BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA

DATE: **SEPTEMBER 21, 2026**

TO: **BOARD OF EDUCATION**

FROM: **ASHLEY EASTRIDGE, CPA, DIRECTOR OF BUSINESS SERVICES**

SUBJECT: **2026 PAYABLE 2027 LEVY LIMIT CERTIFICATION**

INTRODUCTION

The Minnesota Department of Education gathers information from many sources to create the 2026 Payable 2027 Levy Limitation and Certification Report. This is a 39 page report which gives a detailed presentation of the many complicated school funding formulas. The driving factor for most of the formulas is student enrollment. School Boards are required to set a levy limitation in September and the final levy certification takes place in December following a Truth in Taxation Hearing. The final levy cannot exceed the initial levy limit except for a very limited set of reasons such as a new referendum vote passing, an adverse judgment against the district or a natural disaster. The Department of Education has set up a system whereby a School Boards can set the levy limit at the "Maximum" allowable and if some small changes occur between the September and December meetings the School Board can adopt a final levy without additional meetings. <u>It is important to remember that a School Board has no taxing authority of its own.</u> <u>Taxing authority must be granted by the state legislature through statutes or approved by a vote of the local taxpayers through a referendum election for building bonds or operating revenue.</u>

BASELINE KNOWLEDGE

TIMING - The local property tax levy is set by the school board in 2026, paid by taxpayers in 2027 and booked as revenue to the school district in FY 2027-2028. This means we are estimating future revenues today. As these estimates become actual data there will be differences which result in prior year adjustments that affect future levy limitations.

TAX BASE - Our Tax Base (Adjusted Net Tax Capacity) has decreased by 0.3% this past year, compared to an increase of 6.9% last year. Despite the slight decrease in the current year, we still have experienced an increase of 20.6% over a four-year time frame. This growth can be a result of new construction or existing properties selling for more or a combination of both. The "sales ratio" is the relationship between the market value of a property and its actual sales price. In Bemidji the sales ratio is 93.3%. This means, properties are selling for more than their assessed market value. Since the Bemidji sales ratio is below 100% it has the effect of automatically increasing property valuations for tax purposes. A fluctuating tax base will affect the equalized funding formulas and result in adjustments to our tax levy. Increasing values cause local property taxes to rise even though this generates no additional revenue for the school district.

STATE AID – Equalization is a big factor in the levy system. This is where the state pays a portion of a school district's revenue entitlement thereby reducing the local levy amount. The state equalization percentage is greater in districts with lower property valuations. Some levy categories are heavily equalized and others not at all. <u>If a school district decides to UNDERLEVY an equalized category it</u>

may result in a loss of the corresponding state aid IN ADDITION TO the local levy amount. This is not desirable.

ENROLLMENT - Most funding formulas are based on ESTIMATED student counts. Much later in time, when these counts become ACTUAL data, an ADJUSTMENT is made to our levy. Levy categories that have "ADJ" in the title represent an adjustment to a levy from prior years. Generally these adjustments are smaller amounts compared to the corresponding levy category.

PRELIMINARY LEVY LIMIT CERTIFICATION

Attached is my attempt at reducing the 39-page levy report to a single page summary. This summary compares changes from the prior year by individual levy category. I have shaded some areas experiencing significant changes. Generally speaking, as property values increase the state equalization share decreases and the local levy share increases even though the district receives the same amount of funds. Generally, major fluctuations in our levy from year to year are due to changes at the state legislative level or voter approved bonds and referendums. Smaller changes are affected by enrollment because many of the funding formulas are driven by student counts.

On the one-page summary the far right column titled SPREAD LEVY LIMIT INCREASE OR DECREASE indicates the following changes:

Achievement and Integration (A&I) is a new levy category for the District, which is funded 70% by state aid and 30% by levy. Because the District was approved for this program after last year's levy process was complete, the 2026 Payable 2027 levy includes two years of revenue: a prior year adjustment for the current school year, plus the regular amount for the upcoming school year. Future levies will reflect only a single year of revenue, which will be illustrated in the A&I levy adjustment decreasing on the next levy cycle.

The OPEB levy category increased due to the increase in the amount of OPEB benefits paid out in FY26 compared to the amount of OPEB benefits paid out in FY25.

Long-Term Facility Maintenance (LTFM) has decreased due to the equalization factor shifting less to the levy and more in state aid.

The decrease in the Lease Levy Adjustment is due to FY2024 lease amounts being less than originally estimated. I currently have an inquiry into MDE regarding this as I don't believe that this amount is accurate. There is a possibility that this amount may change when the levy is presented in December.

The decrease in Equity Levy is due to an decrease in enrollment which is a driving factor in the levy calculation.

The decrease in Debt Service resulted from the bonds that the District refunded last year. The refunding lowered our total debt service payments, which directly reduced the required 5% excess balance. Because previous levies collected funds based on the higher debt payments, the refunding lowered the necessary excess balance levy requirement, resulting in a larger negative adjustment this year. These changes resulted in decreasing this portion of the levy.

OVERALL SUMMARY

Based on the Levy Limitation Certification report dated 9/16/26, our levy authority and the recommended levy limitation certification is $11,414,097.39 which is an increase of $8,120.64, or .07% from last year's actual spread levy of $11,405,976.75.

In setting the initial levy limit the state allows school boards to certify the "MAXIMUM" levy authority available rather than a specific dollar amount. This is because so many of the formulas can still have changes prior to the final levy certification in December. By Certifying the maximum a school Board can eliminate the need for additional board meetings to incorporate those changes.

ACTION:
The motion was offered by ______________________, seconded by __________________ and carried (   ) to approve the 2026 Pay 2027 Levy Limit at the MAXIMUM.

SET IN 2026 PAYABLE IN 2027
2027-2028 FISCAL YEAR

Preliminary Levy

2024 ADJUSTED
NET TAX CAPACITY $66,343,972

2025 ADJUSTED
NET TAX CAPACITY $66,141,052

	ITEM	ACTUAL LEVY CERTIFIED 2025 PAY 2026	MAXIMUM LEVY LIMIT AUTHORIZATION 2025 PAY 2026	**MAXIMUM LEVY LIMIT AUTHORIZATION 2026 PAY 2027**	COL D - COL C LEVY LIMIT INCREASE OR (DECREASE) 2026 vs 2027	**SUGGESTED LEVY 2026 PAY 2027**	SPREAD LEVY INCREASE OR (DECREASE) G MINUS C	
	RMV VOTER REFERENDUM	**877,032.00**	**877,032.00**	**863,409.60**	-13,622.40	**863,409.60**	-13,622.40	$180/pupil
	RMV VOTER Adj	**-1,771.40**	**-1,771.40**	**-6,739.20**	-4,967.80	**-6,739.20**	-4,967.80	
TOTAL	**GEN RMV VOTER JZX**	**875,260.60**	**875,260.60**	**856,670.40**	**-18,590.20**	**856,670.40**	**-18,590.20**	
	LOCAL OPTION REVENUE	**3,344,500.16**	**3,344,500.16**	**3,357,035.32**	12,535.16	**3,357,035.32**	12,535.16	EQ+ENR
	EQUITY LEVY	**779,644.90**	**779,644.90**	**729,341.27**	-50,303.63	**729,341.27**	-50,303.63	EQ+ENR
	TRANSITION	**3,167.06**	**3,167.06**	**3,117.86**	-49.20	**3,117.86**	-49.20	
	Local Option Adj	**-14,213.56**	**-14,213.56**	**9,326.03**	23,539.59	**9,326.03**	23,539.59	EQ+ENR
	EquityAdj	**-5,834.69**	**-5,834.69**	**-7,268.92**	-1,434.23	**-7,268.92**	-1,434.23	EQ+ENR
	Transition Adj	**-21.22**	**-21.22**	**-24.33**	-3.11	**-24.33**	-3.11	
TOTAL	**GEN RMV OTHER JZX**	**4,107,242.65**	**4,107,242.65**	**4,091,527.23**	**-15,715.42**	**4,091,527.23**	**-15,715.42**	
	OPERATING CAP LEVY	**641,903.19**	**641,903.19**	**641,434.34**	-468.85	**641,434.34**	-468.85	EQ+ENR
	ACHIEVEMENT & INTEGRATION	**0.00**	**0.00**	**178,803.81**	178,803.81	**178,803.81**	178,803.81	
	REEMPLOYMENT INS	**55,300.00**	**55,300.00**	**46,656.67**	-8,643.33	**46,656.67**	-8,643.33	Actual Costs
	SAFE SCHOOLS	**175,406.40**	**175,406.40**	**172,681.92**	-2,724.48	**172,681.92**	-2,724.48	
	CAREER & TECHNICAL	**257,072.97**	**257,072.97**	**257,072.97**	0.00	**257,072.97**	0.00	Actual Costs
	OPEB	**328,716.00**	**328,716.00**	**442,700.00**	113,984.00	**442,700.00**	113,984.00	OPEB
	LTFM	**989,114.77**	**989,114.77**	**933,700.69**	-55,414.08	**933,700.69**	-55,414.08	EQ+ENR
	BUILDING LEASES	**226,475.00**	**226,475.00**	**231,790.00**	5,315.00	**231,790.00**	5,315.00	
	Tree Growth	**1,319.13**	**1,319.13**	**1,319.13**	0.00	**1,319.13**	0.00	
	Operating Cap Adj	**4,305.81**	**4,305.81**	**4,985.34**	679.53	**4,985.34**	679.53	EQ+ENR
	Facility & Equipment Bond Adj	**-458,588.00**	**-458,588.00**	**-458,850.00**	-262.00	**-458,850.00**	-262.00	
	Achievement & Integration Adj	**0.00**	**0.00**	**178,758.91**	178,758.91	**178,758.91**	178,758.91	
	Safe Schools Adj	**-2,017.44**	**-2,017.44**	**-3,569.76**	-1,552.32	**-3,569.76**	-1,552.32	EQ+ENR
	Career and Tech Adj	**-8,698.58**	**-8,698.58**	**-14,407.25**	-5,708.67	**-14,407.25**	-5,708.67	EQ+ENR
	LTFM Adj	**-19,517.36**	**-19,517.36**	**-23,080.45**	-3,563.09	**-23,080.45**	-3,563.09	EQ+ENR
	Reemployment Ins Adj	**15,876.47**	**15,876.47**	**38,852.21**	22,975.74	**38,852.21**	22,975.74	2026 Actual Costs
	Lease Levy Adj	**30,537.39**	**30,537.39**	**-57,360.76**	-87,898.15	**-57,360.76**	-87,898.15	
	Abatement Adj	**-107.31**	**-107.31**	**9,579.43**	9,686.74	**9,579.43**	9,686.74	County #
TOTAL	**GEN NTC OTHER JZX**	**2,237,098.44**	**2,237,098.44**	**2,581,067.20**	**343,968.76**	**2,581,067.20**	**343,968.76**	
	COMMUNITY ED NTC OTHER	**207,523.94**	**207,523.94**	**206,889.21**	-634.73	**206,889.21**	-634.73	
	EARLY CHILDHOOD	**117,493.85**	**117,493.85**	**118,625.96**	1,132.11	**118,625.96**	1,132.11	
	HOME VISIT	**6,410.31**	**6,410.31**	**6,544.29**	133.98	**6,544.29**	133.98	
	SCHOOL AGE CARE	**18,000.00**	**18,000.00**	**18,000.00**	0.00	**18,000.00**	0.00	
	ECFE ADJ	**-12,297.34**	**-12,297.34**	**1,496.29**	13,793.63	**1,496.29**	13,793.63	
	School age care Adj	**3,723.01**	**3,723.01**	**1,038.00**	-2,685.01	**1,038.00**	-2,685.01	
	Abatement ADJ	**-1.44**	**-1.44**	**138.36**	139.80	**138.36**	139.80	County #
	Home Visit Adj	**-1,211.93**	**-1,211.93**	**237.76**	1,449.69	**237.76**	1,449.69	
TOTAL	**COMM SERV NTC Other JZX**	**339,640.40**	**339,640.40**	**352,969.87**	**13,329.47**	**352,969.87**	**13,329.47**	
	GEN DEBT VOTER	**3,141,207.00**	**3,141,207.00**	**2,981,213.00**	-159,994.00	**2,981,213.00**	-159,994.00	
	LESS: EXCESS BALANCE	**-132,852.54**	**-132,852.54**	**-240,614.21**	-107,761.67	**-240,614.21**	-107,761.67	105% Over levy
	Abatement ADJ	**177.76**	**177.76**	**4,902.05**	4,724.29	**4,902.05**	4,724.29	County #
TOTAL	**GEN DEBT VOTER JZNX**	**3,008,532.22**	**3,008,532.22**	**2,745,500.84**	**-263,031.38**	**2,745,500.84**	**-263,031.38**	
	LTFM Debt Service	**422,514.58**	**422,514.58**	**409,482.14**	-13,032.44	**409,482.14**	-13,032.44	
	CAPITAL FACILITIES BOND	**458,588.00**	**458,588.00**	**458,850.00**	262.00	**458,850.00**	262.00	
	LESS: EXCESS BALANCE	**-42,898.30**	**-42,898.30**	**-81,970.29**	-39,071.99	**-81,970.29**	-39,071.99	105% Over levy
	LTFM Adj	**-1.84**	**-1.84**	**0.00**	1.84	**0.00**	1.84	
TOTAL	**GEN DEBT NTC OTHER JZX**	**838,202.44**	**838,202.44**	**786,361.85**	**-51,840.59**	**786,361.85**	**-51,840.59**	
GRAND	**TOTAL ALL FUNDS**	**11,405,976.75**	**11,405,976.75**	**11,414,097.39**	**8,120.64**	**11,414,097.39**	**8,120.64**	
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PERCENTAGE INCREASE (DECREASE) IN LEVY AUTHORITY **0.07%**