

**BEMIDJI AREA SCHOOLS
BEMIDJI, MINNESOTA**

DATE: DECEMBER 20, 2021

TO: BOARD OF EDUCATION

FROM: KRISI L. FENNER, CPA, DIRECTOR OF BUSINESS SERVICES

SUBJECT: 2021 PAYABLE 2022 LEVY LIMIT CERTIFICATION

INTRODUCTION

The Minnesota Department of Education gathers information from many sources to create the 2021 Payable 2022 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 judgement 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 2021, paid by taxpayers in 2022 and booked as revenue to the school district in FY 2022-2023. 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 effect future levy limitations.

TAX BASE - Our Tax Base (Adjusted Net Tax Capacity) has increased by 8% this past year, compared to 2% last year and 12% 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. On a state wide basis, the sales ratio is at 94.5% and in Bemidji it is 91.4%. This means, on a state wide basis, properties are selling for more than their assessed market value and the market in Bemidji is better than the state average. 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 effected 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 decreases in Local Optional Revenue and Equity Levy as well as the decreased in the corresponding adjustment categories are due to a decrease in enrollment which is a driving factor in the levy calculation.

The decrease in Building Leases is a planned decrease due to the terminated lease for alternative program space as part of our budget reduction efforts this past year.

The decrease in LTFM and the corresponding adjustment category are also due to the decrease in enrollment.

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.

Abatement Adjustments in each of the levy categories are due to a tax classification error on the part of Beltrami County that resulted an increased abatement adjustment in the 2021 tax year and a decrease back to normal levels in the 2022 tax year.

OVERALL SUMMARY

Our levy authority and the recommended levy limitation certification is \$10,250,960.00 which is a decrease of \$803,554.83, or 7.3% from last year's actual spread levy of \$11,054,514.83.

ACTION:

The motion was offered by _____, seconded by _____ and carried () to approve the 2021 Pay 2022 Levy Limit at the MAXIMUM.

		SET IN 2021 PAYABLE IN 2022			Final Levy				
		2022-2023 FISCAL YEAR							
		2019 ADJUSTED			2020 ADJUSTED				
		NET TAX CAPACITY \$40,271,011			NET TAX CAPACITY \$43,456,745				
		ACTUAL	MAXIMUM	MAXIMUM	COL D - COL C		SPREAD		
		LEVY	LEVY LIMIT	LEVY LIMIT	LEVY LIMIT	SUGGESTED	LEVY		
		SPREAD	AUTHORIZATION	AUTHORIZATION	INCREASE OR	LEVY	INCREASE OR		
ITEM		2020 PAY 2021	2020 PAY 2021	2021 PAY 2022	(DECREASE)	21 PAY 22	(DECREASE)	G MINUS C	
					2021 vs 2022				
	RMV VOTER REFERENDUM	820,593.05	820,593.05	831,859.33	11,266.28	831,859.33	11,266.28	Legislature	
	RMV VOTER Adj	-12,212.93	-12,212.93	-54,707.08	-42,494.15	-54,707.08	-42,494.15		
TOTAL	GEN RMV VOTER JZX	808,380.12	808,380.12	777,152.25	-31,227.87	777,152.25	-31,227.87		
	LOCAL OPTION REVENUE	3,030,193.40	3,030,193.40	2,917,622.55	-112,570.85	2,917,622.55	-112,570.85	EQ+ENR	
	EQUITY LEVY	798,648.21	798,648.21	753,509.80	-45,138.41	753,509.80	-45,138.41	EQ+ENR	
	TRANSITION	3,294.44	3,294.44	3,103.32	-191.12	3,103.32	-191.12		
	Local Option Adj	3,559.89	3,559.89	-117,107.48	-120,667.37	-117,107.48	-120,667.37	EQ+ENR	
	Equity Adj	-9,217.37	-9,217.37	-50,485.03	-41,267.66	-50,485.03	-41,267.66	EQ+ENR	
	Bd Apprv Ref Adj	-12,727.76	-12,727.76	-22,209.84	-9,482.08	-22,209.84	-9,482.08	EQ+ENR	
	Location EQ Adj	-31,039.07	-31,039.07	-54,162.99	-23,123.92	-54,162.99	-23,123.92	Phase Out	
	Transition Adj	-43.71	-43.71	-210.36	-166.65	-210.36	-166.65		
TOTAL	GEN RMV OTHER JZX	3,782,668.03	3,782,668.03	3,430,059.97	-352,608.06	3,430,059.97	-352,608.06		
	OPERATING CAP LEVY	373,890.87	373,890.87	418,619.39	44,728.52	418,619.39	44,728.52	EQ+ENR	
	ALT TEACHER Q COMP	0.00	507,641.44	465,061.90	-42,579.54	0.00	0.00	Aid only. No Levy	
	REEMPLOYMENT INS	37,250.00	37,250.00	40,000.00	2,750.00	40,000.00	2,750.00	Actual Costs	
	SAFE SCHOOLS	199,368.00	199,368.00	189,604.80	-9,763.20	189,604.80	-9,763.20		
	ICE ARENA	115,245.50	115,245.50	124,256.96	9,011.46	124,256.96	9,011.46	Actual Costs	
	CAREER & TECHNICAL	193,863.30	193,863.30	208,302.15	14,438.85	208,302.15	14,438.85	Aid .07 Levy .93	
	LTFM	1,313,053.13	1,313,053.13	1,294,604.87	-18,448.26	1,294,604.87	-18,448.26	Aid .35 Levy .64	
	BUILDING LEASES	255,134.00	255,134.00	196,828.00	-58,306.00	196,828.00	-58,306.00	FY Transition	
	Tree Growth	1,319.13	1,319.13	1,319.13	0.00	1,319.13	0.00		
	Operating Cap Adj	3,100.45	3,100.45	14,084.28	10,983.83	14,084.28	10,983.83	EQ+ENR	
	Alt Comp Adj	0.00	0.00	300.48	300.48	300.48	300.48	Aid only. No Levy	
	Safe Schools Adj	-6,125.04	-6,125.04	2,676.24	8,801.28	2,676.24	8,801.28	EQ+ENR	
	Career and Tech Adj	-34,435.25	-34,435.25	-22,262.82	12,172.43	-22,262.82	12,172.43	EQ+ENR	
	LTFM Adj	18,373.05	18,373.05	-123,858.71	-142,231.76	-123,858.71	-142,231.76	EQ+ENR	
	Reemployment Ins Adj	6,169.54	6,169.54	12,249.76	6,080.22	12,249.76	6,080.22	Actual Costs	
	Lease Levy Adj	4,977.00	4,977.00	-1,846.00	-6,823.00	-1,846.00	-6,823.00	FY Transition	
	Abatement Adj	147,447.86	147,447.86	-5,026.17	-152,474.03	-5,026.17	-152,474.03	County #	
TOTAL	GEN NTC OTHER JZX	2,628,631.54	3,136,272.98	2,814,914.26	-321,358.72	2,349,852.36	-278,779.18		
	COMMUNITY ED NTC OTHER	264,238.70	264,238.70	281,219.85	16,981.15	281,219.85	16,981.15		
	EARLY CHILDHOOD	104,132.78	104,132.78	107,724.93	3,592.15	107,724.93	3,592.15		
	HOME VISIT	4,535.05	4,535.05	4,891.81	356.76	4,891.81	356.76		
	SCHOOL AGE CARE	15,000.00	15,000.00	15,000.00	0.00	15,000.00	0.00		
	ECFE ADJ	177.63	177.63	664.24	486.61	664.24	486.61		
	School age care Adj	1,038.00	1,038.00	43.00	-995.00	43.00	-995.00		
	Abatement ADJ	9,157.27	9,157.27	4.35	-9,152.92	4.35	-9,152.92	County #	
	Home Visit Adj	-48.50	-48.50	-321.13	-272.63	-321.13	-272.63		
TOTAL	COMM SERV NTC Other JZX	398,230.93	398,230.93	409,227.05	10,996.12	409,227.05	10,996.12		
	GEN DEBT VOTER	3,144,908.00	3,144,908.00	3,143,700.00	-1,208.00	3,143,700.00	-1,208.00		
	LESS: EXCESS BALANCE	-268,241.31	-268,241.31	-399,676.94	-131,435.63	-399,676.94	-131,435.63	105% Over levy	
	Abatement ADJ	104,430.05	104,430.05	1,167.03	-103,263.02	1,167.03	-103,263.02	County #	
	GDS Adj	-0.01	-0.01	0.00	0.01	0.00	0.01		
TOTAL	GEN DEBT VOTER JZNX	2,981,096.73	2,981,096.73	2,745,190.09	-235,906.64	2,745,190.09	-235,906.64		
	OPEB DEBT OTHER	533,382.00	533,382.00	539,430.00	6,048.00	539,430.00	6,048.00	105% Over Levy	
	Abatement ADJ	17,308.29	17,308.29	48.28	-17,260.01	48.28	-17,260.01	County #	
	OPEB Debt Excess	-95,182.81	-95,182.81	0.00	95,182.81	0.00	95,182.81	105% Over levy	
TOTAL	OPEB DEBT NTC OTHER JZI	455,507.48	455,507.48	539,478.28	83,970.80	539,478.28	83,970.80		
GRAND	TOTAL ALL FUNDS	11,054,514.83	11,562,156.27	10,716,021.90	-846,134.37	10,250,960.00	-803,554.83		
		=====	=====	=====	=====	=====	=====		
		PERCENTAGE INCREASE (DECREASE) IN LEVY					-7.27%		