



ISD #22 Detroit Lakes Public Schools

Public Hearing for Taxes
Payable in 2026

DECEMBER 15, 2025

PRESENTED BY:

JASON KUEHN,

DIRECTOR OF
FINANCE & 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:

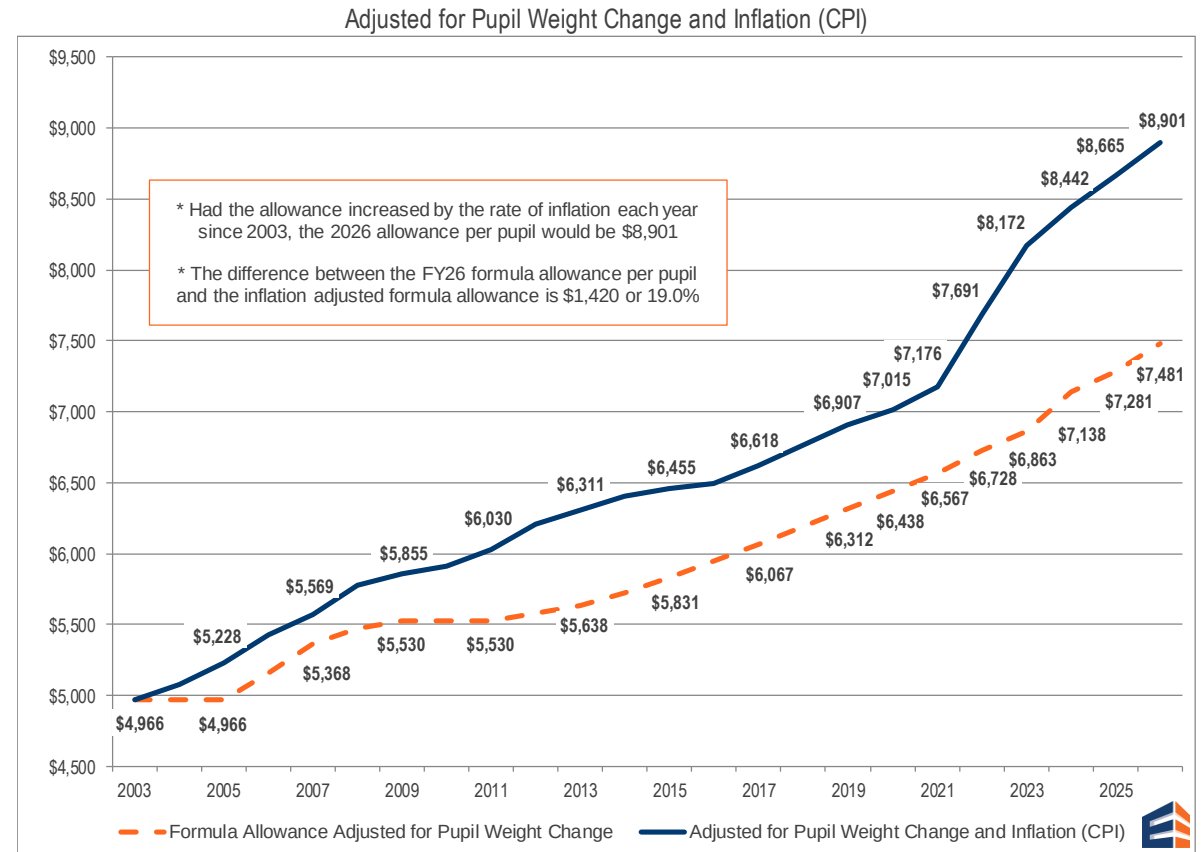
- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy
 - Districts can levy less, but not more than amount authorized by state, unless approved by voters in November

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



Source: MDE June 2025 CPI Inflation Estimates and Minnesota Laws 2023

According to MN Department of Education (MDE):

FY 2024 costs of providing programs were underfunded statewide by \$503 million

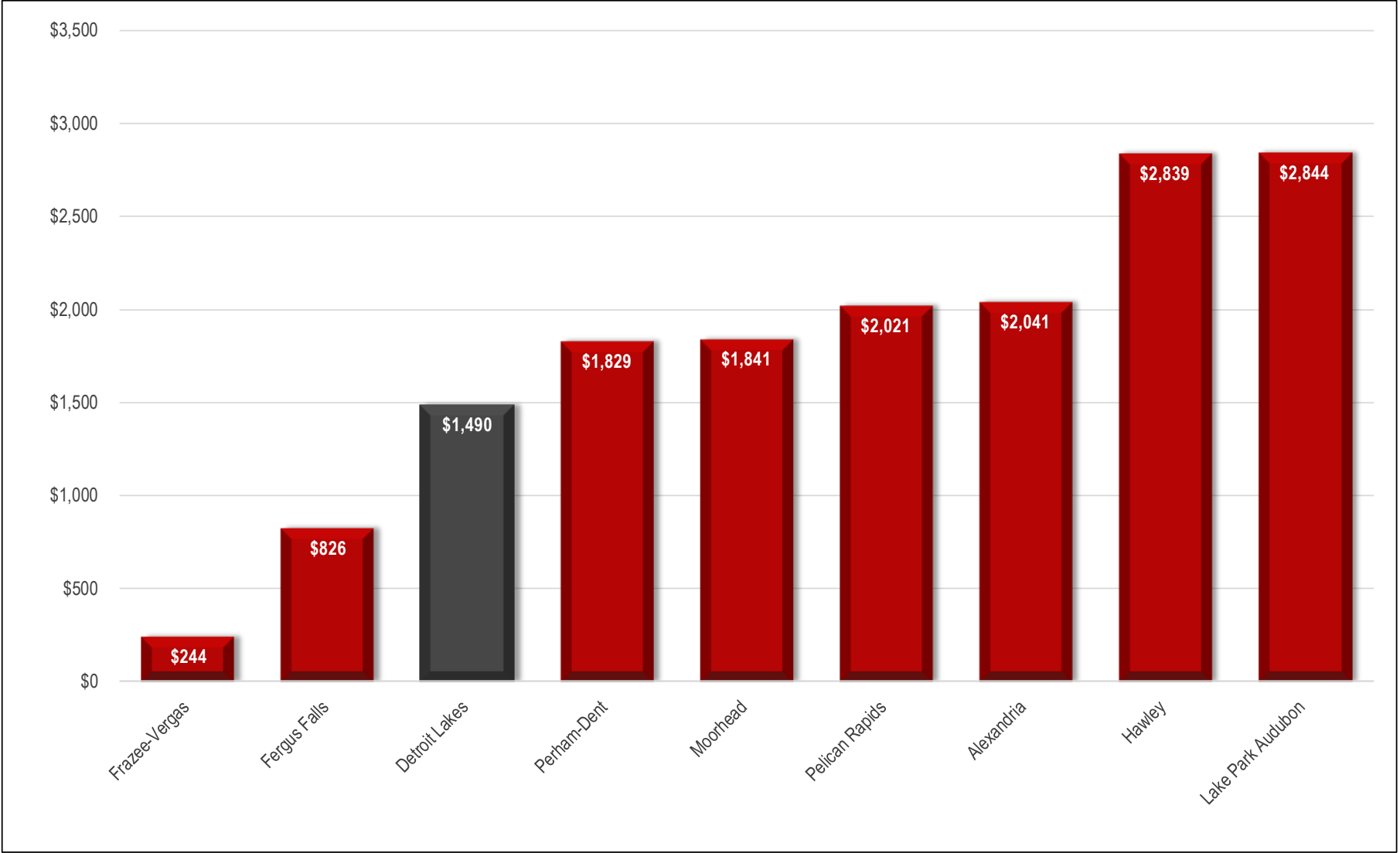
Even with recent funding, costs will be underfunded by \$524 million statewide by FY 2028



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

Underfunding of Special Education

Pay 2025 Voter Approved Levies (Debt, Capital Projects and Operating Referendum) Per Pupil (ADM)



Source: Pay 2025 School Tax Report, Pay 2025 MDE Levy Certification

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:

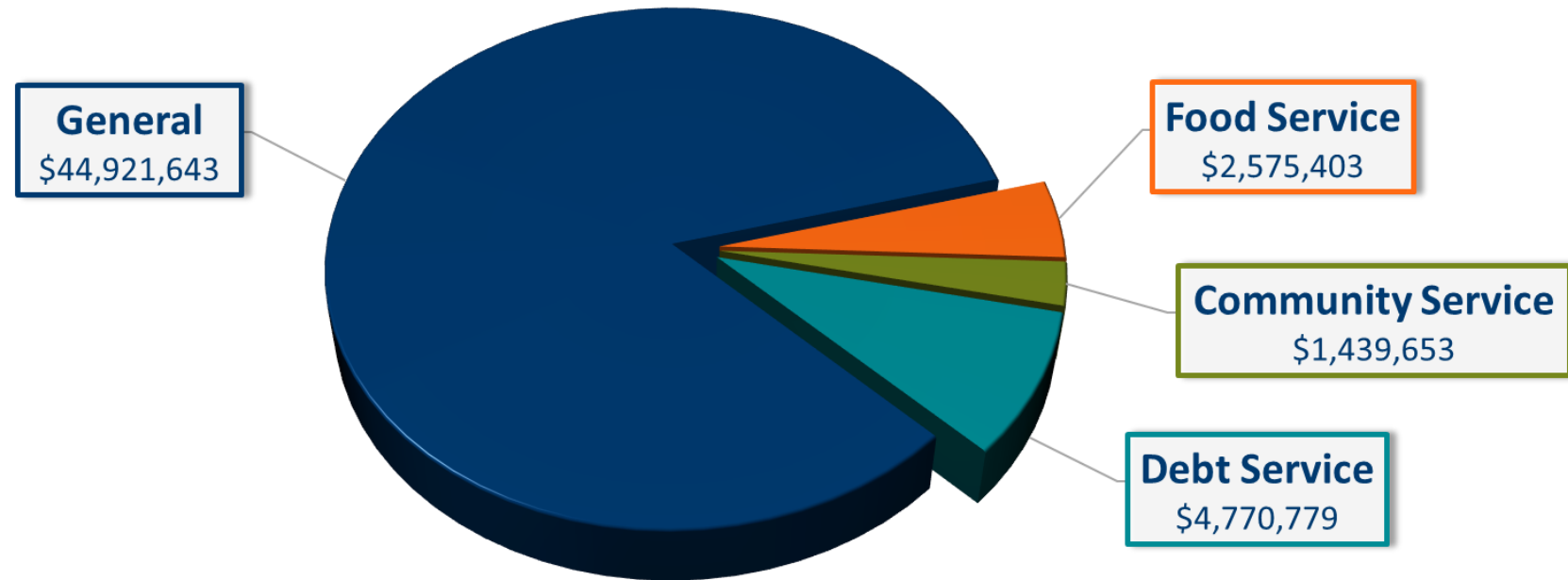
- General
- Food Service
- Community Service
- Debt Service



FUND	FISCAL 2025 BEGINNING	2024-25 ACTUAL		JUNE 30, 2025 ACTUAL	2025-26 BUDGET		JUNE 30, 2026 PROJECTED
	FUND BALANCES	REVENUES & TRANSFERS IN	EXPENDITURES & TRANSERS OUT	FUND BALANCES	REVENUES & TRANSERS IN	EXPENDITURES & TRANSFERS OUT	FUND BALANCES
General/Restricted	\$2,787,950	\$2,728,112	\$3,043,592	\$2,472,471	\$2,633,826	\$2,909,735	\$2,196,562
General/Other	10,816,526	41,690,914	41,635,761	10,871,678	42,287,817	42,310,378	10,849,117
Food Service	1,161,787	2,470,582	2,308,453	1,323,916	2,575,403	2,572,312	1,327,007
Community Service	605,052	1,341,448	1,345,786	600,714	1,439,653	1,440,841	599,526
Debt Service	843,495	4,759,386	4,706,456	896,425	4,770,779	4,711,031	956,173
Total All Funds	16,214,810	52,990,442	53,040,048	16,165,204	53,707,478	53,944,297	15,928,385

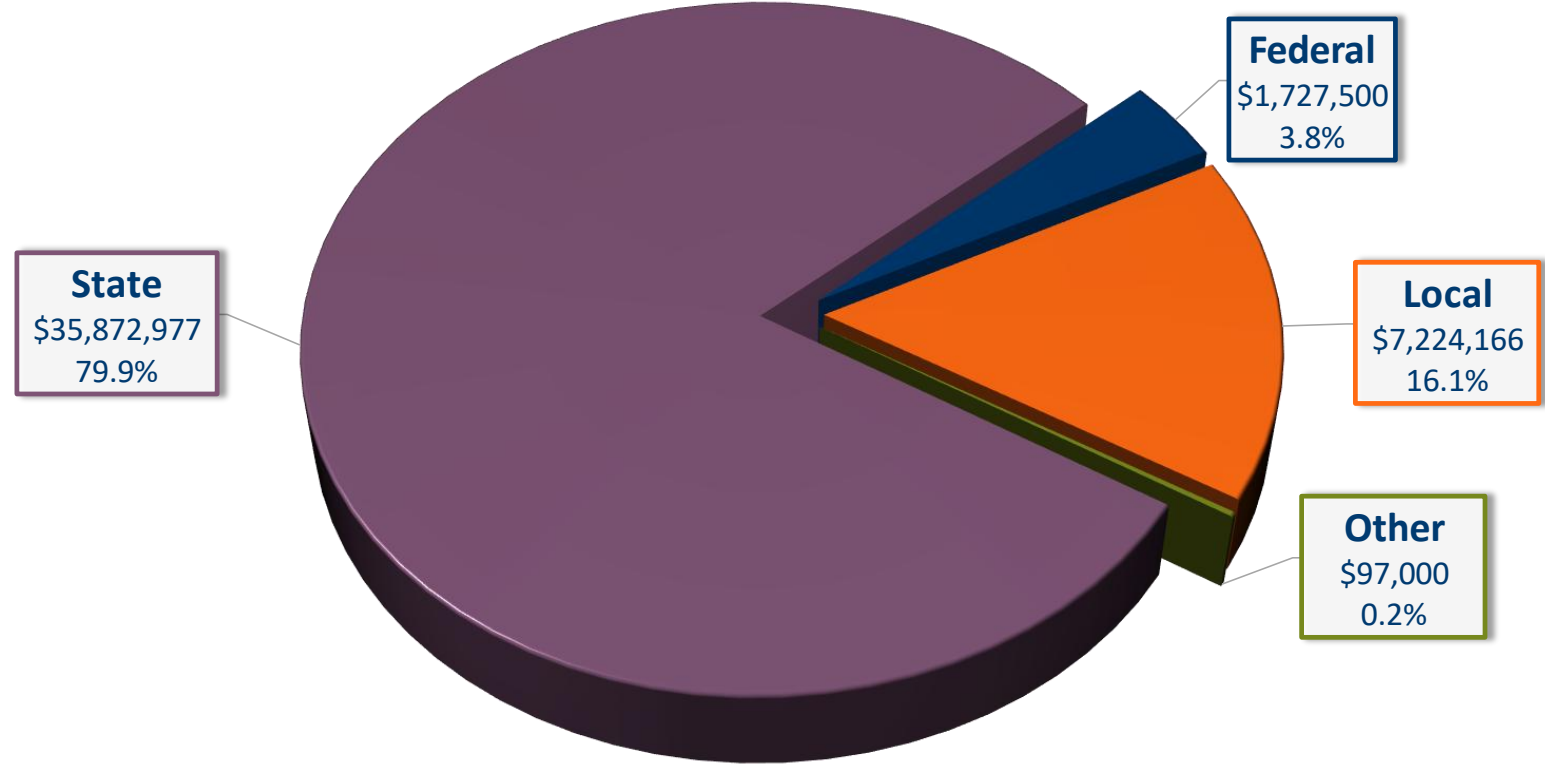
Revenue - All Funds -

2025-26 Budget
\$53,707,478



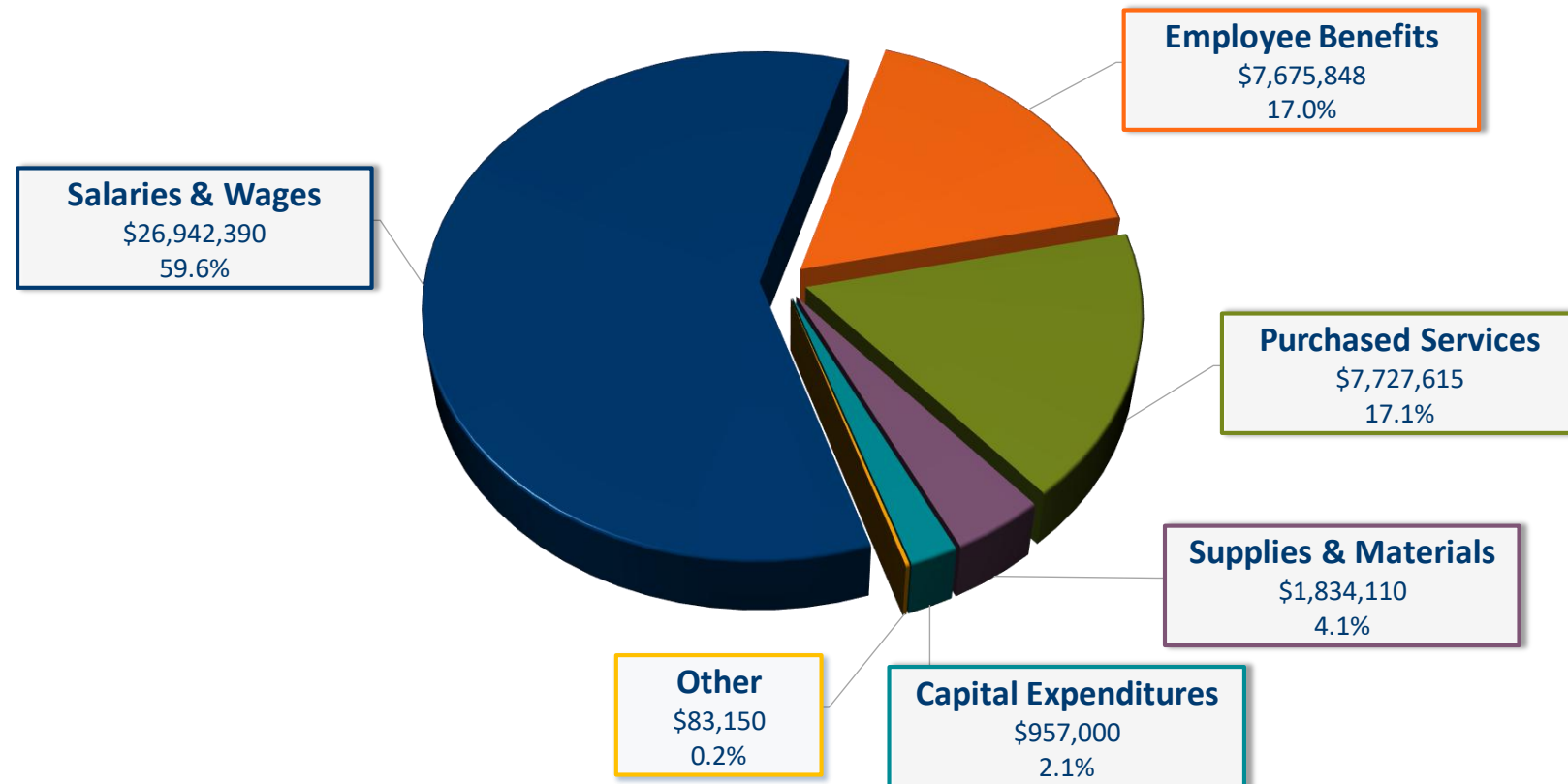
General Fund Revenue

2025-26 Budget
\$44,921,643



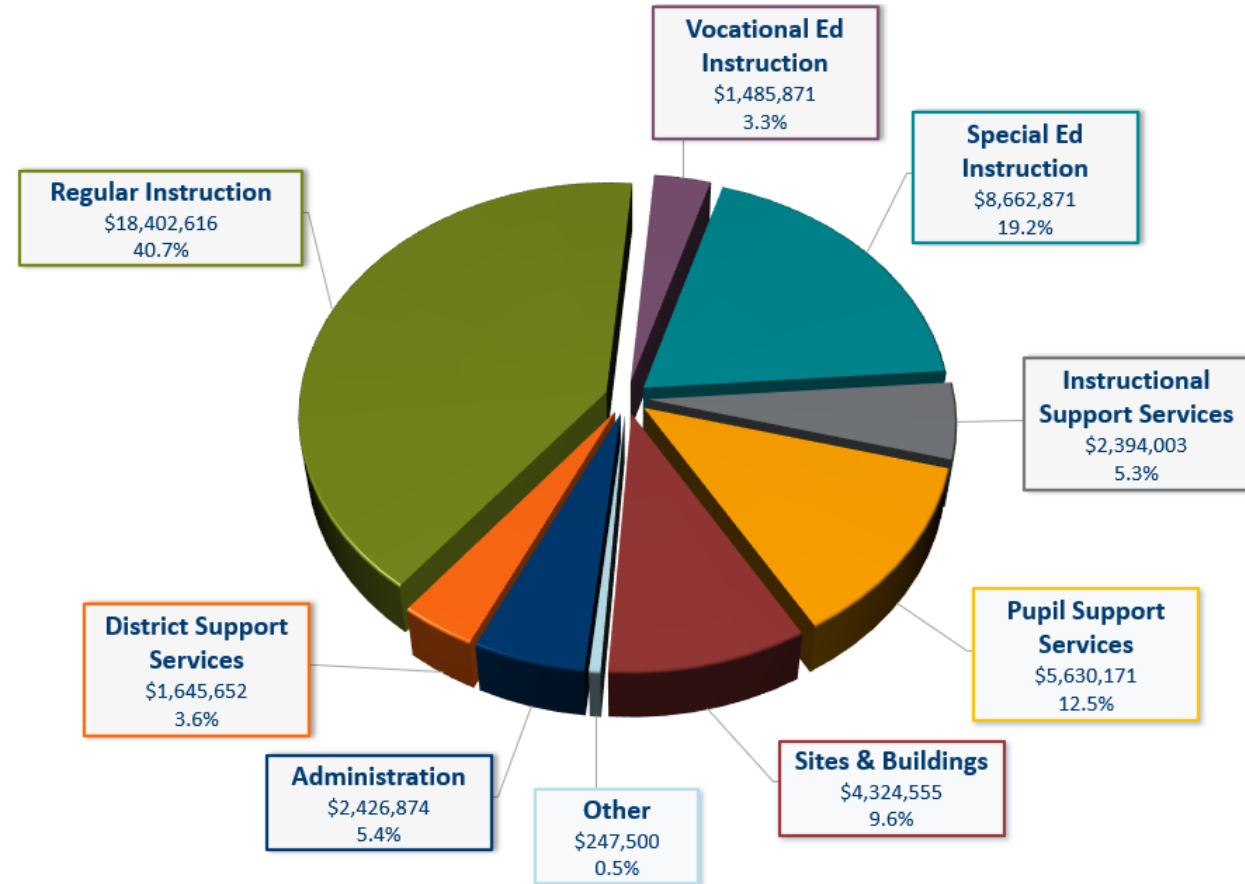
General Fund Expenditures - by Object -

2025-26 Budget
\$45,220,113



General Fund Expenditures - by Program -

2025-26 Budget
\$45,220,113



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

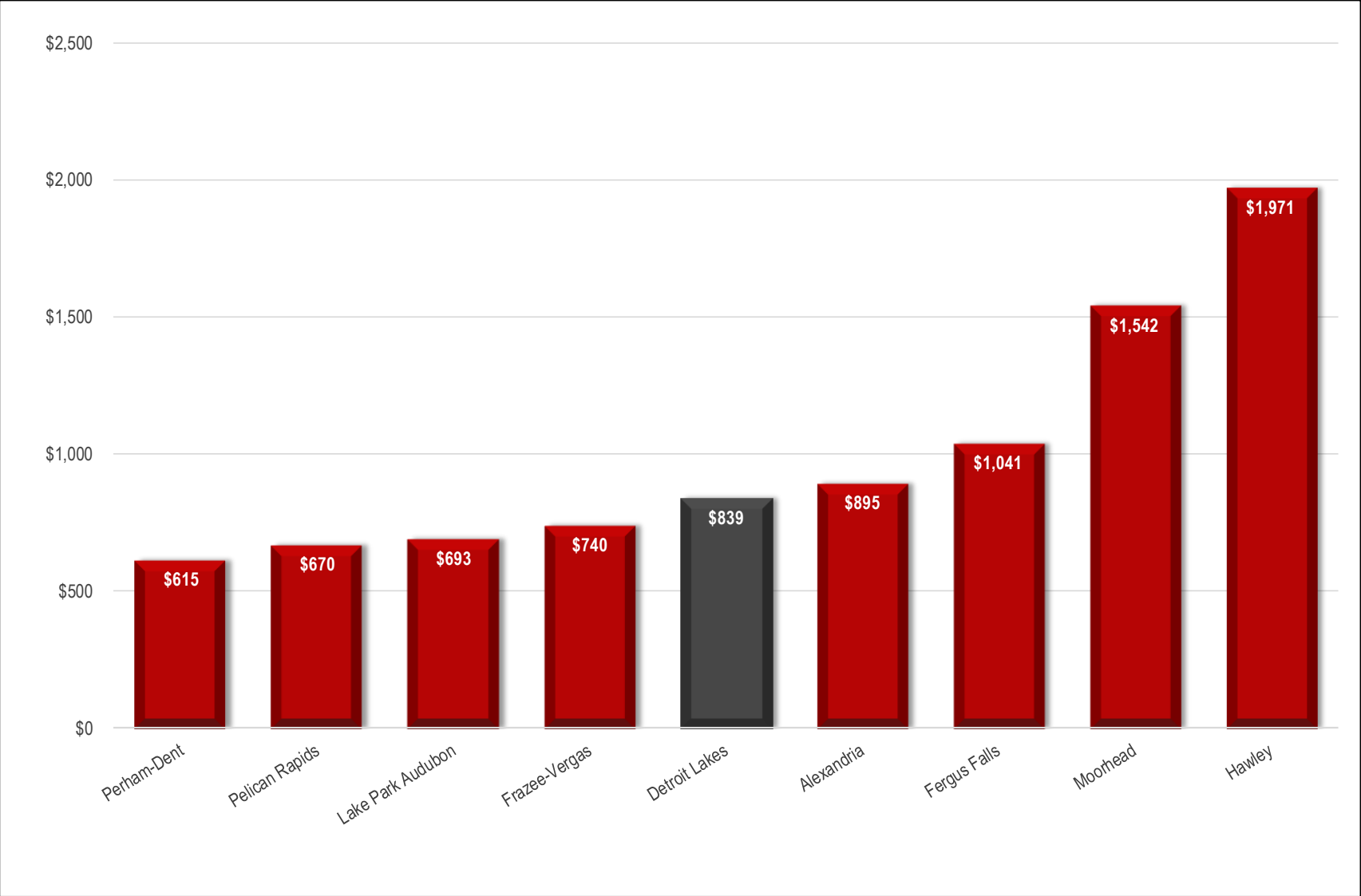


Expenditure budget is limited by state-set revenue formulas, voter-approved levies & fund balance



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

Total School Property Taxes, Payable 2025, on a Home with an Estimated Market Value of \$350,000



Source: Pay 2025 School Tax Report, Pay 2025 MDE Levy Certification

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

Property Tax Background:

- 

TAXPAYER(S):

Property Information

Property Description:
Lot 1, Block 1, Spruce Acres Subdivision

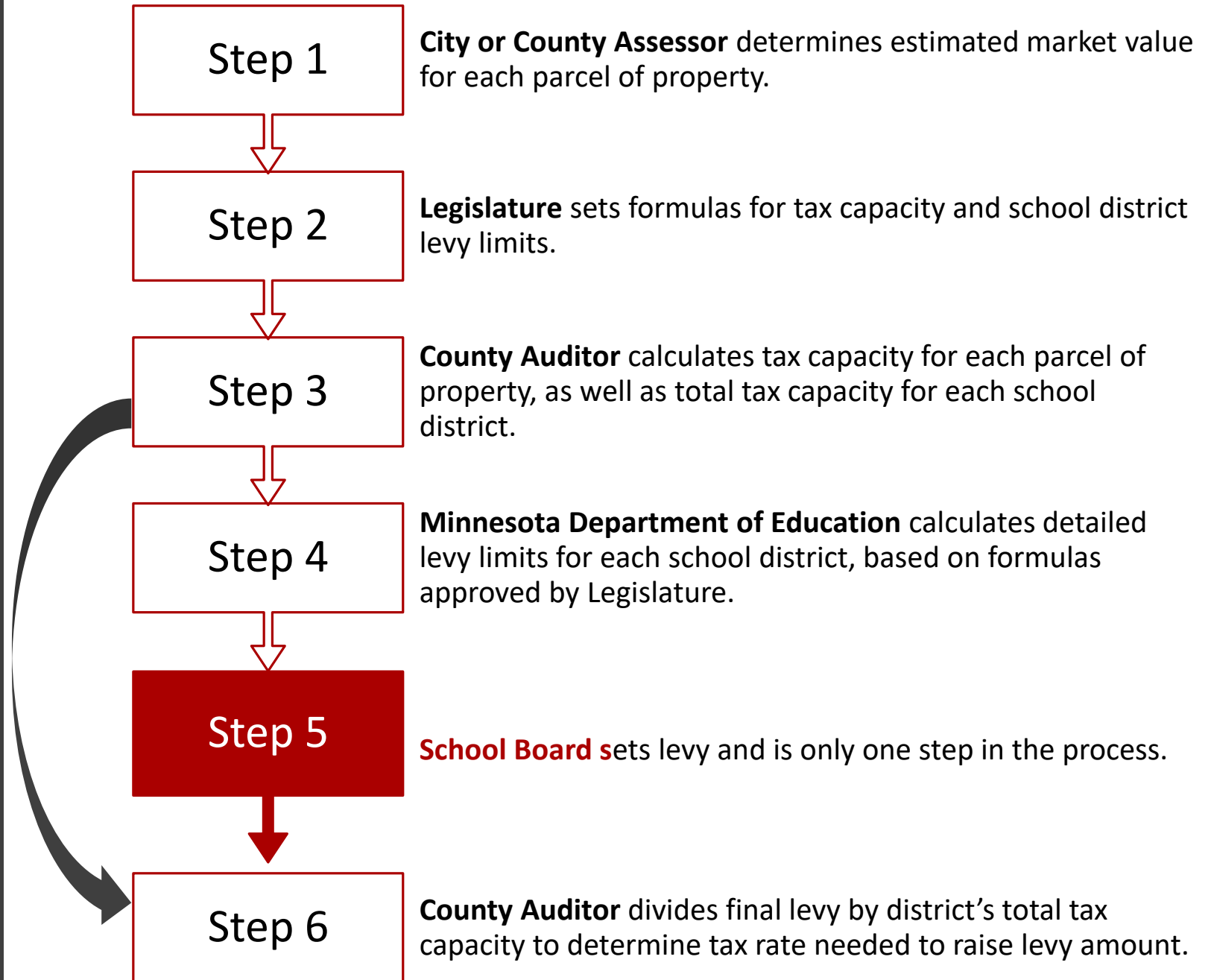
Proposed Property Taxes and Meetings by Jurisdiction for Your Property				
Contact Information	Meeting Information	Actual 2025	Proposed 2026	
State General Property Tax	No public meeting	\$0	\$0	
County of Spruce Spruce County Courthouse 123 Spruce St Spruceville, MN 55555 www.co.spruce.mn.us (555) 123-4567	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) 123-7654	December 2, 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) 123-6789	December 9, 7:00 PM Spruceville High School Cafeteria			
Voter Approved Levies		\$289.35	\$296.68	
Other Levies		\$340.11	\$374.60	
<i>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.</i>				
Total excluding any special assessments		\$1,341.31	\$1,467.52	9.4%

School District Property Taxes

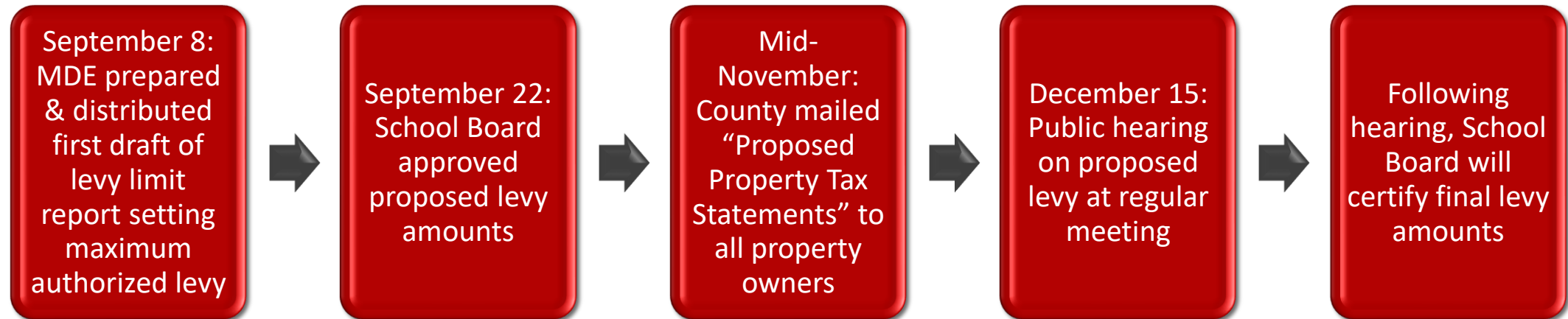
- Each school district has limited authority to levy taxes
- MDE calculates levy amounts for various categories, set by:
 - State law
 - Voter approval

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 \$182,165 or 1.8%
- 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				
Local Optional Revenue (LOR)	\$2,102,786	\$2,069,047	(\$33,738)	
Equity	485,362	477,646	(7,716)	
Operating Capital	482,959	509,438	26,478	
Alternate Teacher Compensation	250,794	244,449	(6,345)	
Achievement and Integration	90,965	88,478	(2,487)	
Long Term Facilities Maintenance (LTFM)	692,198	672,450	(19,747)	
Lease Levy	297,761	337,923	40,162	
Other	522,194	549,599	27,405	
Prior Year Adjustments	30,199	(7,415)	(37,613)	
Total, General Fund	\$4,955,216	\$4,941,614	(\$13,602)	-0.3%
Community Service				
Basic Community Education	\$155,508	\$155,508	\$0	
Early Childhood Family Education	98,568	91,835	(6,733)	
Other	2,834	3,105	271	
Prior Year Adjustments	(1,716)	(10,519)	(8,803)	
Total, Community Service Fund	\$255,194	\$239,929	(\$15,265)	-6.0%
Debt Service				
Voter Approved	\$4,101,596	\$4,127,321	\$25,725	
Other	438,953	439,058	105	
Long Term Facility Maintenance	383,683	386,846	3,163	
Reduction for Debt Excess	(190,885)	0	190,885	
Prior Year Adjustments	9,254	408	(8,846)	
Total, Debt Service Fund	\$4,742,601	\$4,953,634	\$211,033	4.4%
Total Levy, All Funds	\$9,953,011	\$10,135,177	\$182,165	1.8%
Subtotal by Truth in Taxation Categories:				
Voter Approved	3,952,333	4,127,731	175,398	
Other	6,000,678	6,007,446	6,767	
Total	\$9,953,011	\$10,135,177	\$182,165	1.8%

Explanation of Levy Changes

Category:

Debt Service Fund – Reduction for Debt Excess

Change:

+\$190,865

Use of Funds:

Debt Payments

Reason for Change:

- Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
- Because delinquencies are generally less than 5%, most districts gradually build up fund balances in debt service funds
- District retained excess fund balance for future bond payments

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

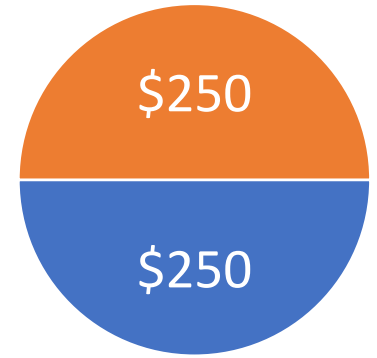
Two properties in the district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy

\$100,000



\$100,000



Impact of Property Valuations

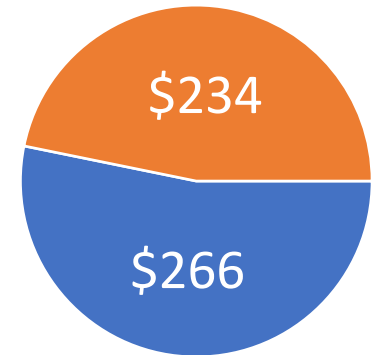
Two properties in the district

- 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

\$110,000



\$125,000



Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change and a 23.5% 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

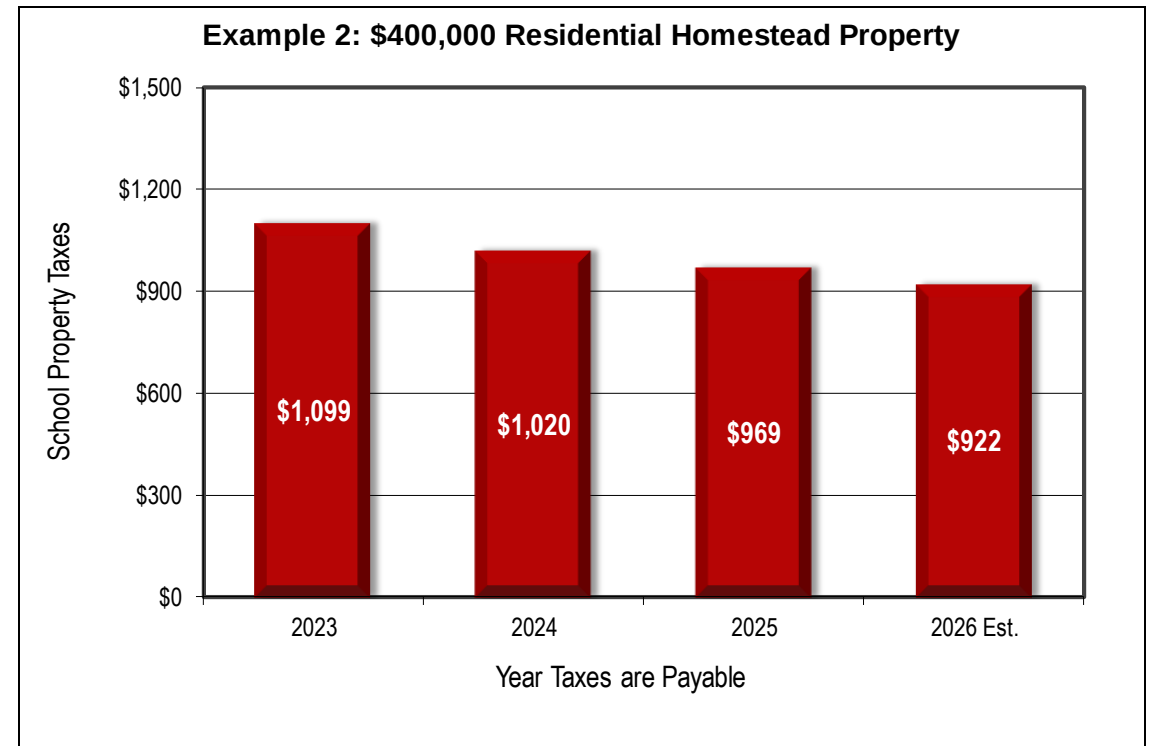
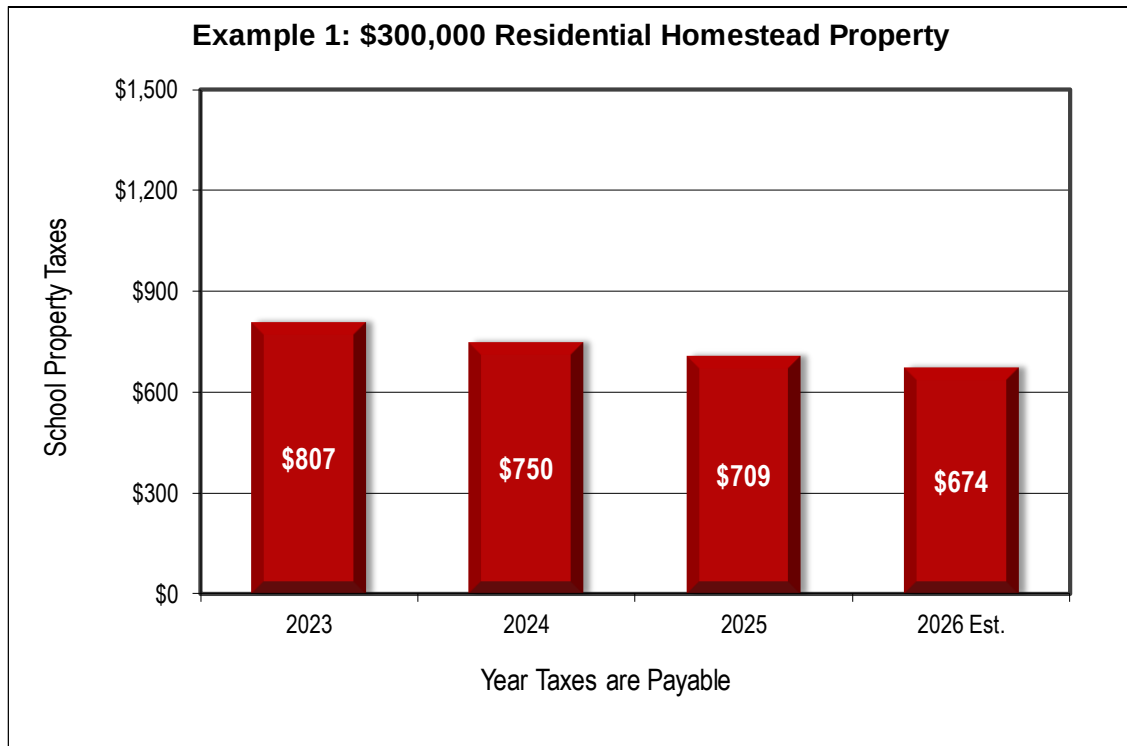
Type of Property	Estimated Market Value	Actual Taxes Payable in 2023	Actual Taxes Payable in 2024	Actual Taxes Payable in 2025	Estimated Taxes Payable in 2026	Change in Taxes 2023 to 2026	Change in Taxes 2025 to 2026
Residential Homestead	\$150,000	\$370	\$344	\$319	\$302	-\$68	-\$17
	200,000	516	479	449	426	-90	-23
	250,000	661	615	579	550	-111	-29
	300,000	807	750	709	674	-133	-35
	350,000	953	885	839	798	-155	-41
	400,000	1,099	1,020	969	922	-177	-47
	450,000	1,239	1,150	1,100	1,045	-194	-55
	500,000	1,377	1,278	1,230	1,169	-208	-61
Commercial/ Industrial	\$250,000	\$1,008	\$926	\$885	\$845	-\$163	-\$40
	500,000	2,153	1,975	1,884	1,801	-352	-83
	750,000	3,299	3,025	2,884	2,758	-541	-126
	1,000,000	4,444	4,074	3,884	3,714	-730	-170
Agricultural Homestead (average value per acre of land and buildings)	\$3,000	\$1.42	\$1.33	\$1.25	\$1.20	-\$0.22	-\$0.05
	4,000	\$1.89	\$1.77	\$1.68	1.60	-0.29	-0.08
	5,000	\$2.36	\$2.22	\$2.10	2.01	-0.35	-0.09
	6,000	\$2.83	\$2.67	\$2.51	2.41	-0.42	-0.10
Agricultural Non-homestead (average value per acre of land and buildings)	\$3,000	\$2.83	\$2.67	\$2.51	\$2.41	-\$0.42	-\$0.10
	4,000	\$3.78	\$3.56	\$3.35	3.21	-0.57	-0.14
	5,000	\$4.73	\$4.44	\$4.18	4.01	-0.72	-0.18
	6,000	\$5.67	\$5.33	\$5.03	4.81	-0.86	-0.22
Seasonal Recreational Residential	\$200,000	\$365	\$328	\$307	\$296	-\$69	-\$11
	300,000	548	493	460	445	-103	-15
	400,000	731	657	614	593	-138	-21
	500,000	914	821	767	741	-173	-26

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.

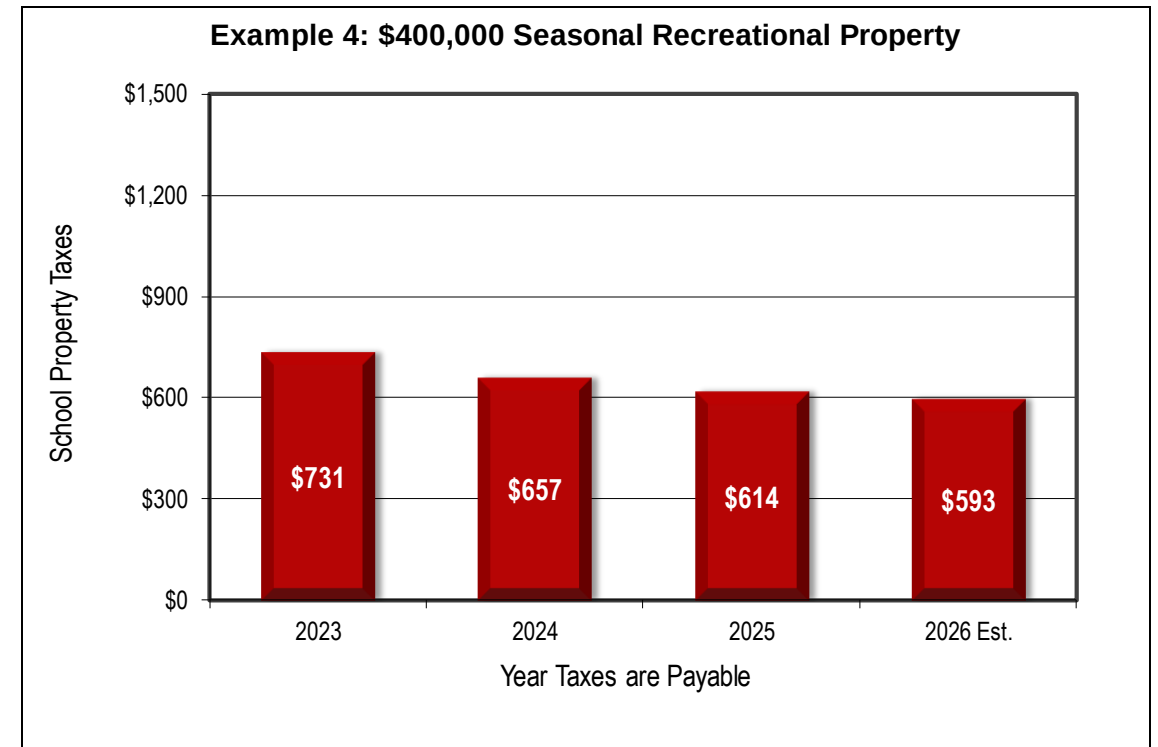
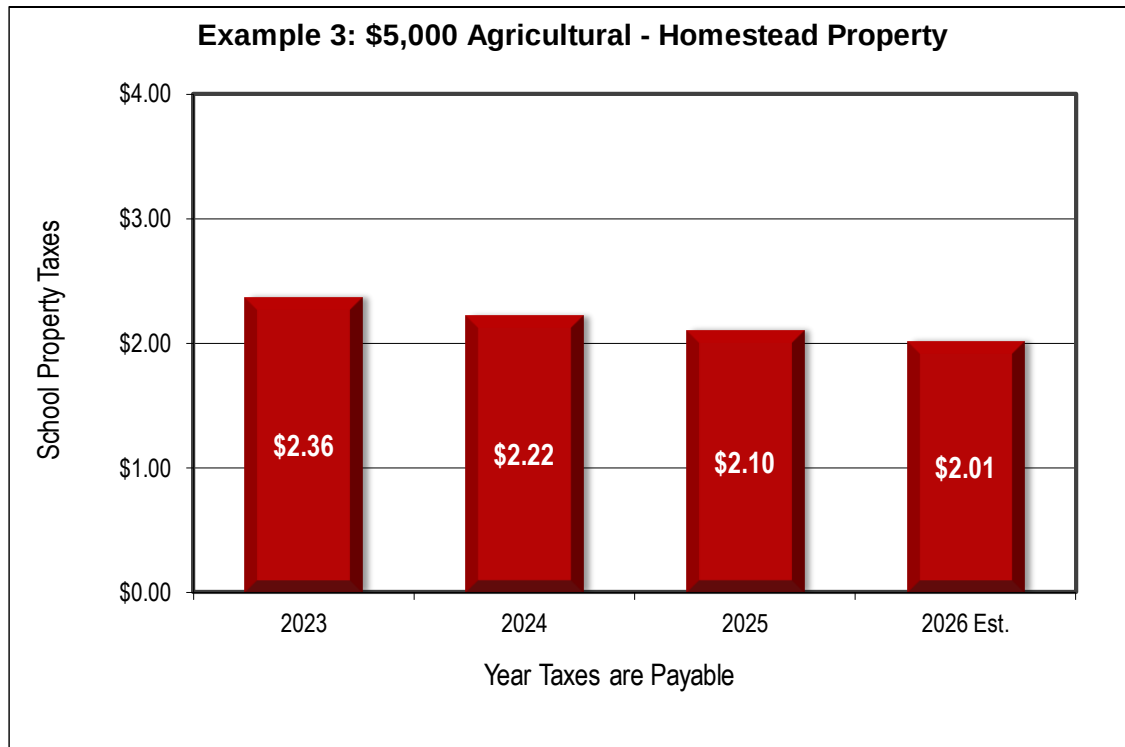
Estimated Changes in School Property Taxes, 2023-26

Based on No Changes in Property Value



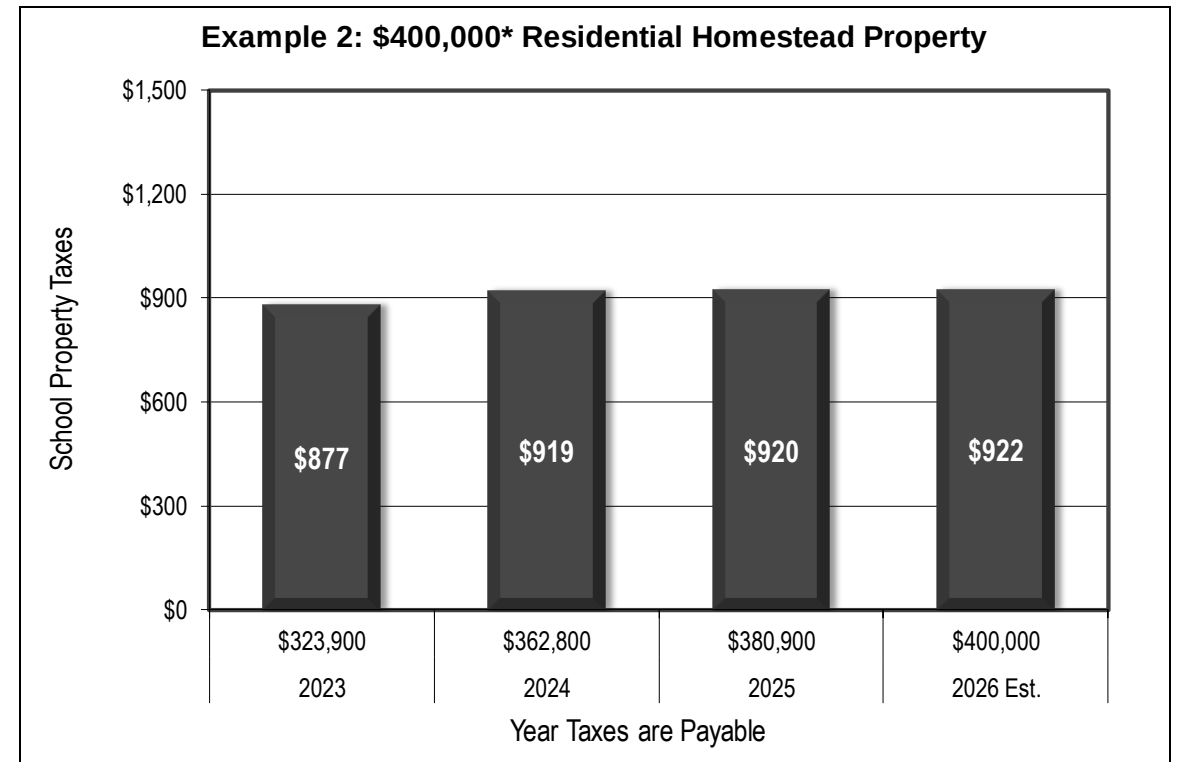
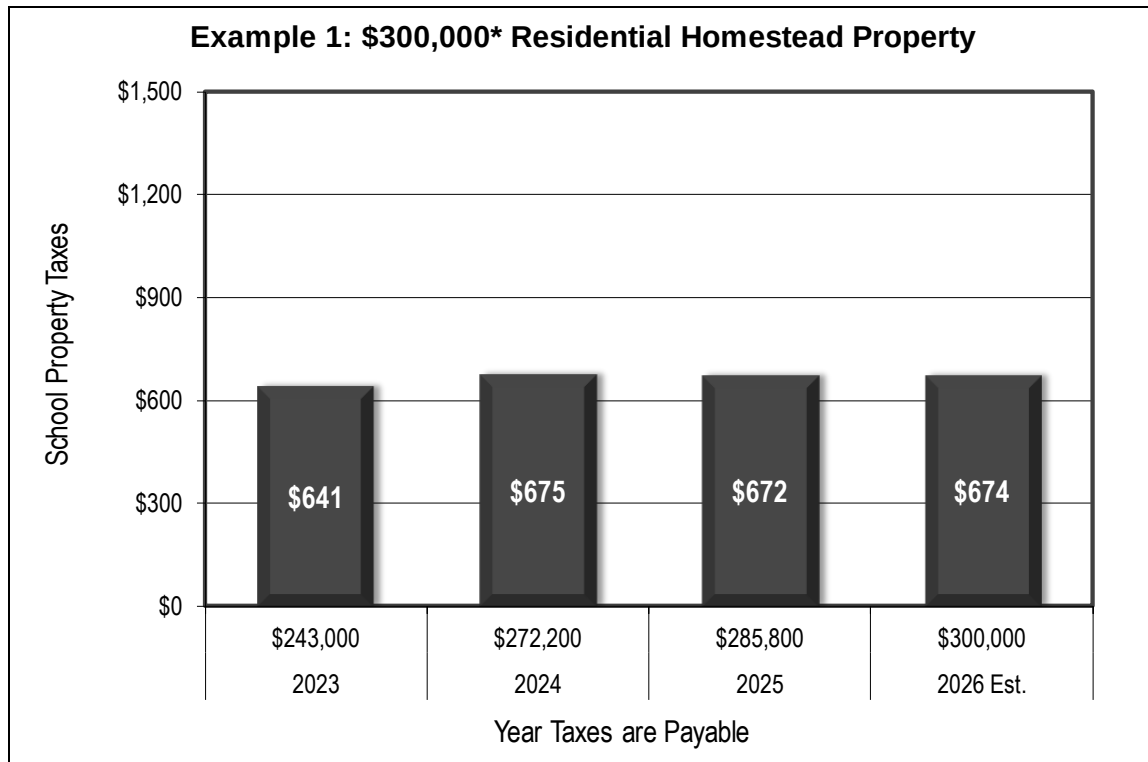
Estimated Changes in School Property Taxes, 2023-26

Based on No Changes in Property Value



Estimated Changes in School Property Taxes, 2023-26

Based on 23.5% Cumulative Changes in Property Value



* Estimated market value for taxes payable in 2026. Taxes are calculated based on changes in market value of 12.0% from 2023 to 2024, 5.0% from 2024 to 2025 and 5.0% 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)

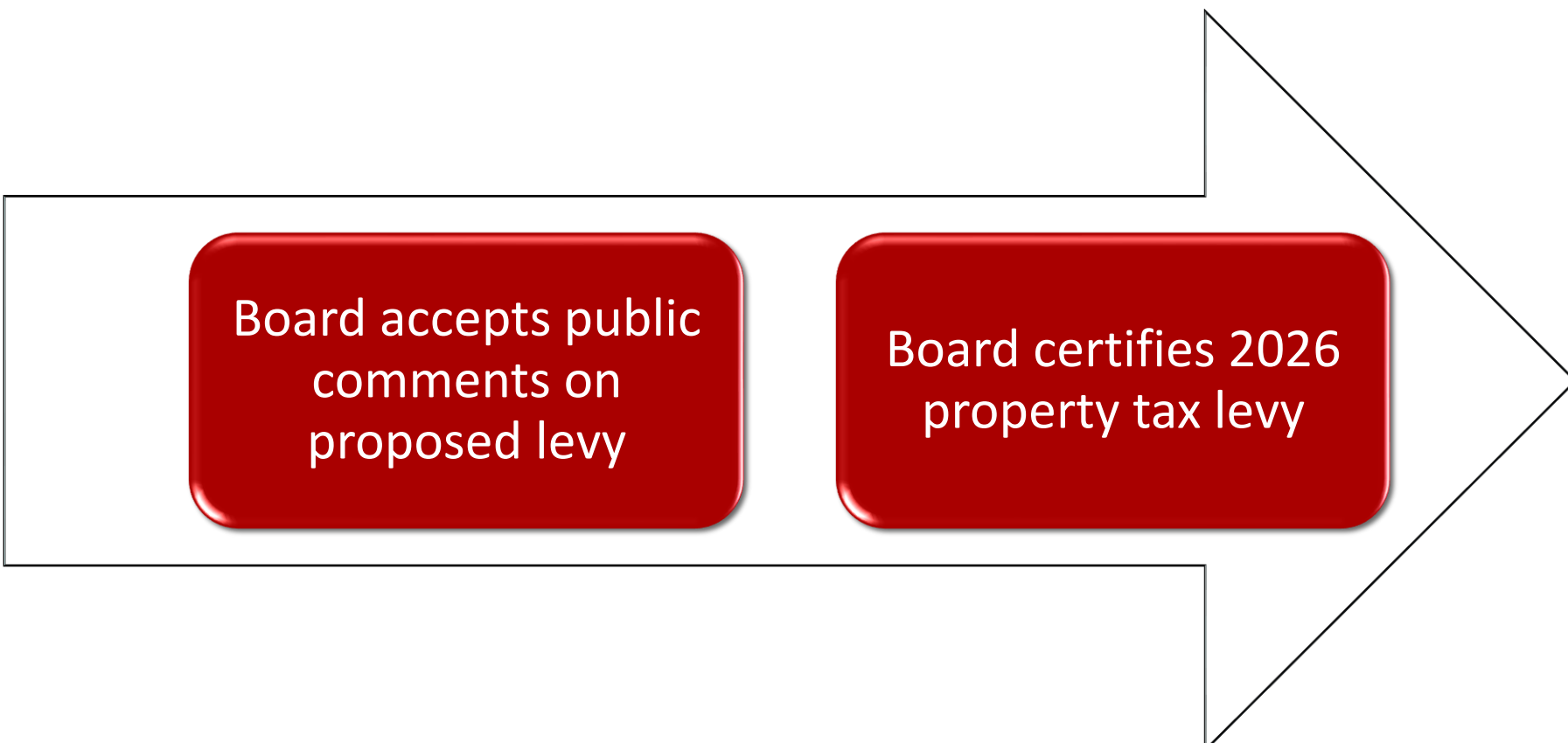
Senior Citizen Property Tax Deferral

- 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



Board accepts public
comments on
proposed levy

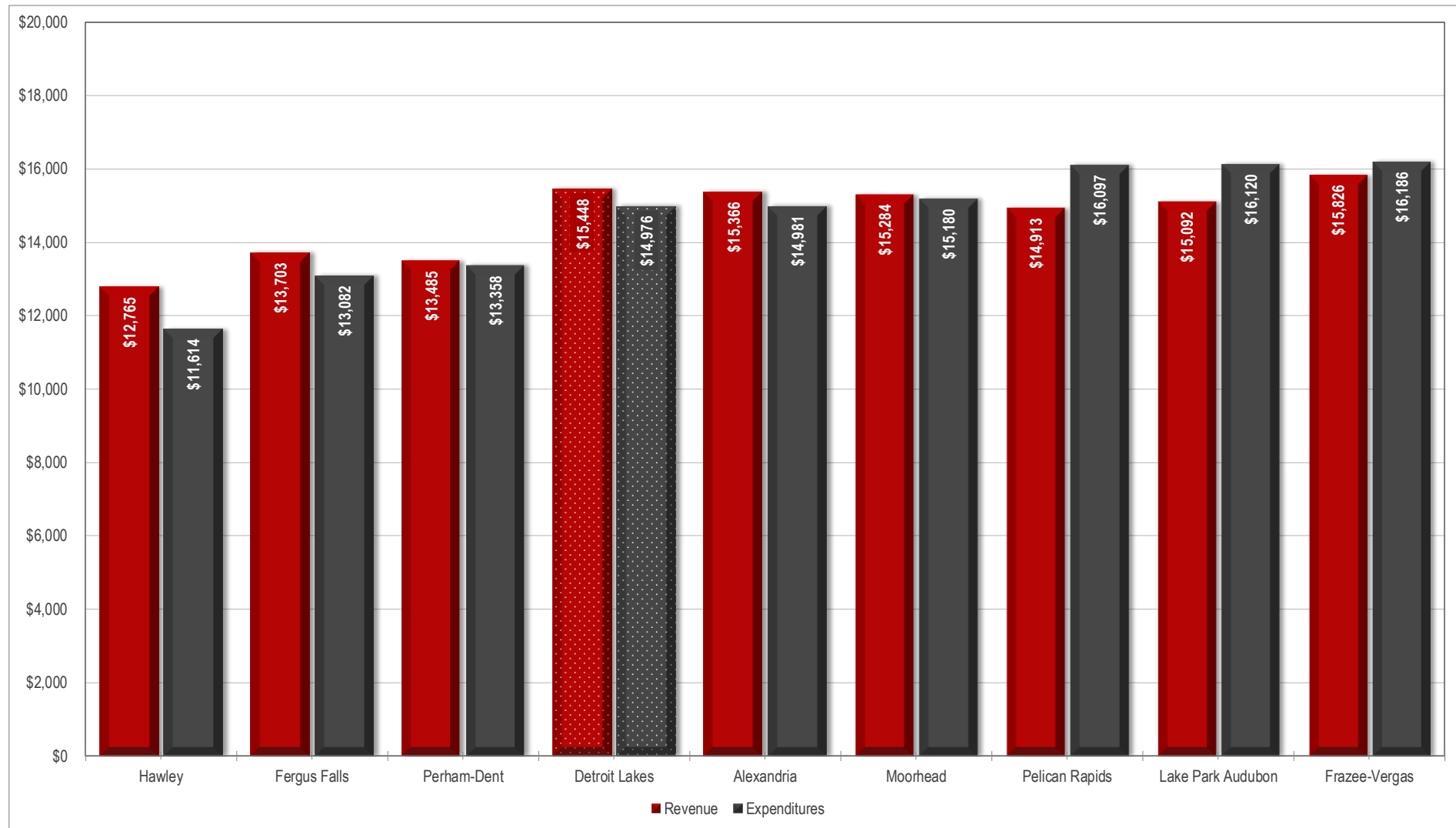
Board certifies 2026
property tax levy

General Fund Undesignated-Unassigned Fund Balance as Percent of Expenditures

District	17-18	18-19	19-20	20-21	21-22	22-23	23-24
Detroit Lakes	38.6%	33.2%	34.2%	34.7%	30.2%	26.2%	30.9%
Lake Park-Audubon	13.2%	20.8%	30.1%	35.2%	24.8%	10.7%	4.9%
Frazee-Vergas	45.8%	39.8%	30.8%	33.6%	27.7%	27.3%	29.6%
Perham	19.0%	12.4%	9.0%	8.1%	3.0%	-7.9%	-7.2%
Pelican Rapids	8.9%	7.1%	22.0%	36.7%	39.4%	36.8%	22.3%
Moorhead	29.6%	27.4%	16.5%	15.6%	9.2%	4.8%	9.7%
Alexandria	20.6%	17.0%	15.6%	18.6%	14.3%	6.5%	9.6%
Fergus Falls	23.5%	24.8%	29.9%	25.4%	36.4%	47.5%	47.9%
Hawley	25.0%	25.4%	27.0%	33.3%	28.7%	24.2%	34.4%
Group Average	26.8%	24.3%	21.2%	22.0%	18.4%	14.7%	17.8%
State Average	19.9%	19.8%	21.3%	23.0%	22.2%	21.0%	23.4%

Source: MDE General Fund Unreserved Fund Balance for FY 2003 - FY 2024

FY 2023-24 General Fund Revenue Per ADM Compared to FY 2023-24 Expenditures per ADM
Includes Operating Capital



Source: FY 2024 MDE School Profiles



PUBLIC COMMENTS