

**PUBLIC HEARING**  
**2019-20 Budget**  
**& Proposed 2020**  
**Property Taxes**

**NRHEG Public School District**

*December 16, 2019*

*6:00 pm*

*Secondary School Media Center*

*Resources provided by*



# Truth in Taxation Public Meeting Agenda

1. Provide and discuss information on the current budget (2019-2020)
2. Discuss proposed property tax levy for taxes 2019 payable 2020



# **NRHEG School District Budget**

**Current School Year  
2019-2020**



# 2019-20 Fund Accounting Overview

## GENERAL FUND (Fund 01)

- Revenue is based on student enrollment
- The local referendum levy is part of the General Fund
- Provides for classroom instruction, instructional supplies and equipment, and other educational activities
- Special Education, and State / Federal Mandated Programs
- Extra-curricular Activities
- Pupil Transportation
- Facilities Operation and Maintenance
- Capital Expenditures and Improvements
- Health and Safety Code Compliance

# 2019-20 Fund Accounting Overview *(cont.)*

## **FOOD SERVICE (Fund 02)**

- School Breakfast and Lunch Program

## **COMMUNITY SERVICE (Fund 04)**

- Community Education Levy is based on adult population in the District
- Early childhood levy is based on the number of children under 5 years of age
- Provides for enrichment programs for any age level that are not part of the K-12 education program
- Early Childhood Family Education
- School Readiness

# 2019-20 Fund Accounting Overview *(cont.)*

## **DEBT SERVICE (Fund 07)**

- Based on annual debt retirement schedules for the district's outstanding bonded indebtedness. Annual levy is for the payment of principal and interest on bonds as due. Current debt is a result of the non-voter approved alternative facilities and the capital facilities bonds plus the new payment for the secondary remodel project.

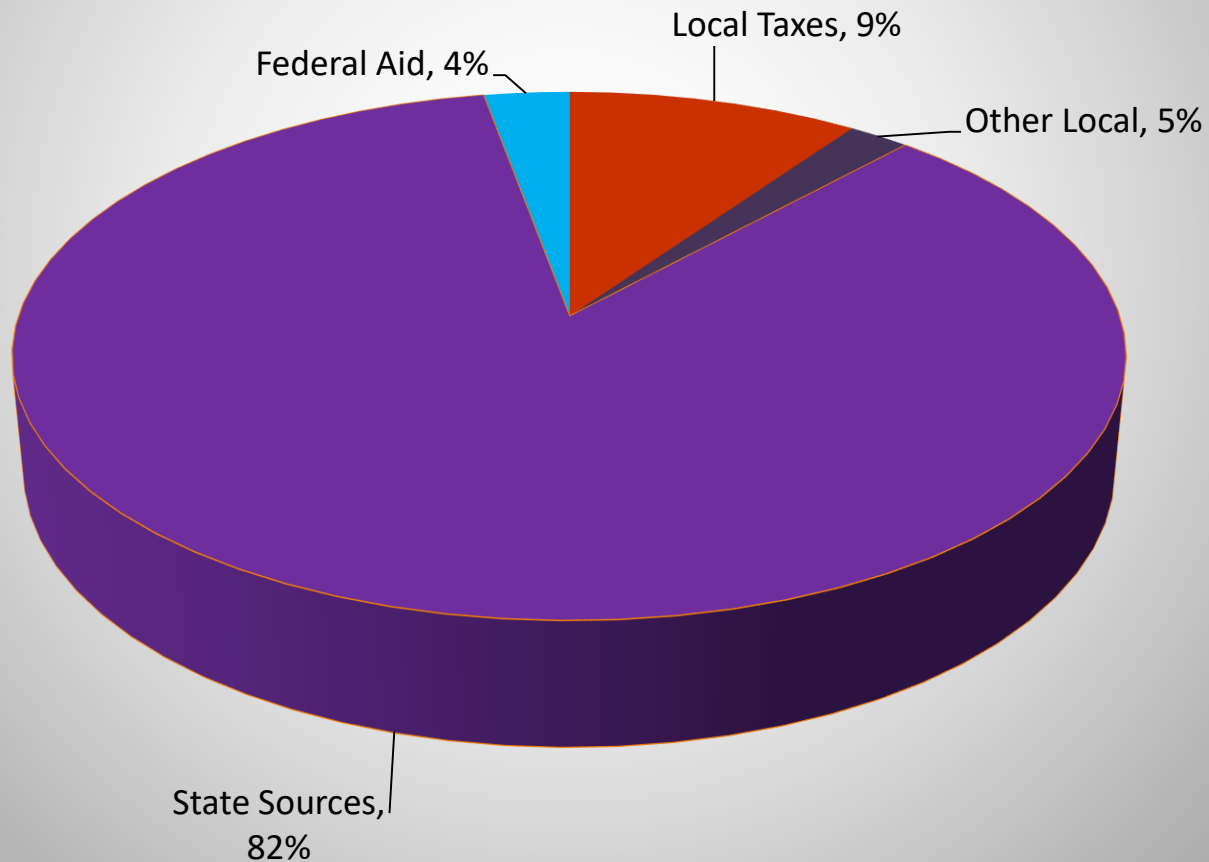
# 2019-2020 BUDGET OVERVIEW REVENUES

Revised 11-18-19

	18-19 Actual	19-20 Budget	Percent Change
General Fund	10,183,725	9,766,601	-4.1%
Food Service	485,198	505,100	4.1%
Community Service	246,971	232,288	-5.95%
Debt Service	344,833	325,187	-5.70%
Totals	<u>\$11,260,727</u>	<u>\$10,829,176</u>	<u>-3.83%</u>

# General Fund Revenue Budget

*Where Did Our School Revenues Come From in FY19?*





# Comparison of FY20 Operating Revenue

## N.R.H.E.G.

### Group Comparison of FY20 Operating Revenue

Dist #	District Name	Local Optional Revenue (LOR)	Combined Authority Including Board Created	Total Pay 2020
2168	N.R.H.E.G.	424	300	724
756	Blooming Prairie	424	596	1,020
761	Owatonna	424	763	1,187
829	Waseca	424	300	724
2835	Janesville-Waldorf-Pemberton	424	1,611	2,035
2134	United South Central	424	1,449	1,873
2135	Maple River	424	568	992
242	Alden-Conger	424	506	930
241	Albert Lea	424	846	1,270
2143	Waterville-Elysian-Morristown	424	1,427	1,851
	State Average	411	840	1,251
	Group Average	424	837	1,261

Source: MDE > Districts, Schools and Educators > School Finance > General Education > Referendum > Referendum Phaseout Details Through Calendar Year 2018 Elections, Output/ppts tab

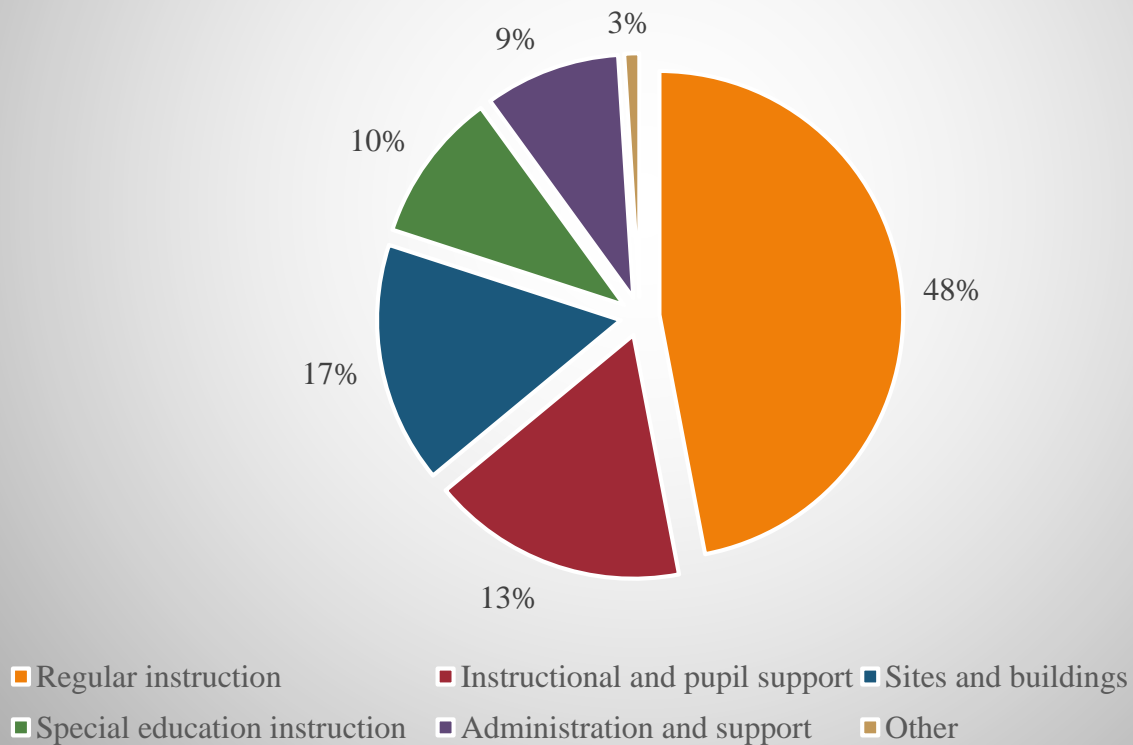
# 2019-2020 BUDGET OVERVIEW EXPENDITURES

Revised 11-18-19

	18-19 <u>Actual</u>	19-20 <u>Budget</u>	Percent <u>Change</u>
General Fund	10,129,369	9,841,514	-2.84%
Food Service	482,742	488,676	1.23%
Community Service	239,899	235,484	1.84%
Debt Service	<u>367,795</u>	<u>372,045</u>	<u>1.16%</u>
Totals	<u>\$11,219,805</u>	<u>\$10,937,719</u>	<u>-2.51%</u>

# General Fund Expenditure Budget

## What Did Our Expenditures Pay For in FY19?



# 2019-2020 Budget (Revised 11-18-19)

<u>Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Difference</u>
General	\$9,766,601	\$9,841,514	(\$74,913)
Food Service	\$505,100	\$488,676	\$16,424
Community Education	\$232,288	\$235,484	(\$3,196)
Debt Service	\$325,187	\$372,045	(\$46,858)
Scholarship Trust	\$600	\$3,000	(\$2,400)
Student Activity	<u>\$71,300</u>	<u>\$71,300</u>	<u>\$0</u>
Totals	\$10,901,076	\$11,012,019	(\$110,943)

# **NRHEG**

## **School District Proposed Tax Levy**

**2019 Payable 2020**



# FACTORS AFFECTING TAXES

- Big Picture
- Three Changes in State Law for Pay '20
- School District Factors Affecting Pay '20
- Putting it All Together and Questions



# Big Picture



## THE BIG PICTURE

# LEGISLATURE & GOVERNOR

- Establishes overall tax policy for state
- Sole authority to create school levy options
- Controls school levy parameters, including:
  - Amount of state aid
  - Tax bases used for levies





# THE BIG PICTURE

# SCHOOL BOARDS

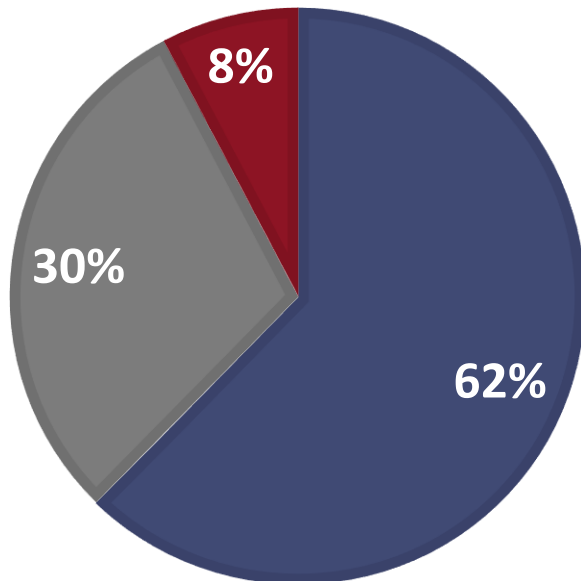
- Participate in state education programs for district's children
  - Financed entirely by levies
  - Or combination of levy and state aid
- Ask voters to approve referendums for general operations and major capital projects



# STATE AID IMPACT

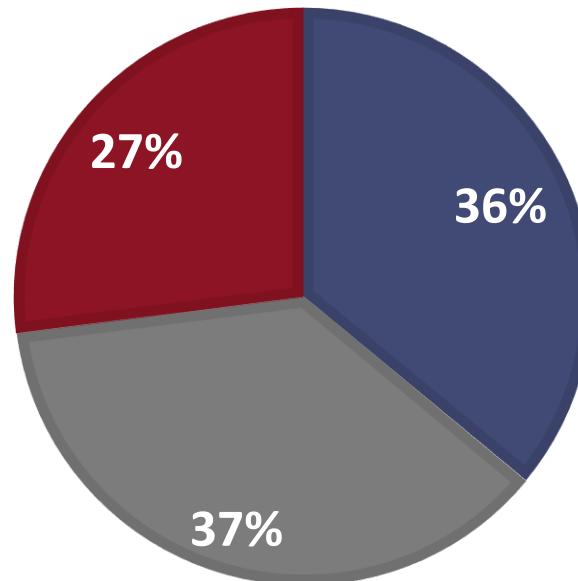
## WHO COLLECTS

- State
- Non-Local School
- School District



## WHO SPENDS

- State
- Non-Local School
- School District



(Data source, MN Department of Management and Budget, 2017)

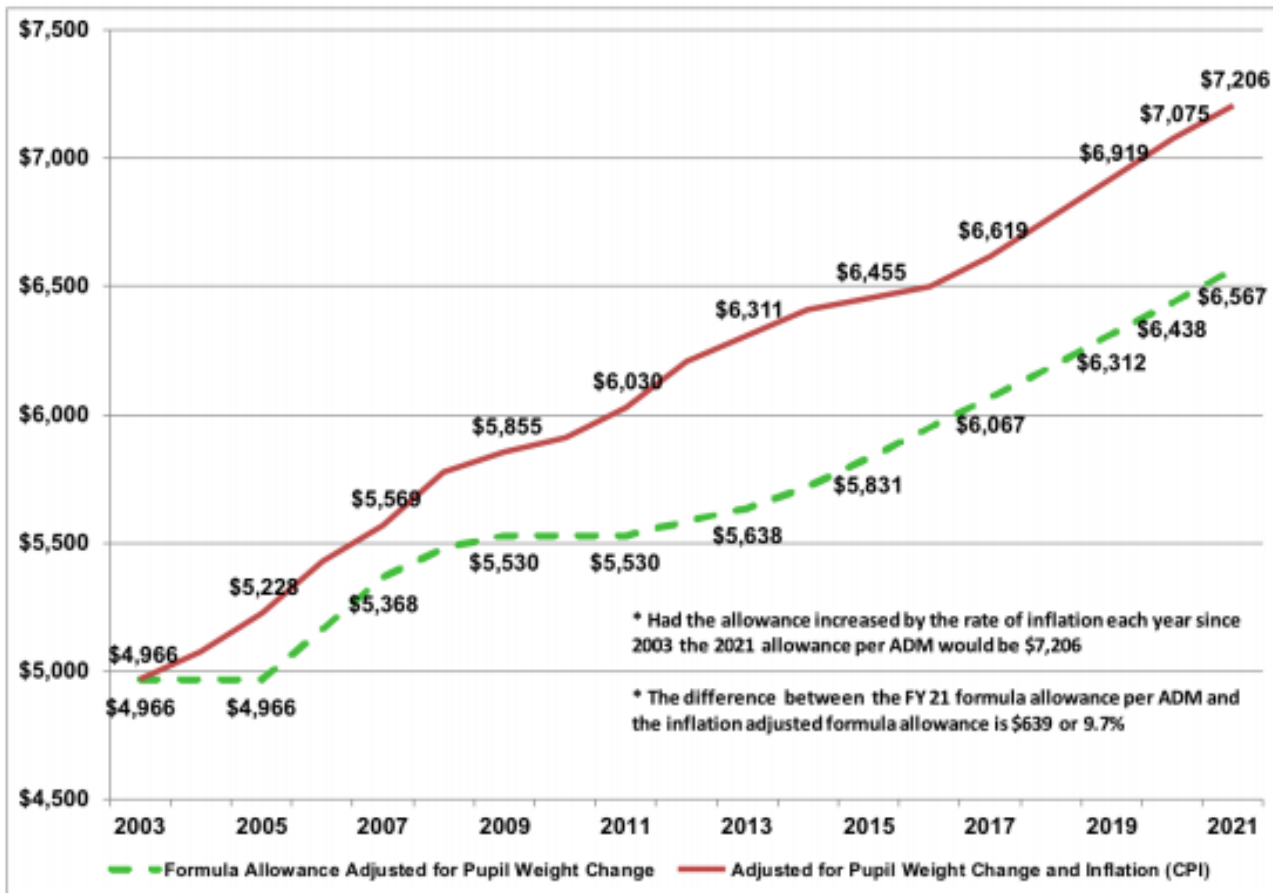


# BASIC EDUCATION FORMULA

- Supreme Court in 1993 upheld right to “general and uniform system of education”
- Led state to provide basic school funding:
  - 100% of basic education formula
  - Using equalization factors for various property tax-supported formulas to provide basic education regardless of wealth
- Since started in 2003, state funding for schools has not kept up with inflation.



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



Source: MDE August 2019 Inflation Estimates



Association of Metropolitan School Districts

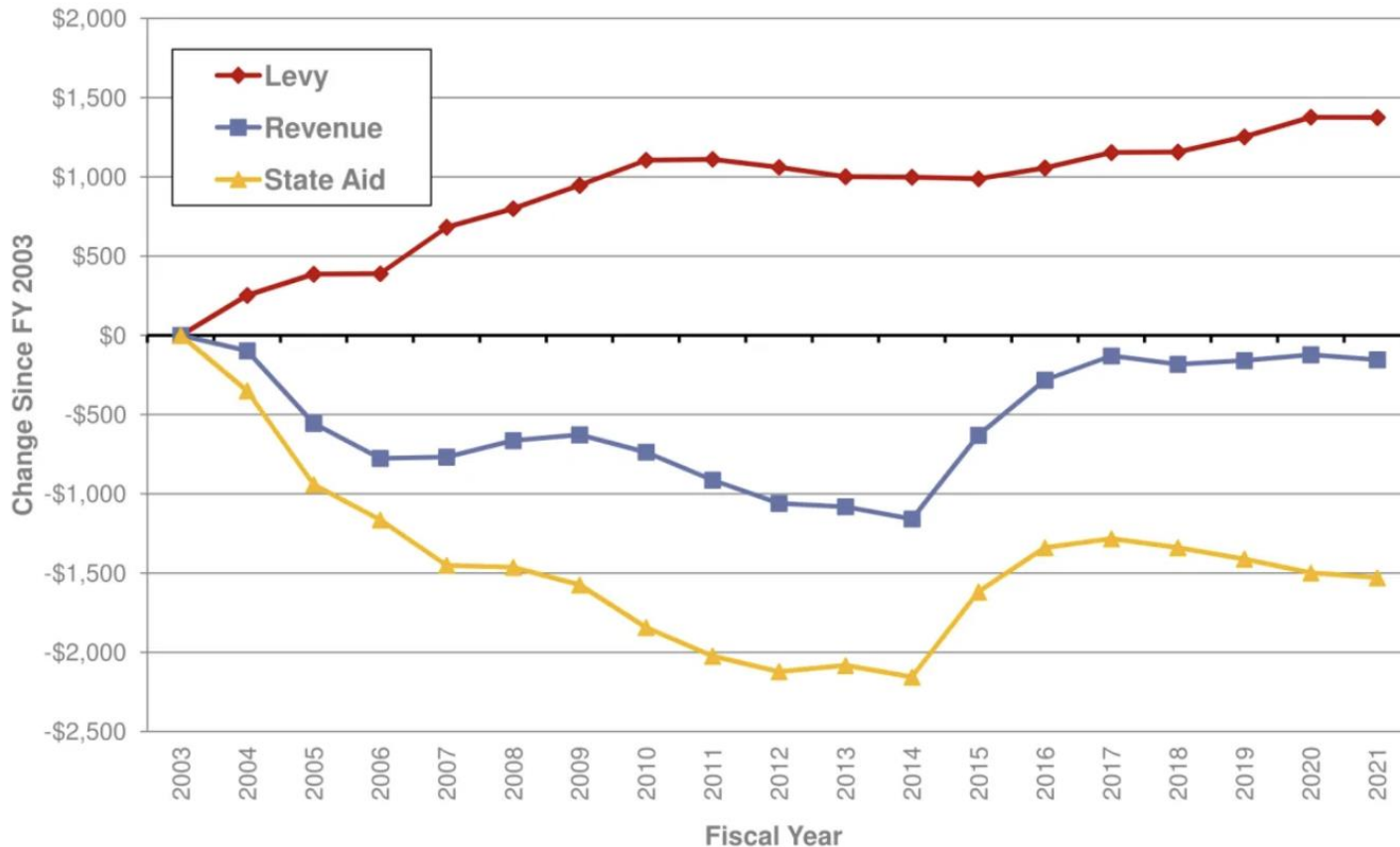


Funding trails inflation by **\$639 per pupil** since 2003, **\$568 million annually**.



# Statewide Aid, Levies, Revenue

Constant FY 2020 Dollars Per Pupil



(Analysis by MREA, 2019, Data from MDE)

[mreavoices.org](http://mreavoices.org)

**Local Operating Referendum increases  
replace decline in formula buying power.**

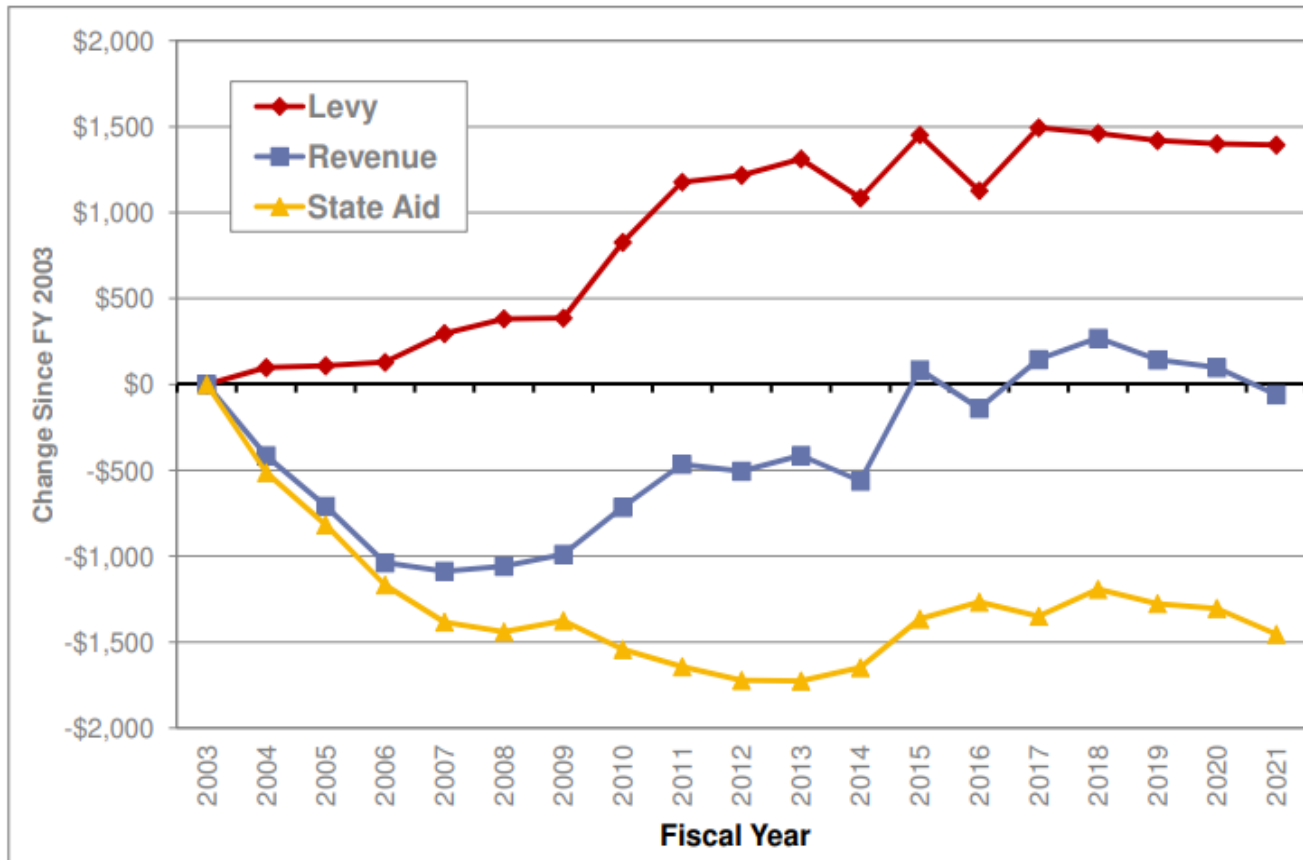


# NRHEG'S FUNDING HISTORY

## NRHEG School District

Statewide Aid, Levies, Revenue

Constant FY 2020 Dollars Per Pupil



# 3 STATE LAW CHANGES

## Impact Property Taxes Pay '20

- Ag2School Bond Credit increased to 50%
- Simplifying Categories and Tax Language
- Increase in State Share of Operating Referendum Equalization



# AG2SCHOOL BOND CREDIT

- Permanent law enacted in 2017
- Affects all existing Fund 7 debt levies, except OPEB bonds
- Reductions for farmers and timber owners
- Scheduled to scale to 70% in 2023
- The revenue for Ag2School comes from state income, sales and other tax revenue





Increase in 2020

# 50% AG BOND CREDIT

Payable Year	Percent Increase	Total Credit Percent
2021	5%	55%
2022	5%	60%
2023	10%	70%

**\$51.8 million state share in school bonds**



# FIND YOUR AG BOND CREDIT

## Truth in Taxation Notice: Upper Right Corner

- Calculated on each parcel statement
- Sum all parcels for total
- Because paid by state, it does not show up on Levy Certification Report

<b>PROPOSED TAXES 2020</b>			
THIS IS NOT A BILL. DO NOT PAY.			
Step	VALUES AND CLASSIFICATION		
	<u>Taxes Payable Year</u>	<u>2019</u>	<u>2020</u>
1	Estimated Market Value	\$125,000	\$150,000
	Homestead Exclusion	\$	\$23,800
	Taxable Market Value	\$125,000	\$126,200
	Class	Res NHmstd	Res Hmstd
Step	<b>PROPOSED TAX</b>		
2	Property Taxes before credits	\$1,479.52	
	School building bond credit	\$ 12.00	
	Agricultural market value credit		
	Other credits		
	Property Taxes after credits		\$1,467.52
Step	PROPERTY TAX STATEMENT		
3	Coming in 2020		



# 50% AG BOND CREDIT IN NRHEG SCHOOL DISTRICT

63% of our Net Tax Capacity is Agricultural Land

Increases in Tax Credits for our Farmers.

<b>Tax Year</b>	<b>Ag2School Percentage</b>	<b>District Total</b>	<b>Per \$500,000</b>
2020	40%	\$72,442	\$39.21
2020	50%	\$90,552	\$32.67
Increase		\$18,110	\$6.54



# SIMPLIFYING CATEGORIES

- Operating Referendum Revenue now 100% Voter Approved
- \$300 Op Ref revenue transferred to LOR beginning in Pay '20, Op Ref Revenue reduced \$300
- Local Optional Revenue now 100% School Board Authorized up to \$724 per pupil
- No tax impacts from the change



# School Factors Affecting Pay '20 Levies



# Main variables that cause property tax increases and decreases?

- Changes in market values, classification or class rates
- Change in property tax credits (*e.g. Ag2School Credit passed in 2017 legislation*)
- Voter and/or non-voter approved referendums
- Increases or decreases in levy amounts caused by changes in state funding formulas

# Main variables that cause property tax increases and decreases (*cont.*)

- The value of your property may increase or decrease
- The value of other properties may increase or decrease and change the share that your property is of the total tax base, whether your property's value changed or not.

# Comparison of Certified Payable 2019 Levy with Proposed Payable 2020 Levy

<b>Gross Levies By Fund</b>	<b>Actual 18 Pay 19</b>	<b>Proposed 19 Pay 20</b>	<b>Dollar Difference</b>	<b>Percent Difference</b>
General	\$935,908.88	\$894,801.70	(\$41,107.18)	-4.39%
Community Service	\$76,989.85	\$90,755.78	\$13,765.93	17.88%
General Debt Service	\$248,304.24	\$707,939.97	\$459,635.73	185.11%
<b>Total</b>	<b>\$1,261,202.97</b>	<b>\$1,693,497.45</b>	<b>\$432,294.48</b>	<b>34.28%</b>



# How will your 2020 school taxes be spent?

Percent

## **General Fund**

**53%**

Provides additional funding for district instructional programs by means of the approved excess referendum. Provides funds for operating capital expenses, building/land lease, and Health & Safety costs:

## **Community Education Fund**

**5%**

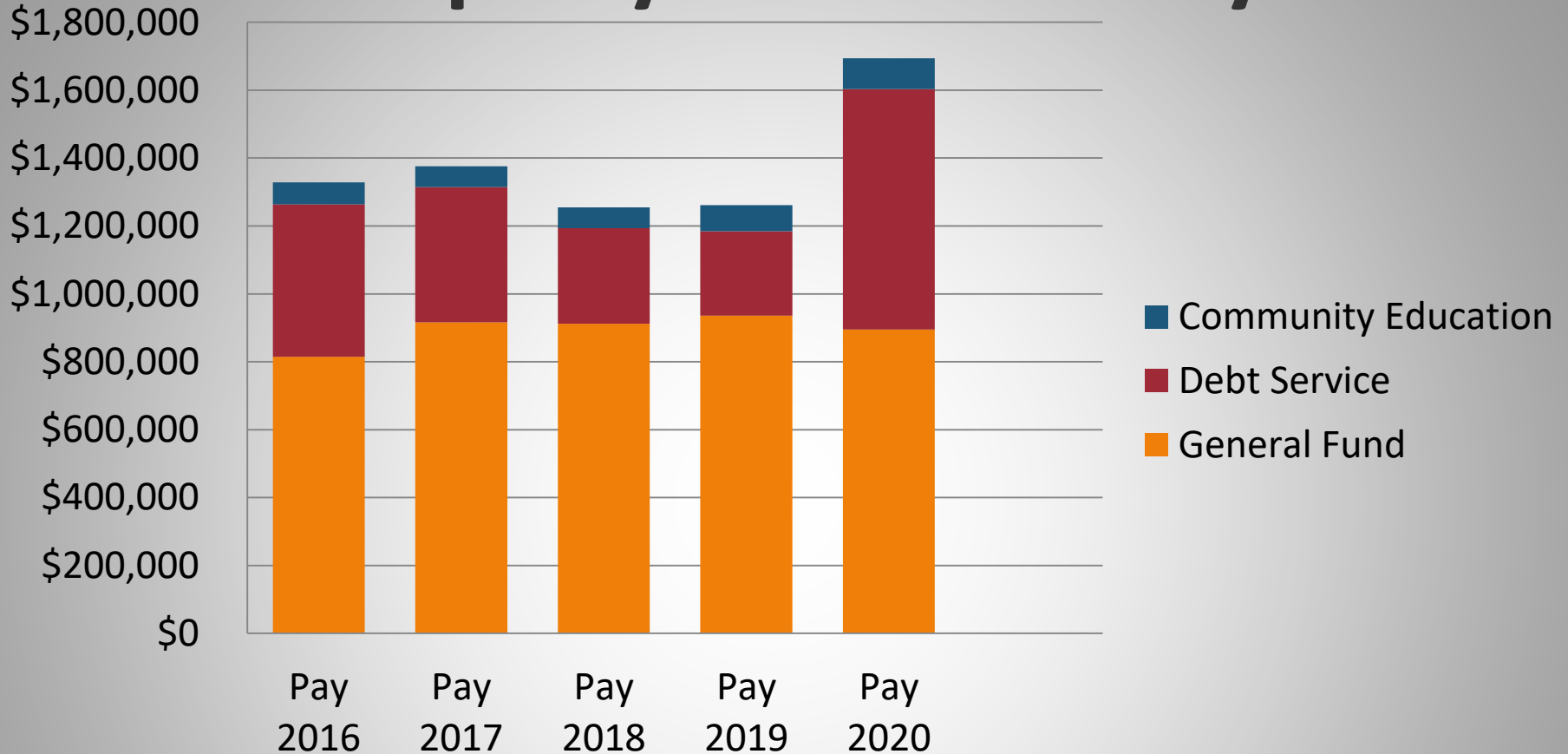
Levy for Community Education Programs:

## **Debt Service**

**42%**

Levy for repayment of principal and interest on district debt:

# Property Tax Summary



<b>Community Education</b>	\$64,401	\$61,065	\$61,561	\$76,990	\$90,756
<b>Debt Service</b>	\$449,141	\$398,591	\$280,842	\$248,304	\$707,940
<b>General Fund</b>	\$814,432	\$915,885	\$912,208	\$935,909	\$894,802

# Historical Changes to Levy Limits

<b>Year</b>	<b>Levy Amount</b>	<b>%Change</b>
2014 payable 2015	\$1,412,995.14	-10.22%
2015 payable 2016	\$1,327,973.77	-6.00%
2016 payable 2017	\$1,375,496.29	3.58%
2017 payable 2018	\$1,254,611.52	-8.79%
2018 payable 2019	\$1,261,202.97	0.53%
2019 payable 2020	\$1,693,497.45	34.28%

# Putting it All Together



# PROPOSED PAY '20 LEVY CERTIFICATION FOR NRHEG

<b>Fund</b>	<b>Pay '20 Levy Limit</b>	<b>Increase (Decrease)</b>	<b>Percent Change</b>
<b>General</b>	<b>894,801.70</b>	<b>-41,107.18</b>	<b>-4.39</b>
<b>Community Education</b>	<b>90,755.78</b>	<b>13,765.93</b>	<b>17.88</b>
<b>General Debt Service</b>	<b>707,939.97</b>	<b>459,635.73</b>	<b>185.11</b>
<b>TOTAL</b>	<b>1,693,497.45</b>	<b>432,294.48</b>	<b>34.28</b>

**Ag2School 50% Credit of \$90,552 offsets the General  
Debt Service Levy for farmers (old law \$72,442)**



# Board Resolution

**Whereas,** Pursuant to Minnesota Statutes the School Board of NRHEG School District, New Richland, Minnesota, is authorized to make the following proposed tax levies for general purposes:

General	\$ 894,801.70
Community Service	90,755.78
General Debt Service	707,939.97

**Total Proposed School Tax Levy** **\$1,693,497.45**

**Now Therefore,** Be it resolved by the School Board of NRHEG School District, New Richland, Minnesota, that the levy to be levied in 2019 to be collected in 2020 is set at **\$1,693,497.45**. The clerk of the NRHEG School Board is authorized to certify the proposed levy to the County Auditor of Waseca County, Minnesota.



# QUESTIONS?

Thank you for attending this hearing.

