



A SHARED PARTNERSHIP

Maintaining our commitment to our kids and our community

Financial Outlook



COMMUNITY PRIDE

- **76%** have trust and confidence in our teachers
- **72%** feel the quality of Shakopee's education is comparable to or better than neighboring districts
- **66%** of residents with an opinion give Shakopee Public Schools an A or B for education quality, which is higher than the national benchmark

June 2019 community phone survey

MAINTAINING OUR COMMITMENT TO KIDS

- Highly trained and highly skilled teachers
- Academies of Shakopee with small learning communities that provide real-life experiences to prepare students for life after high school
- Reasonable class sizes
- Quality learning programs and services, E-12
- Literacy program that helps improve students' reading and writing outcomes
- Wide range of extracurricular and athletic opportunities and activities
- Community partnerships for students and staff

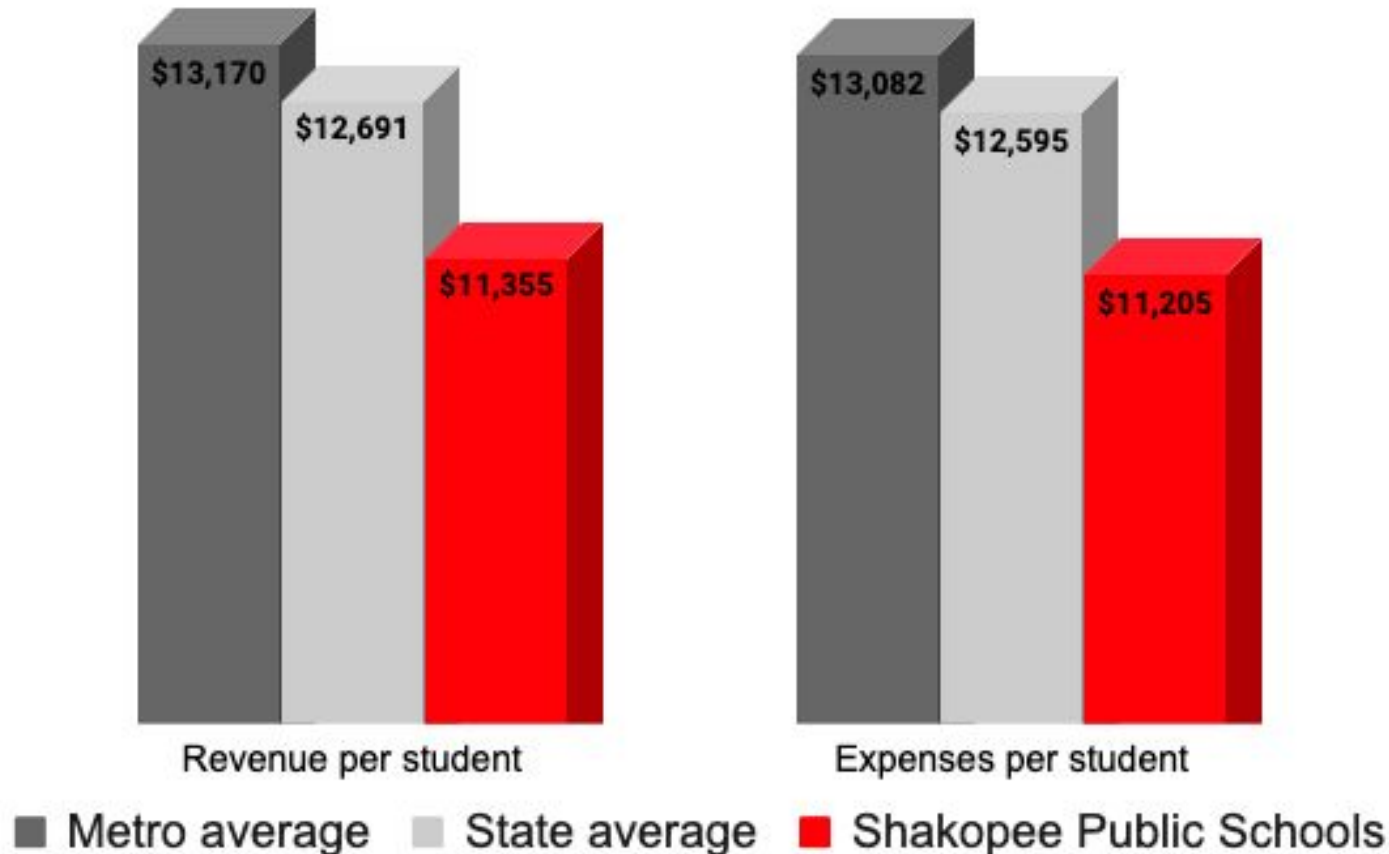
COMMUNITY RESPONSE: COVID-19

- **102,504** meals distributed to kids*
- **8,000** iPads or MacBooks to support students in distance learning
- **170** portable WiFi access spots for students without internet
- **90%** of parents agree or strongly agree that communication between their child and the teacher is going well

**As of May 22, 2020*

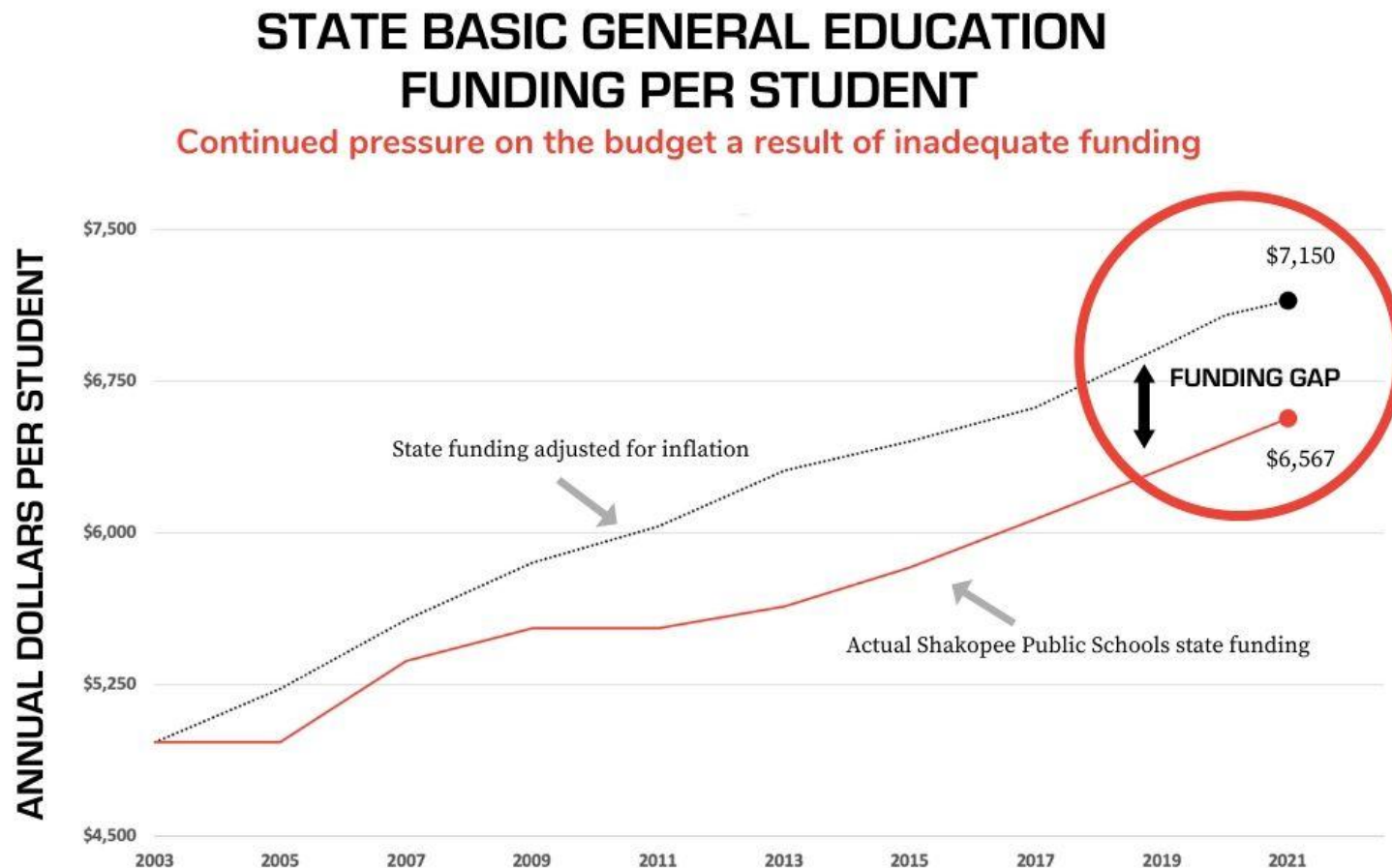
LESS REVENUE THAN OTHER DISTRICTS

Comparison of Revenue and Expenses Per Student (2018)



Shakopee receives **less funding** per student than both the metro and state averages - and also spends less per student - while still maintaining our quality programs and services.

FUNDING GAPS



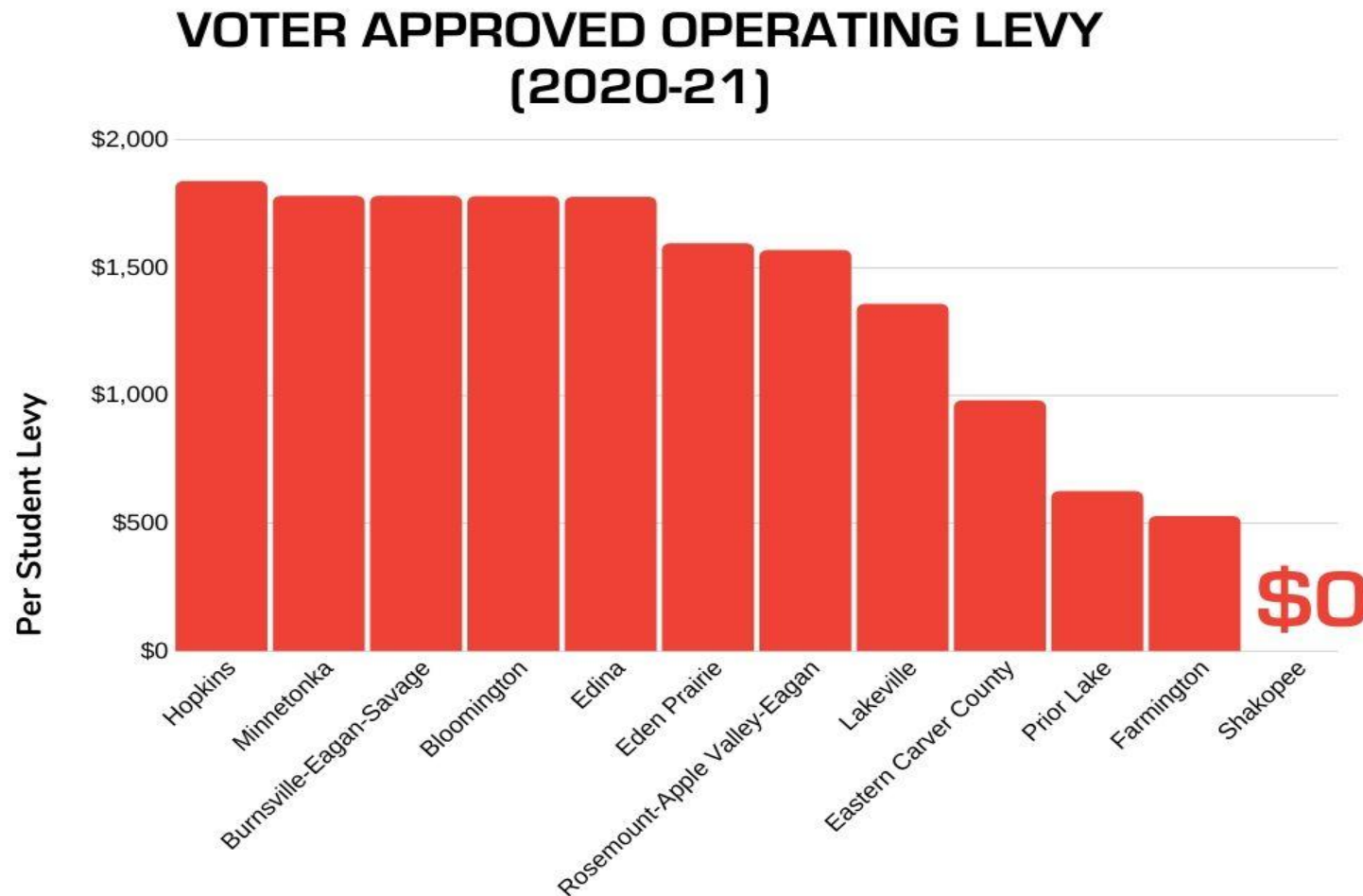
If state funding had kept pace with inflation since 2003, Shakopee Public Schools **would have received more than \$5 million** in additional state aid in the 2019-20 school year alone.

We also **pay nearly \$9 million annually for unfunded mandates** that are not being reimbursed from the State or Federal government as promised.

FUNDING GAPS

- Since 2003, the State of Minnesota per pupil funding has failed to keep pace with inflation. During the 2019-20 school year, this shortfall is \$583 per pupil. Another way of stating this information is Shakopee Public Schools would be receiving an additional **\$5.2 million per year** from the state if per pupil funding had kept pace with inflation since 2003.
- In addition, Shakopee Public Schools pays nearly **\$9 million per year** from the general fund to cover the costs for Special Education and English Learner programming that are mandated by the state and federal governments. Special Education and EL programming are incredibly important and necessary programming, and they have positive life altering learning impacts on the lives of students. Unfortunately, these programs are examples of severely underfunded government mandates.

FUNDING GAPS



Shakopee Public Schools has no voter-approved operating levy, putting us about \$1,250 per student below the metro average. The last time local voters approved an operating levy increase was more than a decade ago.

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FUNDING GAPS

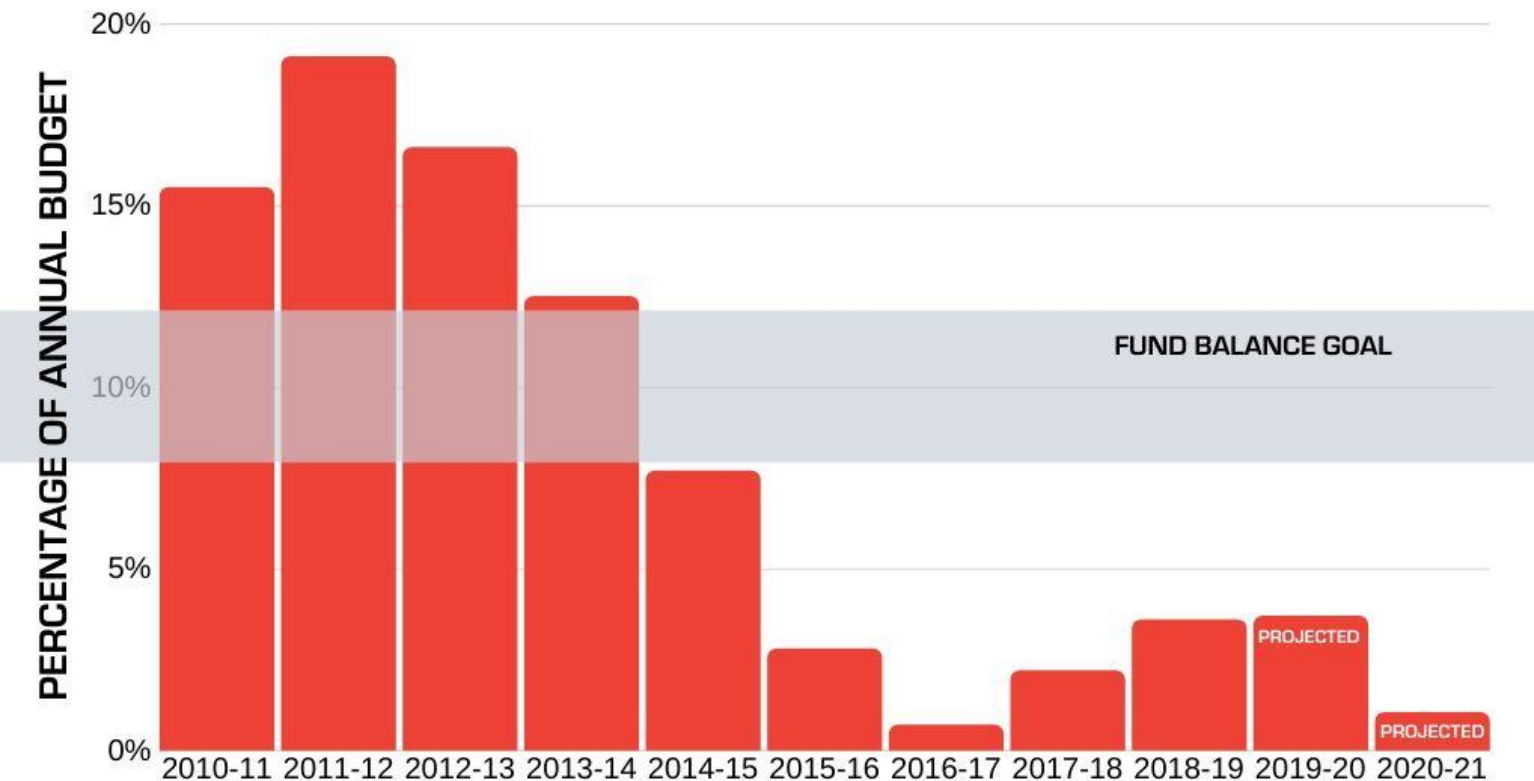
Shakopee Public Schools **currently receives \$0** in voter approved operating levy revenue.

- The *state average* for voter approved operating levy is \$844 per pupil. If Shakopee were to receive the state average in operating levy revenue it would amount to **\$7.7 million per year**.
- The *metro average* for voter approved operating levy is \$1250 per pupil. If Shakopee were to receive the metro average in operating levy revenue it would amount to **\$11.4 million per year**.

IMPENDING CHALLENGES

SHAKOPEE PUBLIC SCHOOLS UNASSIGNED GENERAL FUND BALANCE

Fund balance policy #714 states the district will strive to maintain an Unassigned General Fund Balance between 8 and 12% of the annual budget.



School districts maintain fund balances for financial stability, cash flow and unanticipated expenses.

We have **worked hard to rebuild the fund balance** in recent years - however, the fund balance for the 2020-21 school year is expected to decrease by \$2.5 million to cover expenses.

Additional effort is required to rebuild the fund balance to a healthier level while maintaining our programs and services. There are **three options to rebuild the fund balance: reduce expenses, increase revenue, or a combination of the two.**

Source: Minnesota Department of Education

BUDGETING IS SIMPLE MATH

EXPENSES $\leq$ REVENUE

- **This is not what our future looks like**
 - Starting next school year, our expenses are greater than our revenues.
 - Inadequate state funding = funding gap
 - No voter approved operating levy
 - Unfunded mandates
- **We need to fix the math problem**
 - Make budget cuts
 - Increase revenue through a voter-approved operating levy
 - Or, both

BUDGET ADJUSTMENTS ARE NEEDED

WHY?

1. Maintain quality programming and learning opportunities for students
2. Attract, retain, and fairly compensate high-quality teachers
3. Build a path to long-term financial stability

BUDGET PROJECTION

FINANCIAL PROJECTION MODEL					
MAJOR FACTORS	2018-19	2019-20	2020-21	2021-22	2022-23
ADJUSTED PUPIL UNITS	9,063	9,117	9,047	9,047	9,047
STATE AID FUNDING FORMULA	\$6,312	\$6,438	\$6,567	\$6,567	\$6,567
STATE AID PERCENTAGE CHANGE		2.00%	2.00%	0.00%	0.00%
TOTAL GENERAL FUND REVENUES	\$98,421,245	\$99,409,611	\$99,301,004	\$98,801,004	\$98,801,004
% REVENUE CHANGE		1.00%	-0.11%	-0.50%	0.00%
TOTAL GENERAL FUND EXPENDITURES	\$96,418,645	\$98,012,682	\$101,843,274	\$104,567,990	\$106,658,700
% EXPENDITURE CHANGE		1.65%	3.91%	2.68%	2.00%
SPENDING VARIANCE	\$2,002,600	\$1,396,929	-\$2,542,271	-\$5,766,986	-\$7,857,696
FINANCIAL FACTORS					
FUND BALANCE BREAKOUT (ESTIMATED)					
NON-SPENDABLE	\$245,117	\$245,117	\$245,117	\$245,117	\$245,117
RESTRICTED FUND BALANCE	\$717,773	\$2,118,881	\$2,118,881	\$2,118,881	\$2,118,881
ASSIGNED FUND BALANCE	\$267,230	\$267,230	\$267,230	\$267,230	\$267,230
UNASSIGNED FUND BALANCE	\$3,606,058	\$3,601,936	\$1,059,665	-\$4,707,321	-\$12,565,017
Total General Fund Balance	\$4,836,178	\$6,233,164	\$3,690,893	-\$2,076,093	-\$9,933,789
	ACTUAL	ESTIMATED	PROJECTED	PROJECTED	PROJECTED

BUDGET PROJECTION

KEY INFORMATION

Budget Deficits:

- \$2.5 million for school year 2020-21 (FY21)
- \$5.8 million for school year 2021-22 (FY22)

If nothing is done (which is not an option):

Unassigned Fund Balance on June 30, 2021: \$1.1 million

Unassigned Fund Balance on June 30, 2022: **-\$4.7 million**

BUDGET ADJUSTMENTS

PATH TO LONG-TERM FINANCIAL STABILITY

- Starting with the 2022-23 school year, and continuing each year after:
 - Add a minimum of \$500,000 to the unassigned fund balance
 - Continue until unassigned fund balance reaches \$10 million

BUDGET ADJUSTMENTS

BOTH TYPES OF BUDGET ADJUSTMENTS ARE NEEDED

Reduce expenses

- Permanent reductions through budget cuts

Increase revenue

- Operating levy - requires voter approval

BUDGET ADJUSTMENTS: part one

“NO MATTER WHAT”

Budget Cuts

- At least \$2,050,000 in permanent budget cuts
 - \$450,000 for 2020-21 school year
 - \$1,600,000 for 2021-22 school year

NOTE: None of the \$2,050,000 cuts are classroom teachers

BUDGET ADJUSTMENTS: part two

INCREASE REVENUE with an OPERATING LEVY

- Operating levy request on Nov 3, 2020 ballot
 - **Phased-in levy:** Rather than receiving for the total levy amount all at once, the levy revenue is phased-in over a period of time, typically three or four years
 - Because the levy request is broken into smaller chunks over time, the **tax impact is also phased-in over time**
 - A fiscally **conservative and respectful** approach for taxpayers

PHASED-IN LEVY #1: 400,300,200,100

PLAN: November 2020 Phased In Levy [\$400 pp in year one, \$300 pp in year two, \$200 pp in year three], and 100 pp in year four)

Fiscal Year	Reductions	Levy \$ Per Pupil	Levy: New Revenue	End of fiscal year Unassigned Fund Balance GOAL	End of fiscal year Unassigned Fund Balance ACTUAL
2020					\$4,201,929
2021	\$450,000				\$2,109,659
2022	\$1,600,000	\$400	\$3,618,791		\$2,011,464
2023	\$0	\$300	\$2,714,100	\$2,511,464	\$2,536,659
2024		\$200	\$1,809,395	\$3,011,464	\$3,596,116
2025		\$100	\$904,698	\$3,511,464	\$4,253,206
2026	\$446,115			\$4,011,464	\$4,011,464
Total	\$2,496,115				

Notes:

**Taxes payable 2021 (2021-22 school year) reduced by approximately \$5.553M due to decrease construction bond payments*

**Beginning in FY23, district must add a minimum of \$500,000 per year to unassigned fund balance*

PHASED-IN LEVY #2: 300,300,300

PLAN: November 2020 Phased In Levy [\$300 pp in year one, \$300 pp in year two, and \$300 pp in year three]					
Fiscal Year	Reductions	Levy \$ Per Pupil	Levy: New Revenue	End of fiscal year Unassigned Fund Balance GOAL	End of fiscal year Unassigned Fund Balance ACTUAL
2020					\$4,201,929
2021	\$450,000				\$2,109,659
2022	\$1,600,000	\$300	\$2,714,100		\$1,106,773
2023	\$900,000	\$300	\$2,714,100	\$1,606,773	\$1,627,277
2024		\$300	\$2,714,100	\$2,106,773	\$3,586,748
2025				\$2,606,773	\$4,239,154
2026	\$0			\$3,106,773	\$3,546,803
Total	\$2,950,000				

Notes:

**Taxes payable 2021 (2021-22 school year) reduced by approximately \$4.6M due to decrease construction bond payments*

**Taxes payable 2022 (2022-23 school year) reduced by approximately \$845K due to decrease construction bond payments*

**Beginning in FY23, district must add a minimum of \$500,000 per year to unassigned fund balance*

PHASED-IN LEVY #3: 300,300,150,150

PLAN: November 2020 Phased In Levy [\$300 pp in year one, \$300 pp in year two, \$150 pp in year three, and \$150 pp in year four]					
Fiscal Year	Reductions	Levy \$ Per Pupil	Levy: New Revenue	End of fiscal year Unassigned Fund Balance GOAL	End of fiscal year Unassigned Fund Balance ACTUAL
2020					\$4,201,929
2021	\$450,000				\$2,109,659
2022	\$1,600,000	\$300	\$2,714,100		\$1,106,773
2023	\$900,000	\$300	\$2,714,100	\$1,606,773	\$1,627,277
2024		\$150	\$1,356,750	\$2,106,773	\$2,229,398
2025		\$150	\$1,356,750	\$2,606,773	\$2,881,202
2026	\$918,510			\$3,106,773	\$3,106,773
Total	\$3,868,510				
Notes:					

**Taxes payable 2021 (2021-22 school year) reduced by approximately \$4.6M due to decrease construction bond payments*

**Taxes payable 2022 (2022-23 school year) reduced by approximately \$845K due to decrease construction bond payments*

**Beginning in FY23, district must add a minimum of \$500,000 per year to unassigned fund balance*

TAX IMPACTS

- **Due to construction debt being paid off, we have an opportunity to increase revenue without increasing residents' taxes**
- Phased-in Levy Options would result in no net tax increase in year one , and a slight increase in years two through four

BUDGET ADJUSTMENTS: part three

WHAT IF 2020 OPERATING LEVY IS NOT APPROVED BY VOTERS?

- Additional \$5.4 million in budget cuts for 2021-22 school year
 - Includes cuts to classroom teachers
 - On top of the “no matter what” \$2,050,000 million in 2020-21 and 2021-22 cuts previously identified

PRUDENT APPROACH: CUTS+REVENUE

- Making cuts alone is too draconian - won't recognize our school district
- Increasing revenue alone is too much to ask of our community at this time of economic uncertainty
- A combination of both is a conservative, respectful approach that shares the burden
- With debt being paid off, net taxes won't increase until either 2022 or 2023
- Our schools belong to our community, and strong schools = strong communities

SCHOOL BOARD DECISION TIMELINE

- [TIMELINE](#)
 - April 27: Financial outlook overview
 - May 18: Present budget planning summary and options for long-term budget adjustments
 - June -July: Review and discuss budget adjustment options
 - **July 20:** Vote on long-term budget adjustment options

STRONG SCHOOLS = STRONG COMMUNITIES

93% of our residents agree “**Strong public schools are directly linked to the quality of life and viability of our community.**”

Education **funding is a shared partnership** between state and federal governments and local communities.

**Let's continue to work together
to keep **our schools and our community** strong!**

