

**BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA**

DATE: DECEMBER 16, 2019

TO: BOARD OF EDUCATION

FROM: CHRIS J. LEINEN, DIRECTOR OF BUSINESS SERVICES

SUBJECT: 2019 PAYABLE 2020 LEVY CERTIFICATION

INTRODUCTION

The Minnesota Department of Education gathers information from many sources to create the 2019 Payable 2020 Levy Limitation and Certification Report. This is a 40 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 judgement against the district or a natural disaster. It is important to remember that a School Board has no taxing authority of its own. 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.

Attached is my attempt at reducing this lengthy report to a one 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.

BASELINE KNOWLEDGE

TIMING - The local property tax levy is set by the school board in 2019, paid by taxpayers in 2020 and booked as revenue to the school district in FY 2020-2021. 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 effecting future levy limitations.

TAX BASE - Our Tax Base (Adjusted Net Tax Capacity) has increased by 3% this past year and 17% 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. On a state wide basis the sales ratio is at 96% and in Bemidji it is 92%. This means, on a state wide basis, properties are selling for more than their assessed market value and the market in Bemidji is better than the state average. 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. If a school district decides to UNDERLEVY an equalized category it 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 much smaller amounts when compared to the corresponding levy category.

PRELIMINARY LEVY LIMIT CERTIFICATION

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 effected 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.

The Legislature has made changes in the operating referendum area. Voter approved referendum, Board approved referendum and Local Option Revenue have been simplified to a single category of Local Option Revenue so you will notice a large increase in one and a corresponding decrease in the other.

Location Equity is being phased out and therefor decreasing.

In the past, the legislature made a major change in the Health and Safety and Deferred Maintenance categories by combining them into the new Long Term Facilities Maintenance (LTFM) program. This transition is almost complete and the volatility of the past two levy cycles has calmed and these old levy categories are going away.

Building lease levy has decreased significantly due to our move from the County Collaborative Building to the Paul Bunyan Center.

Our General Debt Service levy is decreasing due to the crossover of the High School/Lincoln bonds and the Gene Dillon Bonds.

Volatility in the OPEB bond levy is generally caused by the requirement that we levy 105% of our anticipated payments and then refund the over levy two years down the road.

OVERALL SUMMARY

Our levy authority decreased by \$892,363.11 from \$11,531,386.22 to \$10,639,023.11. Of this amount \$489,409.77 was a direct result of the Q Comp levy reporting change. In the past this amount was included in the levy limitation calculation and we would under levy. Now it is excluded from the levy

limit calculation so we no longer need to under levy. We still get the state aid amount of \$169 per pupil or \$887,904 based on our approved program application. This is one of the few areas where state aid is not lost when the corresponding levy is not assessed.

The “real” decrease in levy authority is \$402,954. This is largely made up of discontinued leases with the County plus savings from the bond crossover taking effect.

The recommended levy limitation certification is \$10,639,023.11 which is a decrease of \$397,564.97 or 3.6% from last year’s actual spread levy of \$11,036,588.08.

ACTION:

The motion was offered by _____, seconded by _____ and carried () to certify the 2019 Pay 2020 Levy at \$10,639,023.11.

		SET IN 2019 PAYABLE IN 2020			Final Levy			
		2020-2021 FISCAL YEAR						
		2017 ADJUSTED			2017 ADJUSTED			
		NET TAX CAPACITY \$38,793,118			NET TAX CAPACITY \$38,793,118			
		ACTUAL	MAXIMUM	MAXIMUM	COL D - COL C		SPREAD	
		LEVY	LEVY LIMIT	LEVY LIMIT	LEVY LIMIT		LEVY	
		SPREAD	AUTHORIZATION	AUTHORIZATION	INCREASE OR	SUGGESTED	INCREASE OR	
ITEM		2018 PAY 2019	2018 PAY 2019	2019 PAY 2020	(DECREASE)	LEVY	(DECREASE)	
					2019 vs 2020	19 PAY 20	G MINUS C	
	RMV VOTER REFERENDUM	853,411.77	853,411.77	785,741.52	-67,670.25	785,741.52	-67,670.25	Legislature
	RMV VOTER Adj	-4,135.39	-4,135.39	-13,109.64	-8,974.25	-13,109.64	-8,974.25	
TOTAL	GEN RMV VOTER JZX	849,276.38	849,276.38	772,631.88	-76,644.50	772,631.88	-76,644.50	
	LOCAL OPTION REVENUE	2,010,258.83	2,010,258.83	2,901,497.61	891,238.78	2,901,497.61	891,238.78	Legislature
	EQUITY LEVY	743,772.06	743,772.06	762,726.80	18,954.74	762,726.80	18,954.74	EQ+ENR
	TRANSITION	3,081.76	3,081.76	3,154.52	72.76	3,154.52	72.76	
	BOARD APPROVED REF	824,318.18	824,318.18	0.00	-824,318.18	0.00	-824,318.18	Legislature
	Local Option Adj	-9,660.61	-9,660.61	374.34	10,034.95	374.34	10,034.95	EQ+ENR
	Equity Adj	9,260.54	9,260.54	-10,679.31	-19,939.85	-10,679.31	-19,939.85	EQ+ENR
	Bd Apprv Ref Adj	-3,994.39	-3,994.39	-12,662.71	-8,668.32	-12,662.71	-8,668.32	EQ+ENR
	Location EQ Adj	-80.54	-80.54	-31,254.83	-31,174.29	-31,254.83	-31,174.29	Phase Out
	Transition Adj	-14.93	-14.93	-47.34	-32.41	-47.34	-32.41	
TOTAL	GEN RMV OTHER JZX	3,576,940.90	3,576,940.90	3,613,109.08	36,168.18	3,613,109.08	36,168.18	
	OPERATING CAP LEVY	372,184.02	372,184.02	364,129.95	-8,054.07	364,129.95	-8,054.07	EQ+ENR
	ALT TEACHER Q COMP	0.00	489,409.77	0.00	-489,409.77	0.00	0.00	Aid only. No Levy
	ACHIEVEMENT INTEGRATIO	0.00	0.00	0.00	0.00	0.00	0.00	Gone
	REEMPLOYMENT INS	30,000.00	30,000.00	25,000.00	-5,000.00	25,000.00	-5,000.00	Actual Costs
	SAFE SCHOOLS	197,791.20	197,791.20	197,049.60	-741.60	197,049.60	-741.60	
	ICE ARENA	105,298.40	105,298.40	106,548.08	1,249.68	106,548.08	1,249.68	Actual Costs
	CAREER & TECHNICAL	146,145.62	146,145.62	170,430.92	24,285.30	170,430.92	24,285.30	Aid .07 Levy .93
	LTFM (New)	1,316,448.37	1,316,448.37	1,306,423.24	-10,025.13	1,306,423.24	-10,025.13	Aid .33 Levy .67
	BUILDING LEASES	372,378.00	372,378.00	255,136.00	-117,242.00	255,136.00	-117,242.00	FY Transition
	Tree Growth	1,319.13	1,319.13	1,319.13	0.00	1,319.13	0.00	
	Operating Cap Adj	2,881.66	2,881.66	-12,577.41	-15,459.07	-12,577.41	-15,459.07	EQ+ENR
	Alt Comp Adj	0.00	5,388.37	13,020.89	7,632.52	13,020.89	13,020.89	Aid only. No Levy
	Safe Schools Adj	3,401.28	3,401.28	-4,401.36	-7,802.84	-4,401.36	-7,802.84	EQ+ENR
	Career and Tech Adj	-48,598.34	-48,598.34	-34,282.96	14,315.38	-34,282.96	14,315.38	EQ+ENR
	LTFM Adj	-49,110.59	-49,110.59	-410.45	48,700.14	-410.45	48,700.14	Phase In
	Reemployment Ins Adj	4,436.77	4,436.77	-9,730.43	-14,167.20	-9,730.43	-14,167.20	Actual Costs
	Health Safety Adj	0.00	0.00	0.00	0.00	0.00	0.00	Gone
	Deferref Maint Adj	0.00	0.00	0.00	0.00	0.00	0.00	Gone
	Lease Levy Adj	57,175.00	57,175.00	-3,368.00	-60,543.00	-3,368.00	-60,543.00	FY Transition
	Abatement Adj	11,804.05	11,804.05	6,890.16	-4,913.89	6,890.16	-4,913.89	County #
TOTAL	GEN NTC OTHER JZX	2,523,554.57	3,018,352.71	2,381,177.36	-637,175.35	2,381,177.36	-142,377.21	
	COMMUNITY ED NTC OTHE	264,238.70	264,238.70	264,238.70	0.00	264,238.70	0.00	
	EARLY CHILDHOOD	113,128.10	113,128.10	108,907.00	-4,221.10	108,907.00	-4,221.10	
	HOME VISIT	4,333.45	4,333.45	4,147.45	-186.00	4,147.45	-186.00	
	SCHOOL AGE CARE	15,000.00	15,000.00	15,000.00	0.00	15,000.00	0.00	
	ECFE ADJ	-198.94	-198.94	822.22	1,021.16	822.22	1,021.16	
	School age care Adj	43.00	43.00	3,723.00	3,680.00	3,723.00	3,680.00	
	Abatement ADJ	816.85	816.85	419.25	-397.60	419.25	-397.60	County #
	Home Visit Adj	0.00	0.00	-4.26	-4.26	-4.26	-4.26	
TOTAL	COMM SERV NTC Other JZX	397,361.16	397,361.16	397,253.36	-107.80	397,253.36	-107.80	
	GEN DEBT VOTER	3,339,473.00	3,339,473.00	3,140,708.00	-198,765.00	3,140,708.00	-198,765.00	Crossover Bonds
	LESS: EXCESS BALANCE	-76,361.63	-76,361.63	-167,980.67	-91,619.04	-167,980.67	-91,619.04	105% Over levy
	Abatement ADJ	6,624.62	6,624.62	5,053.35	-1,571.27	5,053.35	-1,571.27	County #
	GDS Adj	0.00	0.00	0.00	0.00	0.00	0.00	
TOTAL	GEN DEBT VOTER JZNX	3,269,735.99	3,269,735.99	2,977,780.68	-291,955.31	2,977,780.68	-291,955.31	
	OPEB DEBT OTHER	537,942.29	537,942.29	537,040.88	-901.41	537,040.88	-901.41	105% Over Levy
	Abatement ADJ	1,235.61	1,235.61	773.95	-461.66	773.95	-461.66	County #
	OPEB Debt Excess	-119,458.82	-119,458.82	-40,744.08	78,714.74	-40,744.08	78,714.74	105% Over levy
TOTAL	OPEB DEBT NTC OTHER JZ	419,719.08	419,719.08	497,070.75	77,351.67	497,070.75	77,351.67	
GRAND	TOTAL ALL FUNDS	11,036,588.08	11,531,386.22	10,639,023.11	-892,363.11	10,639,023.11	-397,564.97	
							-3.60%	
PERCENTAGE INCREASE (DECREASE) IN LEVY								

**Bemidji School District #31
Property Tax Comparison**

Levy Category	Pay 19 Levy	Pay 20 Levy	View by Fund		View by Levy Authority Source		View by Property Tax Base	
			Change by Fund	"Voter" Change	"Other" Change	RMV Change	NTC Change	
<u>General Fund</u>								
RMV Voter	849,276.38	772,631.88		-76,644.50	36,168.18	-76,644.50		
RMV Other	3,576,940.90	3,613,109.08			0.00	36,168.18		
NTC GEN ED	0.00	0.00			-142,377.21	0.00		
NTC Other	2,523,554.57	2,381,177.36	-182,853.53			-142,377.21		
<u>Community Ed Fund</u>								
NTC Other	397,361.16	397,253.36	-107.80		-107.80		-107.80	
<u>Debt Service Fund</u>								
NTC Voter	3,269,735.99	2,977,780.68		-291,955.31	77,351.67	-291,955.31		
NTC Other OPEB	419,719.08	497,070.75	-214,603.64			77,352		
TOTALS	11,036,588.08	10,639,023.11	-397,564.97	-368,599.81	-28,965.16	-40,476.32	-357,088.32	
			-3.6022%	-8.9487%	-0.4187%			
Voter Total	4,119,012.37	3,750,412.56						
Other Total	6,917,575.71	6,888,610.55						
	<u>11,036,588.08</u>	<u>10,639,023.11</u>						
RMV Total	4,426,217.28	4,385,740.96						
NTC Total	6,610,370.80	6,253,282.15						
	<u>11,036,588.08</u>	<u>10,639,023.11</u>						

RMV = Taxes spread on Referendum Market Value tax base
 NTC = Taxes spread on Net Tax Capacity tax base
 Voter = Voter approved taxes
 Other = Other local levies authorized by the State Legislature

-0.9145%
-5.4019%

Minnesota Department of Education
 Levy Limitation and Certification Report
 2019 Payable 2020

District Number-Type: 0031-01
 District Name: Bemidji Public School District
 Home County: BELTRAMI

Date Printed: 11/26/19
 Limits Updated: 11/26/19
 Certified Submitted: 11/26/19

	LIMIT	PROPOSED	CERTIFIED
SUBTOTALS BY LEVY CATEGORY			
GENERAL - RMV VOTER - JOBZ EXEMPT	772,631.88	772,631.88	772,631.88
GENERAL - RMV OTHER - JOBZ EXEMPT	3,613,109.08	3,613,109.08	3,613,109.08
GENERAL - NTC VOTER - JOBZ EXEMPT	0.00	0.00	0.00
GENERAL - NTC OTHER GENED - EXEMPT	0.00	0.00	0.00
GENERAL - NTC OTHER - JOBZ EXEMPT	2,381,177.36	2,381,177.36	2,381,177.36
COMMUNITY SERVICE - NTC OTHER - JOBZ EXEMPT	397,253.36	397,253.36	397,253.36
GENERAL DEBT - NTC VOTER - JOBZ NONEXEMPT	2,977,780.68	2,977,780.68	2,977,780.68
GENERAL DEBT - NTC OTHER - JOBZ NONEXEMPT	0.00	0.00	0.00
OPEB DEBT - NTC VOTER - JOBZ NONEXEMPT	0.00	0.00	0.00
OPEB DEBT - NTC OTHER - JOBZ NONEXEMPT	497,070.75	497,070.75	497,070.75
SUBTOTALS BY FUND			
GENERAL FUND	6,766,918.32	6,766,918.32	6,766,918.32
COMMUNITY SERVICES FUND	397,253.36	397,253.36	397,253.36
GENERAL DEBT SERVICE FUND	2,977,780.68	2,977,780.68	2,977,780.68
OPEB/PENSION DEBT SERVICE FUND	497,070.75	497,070.75	497,070.75
SUBTOTALS BY TAX BASE			
REFERENDUM MARKET VALUE	4,385,740.96	4,385,740.96	4,385,740.96
NET TAX CAPACITY	6,253,282.15	6,253,282.15	6,253,282.15
SUBTOTALS BY TRUTH IN TAXATION CATEGORY			
VOTER APPROVED	3,750,412.56	3,750,412.56	3,750,412.56
OTHER	6,888,610.55	6,888,610.55	6,888,610.55
TOTAL LEVY			
TOTAL LEVY	10,639,023.11	10,639,023.11	10,639,023.11

The school district must submit the completed original of this form to the home county auditor by December 28, 2019. A duplicate form must be submitted to Minnesota Department of Education, School Finance Division, 1500 Highway 36 West, Roseville, MN 55113, by January 7, 2020.

The certified levy listed above is the levy voted by the school board for taxes payable in 2020.

Signature of School Board Clerk _____

Date of Certification _____