

**BEMIDJI AREA SCHOOLS  
BEMIDJI, MINNESOTA**

**DATE: DECEMBER 21, 2015**  
**TO: BOARD OF EDUCATION**  
**FROM: CHRIS J. LEINEN, DIRECTOR OF BUSINESS SERVICES**  
**SUBJECT: 2015 PAYABLE 2016 LEVY LIMIT CERTIFICATION**

**INTRODUCTION**

The Minnesota Department of Education gathers information from many sources to create the 2015 Payable 2016 Levy Limitation and Certification Report. This is a 37 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 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 2015, paid by taxpayers in 2016 and booked as revenue to the school district in FY 2016-2017. This means we are determining future revenues today.

Our Tax Base (Adjusted Net Tax Capacity) has increased by 2.3% this past year to \$33,082,346 and by 14.5% 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.

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. This year the levy authority for a new operating referendum is present. Also, 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.

Voter Referendum increased by \$738,295.64. This amounts to approximately \$180 per pupil. The levy is equalized at a rate of approximately 25%, meaning for every 3 dollars the district levies the state will kick in 1 dollar.

Health and Safety Levy is 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 \$1,467,167.18 and the levy for the current year is set at \$420,000. This is the area we have historically under levied however, since the H&S program is being phased out, we are going to levy approximately 1/3 of the balance for each of the next 3 years.

LTFM is a new levy made up of a roll in of Deferred Maintenance and Health and Safety programs. This levy is equalized at 1/3 state and 2/3 local. Therefore, a local levy of \$582,927.78 will generate additional state aid in the amount of \$287,339.62.

General Debt Service levy has decreased by \$504,578.17. This is due to our bond payment decreasing as we get to the end of the life of the bonds combined with growth in our excess debt service balance. This growth is caused by a decrease in the amount of delinquent taxes in the Bemidji School District plus a mandatory levy of 105% of our anticipated bond payments.

#### **OVERALL SUMMARY**

Our levy limitation increased by \$726,763.78 from \$10,195,788.96 to \$10,922,552.74 which is an increase of 7.1%.

The recommended levy certification amount is \$9,865,532.60 which is an increase of \$720,541.57 or 7.88% from last year's actual spread levy.

#### **ACTION:**

The motion was offered by \_\_\_\_\_, seconded by \_\_\_\_\_ and carried ( ) to certify the 2015 Pay 2016 levy at \$9,865,532.60.