



Financial Update

Preliminary Levy

Kris Blackburn, Director of Business Services
September 4, 2025



Preliminary Tax Levy for Taxes Payable 2026



- By Sept. 30 each year, school districts must set their preliminary tax levy for property taxes payable in the following calendar year
- Property taxes collected in the 2026 calendar year are accounted for as revenue in school year 2026–2027
- Minnesota Department of Education (MDE) must provide the preliminary reports to school districts by Sept. 8
- Property tax levies are made with voter approval or at the discretion of the local School Board
- Local levies are about 26% of the General Fund revenues

School District Funding



The State of Minnesota sets the following:

- Formulas that determine revenue; most revenue is based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy
 - Districts can levy for less money, but not more than amount authorized by state, unless approved by voters
 - The State authorizes school board to seek referendums for operating and capital needs which must be approved by voters

As a result, school district funding is highly regulated

Basic General Education Formula Lags Inflation

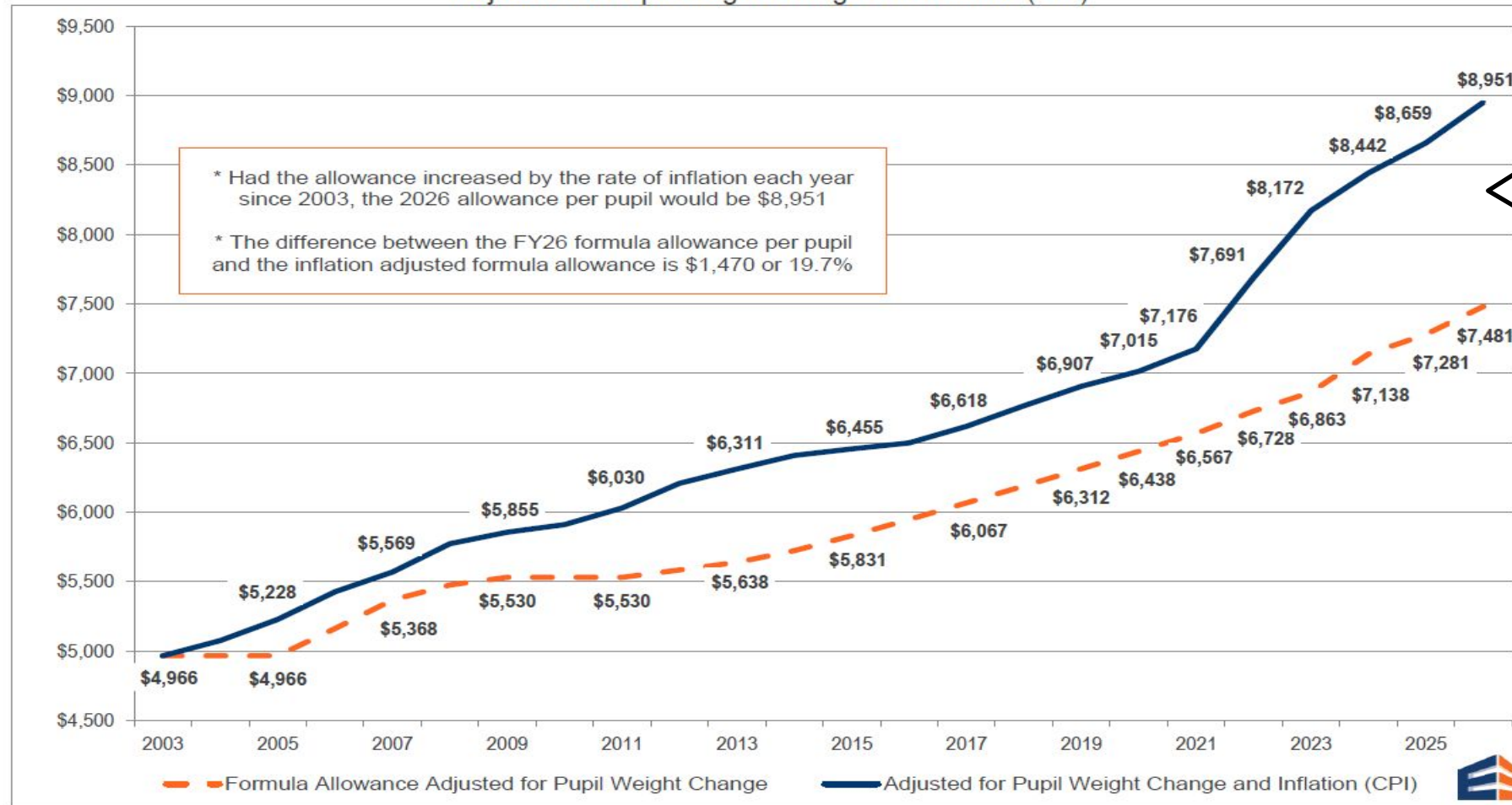
- Since 2002–03, State General Education Revenue formula allowance has not kept pace with inflation.
- For Fiscal Year 2025–26, an increase of 2.74% or \$142 more than the previous year was approved.
- For Fiscal Year 2026–27, the amount is not yet set; increase is tied to inflation with a minimum of 2% and a maximum of 3%.

Per-pupil formula allowance for Fiscal Year 2025–26 of \$7,481 would need to increase by another \$1,470 (19.7%) to have kept pace with inflation since 2002–03, resulting in an allowance of \$8,951.

Education Funding in Minnesota

General Education Formula Allowance, 2003-2026

Adjusted for Pupil Weight Change and Inflation (CPI)



Budget Impact:

\$30,867,060

Source: MDE December 2024 CPI Inflation Estimates and Minnesota Laws 2023

Underfunding of Special Education

According to MDE:

Fiscal Year 2023 costs of providing programs were underfunded statewide by \$726 million

Even with recent improvements in funding, by Fiscal Year 2026 costs of providing programs statewide will be underfunded by \$506 million



Primary options to bridge funding gap are to cut regular program budgets or increase referendum revenue; most districts have done both

School District Property Taxes

- Each school district may levy taxes in more than 40 different categories
- Maximum levy amounts (calculated by MDE) for each category are set by:
 - State law
 - Voter approval



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

Difference in Levy Cycles



School District:

- Budget year begins July 1
- 2026 taxes provide revenue for 2026–27 fiscal year
- Budget adopted in June 2025



City/County:

- Budget year begins Jan. 1
- 2026 taxes provide revenue for 2026 calendar year budget

Property Tax Background

- Every owner of taxable property pays property taxes to various “taxing jurisdictions” (county, city/township, school district, special districts) where the property is located.
- Each taxing jurisdiction sets own tax levy, often based on limits in state law
- County sends bills, collects taxes from property owners and distributes funds back to other taxing jurisdictions

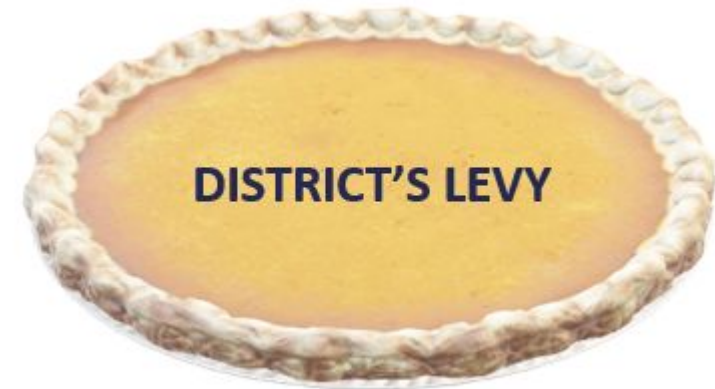


What's happening with each slice?

Higher Market Value Increase = Bigger Slice



Lower Market Value Increase = Smaller Slice



Each property owner pays a portion of the pie.

Impact of Property Valuations

\$100,000

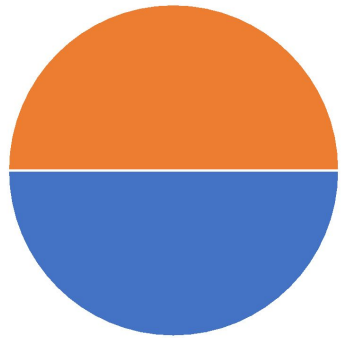


Two properties in the same school district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy



\$100,000



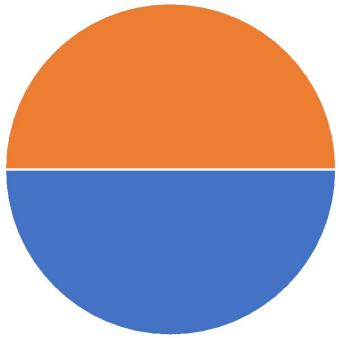
Impact of Property Valuations

\$110,000



Two properties in the same district

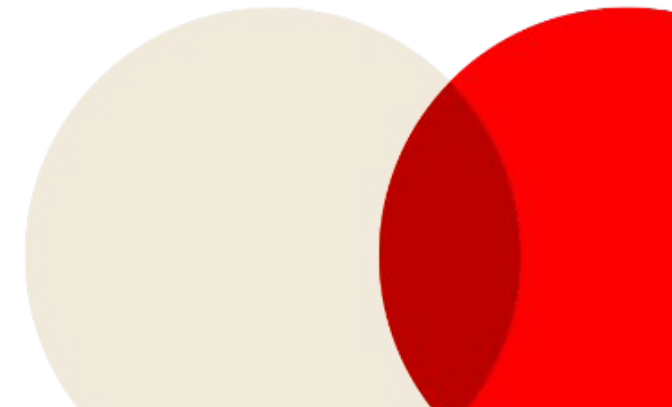
- Orange house value increases by 10%
- Blue house value increases by 25%



Total levy of \$500

- School District will still generate the same amount of levy even though values increased
- Orange house pays less
- Blue house pays more

\$125,000





Next Steps

- MDE to release preliminary levy reports next week
- Tax Levy workshop on Sept. 9
- Finance staff audits every levy
- Board approves 2025 Pay 2026 preliminary levy at its Sept. 18, 2025 meeting
- Board approves final levies at its December meeting



Questions?