Minnesota Department of Education

MEMORANDUM

TO: School District Superintendents
School District Business Managers

FROM: Tom Melcher, Director
Division of School Finance

DATE: September 10, 2013

SUBJECT: 2013 Payable 2014 Levy Limitation and Certification Report

This memo describes the information that is available to you for your levy certification process. Most of the information needed for the levy certification process will be available on the Minnesota Department of Education's (MDE) website (http://education.state.mn.us). If you have questions concerning your levy limitations or need to change the data used in computing your levy limits, a list of staff to contact is included at the end of this memo.

A. 2013 Payable 2014 Levy Limitation and Certification Report (ED-00111-35)

A report for each school district was posted on September 9, 2013. Access your district's report via the Minnesota Funding Reports System (MFR). Select the first letter of your district's name, select your district then select either View Reports Added Last Week or Last Month, or select Category, then Levy Limitation and Certification Reports.

Please review the current report promptly and submit data changes as soon as possible. This will help us prepare a complete and accurate Levy Limitation Report for your board meeting. Revised 2013 Payable 2014 Levy Limitation and Certification reports will be posted to the website as corrections are made. See items below.

Each school district is required to certify its proposed 2013 Payable 2014 property tax levy to the County Auditor by September 30, 2013, unless the district has reached agreement with their home county auditor for an extension. Minnesota Statutes, section 275.065, Subdivision 1a, requires the county auditor to use the prior year's certified levy amount for the Truth in Taxation notices if a taxing authority fails to certify its proposed levy by the due date.

Districts are also required to submit a copy of the signed certification form to MDE by October 8, 2013. The copy can be mailed to MDE, Division of School Finance, 1500 Highway 36 West, Roseville, MN 55113, or to mde.funding@state.mn.us.

Districts are required to use the web-based Levy Certification System for certifying both the proposed levy and the final levy.

The system will not be available for district input before September 19, 2013. If you have not already done so, you should request access to the Levy Certification System now. You will also need to request an MDE user ID and password if you do not already have one. There is a link to the system from the instructions document.

B. Extension of Deadline for Proposed Levy Certification

The certification deadline for the proposed levy is extended by one week, from October 1 to October 7, 2013, only for those districts that have reached an agreement with their home county auditor to the delayed date. Districts granted an extension also have until October 10, 2013, to send a copy of the signed certification form to MDE.

All requests for an extension should be submitted as early as possible. Granting any extension is solely at the discretion of the home county auditor and school districts should not assume the county will be able to grant the extension. If the school district is located in more than one county, the home county auditor may want to consult with the other counties about granting an extension.

School districts may request an extension from the home county auditor even if there are no data changes needed. This request would be to give the school board more time to consider the proposed levy. The request should be made early to give the district sufficient time to make arrangements to certify its proposed levy by September 30, 2013, if the extension is not granted.

If the county declines to grant the extension, the district may request approval from the Commissioner of Education allowing the district to certify a final levy that exceeds the proposed levy. The commissioner will evaluate these requests on a case-by-case basis. If the commissioner's approval is granted, the district's levy limitation will be increased for the final levy to be certified in December and the district will be allowed to certify a final levy that exceeds the proposed levy.

C. Process for Late Changes to Levy Limitations

Any district requesting a change to the district's levy limitation for the proposed levy after October 1 must send an email to janice.carlson@state.mn.us with a copy to the home county auditor. The email should:

1. Request the home county auditor grant an extension for certifying the proposed property tax levy.
2. State the data change being requested and the reason for the change.
3. Provide an estimate of the increase or decrease to the district's levy limitation.

MDE will forward this e-mail to the home county auditor asking if the county will accept the late change. To assist the county auditor, MDE will provide ONE of the following statements in the email:

1. This request is for an increase to the district's levy limitation. If the county declines to grant the extension, the district may request approval from the Commissioner of Education allowing the district to certify a final levy that exceeds the proposed levy. The commissioner will evaluate these requests on a case-by-case basis.
    - If the Commissioner's approval is granted, the district's levy limitation will be increased for the final levy to be certified in December and the district will be allowed to certify a final levy that exceeds the proposed levy.
    - Alternatively, or if the Commissioner does not grant approval for a levy increase, the school district may request MDE to increase the district's levy limitation in one area for the final levy to be certified in December together with a corresponding reduction in the district's levy limitation in another area. The district's final certified levy in December may not exceed the proposed levy included on the Truth in Taxation notices.
2. This request is for a decrease to the district's levy limitation. If the county declines to grant the extension, MDE will reduce the district's levy limitation for the final levy to be certified in December. The district's final levy certified in December may not exceed the reduced levy limitation.

The home county auditor will reply to MDE, with a copy to the school district, indicating whether the County grants the extension. If the extension is granted, MDE will post a revised Levy Limitation and Certification Report for the school district as soon as possible (probably within a day). If the extension is not granted, the district's Levy Limitation and Certification Report will not be revised at this time.

Changes for the proposed levy, requested after October 7, 2013, will be considered only on a very restricted, case-by-case, basis. These would be corrections that increase the district's levy limitation by a substantial amount. If time constraints allow, counties are encouraged to grant further extensions in these cases in order to provide the most accurate data on Truth in Taxation notices.

Any decreases to levy limitations requested after October 7, 2013, will be made for the final levy to be certified in December. Other increases will be made as adjustments in a future year.

D. Additional Information

To assist you in the levy process, the following information is available on the MDE website. Under School Support, choose School Finance and then Levy Certification Process for:

- This memo.
- An explanation of the levy limitation and certification report and levy certification timelines.
- Levy Certification System Instructions.
- Link to Levy Certification System.
- Levy Limitation and Certification Calendar.
- 2013 Payable 2014 Levy Forms and Information memo dated July 10, 2013.
- Payable 2014 Debt Excess Instructions spreadsheet and instructions.

- Capital Expenditure Disabled Access Levy Application form (ED-02081-20).
- List of MDE staff to contact with levy questions.
- Levy Information System Instructions.
- Link to Levy Information System.
- Link to Health and Safety System.
- Link to Alternative Facilities System.
- Link to ADM/LEP (EDRS) System.
- Link to Department of Revenue information on the Truth in Taxation.
- Link to Department of Revenue information on Economic Development Abatements.
- Link to MSBA's Important Referendum Election Dates.

Under School Support, select School Finance > General Education > Referendum for:
- Referendum Cap Inflation Estimates spreadsheet and memo.
- Operating Referendum Simulation spreadsheet.
- Referendum Phaseout Report.
- Tax Base Replacement Aid spreadsheet.

Under School Support, select School Finance > Integration for:
- Achievement and Integration Revenue FY 2014 spreadsheet.

Data from this spreadsheet is used to calculation the FY 2014 integration revenue hold harmless.

Under Data Center , select Data Reports and Analytics, under School Finance Spreadsheets select General Education – Drop down under Category: select General Education Drop Down under Subcategory – select Sparsity Revenue for:
- Sparsity Revenue FY 2012 spreadsheet.

For districts with multiple high schools or elementary sparsity, FY 2012 actual sparsity revenue shown on this spreadsheet and adjusted for formula allowance increases is also used for FY 2013, FY 2014 and FY 2015 projected sparsity revenue.

Under Data Center, select Data Reports and Analytics, select Facilities and Technology under School Finance Spreadsheets, Category – Facilities and Technology Subcategory – Building Age Reports for:
- Building Age Report FY 2013

Data from this report is used in calculating actual FY 2013 operating capital revenue and estimated FY 2014 and FY 2015 operating capital revenue.

The following additional reports are also available on the MDE website. To access your district's reports select Data Center – Data Reports and Analytics and then Minnesota Funding Reports System (MFR). Select your district, from the drop down box, and then under Category, select Aid Entitlement Reports.
- General Education Aid Reports for FY 2012 and FY 2014.
  Data from these reports is used in computing your general education levy adjustments.

- Compensatory Revenue Report for FY 2014.
  Data from this report is included on your Levy Limitation and Certification Report for budget forecasting purposes.
- Integration Revenue Report for FY 2012 and FY 2013.
  Data from these reports is used in computing your final integration revenue adjustments and FY 2014 integration revenue hold harmless.
- Capital Expenditure Health and Safety Aid Reports for FY 2012, FY 2013, and FY 2014.
  Data from these reports is used in computing your health and safety levy adjustments. The FY 2012, FY 2013 and FY 2014 revenues on these reports are also used to compute the initial Pay 2014 (FY 2015) Health and Safety levy limitation. Districts may wish to save a copy of these reports for future use in determining on what basis the health and safety levy and adjustments were established.
- Deferred Maintenance Aid report for FY 2012.
  Data from this report is used in computing your deferred maintenance levy adjustments.
- Early Childhood Family Education Aid Entitlement Calculation for FY 2013 and FY 2014.
  Data from these reports are used in computing your FY 2013 adjustments for excess fund balance and FY 2014 early childhood family education and home visit levy adjustments.
- Community Education Aid Entitlement Calculation for FY 2013.
  Data from this report is used for the FY 2013 adjustments for excess fund balance.
- Abatement Aid Report for FY 2013. Data from this report is used in computing your abatement levy adjustments.
- Adjustment to School Tax Report for Payable 2013 under Levy Limitation and Certification Report Category.

Data from this report appears as adjustments on lines 1294, 1297, 1300, 1304 or 1416 of the Levy Limitation and Certification Report.

E. Annual Cost for Other Postemployment Benefits (OPEB)

Levy authority requested for annual OPEB costs will be included in the district's levy limitation in September if the district has also certified that the master agreements submitted by the district to MDE relate to the same employee groups for which retiree costs are being claimed for the annual OPEB levy. The levy request and certification were to be completed by the district via the Levy Information System. The levy authority is currently based upon district requests as master agreements have not yet been reviewed. If the submitted master agreements do not contain a sunset clause, the levy authority will be removed. If documentation has not already been submitted for your district, please do as soon as possible.

A sunset clause in a negotiated master agreement eliminates provisions providing benefits leading to OPEB obligations for new employees or new retirees. Provisions such as "employees hired (or employees retiring) after a certain date are not eligible for benefits" qualifies as a sunset clause. Neither a cap on the number of eligible participants nor a cap on the dollar amount of OPEB benefits qualifies as a sunset.

If the district's only OPEB liability is for implicit rate subsidy, the current master agreement should indicate employees are allowed to participate in the district's insurance plan after retirement by paying the full premium amount.

The statewide levy for this category is limited to $42,642,000 for taxes payable in 2014. Requests received to date total just over $28 million so levy requests are not being prorated at this time. MDE will monitor levy requests over the next few weeks and, if levy requests exceed the statewide limit, we will revise the proration factor before issuing levy limitations to the county auditors on September 30, 2013. The proration factor will also be revised in early November based upon actual data.

Districts are also required to submit:

Current actuarial study or a statement from the district's auditor certifying the acceptance of an alternative measurement method used to calculate the unfunded actuarial accrued liability (UAAL) and a copy of UAAL calculation. Copy of the collective bargaining agreement(s) related to the eligible retiree(s). These agreements must each include a sunset clause relating to health insurance benefits for retirees.

If the requested documentation is not received by November 4, 2013, the OPEB authority will be removed from the district's Levy Limitation and Certification Report issued in mid-November for certifying the final property tax levy. Districts are encouraged to submit documentation earlier.

F. Adjustments to the Annual Other Postemployment Benefits (OPEB)

Since the Annual OPEB levy limitation is based on costs prior to audit, an adjustment will be made to levy authority in the following year after audits are complete. A levy adjustment for FY 2012 actual costs appears on line 1171 of the Levy Limitation and Certification Report if the district received levy authority in payable 2013 and if actual costs as reported under UFARS Object Code 291 are less than the amount certified in payable 2013.

Any appeal you wish to make regarding UFARS data for a closed fiscal year should be submitted in writing to:

Tom Melcher, Director
Minnesota Department of Education
Division of School Finance
1500 Highway 36 West
Roseville, MN 55113

An appeal should include detailed documentation of the accounting error, the reason why it was not corrected within the allowable timeframe, and the entries that would need to be made to correct the error. If the error will affect the district's fund balances, the district must first restate its audit.

Questions concerning the appeal process should be directed to Jan Carlson at janice.carlson@state.mn.us or (651)582-8342.

G. Alternative Teacher Compensation

Levy authority for FY 2014 Alternative Teacher Compensation (Q Comp) will be added for all school districts that have submitted a Letter of Intent by September 30, 2013. For school districts that plan to certify a proposed levy based on a specific dollar amount rather than the "MAXIMUM," please submit the Letter of Intent prior to the date of the school board meeting where the proposed levy will be certified. Letters of Intent should be directed to Greg Keith, Director of School Improvement, who will forward the information to School Finance staff.

Levy adjustments for Q Comp have been added for all school districts already approved for FY 2014. For pending FY 2014 applications, if the application is not approved, the authority for the Q Comp levy adjustment will be removed prior to final levy certification.

Questions concerning the Letter of Intent should be directed to Kristie Anderson at 651-582-8860. Questions concerning the levy limitation or adjustments should be directed to Terri Yetter at 651-582-8868.

H. Instructions for Updating ADM Projections

The district can update ADM Projections for FY 2014, FY 2015 and/or FY 2016 via the ADM/LEP (EDRS) Reporting System.

Districts can also view the data via this system. However, unless you want to make changes to the data, be sure to "View" the data (Main Menu Item #1) rather than "Enter/Modify" the data (Main Menu Item #2). If you do modify the data (Main Menu Item #2) be sure to authorize the submission (Main Menu Item #3) or we will not pick up your changes. A new levy report will automatically be produced after summing and submitting FY 2014 and/or FY 2015 estimates on ADM/LEP (EDRS) Reporting System. Changes to FY 2013 estimates will not automatically generate a new levy report because levy limits are generally based upon FY 2014 ADM estimates.

I. Career and Technical

The statewide levy target for this category is $20,657,000 for taxes payable in 2014. Requests received to date total just under $15.4 million so levy are being adjusted by a statewide proration factor of 1.34079413. MDE will monitor levy requests over the next few weeks and, if levy requests change, we will revise the proration factor before issuing levy limitations to the county auditors on September 30, 2013. The proration factor will also be revised in early November based upon actual data.

J. Instructions for Updating Data on the Levy Information System

Changes for the Health Benefits, Annual OPEB levy, Pupil Transportation Data, Elementary Sparsity, Secondary Sparsity, Building/Land Leases, and General and Community Services levies should be made through the Levy Information System. A new levy report will automatically be produced for any changes submitted through the Levy Information System that impact levy limits.

Changes to Debt Service should be sent directly to Bill Kiesow at 651-582-8801 or email to bill.kiesow@state.mn.us or Chris Kubesh at 651-582-8319 or email to chris.kubesh@state.mn.us

K. Debt Redemption Fund Excess

A spreadsheet detailing each district's Excess Debt Redemption Fund Balance (Debt Excess) calculation was placed on the MDE website in June 2013. District requested data corrections have been made since the spreadsheet was compiled. However, revisions do not appear on the spreadsheet. To verify the accuracy of your Debt Excess calculation, please review lines 736 - 750 on your 2013 Payable 2014 Levy Limitation and Certification Report. This is especially important if your district requested changes to the data presented on the spreadsheet. If you have questions or believe the Debt Excess data as it appears on your levy is in error, call or e-mail Chris Kubesh at 651-582-8319 or chris.kubesh@state.mn.us.

L. Notification of Revised Levy Limitations

You will be notified by e-mail if your district has a revised Levy Limitation and Certification Report. The notice will be sent to the e-mail address entered by your district on the Contact Information screen in the Levy Information System. It is important this contact information be kept up to date throughout the levy process.

You can obtain the revised report through the MDE website by choosing the Minnesota Funding Reports System to access the revised report. Select the first letter of your district's name, select your district, and then select View Reports last Week or Month.

The notice will also provide detailed instructions on how to certify your proposed levy when revisions are made. You can also access these instructions on the MDE website under School Finance and then Levy Certification Process.

Please submit data changes as soon as possible to allow MDE staff adequate time to process the change. Generally, revised Levy Limitation and Certification Reports will be run and posted each morning during September. These reports will include data changes processed by MDE staff the previous day.