



# 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 24<sup>th</sup> & December 30<sup>th</sup>
- 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
<b>Orono Schools</b>	75.6%	78.9%	75.6%	76.7%
<b>State Public School Average</b>	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
<b>Orono Schools</b>	99.1%	24.7	24.5	25.1	24.8	25.0
<b>State Average</b>	83.8%	20.0	21.3	21.4	21.5	21.2
<b>National Average</b>	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)

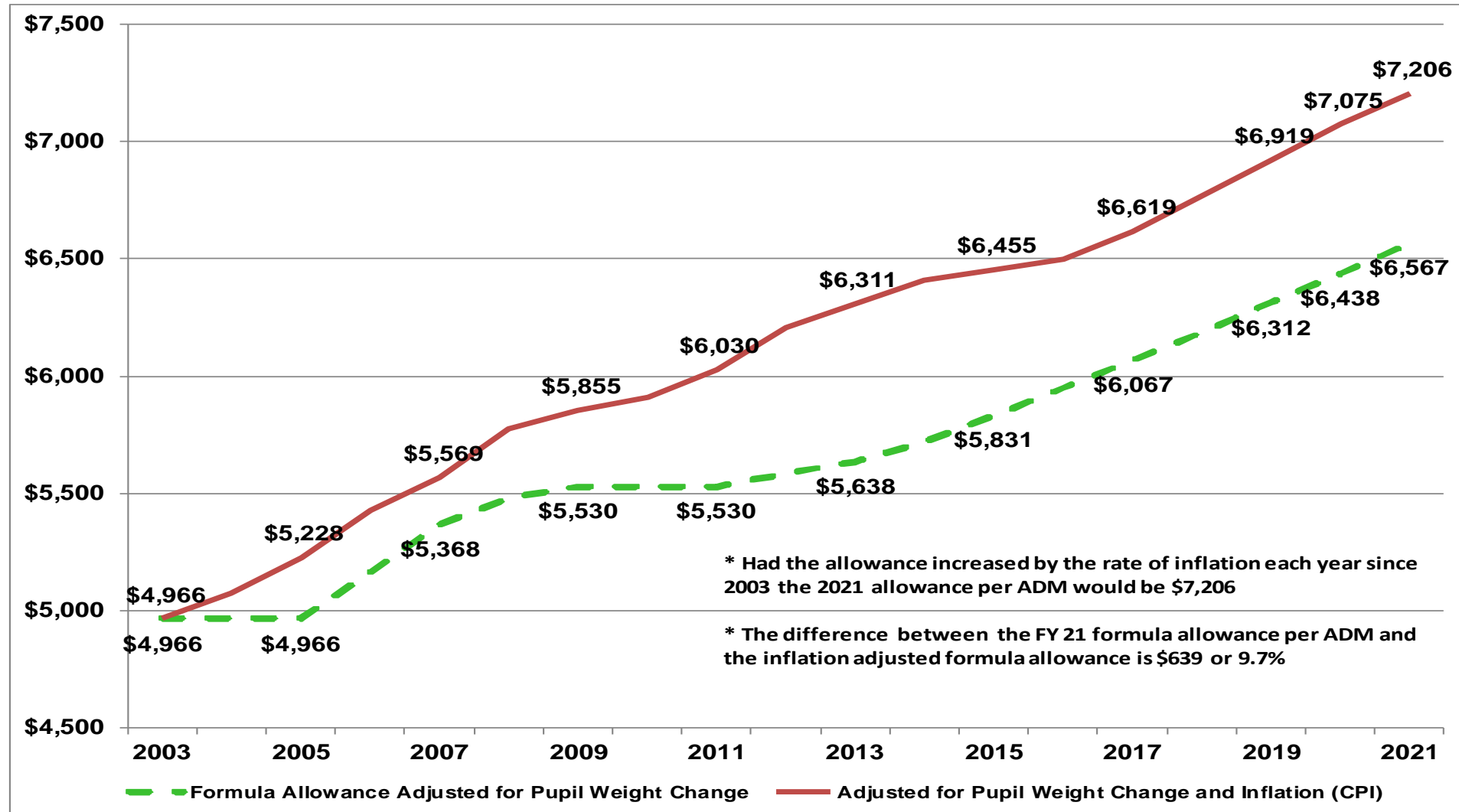
State also authorizes school board to submit referendums for operating and capital needs to voters for approval





# 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

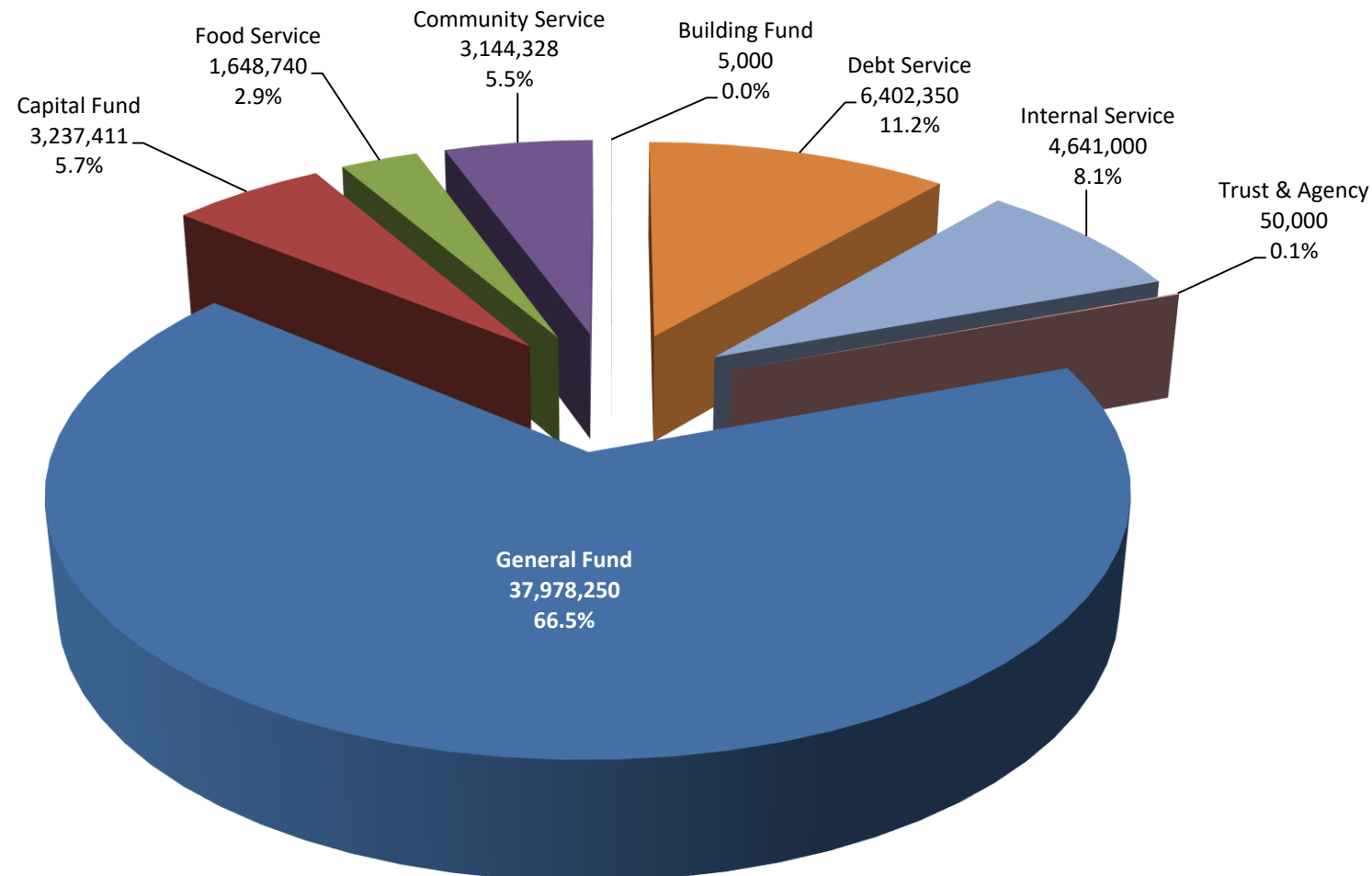
COMBINED STATEMENT OF OPERATING AND NON-OPERATING FUNDS  
JULY 1, 2019 - JUNE 30, 2021

<u>Fund Description</u>	<u>Audit Balance 6/30/19</u>	<u>2019-20 Final Revenue</u>	<u>2019-20 Final Expense</u>	<u>Audit Balance 6/30/20</u>	<u>2020-21 Proposed Revenue</u>	<u>2020-21 Proposed Expense</u>	<u>Preliminary Balance 6/30/21</u>
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
<b>Total General Fund</b>	<b>7,796,422</b>	<b>36,256,613</b>	<b>37,043,623</b>	<b>7,953,159</b>	<b>37,978,250</b>	<b>37,795,366</b>	<b>8,136,043</b>
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
<b>Total Capital Fund</b>	<b>1,577,345</b>	<b>3,083,370</b>	<b>3,049,305</b>	<b>1,611,410</b>	<b>3,237,411</b>	<b>2,909,937</b>	<b>1,938,884</b>
<b>Operating Fund Total</b>	<b>9,373,767</b>	<b>39,339,983</b>	<b>40,092,928</b>	<b>9,564,569</b>	<b>41,215,661</b>	<b>40,705,303</b>	<b>10,074,927</b>
Unassigned Fund Balance %				13.6%			
<b>Food Service</b>	<b>396,633</b>	<b>1,302,374</b>	<b>1,446,787</b>	<b>252,220</b>	<b>1,648,740</b>	<b>1,600,811</b>	<b>300,149</b>
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
<b>Community Service Total</b>	<b>900,994</b>	<b>2,985,321</b>	<b>3,321,684</b>	<b>460,894</b>	<b>3,146,305</b>	<b>3,291,809</b>	<b>315,390</b>
Restricted for Building Construction	1,128,160	29,826	807,838	350,148	5,000	653,183	(298,035)
Restricted for LTFM	-	-	-	-	-	-	-
<b>Building Construction Total</b>	<b>1,128,160</b>	<b>29,826</b>	<b>807,838</b>	<b>350,148</b>	<b>5,000</b>	<b>653,183</b>	<b>(298,035)</b>
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	-	-	-	-	-	-	-
<b>Debt Service Total</b>	<b>867,576</b>	<b>7,757,272</b>	<b>7,816,394</b>	<b>808,454</b>	<b>6,402,350</b>	<b>6,358,871</b>	<b>851,933</b>
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
<b>Internal Service Total</b>	<b>35,546</b>	<b>4,303,345</b>	<b>3,438,913</b>	<b>899,978</b>	<b>4,641,000</b>	<b>4,225,000</b>	<b>1,315,978</b>
<b>Trust &amp; Agency Total</b>	<b>705,578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPEB Trust Total</b>	<b>4,087,103</b>	<b>118,116</b>	<b>128,505</b>	<b>4,076,714</b>	<b>50,000</b>	<b>366,395</b>	<b>3,760,319</b>
<b>GRAND TOTAL - ALL FUNDS</b>	<b>17,495,357</b>	<b>55,836,237</b>	<b>57,053,049</b>	<b>15,679,440</b>	<b>57,109,056</b>	<b>57,201,372</b>	<b>15,187,124</b>

# 2020-21 Revenue by Fund

**\$57,107,079**

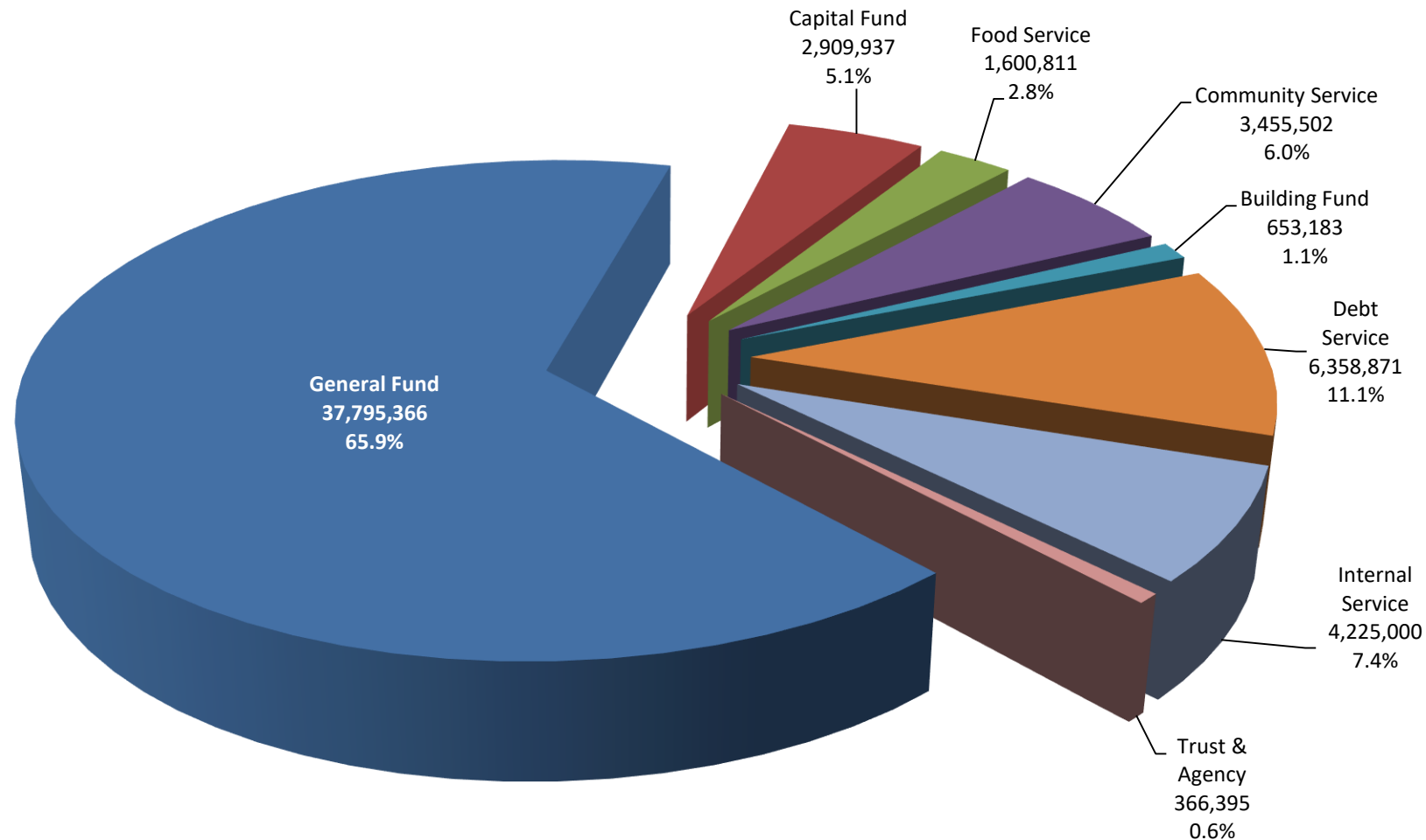
## 2020-21 Revenue Budget - All Funds



# 2020-21 Expenditures by Fund

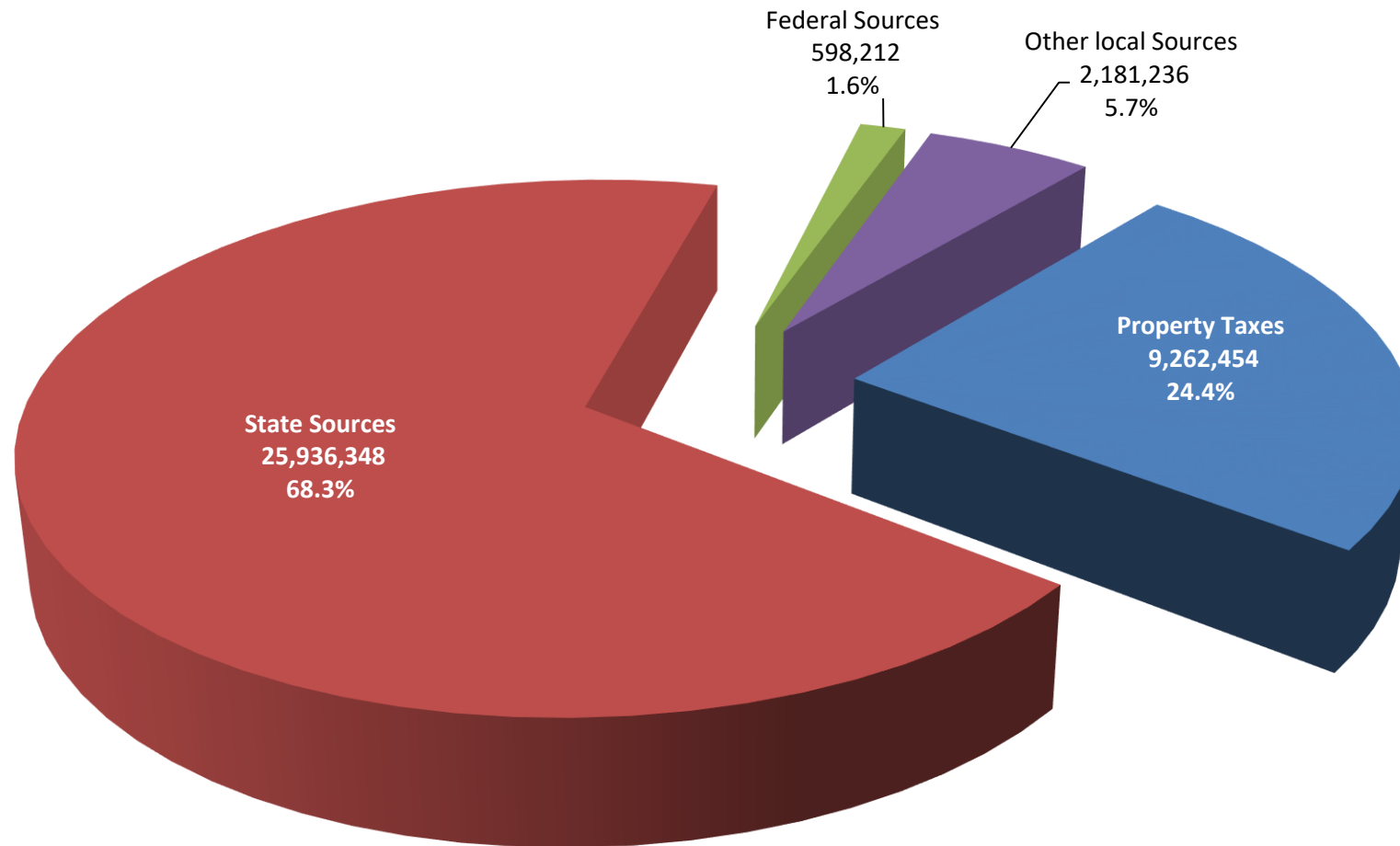
**\$57,365,065**

## 2020-21 Expenditure Budget - All Funds



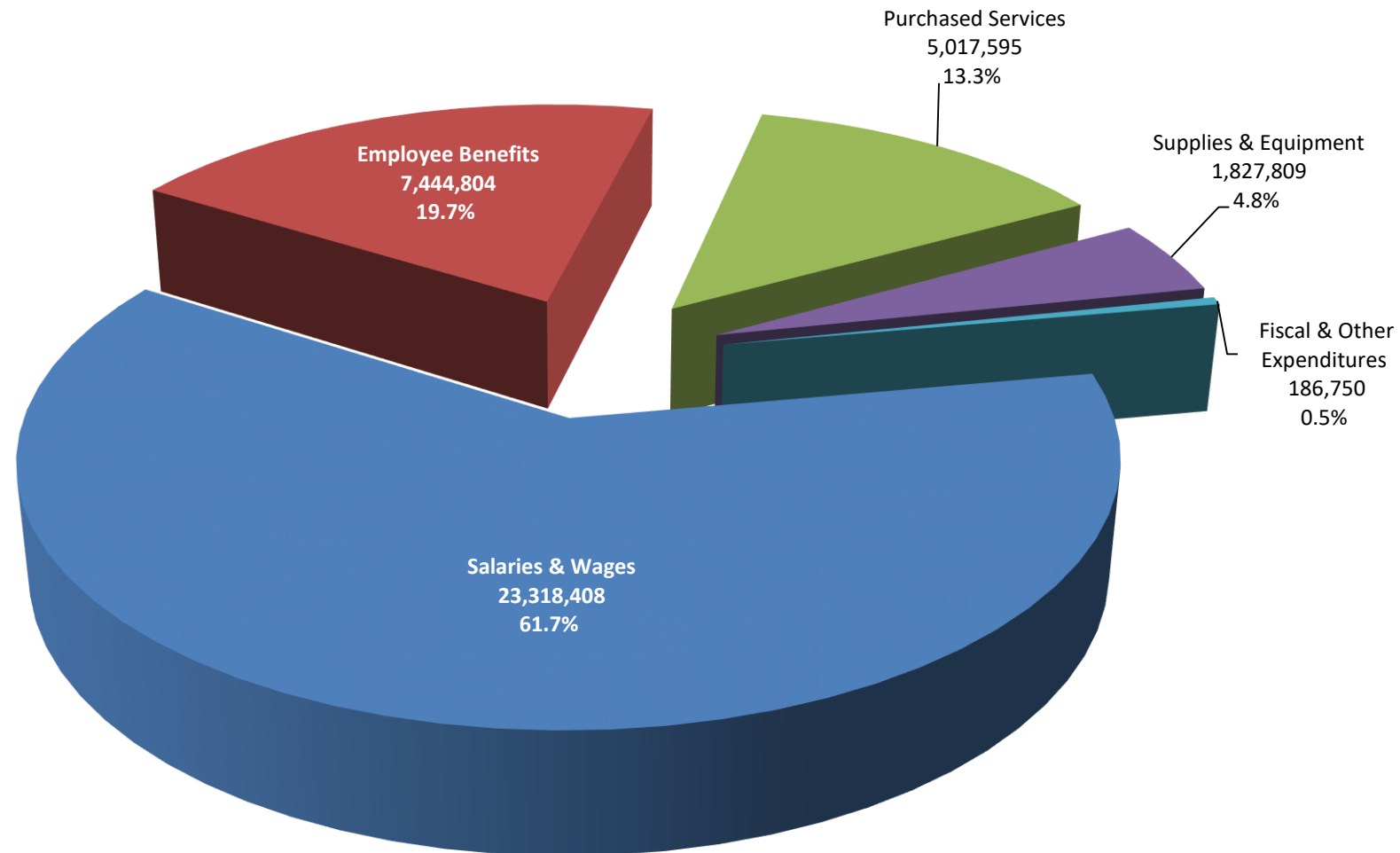
# 2020-21 Revenues by Source

**General Fund \$37,978,250**



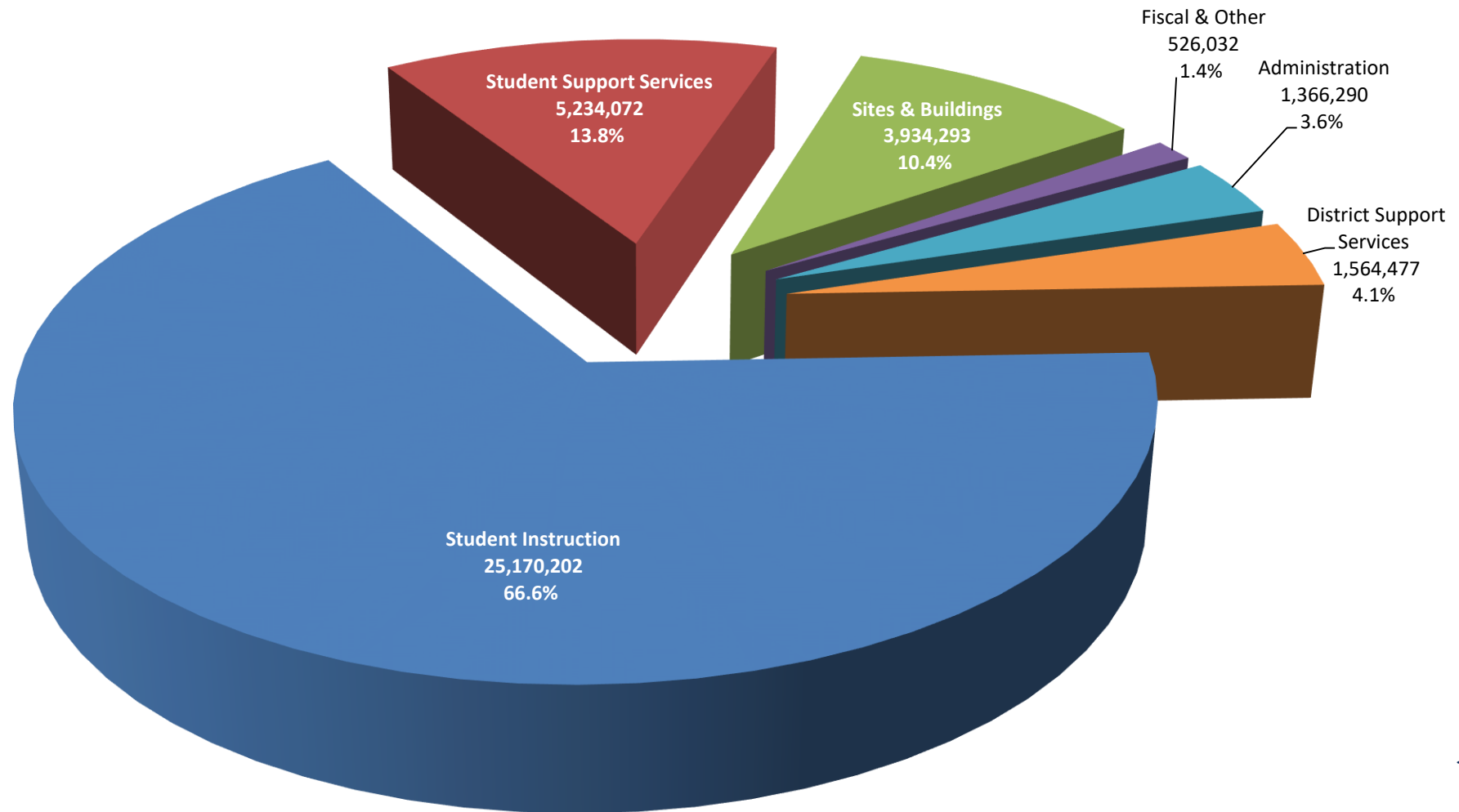
# 2020-21 Expenditures by Object Area

**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

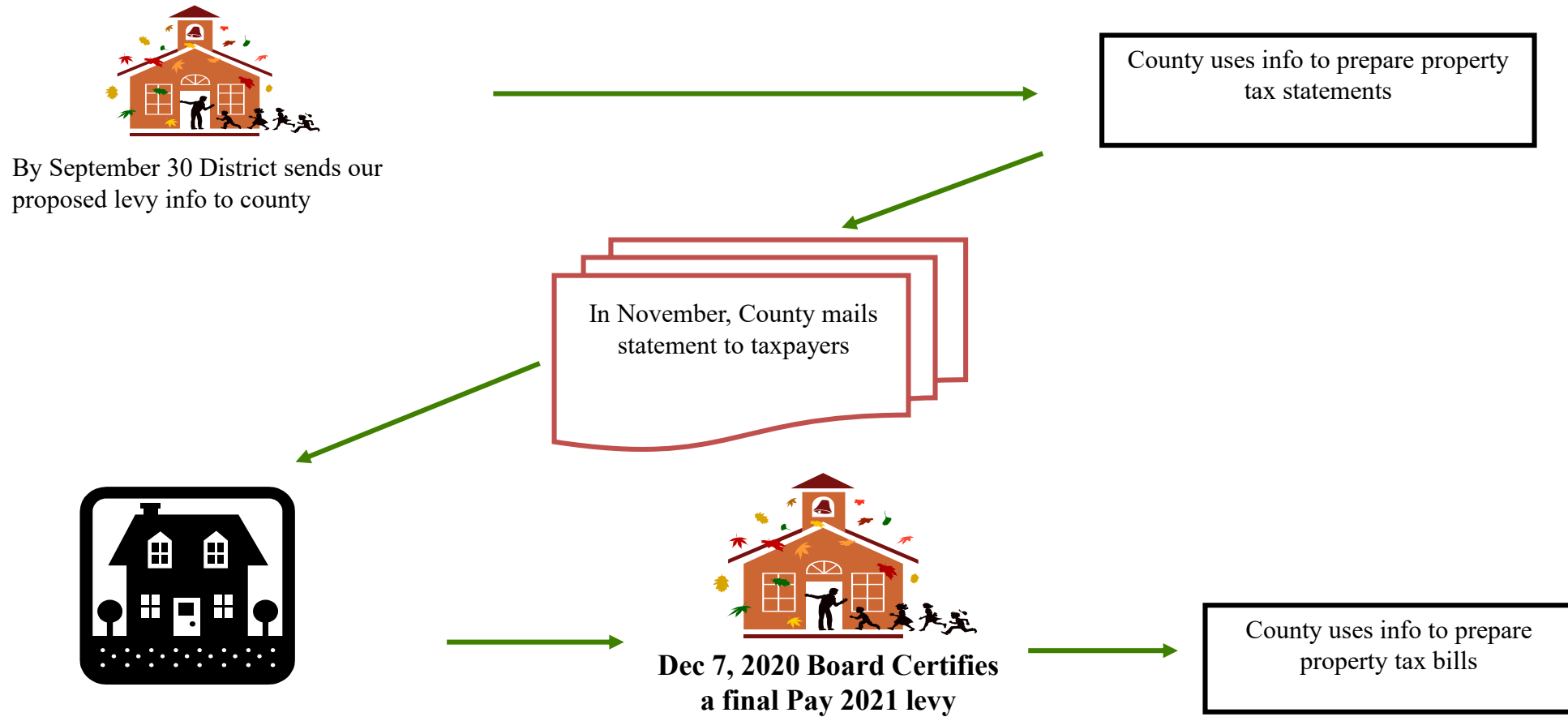


# School District Property Taxes

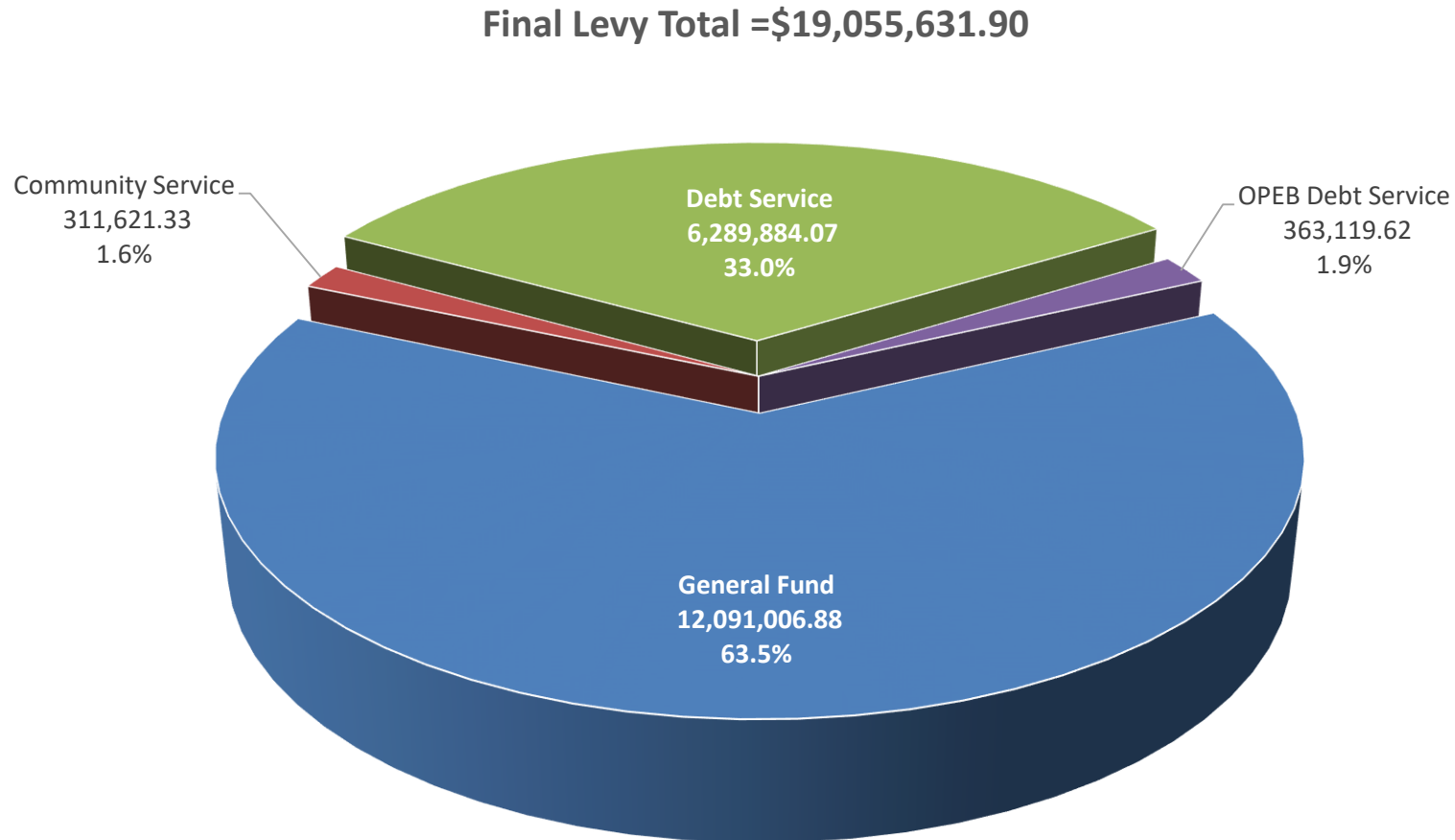
- **Each school district may levy taxes in over 40 different categories**
- **“Levy limits” (maximum levy amounts) for each category are set by**
  - **State law**
  - **Voter approval**
- **Minnesota Department of Education (MDE) calculates detailed levy limits for each district**



# 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

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

- 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

**Category:** General Fund Adjustments

**Change:** (\$327,218)

**Use of Funds:** General Operating Expenses

**Reason for Change:**

- 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:**

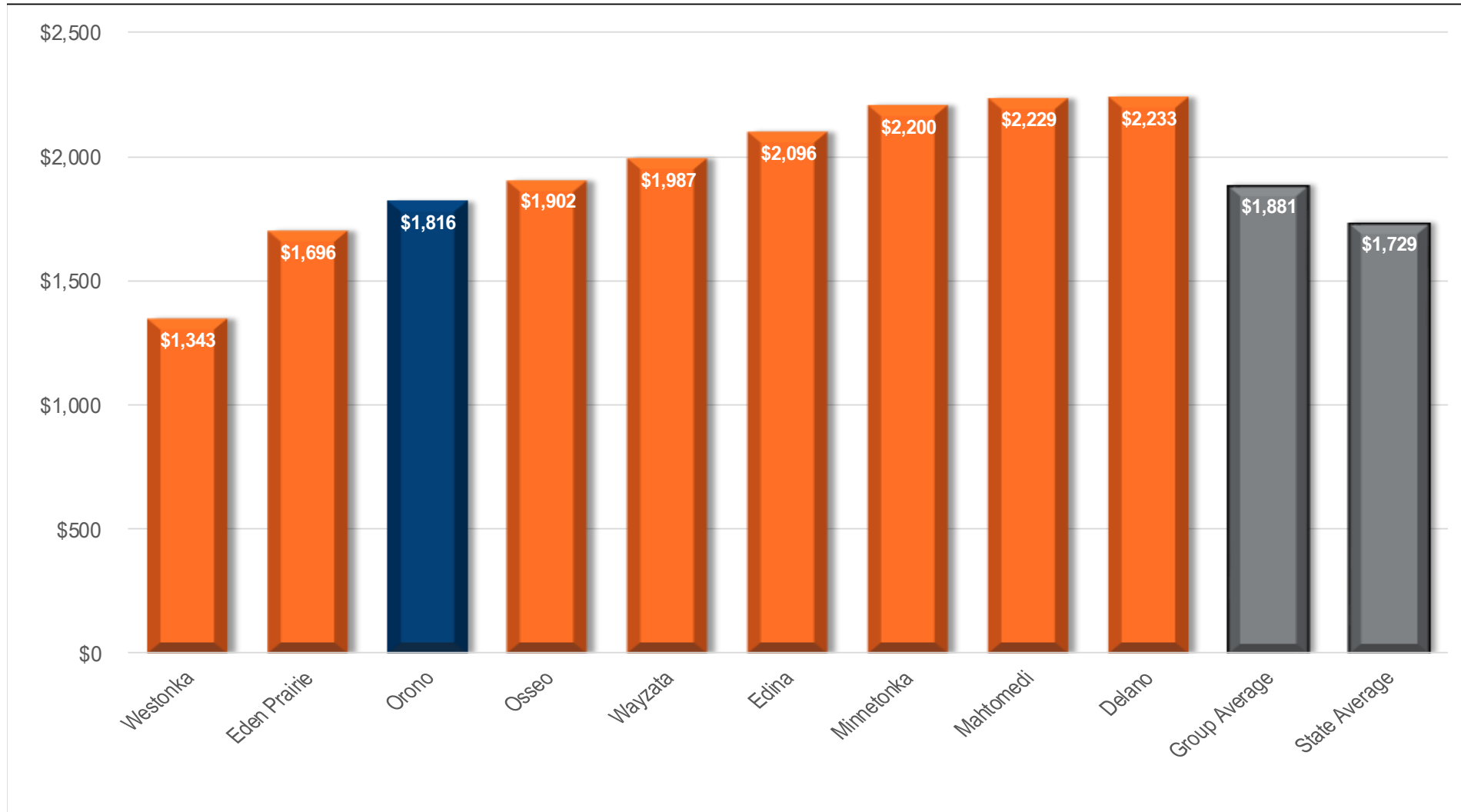
- Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
- Since delinquencies are generally less than 5%, most districts gradually build up fund balances in debt service funds
- Formulas in state law determine adjustments to tax levy for debt 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](http://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](http://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
<b>General Fund</b>	12,091,006.88	12,091,006.88	-	29.7%
<b>Community Service</b>	311,621.33	311,621.33	-	9.0%
<b>Debt Service</b>	6,289,884.07	6,289,884.07	-	100.0%
<b>OPEB Debt Service</b>	363,119.62	363,119.62	-	100.0%
<b>TOTAL</b>	<b>19,055,631.90</b>	<b>19,055,631.90</b>	<b>-</b>	



# 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

