

**BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA**

DATE: SEPTEMBER 18, 2023

TO: BOARD OF EDUCATION

FROM: ASHLEY EASTRIDGE, CPA, DIRECTOR OF BUSINESS SERVICES

SUBJECT: 2023 PAYABLE 2024 LEVY LIMIT CERTIFICATION

INTRODUCTION

The Minnesota Department of Education gathers information from many sources to create the 2023 Payable 2024 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 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 2023, paid by taxpayers in 2024 and booked as revenue to the school district in FY 2024-2025. 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 18.9% this past year, compared to 6.2% last year and 36.2% 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 86.8%. 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.

PRELIMINARY LEVY LIMIT CERTIFICATION

Attached is my attempt at reducing the 40-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:

The increases in Local Optional Revenue and Equity Levy as well as the increase in the corresponding adjustment categories are due to an increase in enrollment which is a driving factor in the levy calculation.

The decrease in Ice Arena is a planned decrease due to the sale of Nymore Arena in fiscal year 2021-2022. We were previously able to levy for the operational and maintenance costs.

The increase in LTFM and the corresponding adjustment category are also due to the increase in estimated enrollment and the equalization formula.

Volatility in the Debt Service and 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 and the recommended levy limitation certification is \$10,801,935.16 which is an increase of \$365,067.84, or 3.5% from last year’s actual spread levy of \$10,436,867.32.

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 small 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 small changes.

ACTION:

The motion was offered by _____, seconded by _____ and carried () to approve the 2023 Pay 2024 Levy Limit at the MAXIMUM.

SET IN 2023 PAYABLE IN 2024 2024-2025 FISCAL YEAR				Preliminary Levy			
2021 ADJUSTED				2022 ADJUSTED			
NET TAX CAPACITY \$46,148,559				NET TAX CAPACITY \$54,854.853			
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	853,413.20	853,413.20	922,608.00	69,194.80	922,608.00	69,194.80	\$180/pupil
RMV VOTER Adj	-62,248.33	-62,248.33	-23,037.07	39,211.26	-23,037.07	39,211.26	
TOTAL GEN RMV VOTER JZX	791,164.87	791,164.87	899,570.93	108,406.06	899,570.93	108,406.06	
LOCAL OPTION REVENUE	3,078,425.40	3,078,425.40	3,287,549.97	209,124.57	3,287,549.97	209,124.57	EQ+ENR
EQUITY LEVY	807,809.07	807,809.07	814,650.05	6,840.98	814,650.05	6,840.98	EQ+ENR
TRANSITION	3,314.35	3,314.35	3,331.64	17.29	3,331.64	17.29	
Local Option Adj	-225,528.78	-225,528.78	-45,201.11	180,327.67	-45,201.11	180,327.67	EQ+ENR
Equity Adj	-55,646.12	-55,646.12	-11,771.87	43,874.25	-11,771.87	43,874.25	EQ+ENR
Bd Apprv Ref Adj	0.00	0.00	0.00	0.00	0.00	0.00	Phase Out
Location EQ Adj	0.00	0.00	-22,062.28	-22,062.28	-22,062.28	-22,062.28	Phase Out
Transition Adj	-243.26	-243.26	-65.19	178.07	-65.19	178.07	
TOTAL GEN RMV OTHER JZX	3,608,130.66	3,608,130.66	4,026,431.21	418,300.55	4,026,431.21	418,300.55	
OPERATING CAP LEVY	442,391.07	442,391.07	525,157.49	82,766.42	525,157.49	82,766.42	EQ+ENR
ALT TEACHER Q COMP	0.00	450,682.69	0.00	-450,682.69	0.00	0.00	Aid only. No Levy
REEMPLOYMENT INS	48,021.00	48,021.00	15,000.00	-33,021.00	15,000.00	-33,021.00	Actual Costs
SAFE SCHOOLS	183,564.00	183,564.00	184,521.60	957.60	184,521.60	957.60	
ICE ARENA	103,862.94	103,862.94	0.00	-103,862.94	0.00	-103,862.94	Actual Costs
CAREER & TECHNICAL	192,444.45	192,444.45	170,660.00	-21,784.45	170,660.00	-21,784.45	
OPEB	0.00	0.00	0.00	0.00	0.00	0.00	OPEB
LTFM	859,114.20	859,114.20	994,268.47	135,154.27	994,268.47	135,154.27	EQ+ENR
BUILDING LEASES	325,978.96	325,978.96	337,953.96	11,975.00	337,953.96	11,975.00	Shift of Ice lease
Tree Growth	1,319.13	1,319.13	1,319.13	0.00	1,319.13	0.00	
Operating Cap Adj	-5,823.59	-5,823.59	533.81	6,357.40	533.81	6,357.40	EQ+ENR
Alt Comp Adj	2,930.40	2,930.40	0.00	-2,930.40	0.00	-2,930.40	Aid only. No Levy
Safe Schools Adj	-9,228.96	-9,228.96	-14,202.36	-4,973.40	-14,202.36	-4,973.40	EQ+ENR
Career and Tech Adj	-33,179.36	-33,179.36	-46,340.73	-13,161.37	-46,340.73	-13,161.37	EQ+ENR
LTFM Adj	-89,492.95	-89,492.95	15,247.29	104,740.24	15,247.29	104,740.24	EQ+ENR
Reemployment Ins Adj	-8,440.38	-8,440.38	-17,887.80	-9,447.42	-17,887.80	-9,447.42	Actual Costs
Lease Levy Adj	-5,283.00	-5,283.00	-25,172.00	-19,889.00	-25,172.00	-19,889.00	FY Transition
Abatement Adj	14,170.37	14,170.37	4,479.02	-9,691.35	4,479.02	-9,691.35	County #
TOTAL GEN NTC OTHER JZX	2,022,348.28	2,473,030.97	2,145,537.88	-327,493.09	2,145,537.88	123,189.60	
COMMUNITY ED NTC OTHER	281,219.85	281,219.85	205,705.70	-75,514.15	205,705.70	-75,514.15	
EARLY CHILDHOOD	113,983.71	113,983.71	109,858.91	-4,124.80	109,858.91	-4,124.80	
HOME VISIT	5,512.15	5,512.15	5,029.07	-483.08	5,029.07	-483.08	
SCHOOL AGE CARE	18,000.00	18,000.00	18,000.00	0.00	18,000.00	0.00	
ECFE ADJ	-22.76	-22.76	-5,565.98	-5,543.22	-5,565.98	-5,543.22	
School age care Adj	3,723.01	3,723.01	1,038.00	-2,685.01	1,038.00	-2,685.01	
Abatement ADJ	1,057.88	1,057.88	291.70	-766.18	291.70	-766.18	County #
Home Visit Adj	562.35	562.35	106.83	-455.52	106.83	-455.52	
TOTAL COMM SERV NTC Other JZX	424,036.19	424,036.19	334,464.23	-89,571.96	334,464.23	-89,571.96	
GEN DEBT VOTER	3,144,882.00	3,144,882.00	3,144,882.00	0.00	3,144,882.00	0.00	
LESS: EXCESS BALANCE	-71,608.81	-71,608.81	-243,098.15	-171,489.34	-243,098.15	-171,489.34	105% Over levy
Abatement ADJ	10,228.98	10,228.98	2,772.44	-7,456.54	2,772.44	-7,456.54	County #
TOTAL GEN DEBT VOTER JZNX	3,083,502.17	3,083,502.17	2,904,556.29	-178,945.88	2,904,556.29	-178,945.88	
LTFM Debt Service	380,937.76	380,937.76	403,214.21	22,276.45	403,214.21	22,276.45	Shift from LTFM
LESS: EXCESS BALANCE	0.00	0.00	-43,362.23	0.00	-43,362.23	0.00	
LTFM Adj	-12,671.49	-12,671.49	24.44	12,695.93	24.44	12,695.93	
TOTAL GEN DEBT NTC OTHER JZX	368,266.27	368,266.27	359,876.42	34,972.38	359,876.42	34,972.38	
OPEB DEBT OTHER	539,068.00	539,068.00	537,682.00	-1,386.00	537,682.00	-1,386.00	105% Over Levy
Abatement ADJ	1,707.49	1,707.49	397.59	-1,309.90	397.59	-1,309.90	County #
OPEB Debt Excess	-33,090.34	-33,090.34	-46,704.97	-13,614.63	-46,704.97	-13,614.63	105% Over levy
TOTAL OPEB DEBT NTC OTHER JZNX	507,685.15	507,685.15	491,374.62	-16,310.53	491,374.62	-16,310.53	
GRAND TOTAL ALL FUNDS	10,436,867.32	10,887,550.01	10,801,935.16	-85,614.85	10,801,935.16	365,067.84	
PERCENTAGE INCREASE (DECREASE) IN LEVY AUTHORITY						3.50%	