Instructions for Resolution/Notice of Intent to Increase Non-voted Levies for FY2021 Budgets

20-9-116, MCA. Resolution of intent to increase nonvoted levy -- notice.

Deadline: **March 31, 2020**

Agenda

BACKGROUND INFORMATION

- Senate Bill 307 (2017 session)
- House Bill 351 (2019 session)

RESOLUTION SPREADSHEET

- Purpose and information needed
- Steps for completing the spreadsheet
- Resolution/Notice
  - Minimum Requirements
  - All funds using projected taxable value
  - All funds using prior year taxable value

Background: SB307

Senate Bill 307 (2017 legislative session)

- Transparency in the levying process
  - Trustees must adopt a **resolution** in the Spring each year estimating the increase/decrease in revenue and mills from permissive (non-voted) levies in each of the following funds: **Tuition**, **Adult Education**, **Building Reserve**, **Transportation** and **Bus Depreciation**
- New permissive (non-voted) levy authority to address school facilities maintenance and repair
  - Track in Building Reserve Fund
  - School facility maintenance amount

Background: House Bill 351

House Bill 351 (2019 legislative session)

- Transformational learning as a means to fulfilling the people's goal of developing the full educational potential of each person
- Creating incentives for transformational learning programs
  - Application process (OPI)
  - Approval by board of public education
  - Eligible for a 4-consecutive year provision of transitional funding and flexibilities
    - Transformation learning aid payment (state-funded)
    - **Permissive levy in the Flexibility Fund** up to the amount of TLA
    - Transfers from state and local revenue from any budgeted or non-budgeted fund (except Debt Service and Retirement)

Background: Resolution

20-9-116, MCA. Resolution of intent to increase nonvoted levy -- notice. (1) The trustees of a school district shall adopt a resolution no later than March 31 of each fiscal year and provide notice pursuant to subsection (2) whenever the trustees intend to impose an increase in a nonvoted levy in the ensuing school fiscal year for the purposes of funding any of the funds listed below:

(a) the tuition fund under 20-5-324;

(b) the adult education fund under 20-7-705;

(c) the building reserve fund under 20-9-502 and 20-9-503;

(d) the transportation fund under 20-10-143 and 20-10-144; and

(e) the bus depreciation reserve fund under 20-10-147, and

(f) the flexibility fund established in 20-9-543 for the purposes in 20-7-1602.

(2) The trustees shall provide notice of intent to impose an increase in a nonvoted levy for the ensuing school fiscal year by:

(a) adopting a resolution of intent to impose an increase in a nonvoted levy that includes, at a minimum, the estimated number of increased or decreased mills to be imposed and the estimated increased or decreased revenue to be raised compared to nonvoted levies under (1)(a) through (1)(f) imposed in the current school fiscal year and, based on the district's taxable valuation most recently certified by the department of revenue under 15-10-202, the estimated impacts of the increase or decrease on a home valued at $100,000 and a home valued at $200,000; and

(b) publishing a copy of the resolution in a newspaper that will give notice to the largest number of people of the district as determined by the trustees and posting a copy of the resolution to the school district's website.

Notice of Intent to Increase Non-voted Levies

<u>Resolution/Notice requirements:</u>

- Dollar and mill increases in nonvoted levies in:
  - Transportation Fund
  - Bus Depreciation Fund
  - Tuition Fund
  - Adult Ed Fund
  - Building Reserve Fund
  - Flexibility Fund
- Using prior year taxable value
- Impact on $100K and $200K home
- Publish notice in newspaper by March 31

Note: these are <u>estimates</u>

Budgeted Funds – Permissive and Voted Levies

Budgeted Fund	Permissive Levy?	Voted Levy?
General Fund (01)	Y	Y
Transportation Fund (10)	Y	N
Bus Depreciation Fund (11)	Y	N
Tuition Fund (13)	Y	N
Retirement Fund (14)	N/A	N
Adult Ed Fund (17)	Y	N
Technology Fund (28)	N	Y
Flexibility Fund (29)	Y	Y
Debt Service Fund (50)	Y	Y
Building Reserve Fund (61)	Y	Y

Notice required per 20-9-116, MCA

Sample Resolution and Notice

Model Resolution (20-9-116, MCA)

Resolution of Intent to Impose an Increase in Levies

As an essential part of its budgeting process, the ____________________________________ Board of Trustees is authorized by law to impose levies to support its budget. The _______________________________________ Board of Trustees estimates the following increases/decreases in revenues and mills for the funds noted below for the next school fiscal year beginning July 1, _______, using certified taxable valuations from the current school fiscal year as provided to the district:

Fund Supported	Estimated Change in Revenues*	Estimated Change in Mills*	Estimated Impact, Home of $100,000*	Estimated Impact, Home of $200,000
Transportation	$ ___ increase/decrease	____increase/decrease	$ ___ increase/decrease	$ ___ increase/decrease
Bus Depreciation	$ ___ increase/decrease	____increase/decrease	$ ___ increase/decrease	$ ___ increase/decrease
Tuition	$ ___ increase/decrease	____increase/decrease	$ ___ increase/decrease	$ ___ increase/decrease
Adult Education	$ ___ increase/decrease	____increase/decrease	$ ___ increase/decrease	$ ___ increase/decrease
Flexibility	$ ___ increase/decrease	____increase/decrease	$ ___ increase/decrease	$ ___ increase/decrease
Building Reserve	$ ___ increase/decrease	____increase/decrease	$ ___ increase/decrease	$ ___ increase/decrease
Total	$ ___ increase/decrease	____increase/decrease	$ ___ increase/decrease	$ ___ increase/decrease

* impacts above are based on current certified taxable valuations from the current school fiscal year

Regarding the increase in the building reserve levy referenced above, the following are school facility maintenance projects anticipated to be completed at this time:

1. Example: Replace boiler in middle school
2. Example: Repair roof on the elementary gym
3. Example: Install fiber optic cable in district buildings
4. Example: Repair water filtering system

Timeline:

Date/Deadline	Event
March 1	OPI releases estimate of *maximum* state funding for ensuing year on preliminary budget data sheet
March 31	Resolution of Intent to Increase Levies published, to include: • Funding sources • Funds & mills to be raised by levy • Projects expected to be pursued
August	Budgets adopted; levies set
Last working day in May	State funding, if any will be distributed to the permissive levy sub-fund in Building Reserve (61)

RESOLUTION SPREADSHEET

Purpose of spreadsheet:

- Complete budget projections
- Finalize the resolution/notice

Information needed:

- ➢ Taxable values for F2018 – FY2020
  Found on cover page of Budget Reports
- ➢ Estimated Taxable value for FY2021
  Use FY2020 value or estimate
- ➢ FY2020 Budget Report
- ➢ FY2021 Budget Data Sheet (OPI provides March 1)

RESOLUTION SPREADSHEET

Notice of Intent to Increase Permissive Levies

<u>Questions to consider:</u>

1. What *is* transparency in your district?
2. When your constituents read the notice, what message(s) do you want them to hear?
3. In the end, would you prefer this notice to err on the high or low side with regard to tax impact?
4. What is your strategy for managing the repercussions?

RESOLUTION SPREADSHEET - STEPS

Cells needing input are yellow

1. **Start Here** tab:

- Enter district name
- Enter taxable values for FY2018 – FY2021

2. **Resolution Detail** tab:

Using FY2020 Budget report (page 2, Summary):

- Enter taxes levied for each fund (col. H)
- Enter mills levied for each fund (col. I)

RESOLUTION SPREADSHEET - STEPS

Cells needing input are yellow

3. Individual Budgeted Fund tabs

- Red tabs are the funds required to appear on the Notice of Intent to Increase Non-voted Levies
- Remember, you are projecting your FY2021 expenditure budget and funding sources
- You can use the amounts on your FY2020 Budget Report as a guide, then fine-tune for FY2021 projections

RESOLUTION SPREADSHEET - STEPS

Cells needing input are yellow

4. Go back to the **Resolution Detail** tab:

- The projections you made on the individual fund tabs are carried over into three different charts:
  - All Funds Using Projected Taxable Value
  - All Funds Using Prior Year Taxable Value
  - Required Resolution to Increase Levies Notice
    - Mills are calculated using the prior year taxable value
    - Only funds supported by a permissive levy and required to be reported are listed

Budgeted Funds – Permissive and Voted Levies

Budgeted Fund	Permissive Levy?	Voted Levy?
General Fund (01)	Y	Y
Transportation Fund (10)	Y	N
Bus Depreciation Fund (11)	Y	N
Tuition Fund (13)	Y	N
Retirement Fund (14)	N/A	N
Adult Ed Fund (17)	Y	N
Technology Fund (28)	N	Y
Flexibility Fund (29)	Y	Y
Debt Service Fund (50)	Y	Y
Building Reserve Fund (61)	Y	Y

Notice required per SB307

Levies with tax impact;
notice *not* required per SB307

Calculating Mills

Taxable Value is basis for mill calculation:

Budget Report
FY 2018
16 Gallatin
0350 Bozeman Elem

Submit ID:

Due Dates:

Board of Trustees adopts Final Budget no later than August 25th before: computation of GF levy requirement by Cty Supt. & the fixing of district tax levies. (MCA 20-9-131)
Board of Trustees transmits to County Supt. within 3 days after final approval. (MCA 20-9-131)
County Supt. transmits to County Commissioners by the later of the 1st Tuesday in September or within 30 calendar days after receipt of certified taxable values. (MCA 20-9-142)
County Supt. transmits to Office of Public Instruction on or before September 15th. (MCA 20-9-134)

District ANB And Taxable Valuation

	ANB		Taxable Valuation
	EL	HS	
District:	4,860	N/A	151,994,908

* indicates that the 3 year average ANB was used to calculate the budget limitations

The final budget is approved as set forth in this document

Calculating Mills

- A **mill** is 1/1,000 of taxable value (TV/1000)
- **Levied mills**: Amount needed to raise / mill value
- **Tax impact on a property**: levied mills x property's *taxable* value / 1000

Example:

Taxable value = $3,500,000

Amount needed to raise = $33,250

Mill = $3,500,000 / 1,000) = **$3,500**

Levied mills = $33,250 / $3,500 = **9.5 mills**

Tax impact on $200,000 property:

Taxable value of property = $200,000 X .0135 = $2,700

(9.5 mills X $2,700) / 1,000 = **$25.65**

Fund Balance Reappropriated

Methods for estimating Fund Balance Reappropriated:

1. Averaging/trend analysis
2. Actual/calculated:

Beginning Fund Balance

\+ Current Year Receipts

\- Current Year Expenditures

Ending Fund Balance

\- Reserves

Fund Balance Reappropriated

Being conservative? Recommend estimating low

Additional Considerations: General Fund

HB 647 change in Guaranteed Tax Base (GTB) thresholds:

- FY18 and prior: 193%
- FY19: 216%
- FY20: 224%
- FY21: 232%

Practical impacts:

- **General Fund BASE levies likely to decrease FY19 – FY21**
- **Potential to offset permissive increases in other funds**
- **Potential to offset tax impact of new levies requiring voter approval**

Finalizing the Notice

Next steps:

1. Decide what to include in notice
    - Minimum requirements
    - All funds
2. Develop notice language
3. Get Board approval, post notice as required
4. Refine numbers through fiscal year end
5. Make year-end spending decisions with ending fund balance and ensuing year taxes in mind

RESOURCES

MASBO

- Denise Williams 406-461-3659

OFFICE OF PUBLIC INSTRUCTION

- Kara Flath 406-444-3249
- Renee Richter 406-444-1960
- Building Reserve Fund Guidance Document 2018