

**BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA**

DATE: DECEMBER 15, 2025

TO: BOARD OF EDUCATION

FROM: ASHLEY EASTRIDGE, CPA, DIRECTOR OF BUSINESS SERVICES

SUBJECT: 2025 PAYABLE 2026 LEVY LIMIT CERTIFICATION

INTRODUCTION

The Minnesota Department of Education gathers information from many sources to create the 2025 Payable 2026 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 2025, paid by taxpayers in 2026 and booked as revenue to the school district in FY 2026-2027. 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 6.9% this past year, compared to 13.2% last year and 43.8% 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 91.2%. 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 is related to various categories that had adjustments in actual enrollment versus what was estimated for the levy in relation to the final FY24 revenue calculation. It was also the result of actual expenses being higher than estimated.

Operating Capital and Long-Term Facility Maintenance (LTFM) have increased due to the equalization factor shifting more to the levy and less in aid.

The OPEB levy increased due to the OPEB actuarial valuation calculating a larger liability.

Career and Technical Education (CTE) levy increase is due to the concerted effort to ensure that all classes that qualify for CTE levy funding are being taught by a teacher with the proper licensing or out-of-field permissions.

These increases were partially offset by the decrease in building leases. The decrease is due to the long-term lease for the downtown education center being paid off in FY25.

OVERALL SUMMARY

The recommended levy limitation certification is \$11,405,977 which is an increase of \$400,607, or 3.64% from last year’s actual spread levy of \$11,005,369.

ACTION:

The motion was offered by _____, seconded by _____ and carried () to approve the 2025 Pay 2026 Levy Limit at the \$11,405,977.