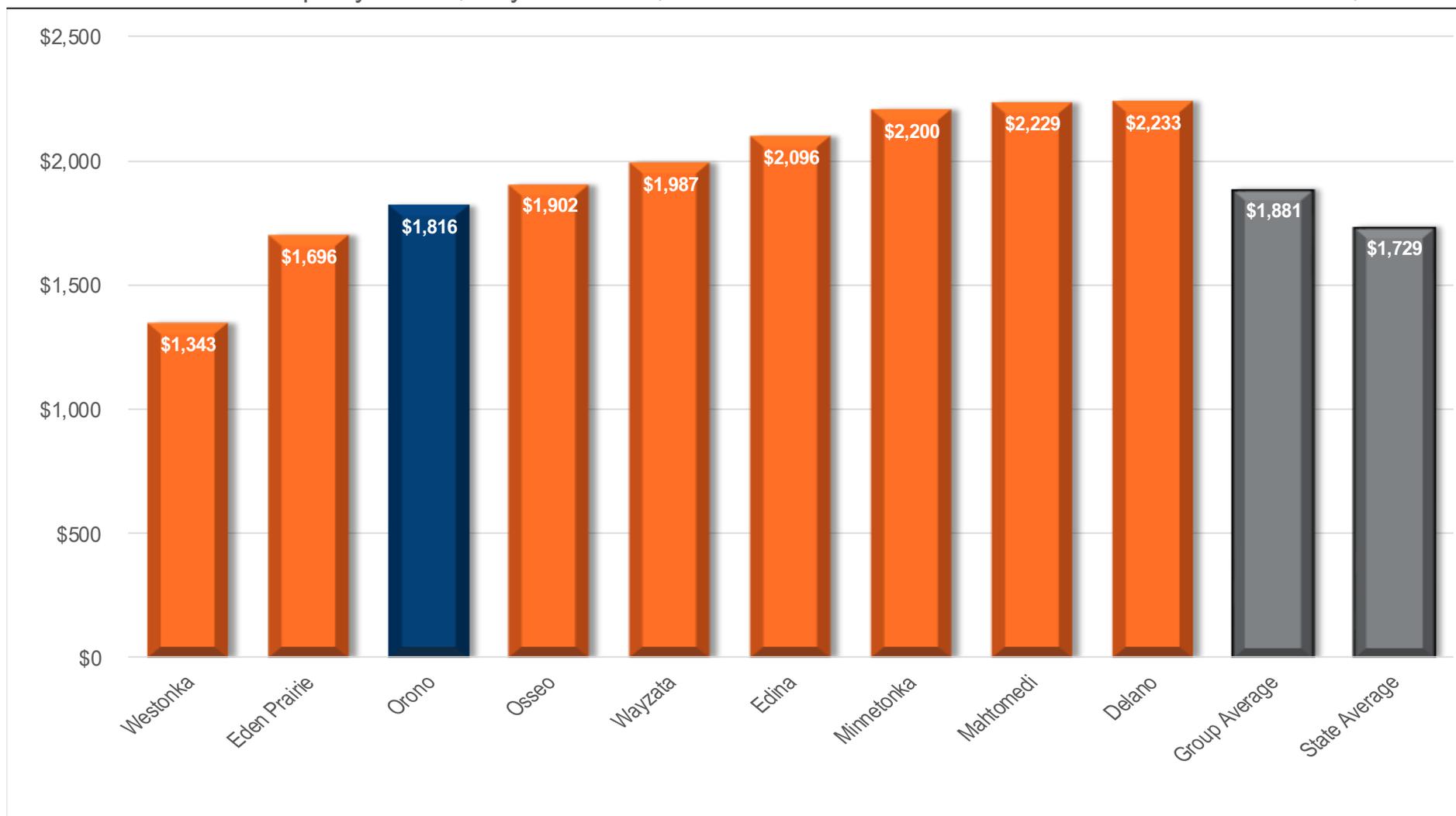
- Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
- Since delinquencies are generally less than 5%, most districts gradually build up fund balances in debt service funds
- Formulas in state law determine adjustments to tax levy for debt excess balances
- Debt Excess levy reduction for 2021 is \$290,345 less than 2020, resulting in a levy increase



Levy Comparison

Orono School District

Total School Property Taxes, Payable 2020, on a Home with an Estimated Market Value of \$400,000



Source: Pay 20 School Tax Report



Tax Credit Options for Homeowners

Minnesota Homestead Credit Refund “Circuit Breaker”

- Has existed since 1970s
- Available each year to owners of homestead property (applies to taxes paid on house, garage and one acre for ag homestead property)
- Annual income must be approximately \$113,150 or less (income limit is higher if you have dependents)
- Sliding scale - refund based on income and total property taxes
- Maximum refund for homeowners is \$2,770
- Also available to renters
- Complete state tax form M-1PR (www.revenue.state.mn.us)

Minnesota Special Property Tax Refund

- Available each year to owners of homestead properties with a gross tax increase of at least 12% and \$100 over prior year
- Helpful in first year after referendum
- Refund is 60% of amount by which tax increase exceeds greater of 12% or \$100, up to a maximum of \$1,000
- No income limits
- Complete state tax form M-1PR (www.revenue.state.mn.us)



Tax Credit Options for Homeowners

Senior Citizen Property Tax Deferral

- Allows people age 65 and older with household income of \$60,000 or less to defer a portion of property taxes on their home
- You have lived in, owned your home, and had it homesteaded for the last 15 years
- Limits maximum amount of property tax paid to 3% of household income
- Additional taxes are deferred, not forgiven
- Provides predictability; amount of tax you pay will not change for as long as you participate in the program
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies



2021 Property Tax Levy Summary

Category	Proposed Levy (September)	Final Levy (December)	Difference	% of Budget
General Fund	12,091,006.88	12,091,006.88	-	29.7%
Community Service	311,621.33	311,621.33	-	9.0%
Debt Service	6,289,884.07	6,289,884.07	-	100.0%
OPEB Debt Service	363,119.62	363,119.62	-	100.0%
TOTAL	19,055,631.90	19,055,631.90	-	



Public Comment



LEVY APPROVAL

The District recommends the Board of Education:

- Approve the 2020 Pay 2021 Levy in the amount of **\$19,055,631.90**
- Direct the Board Clerk to certify the levy in the amount listed above to the Hennepin County Auditor

