



Owatonna Public School District, ISD 761

Public Hearing for Taxes Payable in 2026

DECEMBER 8, 2025

PRESENTED BY:

MARK STOTTS,

DIRECTOR OF FINANCE AND
OPERATIONS

Minnesota State Law Requirements

A Public Meeting...

- Between November 25th & December 29th
- At 6:00 PM or later
- May be part of regularly scheduled meeting
- Must allow for public comments
- May adopt final levy at same meeting

...and Presentation of:

- Current year budget
- Proposed property tax levy

Hearing Agenda



Background
Information on
School Funding



District's Budget



District's Proposed
Tax Levy for Taxes
Payable in 2026



Public Comments

MN Legislature Must Set Funding for Minnesota Public Schools

Minnesota Constitution ARTICLE XIII

MISCELLANEOUS SUBJECTS

Section 1

“UNIFORM SYSTEM OF PUBLIC SCHOOLS. The stability of a republican form of government depending mainly upon the intelligence of the people, it is the duty of the legislature to establish a general and uniform system of public schools. The ***legislature shall make such provisions by taxation or otherwise*** as will secure a thorough and efficient system of public schools throughout the state.”

As a Result, Funding is Highly Regulated

State Sets:

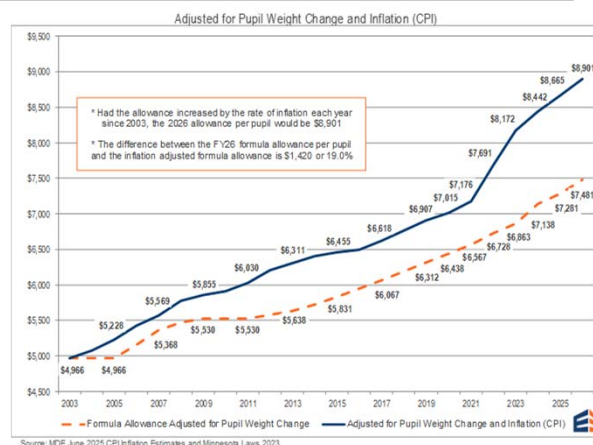
- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy
 - Districts can levy less, but not more than amount authorized by state, unless approved by voters in November

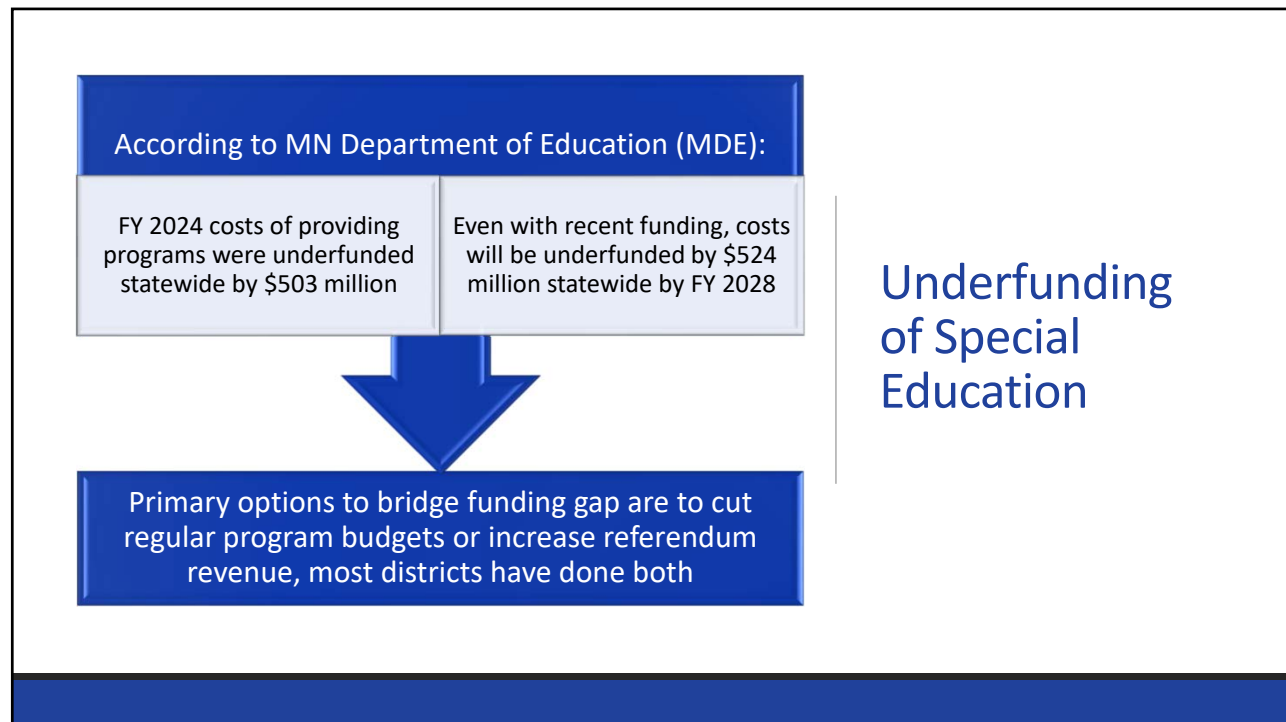
State also authorizes school board to submit referendums for operating & capital needs to voters for approval

General Education Formula Allowance, 2003-26

- Since 2002-03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2024-25, an increase of 2.00% or \$143 over previous year was approved
- For Fiscal Year 2025-26, an increase of 2.75% or \$200 over previous year was approved

Per-pupil allowance for Fiscal Year 2025-26 of \$7,481 would need to increase by another \$1,420 (19.0%) to have kept pace with inflation since 2002-03, resulting in an allowance of \$8,901





Budget Information

Because approval of school district budget lags certification of tax levy by six months, state requires only current year budget information be presented at this hearing. Fiscal Year 2026-27 budget will be adopted by School Board in June 2026.

School district budgets are divided into separate funds, based on purposes of revenue, as required by law.

Our District's Funds:

- General
- Food Service
- Community Service
- Building Construction
- Debt Service
- Internal Service

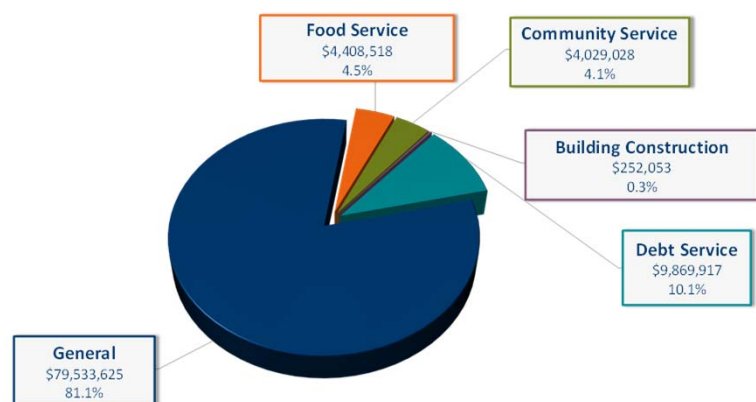
District Revenues & Expenditures
Actual for FY 2025, Budget for FY 2026

FUND	FISCAL 2025 BEGINNING	2024-25 ACTUAL		JUNE 30, 2025 ACTUAL	2025-26 BUDGET		JUNE 30, 2026 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES
General/Restricted	\$4,009,937	\$13,085,513	\$13,127,714	\$3,967,736	\$9,527,315	\$10,066,913	\$3,428,138
General/Other	12,997,124	65,597,169	67,473,762	11,120,531	70,006,310	71,472,163	9,654,678
Food Service	1,807,714	4,431,710	4,218,799	2,020,625	4,408,518	4,435,379	1,993,764
Community Service	1,835,805	4,152,344	3,984,569	2,003,580	4,029,028	4,201,502	1,831,106
Building Construction	7,728,724	7,962,270	6,141,971	9,549,023	252,053	6,500,463	3,300,613
Debt Service	2,263,547	9,736,772	9,479,725	2,520,594	9,869,917	10,188,818	2,201,693
Internal Service	2,501,177			1,884,796			1,994,890
Total All Funds	33,144,028	104,965,778	104,426,540	33,066,885	98,093,141	106,865,238	24,404,882

*Other Post Employment Benefits

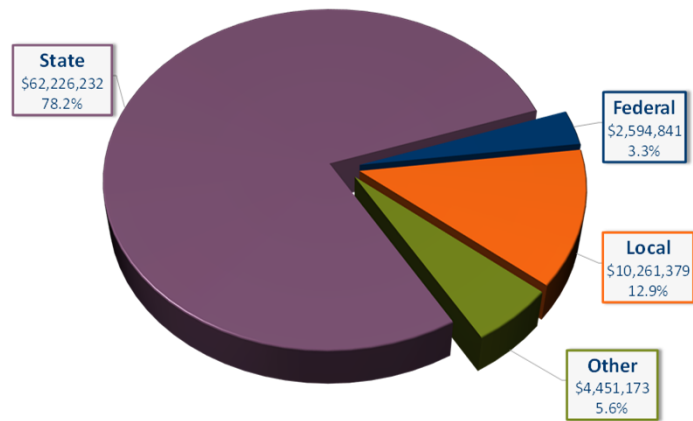
Revenue - All Funds -

2025-26 Budget
\$98,093,141



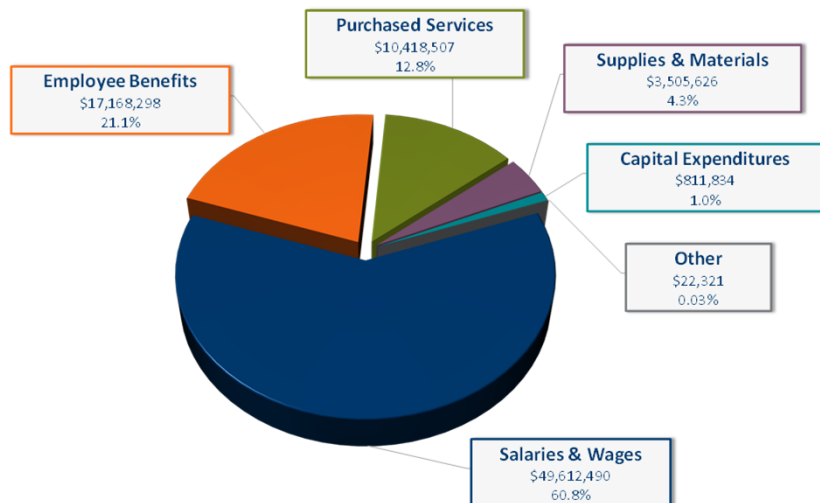
General Fund Revenue

2025-26 Budget
\$79,533,625



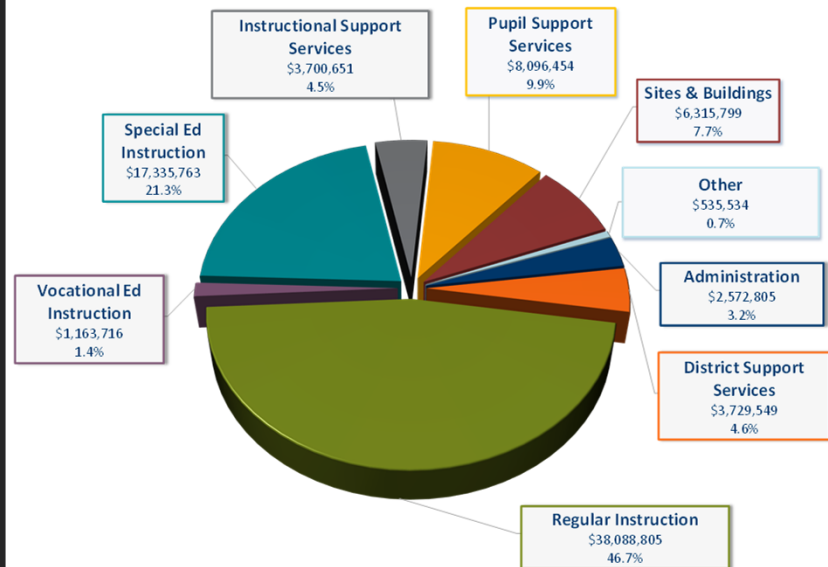
General Fund Expenditures - by Object -

2025-26 Budget
\$81,539,076



General Fund Expenditures - by Program -

2025-26 Budget
\$81,539,076



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 & 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 1st
- 2026 taxes provide revenue for 2026-27 fiscal year
- Budget adopted in June 2026



City/County:

- Budget year begins January 1st
- 2026 taxes provide revenue for 2026 calendar year budget

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Sample of parcel specific notice mailed to every property owner between November 10th – 25th

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, often based on limits in state law
- County sends bills, collects taxes from property owners & distributes funds back to other taxing jurisdictions



Spruce County
Jane Smith, Auditor/Treasurer
345 12th Street East, Box 78
Spruceville, MN 55555-5555
(555) 345-4789
www.co.spruce.mn.us

TAXPAYER(S):

John and Mary Johnson
123 Pine Rd S
Spruceville, MN 55555-5555

Property Information

PIN Number: 01.234.56.789.R1
Property Address: 789 Pine Rd S
Spruceville, MN 55555

Property Description:

Lot 1, Block 1, Spruce Acres Subdivision

PROPOSED TAXES 2026

THIS IS NOT A BILL. DO NOT PAY.

VALUES AND CLASSIFICATION	
Step 1	
Taxes Payable Year	2025 2026
Estimated Market Value	\$125,000 \$150,000
Homesetback Exclusion	\$ \$13,050
Taxable Market Value	\$125,000 \$136,950
Class	Res Nilband Res Nilband

PROPOSED TAX	
Step 2	
Property taxes before credits	\$1,479.52
School building bond credits	\$ 12.00
Agricultural market value credit	
Other credits	
Property taxes after credits	\$1,467.52

PROPERTY TAX STATEMENT	
Step 3	
	Coming in 2026

The time to provide feedback on PROPOSED LEVIES is NOW

It is too late to appeal your value without going to Tax Court.

Proposed Property Taxes and Meetings by Jurisdiction for Your Property

Contact Information	Meeting Information	Actual 2025	Proposed 2026
State General Property Tax	No public meeting	\$0	\$0
County of Spruce Spruce County Courthouse 123 Spruce St. Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	December 4, 7:00 PM	\$438.06	\$484.18
City of Spruceville Mayor's Office 456 Spruce St. Spruceville, MN 55555 www.ci.spruceville.mn.us (555) 123-4567	December 7, 6:30 PM Spruceville City Hall	\$273.79	\$312.06
Spruceville School District 999 150 1st St N Spruceville, MN 55555 www.spruceville.k12.mn.us (555) 123-4789	December 9, 7:00 PM Spruceville High School Cafeteria	\$380.15	\$396.68
Other Approved Levies		\$340.11	\$374.60

Your school district was scheduled to hold a referendum at the November general election. If the referendum was approved by the voters, the school district's voter approved property tax for 2026 may be higher than the proposed amount shown on this notice.

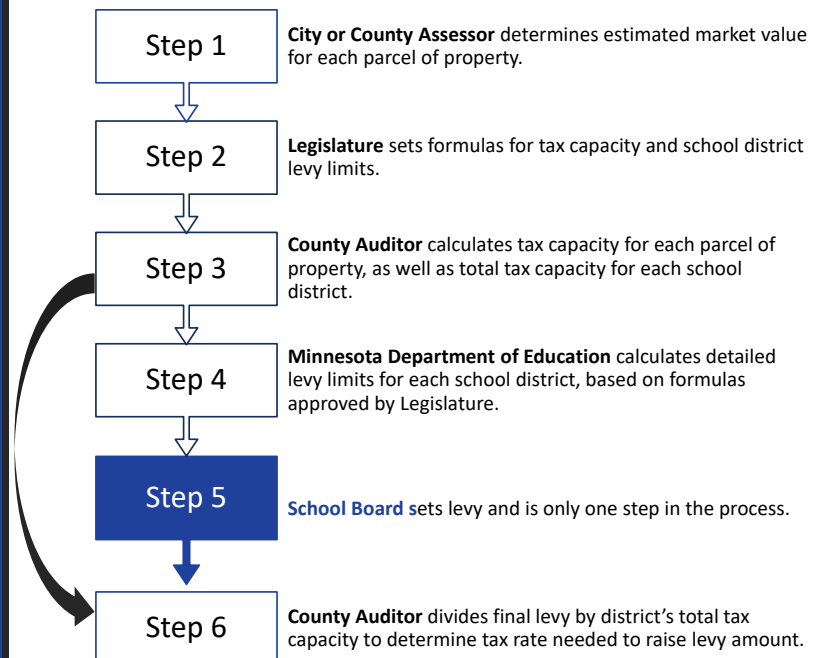
Total excluding any special assessments \$1,441.31 \$1,467.52 9.4%

School District Property Taxes

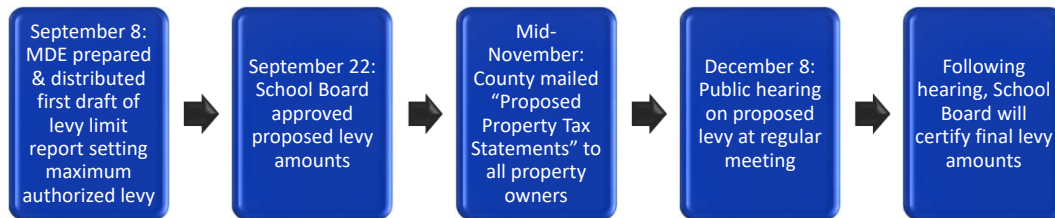
- Each school district has limited authority to levy taxes
- MDE calculates levy amounts for various categories, set by:
 - State law
 - Voter approval

School District Property Tax Process

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



Approval of District's Tax Levy in 2025 (Payable 2026)



Overview of District's Proposed Tax Levy

- Proposed Payable 2026 tax levy is an increase from 2025 of \$454,912 or 2.2%
- Changes by levy category and reasons for major increases & decreases in levy are included on following slides

Comparison of Actual Tax Levy Payable in 2025 to Proposed Levy Payable in 2026

Fund Levy Category	Actual Levy Payable in 2025	Proposed Levy Payable in 2026	\$ Change	% Change
General				
Voter Approved Operating Referendum	\$2,916,547	\$3,023,012	\$106,464	
Local Optional Revenue (LOR)	3,374,264	3,456,421	82,157	
Equity	742,093	751,988	9,895	
Operating Capital	553,566	559,215	5,649	
Achievement and Integration	181,352	183,753	2,401	
Long Term Facilities Maintenance (LTFM)	914,509	1,356,770	442,261	
Lease Levy	425,383	433,778	8,395	
Other	910,387	884,498	(25,889)	
Prior Year Adjustments	89,389	(127,807)	(217,196)	
Total, General Fund	\$10,107,490	\$10,521,628	\$414,137	4.1%
Community Service				
Basic Community Education	\$180,716	\$183,996	\$3,280	
Early Childhood Family Education	109,540	104,173	(5,367)	
School-Age Child Care	23,000	23,000	0	
Other	6,901	6,920	19	
Prior Year Adjustments	(71)	(10,661)	(10,590)	
Total, Community Service Fund	\$320,086	\$307,428	(\$12,659)	-4.0%
Debt Service				
Voter Approved	\$10,136,412	\$10,229,311	\$92,899	
Long Term Facility Maintenance	323,531	374,969	51,439	
Reduction for Debt Excess	(598,991)	(689,694)	(90,703)	
Prior Year Adjustments	8,966	8,765	(201)	
Total, Debt Service Fund	\$9,869,917	\$9,923,351	\$53,433	0.5%
Total Levy, All Funds	\$20,297,494	\$20,752,406	\$454,912	2.2%
Subtotal by Truth in Taxation Categories:				
Voter Approved	12,555,262	12,687,825	132,563	
Other	7,742,232	8,064,581	322,350	
Total	\$20,297,494	\$20,752,406	\$454,912	2.2%

Explanation of Levy Changes

Category: General Fund – Long Term Facilities Maintenance

Change: +\$442,261

Use of Funds: Health & Safety, Deferred Maintenance

Reason for Change:

- The district's annual revenue is based on enrollment and building age.
- Current enrollment is slightly higher than projected in taxes payable 2025, and the district reduced its annual LTFM levy for taxes payable in 2025.

Explanation of Levy Changes

Category:	General Fund – Prior Year Adjustments
Change:	-\$217,196
Use of Funds:	Various
Reason for Change:	Initial levies are based on estimates. In later years, amounts are updated and levies are retroactively adjusted.

Factors Impacting Individual Taxpayers' School Taxes

Many factors can cause a tax bill for an individual property to increase or decrease from year to year

- Changes in value of individual property
- Changes in total value of all property within District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs & costs, voter-approved referendums & other factors

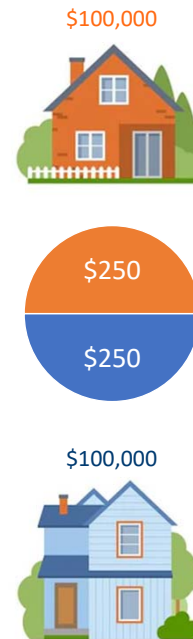
Impact of Property Valuations

Two properties in the district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy



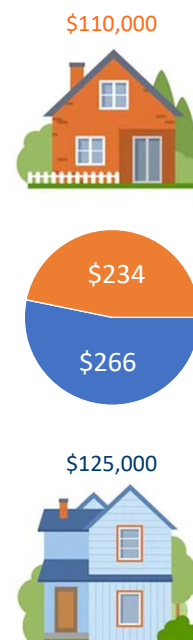
Impact of Property Valuations

Two properties in the 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



Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and a 19.1% increase in property value for residential homes over the past four years
 - Actual changes in value may be more or less than this for any parcel of property
 - Intended to provide a fair representation of what happened to school district property taxes over this period for typical properties
- Amounts for 2026 are preliminary estimates; final amounts could change slightly
- Estimates prepared by Ehlers (District's municipal advisors)

Estimated Changes in School Property Taxes, 2023 to 2026
Based on No Changes in Property Values

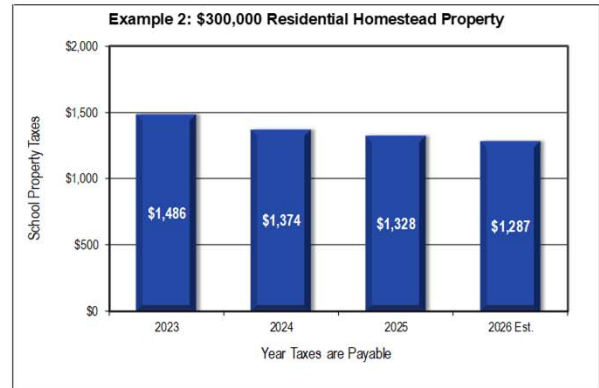
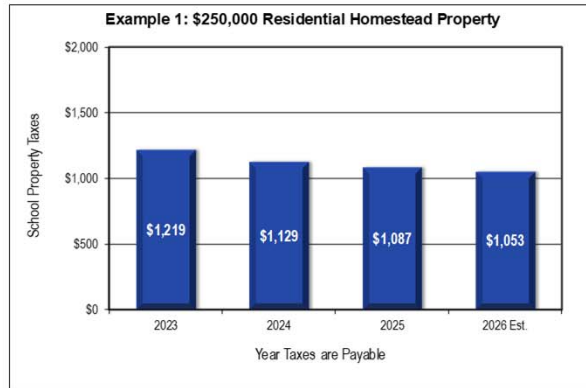
Type of Property	Estimated Market Value	Actual Taxes Payable in 2023	Actual Taxes Payable in 2024	Actual Taxes Payable in 2025	Estimated Taxes Payable in 2026	Change in Taxes 2023 to 2026	Change in Taxes 2025 to 2026
Residential Homestead	\$100,000	\$421	\$395	\$363	\$351	-\$70	-\$12
	150,000	687	640	604	585	-102	-19
	200,000	953	884	846	819	-134	-27
	250,000	1,219	1,129	1,087	1,053	-166	-34
	300,000	1,486	1,374	1,328	1,287	-199	-41
	400,000	2,018	1,864	1,811	1,755	-263	-56
	450,000	2,275	2,101	2,052	1,989	-286	-63
Commercial/Industrial #	500,000	2,527	2,334	2,293	2,223	-304	-70
	\$100,000	\$655	\$594	\$588	\$571	-\$84	-\$17
	250,000	1,789	1,613	1,597	1,552	-237	-45
	500,000	3,802	3,418	3,386	3,292	-510	-94
Agricultural Homestead (average value per acre of land and buildings)	1,000,000	7,829	7,028	6,965	6,772	-1,057	-193
	\$7,500	\$5.27	\$4.33	\$4.48	\$4.47	-\$0.79	\$0.00
	8,500	\$5.97	\$4.90	\$5.07	5.07	-0.90	-0.01
	9,500	\$6.67	\$5.48	\$5.67	5.67	-1.00	0.00
Agricultural Non-homestead (average value per acre of land and buildings)	10,500	\$7.38	\$6.06	\$6.28	6.26	-1.11	-0.01
	\$7,500	\$10.53	\$8.66	\$8.96	\$8.95	-\$1.58	-\$0.01
	8,500	\$11.93	\$9.81	\$10.15	10.15	-1.79	0.00
	9,500	\$13.34	\$10.96	\$11.35	11.33	-2.01	-0.02
Apartments and Res. Non-Homestead (2 or more units)	10,500	\$14.74	\$12.11	\$12.54	12.53	-2.22	-0.01
	\$500,000	\$2,902	\$2,653	\$2,617	\$2,540	-\$362	-\$77
	1,000,000	5,804	5,306	5,235	5,080	-724	-155
	2,000,000	11,609	10,611	10,470	10,161	-1,448	-309

General Notes

1. Amounts are based on school district taxes only, and do not include taxes for city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2026 are preliminary, based on the best data available.
3. For all examples of properties, taxes are calculated based on no changes in estimated market value from 2023 to 2026.
4. For agricultural property, estimates of taxes include impact of School Building Bond Agricultural Credit. Average value per acre is total estimated market value of all land and buildings, divided by total acres. Homestead examples do not include value of house, garage, and one acre, for which tax impact will be same as on a residential homestead property. This calculation does not include impact of Agricultural Homestead Credit, which reduces taxes on each parcel of agricultural homestead property by varying amounts.

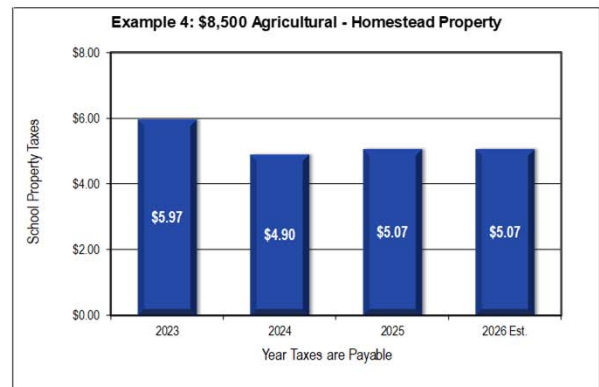
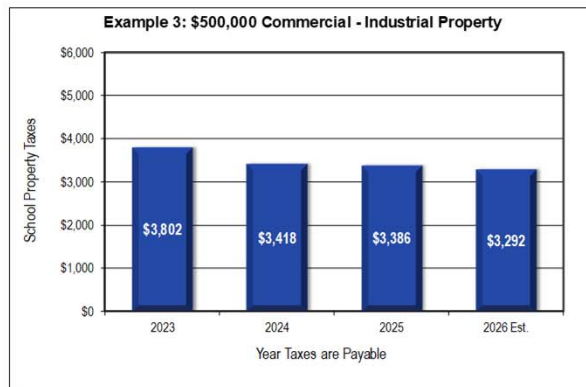
Estimated Changes in School Property Taxes, 2023-26

Based on No Changes in Property Value



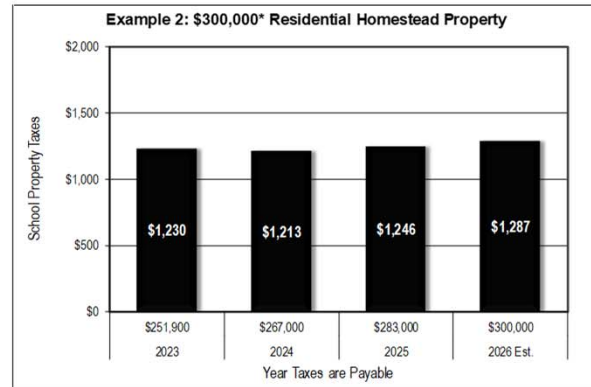
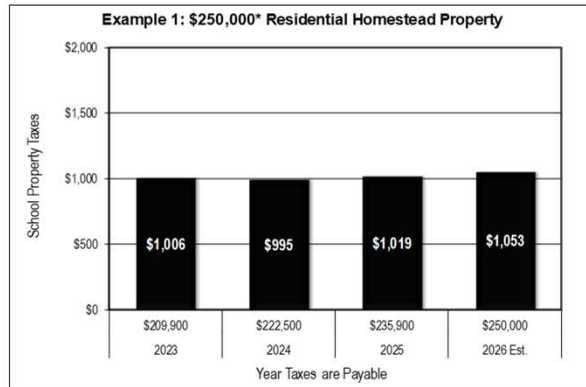
Estimated Changes in School Property Taxes, 2023-26

Based on No Changes in Property Value



Estimated Changes in School Property Taxes, 2023-26

Based on 19.1% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2026. Taxes are calculated based on changes in market value of 6.0% from 2023 to 2024, 6.0% from 2024 to 2025 and 6.0% from 2025 to 2026.

State Property Tax Preferences

Homestead Credit Refund

- Available for all homestead property, both residential and agricultural (house, garage and one acre (HGA) only)
- Refund is sliding scale, based on total property taxes and income

Special Property Tax Refund

- Available for all homestead property, both residential & agricultural (HGA only) with a gross tax increase of at least 12% and \$100 over prior year
- Refund is 60% of tax increase that exceeds greater of 12% or \$100 (max \$1,000)

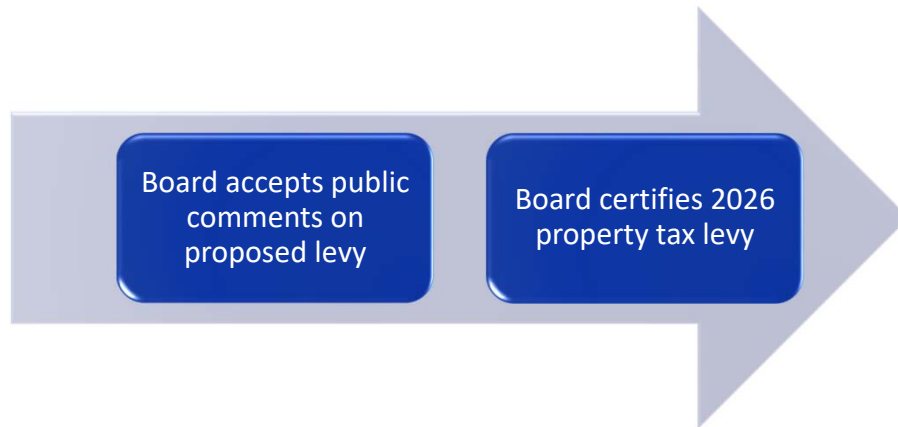
Senior Citizen Property Tax Deferral

- Allows people 65 years of age or older with household income of \$96,000 or less to defer a portion of property taxes on their home
- Deferred property taxes plus accrued interest must be paid when home is sold or homeowner(s) dies

Income Taxes

- If you itemize deductions for federal income taxes, you may deduct a portion of your taxes paid. Starting with your 2024 taxes, renters can claim the Renter's refundable credit on a Minnesota income tax return.

Next Steps



OWATONNA
PUBLIC SCHOOLS

PUBLIC COMMENTS