

**BEMIDJI AREA SCHOOLS  
BEMIDJI, MINNESOTA**

**DATE: DECEMBER 16, 2024**

**TO: BOARD OF EDUCATION**

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

**SUBJECT: 2024 PAYABLE 2025 LEVY LIMIT CERTIFICATION**

**INTRODUCTION**

The Minnesota Department of Education gathers information from many sources to create the 2024 Payable 2025 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. 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.

**BASELINE KNOWLEDGE**

**TIMING** - The local property tax levy is set by the school board in 2024, paid by taxpayers in 2025 and booked as revenue to the school district in FY 2025-2026. 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 increased by 13.2% this past year, compared to 18.9% last year and 42.8% 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 92.0%. 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. 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 smaller amounts compared to the corresponding levy category.

### **FINAL 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:

A majority of the increase related to the Local Optional Revenue adjustment was due to actual enrollment being less than what was estimated for the levy in relation to the final FY23 revenue calculation and that resulted in equalization shifting more to the levy and less in aid.

The increase in Operating Capital is due to the equalization factor changing from 47% levy to 55% levy.

The OPEB levy category is new this year. Previously our post-employment benefits were paid for with the OPEB trust. We made this adjustment to help supplement the OPEB trust because once the trust is depleted then the General Fund will have to pay these costs. This is an effort to help the trust last longer and establish a recurring funding source for those payments once the trust is depleted.

The Facility and Equipment Bond negative adjustment is offset against the Capital Facilities Bond in the debt service section. These adjustments are moving levy dollars from our restricted operating capital levy to debt service to pay for the new capital facility bond that financed the BHS LED Lighting project and a portion of the BHS Chiller Project. The capital facility bond did not increase taxation for property owners, it just shifted the funds from where we were previously receiving it for restricted operating capital levy dollars.

A majority of the decrease related to the LTFM adjustment was due to the decrease in the average building age from when the levy originally calculated it to when the final FY23 revenue calculation occurred and that resulted in LTFM revenue decreasing.

The increase in the Debt Service is caused by our excess balance adjustment decreasing from the prior year. The excess balance is comparing our future bond payments, levy and fund balance and making adjustments to our levy so that our fund balance doesn't get too large. Bond covenants require that we levy 105% of the bond payments.

The decrease in the OPEB bond levy is due to no longer having levy authority for these bond payments. The bonds are scheduled to be paid off in February 2025.

There was very little that changed from the preliminary levy presented in September but there were two items I would like to note. The first change was MDE updating the voluntary pre-k (VPK) enrollment amounts for FY26 from 10.20 to 38.40 ADMs. This was because we were awarded additional VPK seats and MDE had not updated this in the levy limitation system when the report was run in September. This caused the funding calculations to change slightly because of the increase in projected enrollment. The second item that changed was the shifting of restricted operating capital funds from the general fund to the debt service fund to pay for the new capital facilities bond as discussed earlier. This didn't have an impact on the total levy; it just had an impact on the amount by category.

### **OVERALL SUMMARY**

The recommended levy limitation certification is \$11,005,369 which is a decrease of \$83,707, or 0.75% from last year's actual spread levy of \$11,089,076.

### **ACTION:**

The motion was offered by \_\_\_\_\_, seconded by \_\_\_\_\_ and carried ( ) to approve the 2024 Pay 2025 Levy Limit at the 11,005,369.

SET IN 2024 PAYABLE IN 2025 2025-2026 FISCAL YEAR				Final Levy			
2022 ADJUSTED				2023 ADJUSTED			
NET TAX CAPACITY \$54,854,853				NET TAX CAPACITY \$62,069,259			
ITEM	ACTUAL LEVY CERTIFIED 2022 PAY 2023	MAXIMUM LEVY LIMIT AUTHORIZATION 2022 PAY 2023	MAXIMUM LEVY LIMIT AUTHORIZATION 2023 PAY 2024	COL D - COL C LEVY LIMIT INCREASE OR (DECREASE) 2023 vs 2024	SUGGESTED LEVY 2023 PAY 2024	SPREAD LEVY INCREASE OR (DECREASE) G MINUS C	
RMV VOTER REFERENDUM	922,608.00	922,608.00	889,236.00	-33,372.00	889,236.00	-33,372.00	\$180/pupil
RMV VOTER Adj	-23,037.07	-23,037.07	-26,392.14	-3,355.07	-26,392.14	-3,355.07	
<b>TOTAL GEN RMV VOTER JZX</b>	<b>899,570.93</b>	<b>899,570.93</b>	<b>862,843.86</b>	<b>-36,727.07</b>	<b>862,843.86</b>	<b>-36,727.07</b>	
LOCAL OPTION REVENUE	3,287,549.97	3,287,549.97	3,287,007.42	-542.55	3,287,007.42	-542.55	EQ+ENR
EQUITY LEVY	814,650.05	814,650.05	788,208.91	-26,441.14	788,208.91	-26,441.14	EQ+ENR
TRANSITION	3,331.64	3,331.64	3,211.13	-120.51	3,211.13	-120.51	
Local Option Adj	-45,201.11	-45,201.11	-87,496.63	-42,295.52	-87,496.63	-42,295.52	EQ+ENR
EquityAdj	-11,771.87	-11,771.87	33,132.11	44,903.98	33,132.11	44,903.98	EQ+ENR
Bd Apprv Ref Adj	0.00	0.00	0.00	0.00	0.00	0.00	Phase Out
Location EQ Adj	-22,062.28	-22,062.28	62,335.92	84,398.20	62,335.92	84,398.20	Phase Out
Transition Adj	-65.19	-65.19	132.20	197.39	132.20	197.39	
<b>TOTAL GEN RMV OTHER JZX</b>	<b>4,026,431.21</b>	<b>4,026,431.21</b>	<b>4,086,531.06</b>	<b>60,099.85</b>	<b>4,086,531.06</b>	<b>60,099.85</b>	
OPERATING CAP LEVY	525,157.49	525,157.49	597,846.97	72,689.48	597,846.97	72,689.48	EQ+ENR
REEMPLOYMENT INS	15,000.00	15,000.00	31,000.00	16,000.00	31,000.00	16,000.00	Actual Costs
SAFE SCHOOLS	184,521.60	184,521.60	177,847.20	-6,674.40	177,847.20	-6,674.40	
CAREER & TECHNICAL	170,660.00	170,660.00	204,190.98	33,530.98	204,190.98	33,530.98	
OPEB	0.00	0.00	256,228.00	256,228.00	256,228.00	256,228.00	OPEB
LTFM	921,532.85	921,532.85	913,922.08	-7,610.77	913,922.08	-7,610.77	EQ+ENR
BUILDING LEASES	337,953.96	337,953.96	337,953.96	0.00	337,953.96	0.00	
Tree Growth	1,319.13	1,319.13	1,319.13	0.00	1,319.13	0.00	
Operating Cap Adj	533.81	533.81	-1,597.61	-2,131.42	-1,597.61	-2,131.42	EQ+ENR
Facility & Equipment Bond Adj	0.00	0.00	-459,104.48	-459,104.48	-459,104.48	-459,104.48	
Safe Schools Adj	-14,202.36	-14,202.36	-4,943.88	9,258.48	-4,943.88	9,258.48	EQ+ENR
Career and Tech Adj	-46,340.73	-46,340.73	-30,483.03	15,857.70	-30,483.03	15,857.70	EQ+ENR
LTFM Adj	15,247.29	15,247.29	-142,684.03	-157,931.32	-142,684.03	-157,931.32	EQ+ENR
Reemployment Ins Adj	-17,887.80	-17,887.80	-33,389.32	-15,501.52	-33,389.32	-15,501.52	Actual Costs
Lease Levy Adj	-25,172.00	-25,172.00	-16,672.50	8,499.50	-16,672.50	8,499.50	FY Transition
Abatement Adj	4,479.02	4,479.02	-1,877.21	-6,356.23	-1,877.21	-6,356.23	County #
<b>TOTAL GEN NTC OTHER JZX</b>	<b>2,072,802.26</b>	<b>2,072,802.26</b>	<b>1,829,556.26</b>	<b>-243,246.00</b>	<b>1,829,556.26</b>	<b>-243,246.00</b>	
COMMUNITY ED NTC OTHER	205,705.70	205,705.70	204,704.42	-1,001.28	204,704.42	-1,001.28	
EARLY CHILDHOOD	109,858.91	109,858.91	124,080.79	14,221.88	124,080.79	14,221.88	
HOME VISIT	5,029.07	5,029.07	6,063.55	1,034.48	6,063.55	1,034.48	
SCHOOL AGE CARE	18,000.00	18,000.00	18,000.00	0.00	18,000.00	0.00	
ECFE ADJ	-5,565.98	-5,565.98	-199.84	5,366.14	-199.84	5,366.14	
School age care Adj	1,038.00	1,038.00	43.00	-995.00	43.00	-995.00	
Abatement ADJ	291.70	291.70	1.34	-290.36	1.34	-290.36	County #
Home Visit Adj	106.83	106.83	267.99	161.16	267.99	161.16	
<b>TOTAL COMM SERV NTC Other JZX</b>	<b>334,464.23</b>	<b>334,464.23</b>	<b>352,961.25</b>	<b>18,497.02</b>	<b>352,961.25</b>	<b>18,497.02</b>	
GEN DEBT VOTER	3,144,882.00	3,144,882.00	3,140,157.00	-4,725.00	3,140,157.00	-4,725.00	
LESS: EXCESS BALANCE	-243,098.15	-243,098.15	-96,503.59	146,594.56	-96,503.59	146,594.56	105% Over levy
Abatement ADJ	2,772.44	2,772.44	416.28	-2,356.16	416.28	-2,356.16	County #
<b>TOTAL GEN DEBT VOTER JZNX</b>	<b>2,904,556.29</b>	<b>2,904,556.29</b>	<b>3,044,069.69</b>	<b>139,513.40</b>	<b>3,044,069.69</b>	<b>139,513.40</b>	
LTFM Debt Service	403,214.21	403,214.21	401,583.14	-1,631.07	401,583.14	-1,631.07	Shift from LTFM
CAPITAL FACILITIES BOND	0.00	0.00	459,104.48	459,104.48	459,104.48	459,104.48	
LESS: EXCESS BALANCE	-43,362.23	-43,362.23	-31,284.27	0.00	-31,284.27	12,077.96	
LTFM Adj	24.44	24.44	3.83	-20.61	3.83	-20.61	
<b>TOTAL GEN DEBT NTC OTHER JZX</b>	<b>359,876.42</b>	<b>359,876.42</b>	<b>829,407.18</b>	<b>457,452.80</b>	<b>829,407.18</b>	<b>469,530.76</b>	
OPEB DEBT OTHER	537,682.00	537,682.00	0.00	-537,682.00	0.00	-537,682.00	105% Over Levy
Abatement ADJ	397.59	397.59	0.00	-397.59	0.00	-397.59	County #
OPEB Debt Excess	-46,704.97	-46,704.97	0.00	46,704.97	0.00	46,704.97	105% Over levy
<b>TOTAL OPEB DEBT NTC OTHER JZNX</b>	<b>491,374.62</b>	<b>491,374.62</b>	<b>0.00</b>	<b>-491,374.62</b>	<b>0.00</b>	<b>-491,374.62</b>	
<b>GRAND TOTAL ALL FUNDS</b>	<b>11,089,075.96</b>	<b>11,089,075.96</b>	<b>11,005,369.30</b>	<b>-95,784.62</b>	<b>11,005,369.30</b>	<b>-83,706.66</b>	
PERCENTAGE INCREASE (DECREASE) IN LEVY AUTHORITY							<b>-0.75%</b>