

**BEMIDJI AREA SCHOOLS  
BEMIDJI, MINNESOTA**

**DATE: DECEMBER 19, 2016**  
**TO: BOARD OF EDUCATION**  
**FROM: CHRIS J. LEINEN, DIRECTOR OF BUSINESS SERVICES**  
**SUBJECT: 2016 PAYABLE 2017 LEVY CERTIFICATION**

**INTRODUCTION**

The Minnesota Department of Education gathers information from many sources to create the 2016 Payable 2017 Levy Limitation and Certification Report. This is a 38 page report and gives a detailed presentation of the many complicated school funding formulas. The driving factor for most of the formulas is our student enrollment.

Attached is the MDE Levy Certification Report as well as my attempt at reducing this lengthy report to a one page summary. This summary compares changes from the prior year by individual levy category.

**BASELINE KNOWLEDGE**

The local property tax levy is set by the school board in 2016, paid by taxpayers in 2017 and booked as revenue to the school district in FY 2017-2018. This means we are estimating and determining future revenues today.

Our Tax Base (Adjusted Net Tax Capacity) has increased by 1.7% this past year and 13.5% in 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.

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. During a stretch of growing enrollment these adjustments are positive in nature and result in additional income and additional taxes.

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

**PRELIMINARY LEVY CERTIFICATION**

Using the last column titled SPREAD LEVY LIMIT INCREASE OR DECREASE the following changes are apparent.

Generally, major changes in the levy amounts from year to year are due to changes at the state legislative level or voter approved bonds and referendums. Increasing enrollment also has an effect on the levy because so many of the funding formulas are driven by student counts. The legislature made major changes in the Health and Safety and Deferred Maintenance categories by combining them into a new Long Term Facilities Maintenance (LTFM) program that has an equalized levy and more flexibility for schools to use in maintaining their school facilities.

Health and Safety Levy was rolled into LTFM however, the accumulated under levy from the past is available to the school board for three years. The maximum H&S levy authority is currently \$1,163,752.91. This is the area we have historically under levied.

LTFM is a new levy created by a “roll in” of Deferred Maintenance and Health and Safety programs. This levy is equalized at approximately 1/3 state and 2/3 local. Therefore, a local levy of \$953,886.32 will generate additional state aid in the amount of \$458,764.41. The LTFM levy represents the largest single increase in the 2017 tax levy. This increase is needed as we recently deferred maintenance projects, a text book series and a school bus purchase in order to help with budget balancing efforts.

General Debt Service of \$3,229,810.31 represents an increase of \$322,808.26 compared to a decrease of \$504,578.17 the prior year. This recent volatility in our debt service levy is caused by a time lag in the levy process plus the requirement that we “over levy” by 5% annually to make sure we have enough to cover potential delinquent tax payments. The unused over levy is returned to tax payers through a Debt Excess Reduction calculation performed by the MDE and incorporated in our levy calculation. Last year our levy included a lower bond payment as well as a reduction for dollars levied prior to the decrease in bond payments. These surplus funds were returned to the taxpayers. This year the reduction in bond service levy is based only on the 105% required over levy.

### **OVERALL SUMMARY**

Our levy limitation increased by \$590,221.70 from \$10,930,065.12 to \$11,524,655.95.

The recommended levy limitation is \$10,845,871.07 which is an increase of \$980,338.47 or 9.94% from last year’s actual spread levy.

### **ACTION:**

The motion was offered by \_\_\_\_\_, seconded by \_\_\_\_\_ and carried ( ) to approve the 2016 Pay 2017 Levy Certification at \$10,845,871.07.