



Truth In Taxation - Public Hearing

December 16, 2024

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Agenda

- Background Information on School Funding
- Current FY 2025 Budget Discussion
- Levy for Taxes Payable 2025
- Public Comment



Agenda Items: Background Information on School Funding

Why have a Truth in Taxation meeting?

Minnesota State Law Requirements:

A Public Meeting...

- Held between November 25th and December 28th
- At 6:00 PM or later
- May be part of regularly scheduled meeting
- Must allow for public comments
- May adopt final levy at the same meeting

...and Presentation of:

- Current year budget
- Proposed property tax levy

Funding is Highly Regulated

State of MN Sets:

- **Formulas which determine revenue; most revenue based on specified amount per pupil.**
- **Tax policy for local schools.**
- **Maximum authorized property tax levy.**
 - **Districts can levy less, but not more than amounts authorized by state, unless approved by voters in November.**

The State also authorizes school boards to submit referendums for operating and capital needs to voters for approval.

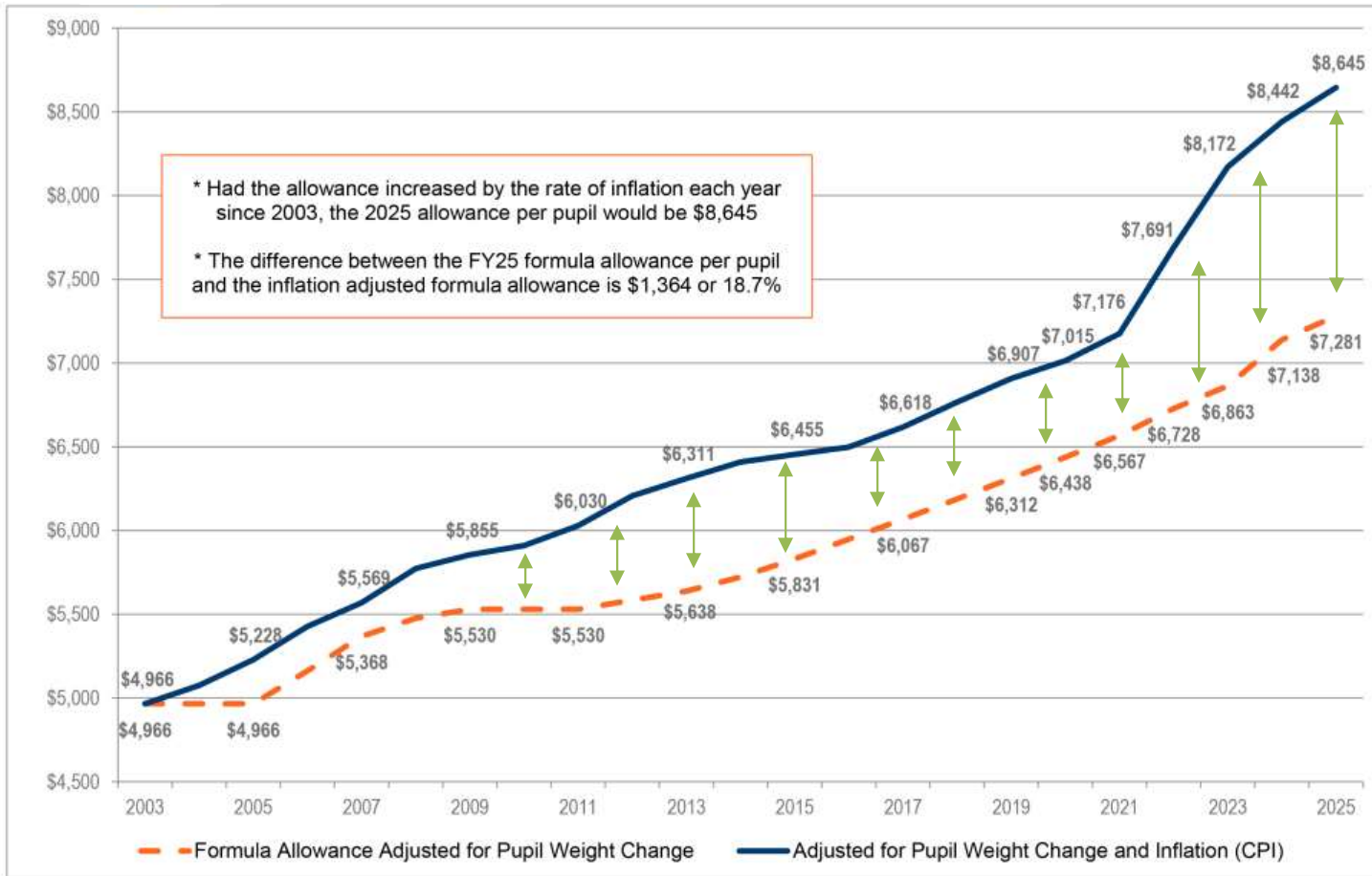
Basic General Education Formula Lags Inflation

- **Since 2002-03, state General Education Revenue formula has not kept pace with inflation**
- **For Fiscal Year 2023-24, an increase of 4% or \$275 per pupil over previous year was approved.**
- **For Fiscal Year 2024-25, an increase of 2% or \$143 per pupil over previous year was approved.**

Per-pupil allowance for Fiscal Year 2024-25 of \$7,281 would need to be increased by another \$1,364 (18.7%) to have kept pace with inflation since 2002-03, resulting in an allowance of \$8,645.

General Education Formula Allowance, 2003-2025

Adjusted for Pupil Weight Change and Inflation (CPI)



Underfunding of Special Education

According to MN Department of Education (MDE)

FY2023 costs of providing programs were underfunded statewide by \$726 million

By FY2027 costs of providing programs statewide will be underfunded by \$455 million



Primary options to bridge funding gap are to cut regular program budgets or increase referendum revenue

2023 Legislative education bill increased funding for SPED cross-subsidy to 44% for FY24-26 (previously 6.43%) and 50% for FY27 and beyond. Despite the increase a funding gap still exists.

Change in Tax Levy does not Determine Change in Budget



Tax Levy is based on many state-determined formulas plus voter approved referendums



Some increases in tax levies are revenue neutral, offset by reductions in state aid



Expenditure budget is limited by state-set revenue formulas, voter-approved levies and fund balance



An increase in school taxes does not always correlate to an equal increase in budget



Agenda Item: Current FY2025 Budget Discussion

Budget Information

School district budgets are divided into separate funds, based on purposes of revenue, as required by the governmental accounting standards board (GASB).

Our District's Funds:

- General
- Food Service
- Community Service
- Building Construction
- Debt Service
- OPEB Debt Service
- OPEB Trust Fund

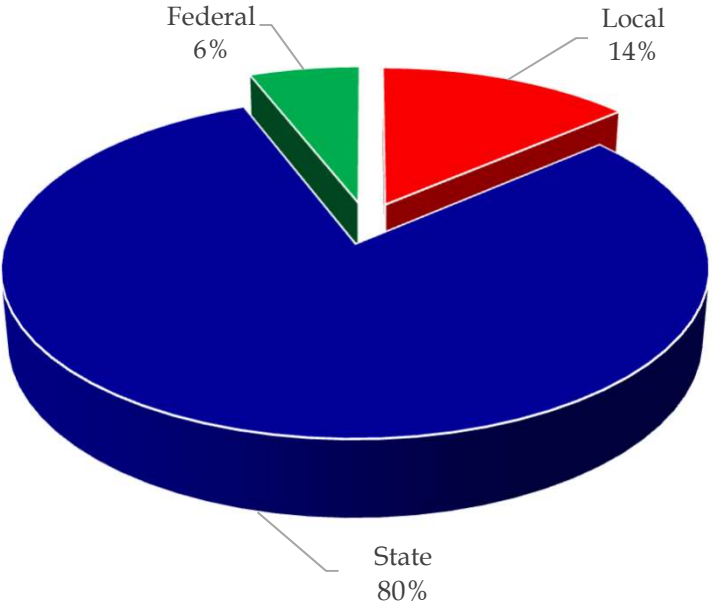
2025 Preliminary Budget

Detailed Budget Book available on the district website: www.bemidji.k12.mn.us

Fund	Revenues	Expenses	Net
General	\$76,140,877	\$77,766,485	(\$1,625,608)
Food Service	\$4,262,275	\$4,065,791	\$196,484
Community Education	\$2,573,179	\$2,564,198	\$8,981
Building Construction	\$4,600,000	\$3,075,500	\$1,524,500
Debt Service	\$3,612,971	\$3,534,375	\$78,596
OPEB Debt Service	\$494,375	\$512,627	(\$18,252)
OPEB Trust Fund	\$438,000	\$600,000	(\$162,000)
Total	\$92,121,677	\$92,118,976	\$2,701

General Fund Revenue FY25 Budget

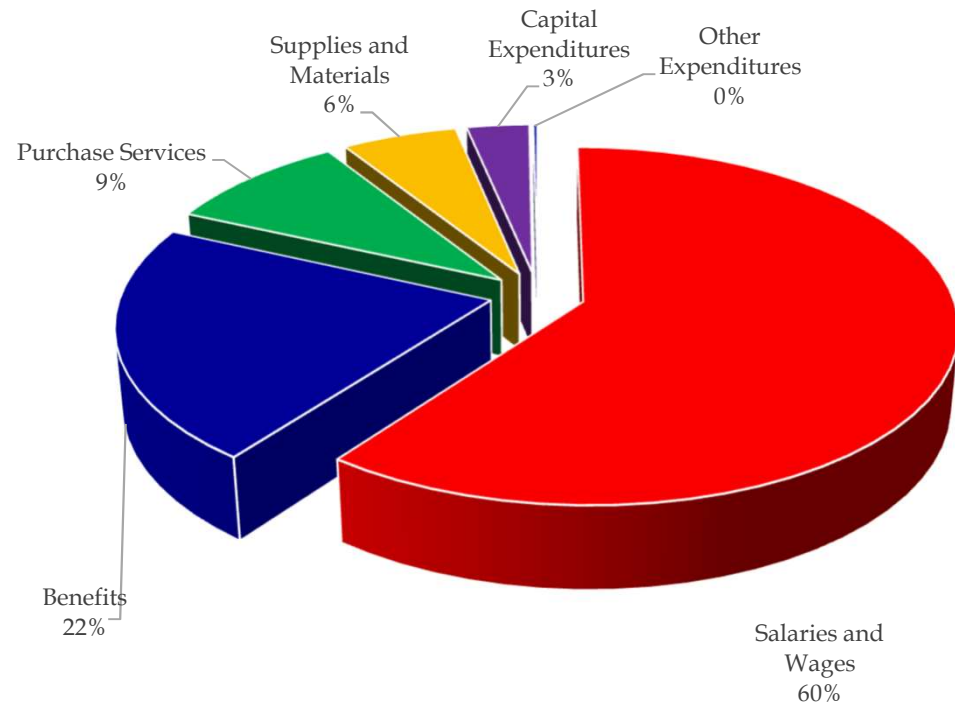
Local	\$10,453,314
State	\$61,152,747
Federal	\$4,534,816
Total	\$76,140,877



General Fund Expenses by Object

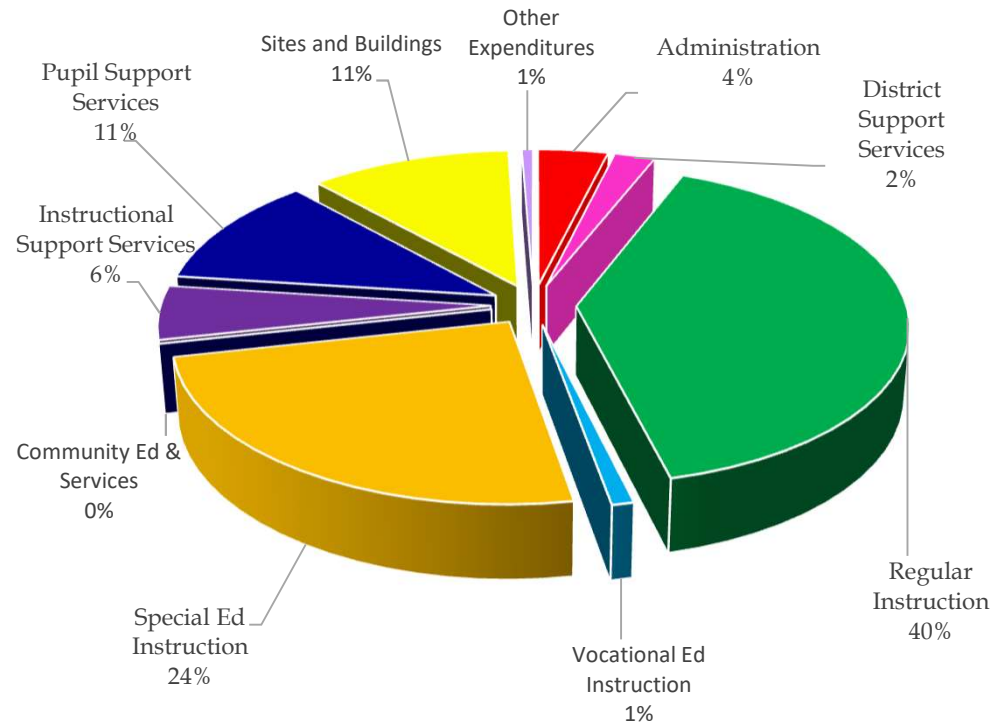
FY25 Budget

Salaries and Wages	\$46,877,184
Benefits	\$16,694,987
Purchase Services	\$7,153,794
Supplies and Materials	\$4,472,795
Capital Expenditures	\$2,426,654
Other Expenditures	\$141,071
Total	\$77,766,485



General Fund Expenses by Program FY25 Budget

Administration	\$2,996,002
District Support Services	\$1,729,005
Regular Instruction	\$31,188,939
Vocational Ed Instruction	\$743,123
Special Ed Instruction	\$18,990,892
Community Ed & Services	\$1,898
Instructional Support Services	\$4,253,983
Pupil Support Services	\$8,731,372
Sites and Buildings	\$8,661,271
Other Expenditures	\$470,000
Total	\$77,766,485





Agenda Item: Levy Taxes Payable 2025

What is the levy certification?

- **A levy is the amount of money a school district intends to raise from property taxes in the upcoming year.**
- **School district levies are limited by state statute and are either based on statutory formulas or provide revenue for specific costs.**
- **Final levy cannot be more than preliminary levy, except for amounts approved by voters.**

Property Tax Background

- **Every owner of taxable property pays property taxes to various “taxing jurisdictions” (county, city/township, school district, special districts) in which property is located.**
- **Each taxing jurisdiction sets own tax levy.**
- **County sends bills, collects taxes from property owners and distributes funds back to other taxing jurisdictions.**
- **Other factors that may affect your individual property tax statements:**
 - Increase or decrease in assessed valuation of individual property.
 - Increase or decrease in total value of all property in the district.
 - Legislative decisions.
 - Voter-approved referendums.
 - Actions taken by other taxing entities.

School District Property Taxes

- Funding formulas established in state statute determine the total revenue entitlement amount the District receives.
- Equalization is a calculation that MDE performs to determine how much of the District's revenue entitlement comes from state aid vs. local levy.

Property Valuation



per



Student

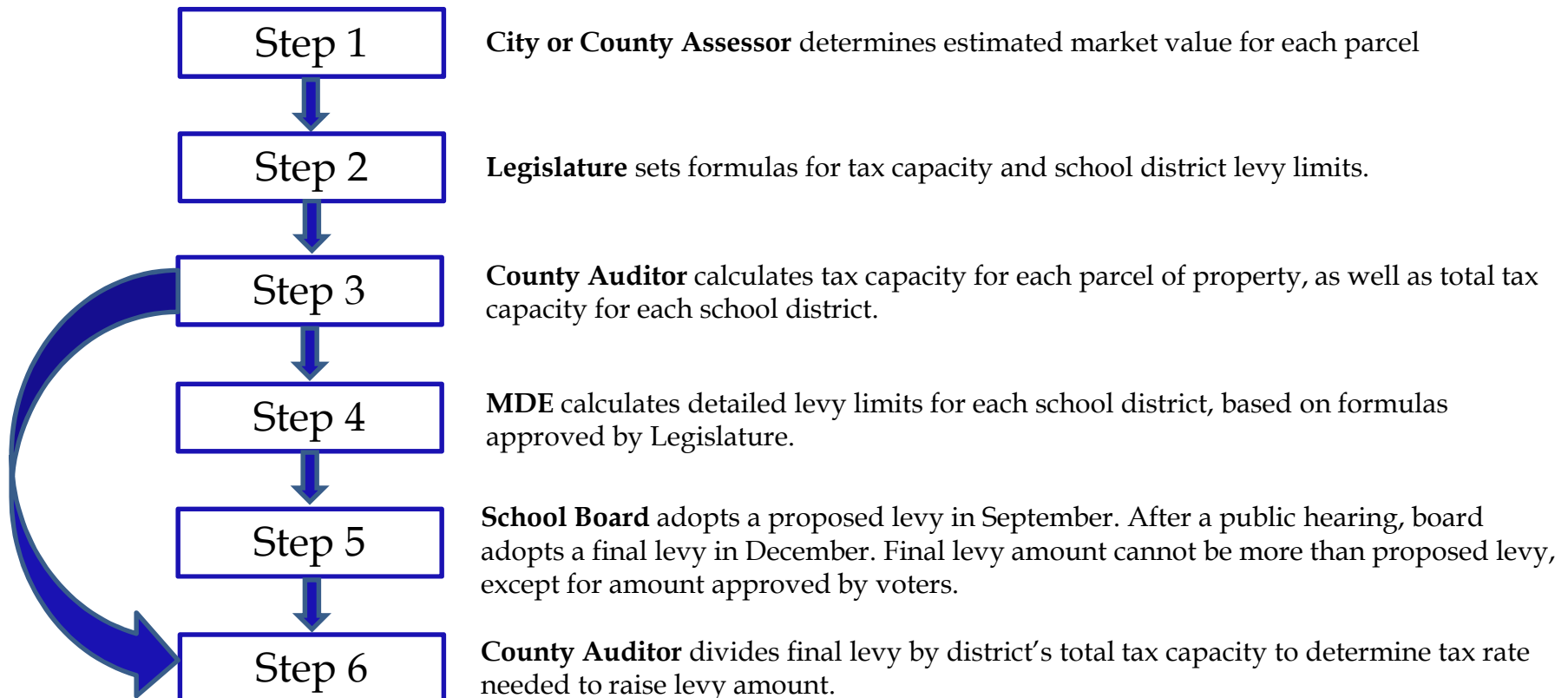


The formulas provide more state aid to Districts with less property wealth per student.

Source: PMA Securities

School District Property Tax Process

Note: For certain levy categories, tax rates and levy amounts are based on referendum market value, rather than tax capacity



School District Property Taxes

- **Each school district may levy taxes in over 40 different categories.**
- **Maximum levy amounts (calculated by MDE) for each category are set by:**
 - State law
 - Voter approval
- **Timing**
 - Levy is set by school board in 2024
 - Paid by taxpayers in 2025
 - Revenue to the school district in the 2025-2026 school year
- **State Aid**
 - Equalization is when the state pays a portion of a school district's revenue entitlement - reducing the local levy amount.
 - State equalization percentage is greater in districts with lower property valuations.
 - Some levy categories are heavily equalized and others not at all.

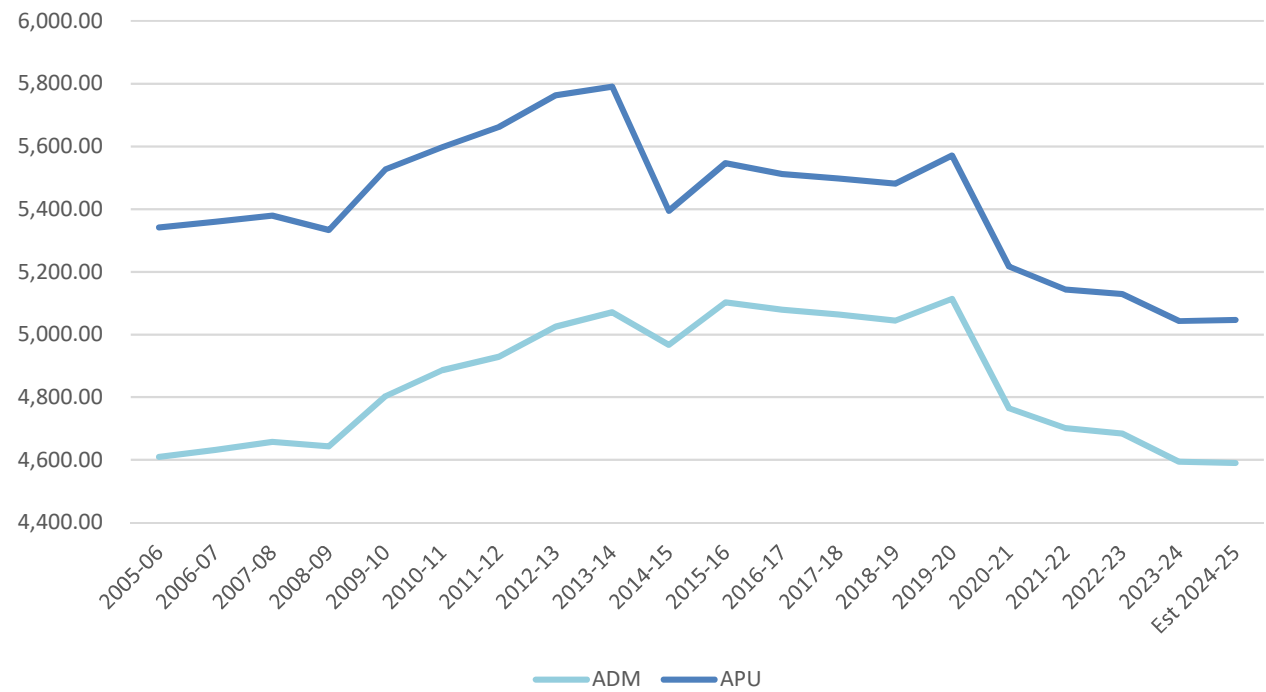
Baseline Knowledge

- **Tax Base**
 - Tax base (Adjusted Net Tax Capacity) has increased by 13.2% this year, compared to 18.9% last year and 42.8% over a four-year period
 - Growth can be a result of new construction and/or existing properties selling for more
 - Increasing values decrease the state equalization formulas causing local property taxes to rise even though this generates no additional revenue for the school district
- **Enrollment**
 - Most funding formulas are based on enrollment
 - Most funding formulas are based on ESTIMATED student counts
 - When estimated counts become actual data, adjustments are made in the levy

20 Year Trend of Average Daily Membership

ADM= Average Daily Membership

APU = Adjusted Pupil Units



Proposed Property Tax Levy Summary by Fund

	Final Pay 2024	Proposed Pay 2025	\$ Change	% Change
General Fund (Fund 1)				
Operating Referendum	922,608	889,236	(33,372)	-3.6%
Local Optional	3,287,550	3,287,007	(543)	0.0%
Equity	814,650	788,209	(26,441)	-3.2%
Transition	3,332	3,211	(121)	-3.6%
Operating Capital	525,157	597,847	72,689	13.8%
Reemployment Insurance	15,000	31,000	16,000	106.7%
Safe Schools	184,522	177,847	(6,674)	-3.6%
Career & Technical	170,660	204,191	33,531	19.6%
Annual OPEB	-	256,228	256,228	-
Long Term Facilities Maintenance	921,533	913,922	(7,611)	-0.8%
Building/Land Lease	337,954	337,954	-	0.0%
Tree Growth	1,319	1,319	-	0.0%
<i>Adjustments and Abatements</i>	<i>(185,480)</i>	<i>(709,041)</i>	<i>(523,560)</i>	-
General Fund Total Levy	6,998,804	6,778,931	(219,873)	-3.1%

Source: PMA Securities, LLC.

Explanation of Levy Changes

Category:

General Fund (Referendum/General)

Change:

Decrease of \$219,873

Reason for
Change:

OPEB: This is a new category this year. Previously all of the OPEB payments were paid by the OPEB trust. This change is meant to help supplement the OPEB trust to help sustain it longer and establish a funding source for when the trust is depleted.

Facility Bond Adjustment: This negative adjustment is offset against the increase in the Capital Facility Bond located in the debt service section.

Proposed Property Tax Levy Summary by Fund

Community Service (Fund 4)

Basic Community Education	205,706	204,704	(1,001)	-0.5%
Early Childhood Education	109,859	124,081	14,222	12.9%
Home Visiting	5,029	6,064	1,034	20.6%
School-age Care	18,000	18,000	-	0.0%
<i>Adjustments and Abatements</i>	<i>(4,129)</i>	<i>112</i>	<i>4,242</i>	<i>-</i>
Community Service Fund Total Levy	334,464	352,961	18,497	5.5%

Source: PMA Securities, LLC.

Explanation of Levy Changes

Category:

Community Service Fund

Change:

Increase of \$18,497

Reason for
Change:

Total ECFE revenue (aid + levy) increased due to the population under 5 years old increasing and the funding allowance increasing. Also, the Anticipated Net Tax Capacity (ANTC) increased. Together these factors resulted in an increase the levy amount.

Proposed Property Tax Levy Summary by Fund

Debt Service Fund (Fund 7)

Voter Approved Debt Service	3,144,882	3,140,157	(4,725)	-0.2%
Non-Voter Approved Debt Service	403,214	860,688	457,473	113.5%
<i>Adjustments and Abatements</i>	<i>(283,664)</i>	<i>(127,368)</i>	<i>156,296</i>	-
Debt Service Fund Total Levy	3,264,433	3,873,477	609,044	18.7%

OPEB Debt Service Fund (Fund 47)

Debt Service	537,682	-	(537,682)	-
<i>Adjustments and Abatements</i>	<i>(46,307)</i>	-	<i>46,307</i>	-
OPEB Debt Service Fund Total Levy	491,375	-	(491,375)	-100.0%

Source: PMA Securities, LLC.

Explanation of Levy Changes

Category:

Debt Service Fund

Change:

Increase of \$609,044

Reason for
Change:

The increase for the Capital Facility Bonds was offset by the decrease in the General Fund as noted earlier. This is a new bond that was issued in FY25 that is paid with restricted operating capital revenues. There is no increased taxation to taxpayers it is just shifting from the General Fund to the Debt Service Fund.

The District is required to levy 105% of the scheduled debt service payments so that there are enough funds available to make the bond payment, even if some taxpayers are delinquent in making their tax payments. Collections on required debt excess in previous years reduced amount allowable to be levied in current year.

Explanation of Levy Changes

Category:

OPEB Debt Service Fund

Change:

Decrease of \$491,375

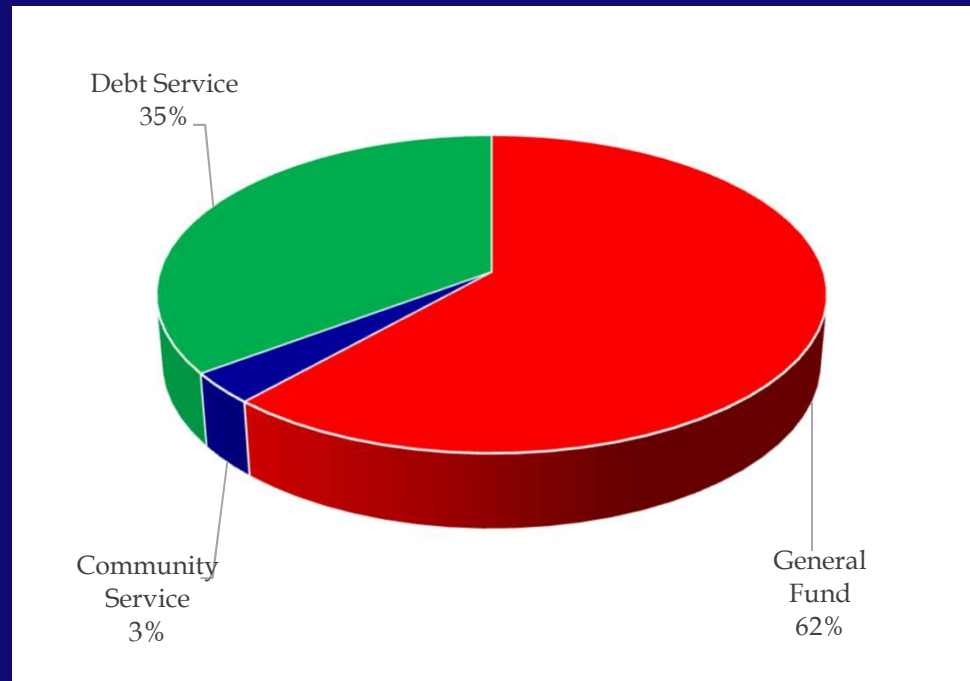
Reason for
Change:

The decrease is due to no longer having levy authority for these bond payments. The bond is schedule to be paid off in February 2025.

Levy Snapshot

CATEGORY	AMOUNT
General Fund	6,778,931
Community Service	352,961
Debt Service	3,873,477
TOTAL LEVY	11,005,369

0.75% Levy Decrease



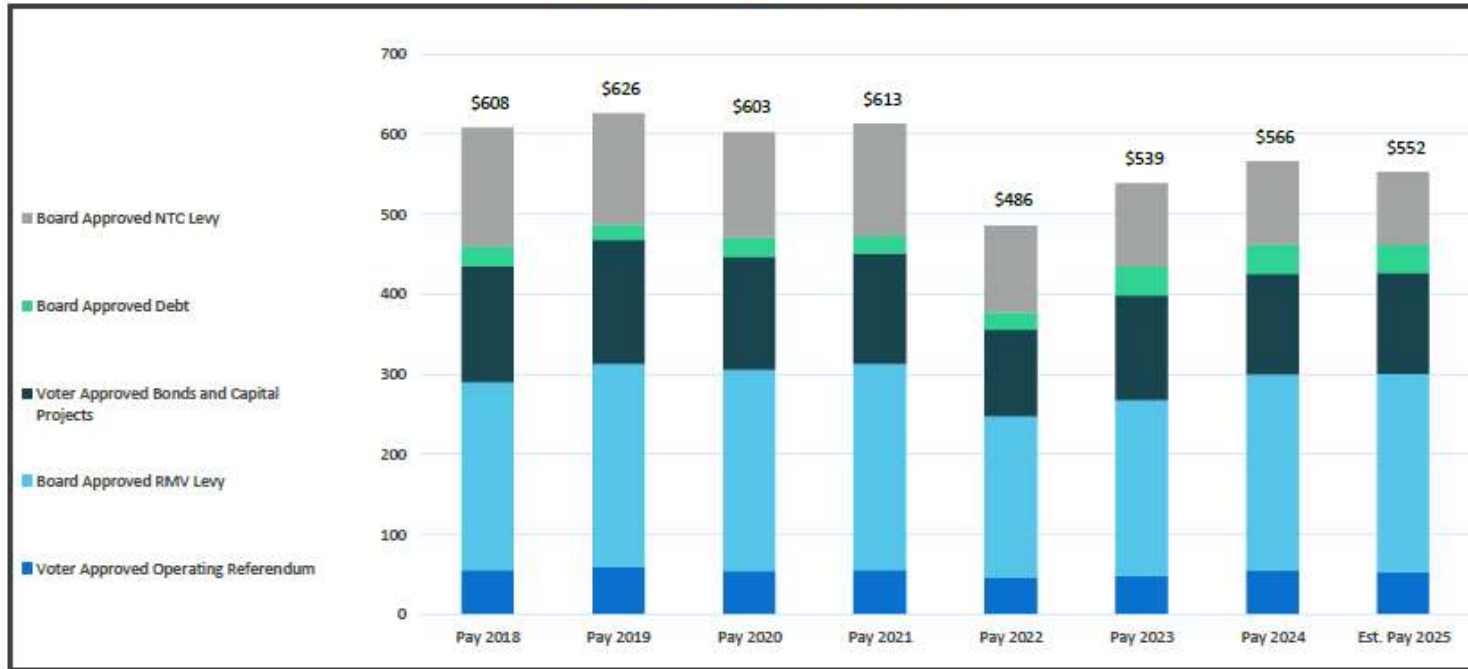
Estimated Tax Impacts - Pay 2025 Levy Total School Taxes

Summary			
	Pay 2024	Est. Pay 2025	% Change
Referendum Market Value	\$ 4,283,983,218	\$ 4,526,876,370	5.67%
RMV Tax Rate	0.11499%	0.10933%	-4.92%
Net Tax Capacity	\$ 57,168,566	\$ 60,933,407	6.59%
NTC Tax Rate	10.78%	9.94%	-7.81%

Types of Property	Pay 2024 Value	Pay 2025 Est. Value	Pay 2024	Pay 2025	\$ Change	% Change
Residential Homestead (Value Increase 5.5%)	\$118,500	\$125,000	\$235	\$226	(\$10)	-4.04%
	165,900	175,000	346	335	(11)	-3.16%
	213,300	225,000	456	443	(12)	-2.70%
	260,700	275,000	566	552	(14)	-2.41%
	308,100	325,000	676	661	(15)	-2.22%
	402,800	425,000	896	879	(18)	-1.95%
	497,600	525,000	1,109	1,102	(7)	-0.59%
Commercial / Industrial** (Value Increase 5.5%)	\$94,800	\$100,000	\$262	\$258	(\$4)	-1.48%
	237,000	250,000	703	696	(7)	-0.99%
	473,900	500,000	1,486	1,466	(20)	-1.34%
	947,900	1,000,000	3,053	3,007	(46)	-1.52%
Seasonal Recreational Residential (Cabins) (Value Increase 5.5%)	\$165,900	\$175,000	\$179	\$174	(\$5)	-2.75%
	260,700	275,000	281	273	(8)	-2.75%
	308,100	325,000	332	323	(9)	-2.75%
	497,600	525,000	536	528	(8)	-1.57%
Agricultural Homestead (Value Increase 6%)	\$1,900	\$2,000	\$0.64	\$0.55	(\$0.10)	-14.82%
	2,800	3,000	0.95	0.82	(0.13)	-13.30%
	3,800	4,000	1.29	1.10	(0.19)	-14.82%
	4,700	5,000	1.59	1.37	(0.22)	-13.92%
Agricultural Non-Homestead (Value Increase 6%)	\$1,900	\$2,000	\$1.29	\$1.10	(\$0.19)	-14.82%
	2,800	3,000	1.90	1.65	(0.25)	-13.30%
	3,800	4,000	2.58	2.20	(0.38)	-14.82%
	4,700	5,000	3.19	2.74	(0.44)	-13.92%

Source: PMA Securities, LLC.

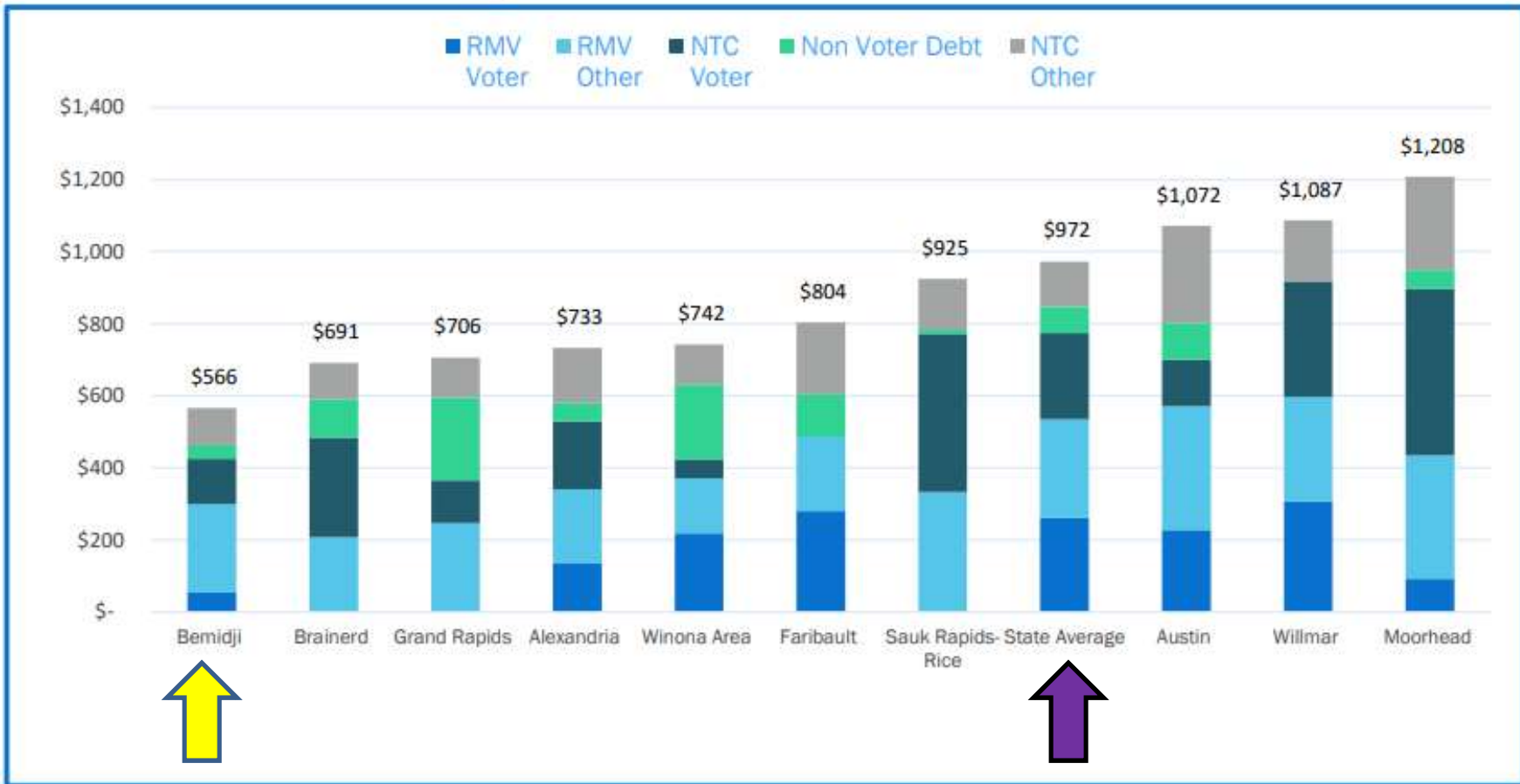
Bemidji Public School District Residential Homestead School Tax Trend



	Pay 2018	Pay 2019	Pay 2020	Pay 2021	Pay 2022	Pay 2023	Pay 2024	Est. Pay 2025
Home Value*	186,600	192,200	198,000	203,900	186,400	234,900	260,700	275,000
Voter Approved Operating Referendum	55	60	54	55	46	48	55	52
Board Approved RMV Levy	235	253	252	257	202	219	245	248
Voter Approved Bonds and Capital Projects	145	155	142	139	108	130	125	126
Board Approved Debt	24	20	24	21	21	37	37	34
Board Approved NTC Levy	149	138	132	141	109	104	104	91
Total School Taxes	\$ 608	\$ 626	\$ 603	\$ 613	\$ 486	\$ 539	\$ 566	\$ 552

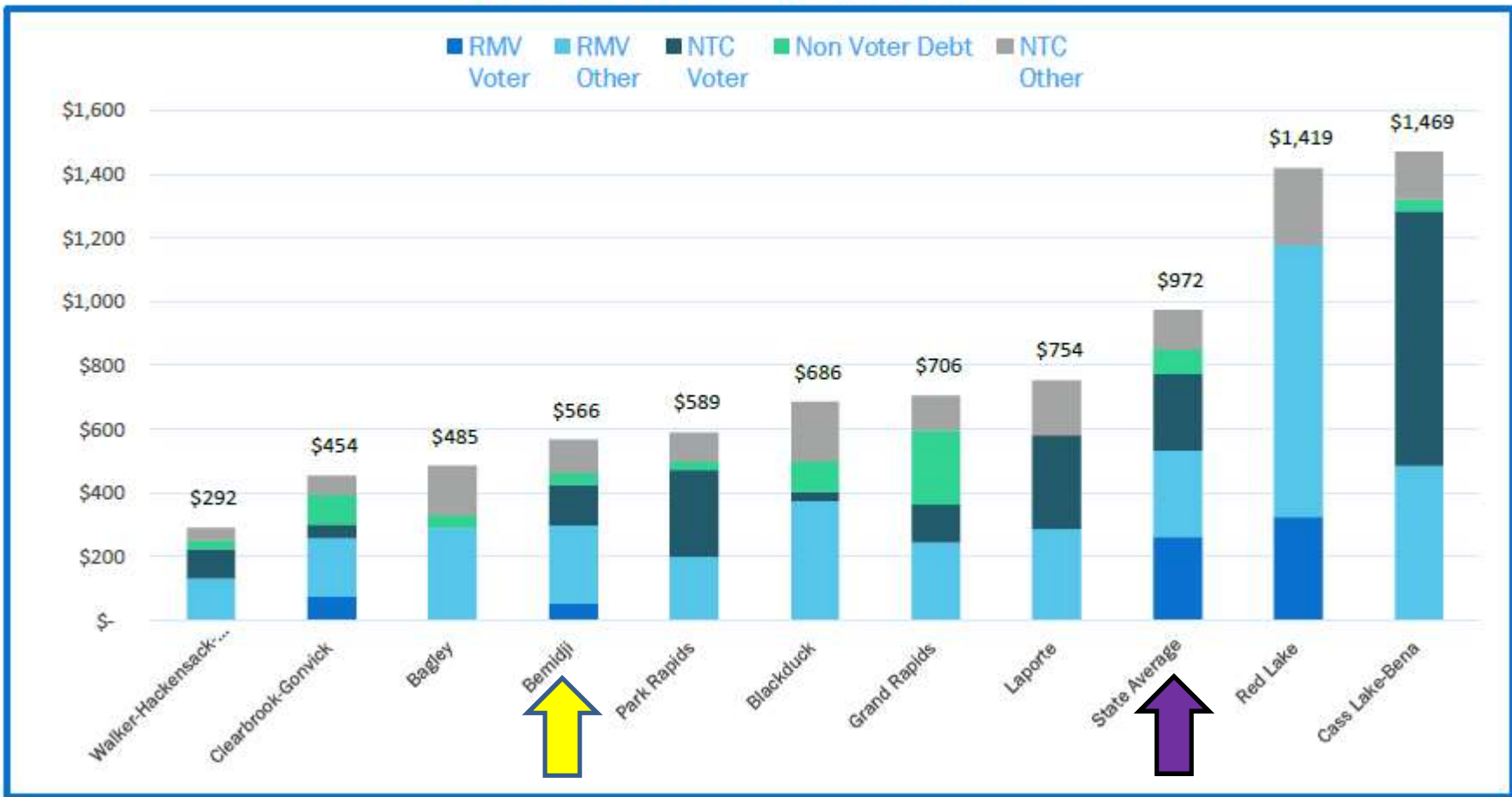
*The chart assumes a 3% annual increase in the home value for taxes payable from 2018 to 2022. A 26% increase in value is assumed for taxes payable in 2023, a 11% increase in 2024 and a 5.5% increase in 2025.

Pay 2024 Tax Levies for Residential Homestead



Source: PMA Securities, LLC.

Pay 2024 Tax Levies for Residential Homestead



Source: PMA Securities, LLC.



Agenda Item: Public Comment

More Information

- State of Minnesota for Property Tax Relief
 - 1-800-652-9094
- JoDee Treat, Beltrami County Auditor
 - 218-333-4175
- Kay Rave, Hubbard County Auditor
 - 218-765-3196
- Ashley Eastridge, Bemidji Area Schools Director of Business Services
 - 218-333-3100