



# **South Washington County Schools**

**Public Hearing for Taxes Payable in 2026**

**Kris Blackburn, Director of Business Services**

**December 11, 2025**



# Minnesota State Law Requirements

## **Host a Public Meeting...**

- Between November 25 and December 29
  - Meeting must be held at 6 p.m. or later
  - May be part of regularly scheduled meeting
  - Must allow for public comments
  - May adopt final levy at same meeting

## **The meeting must consist of a presentation of:**

- Current year budget
- Proposed property tax levy

# Hearing Agenda



Background Information on School Funding



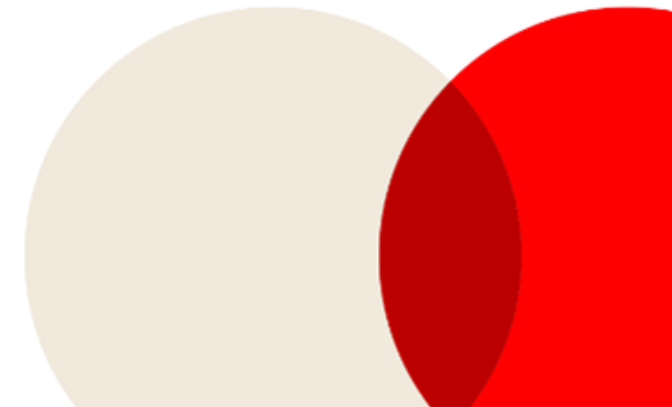
District's Budget



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.”

## State of Minnesota 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

**As a Result, Funding is Highly Regulated**

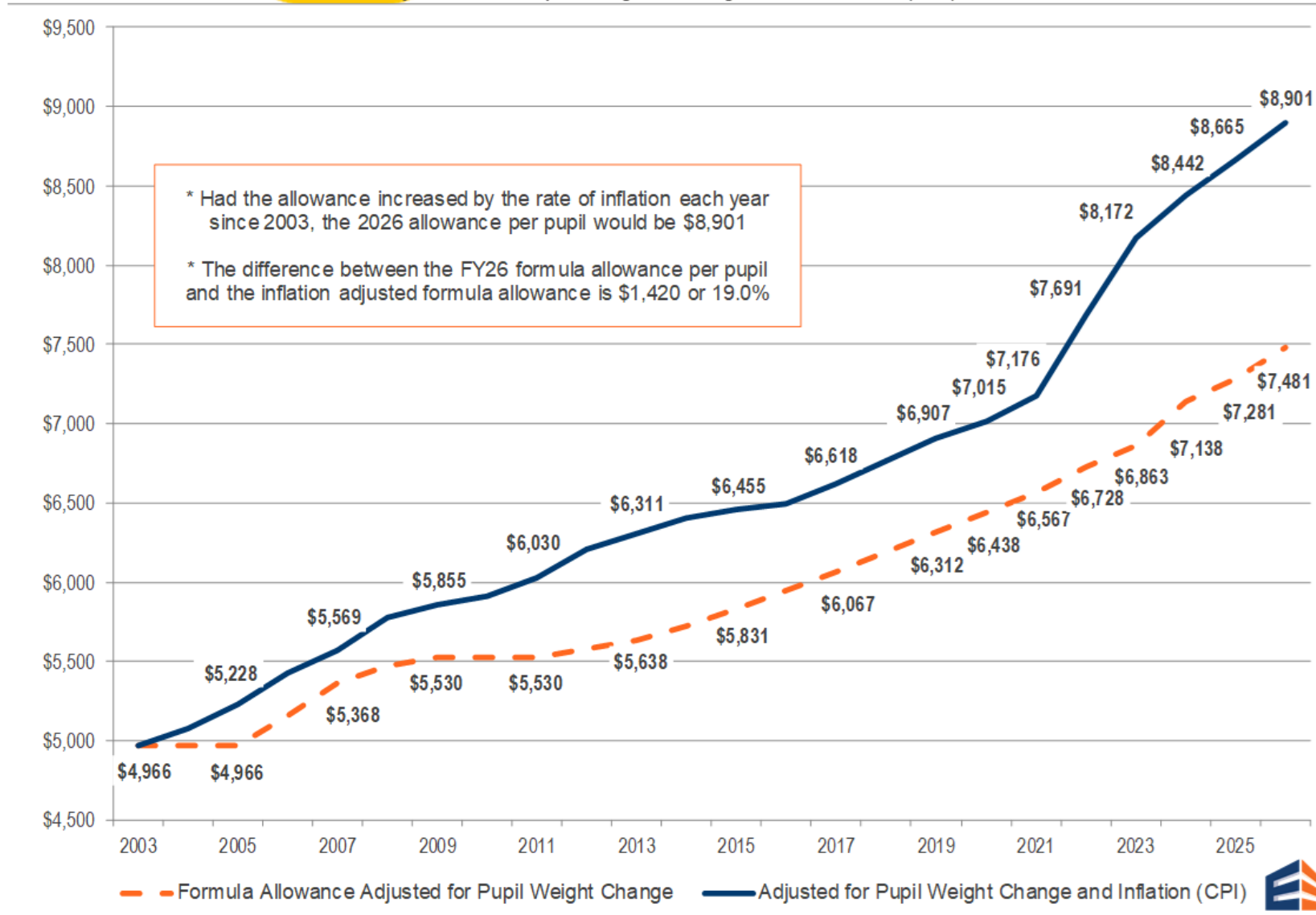
# Basic General Education Formula Lags Inflation

- Since 2002–03, state General Education Revenue formula has not kept pace with inflation
- For Fiscal Year 2024–25, an increase of 2% or \$143 over previous year was approved
- For Fiscal Year 2025–26, an increase of 2.74% 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%) to have kept pace with inflation since 2002–03, resulting in an allowance of \$8,901.*

# General Education Formula Allowance

Adjusted for Pupil Weight Change and Inflation (CPI)



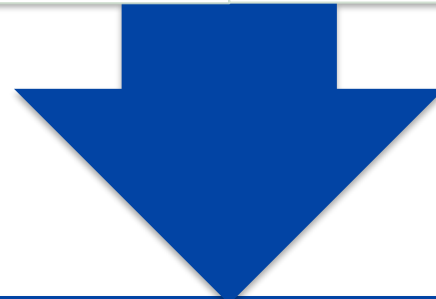
Source: MDE June 2025 CPI Inflation Estimates and Minnesota Laws 2023

# Underfunding of Special Education

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 school districts have done both.

# Budget Information



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



# Budget Information

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

## Our District's Funds:

- General fund
- Food Service fund
- Community Service fund
- Building Construction
- Debt Service
- Trust
- Other Post-Employment Benefits (OPEB) Trust



# Revenues and Expenditures



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

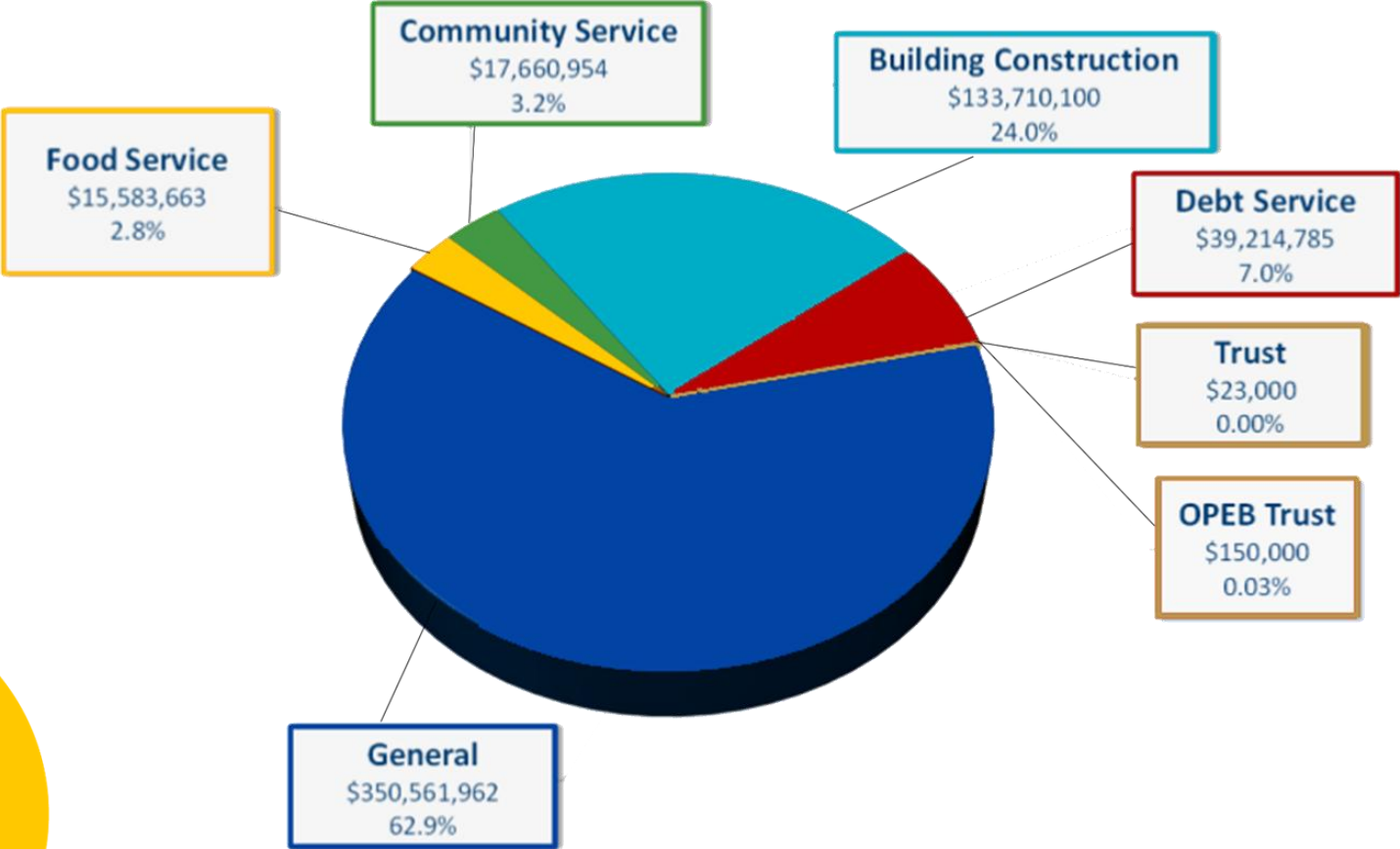
| FUND                    | FISCAL 2025<br>BEGINNING | 2024-25<br>ACTUAL          |                                | JUNE 30, 2025<br>ACTUAL | 2025-26<br>BUDGET         |                                | JUNE 30, 2026<br>PROJECTED |
|-------------------------|--------------------------|----------------------------|--------------------------------|-------------------------|---------------------------|--------------------------------|----------------------------|
|                         | FUND BALANCES            | REVENUES &<br>TRANSFERS IN | EXPENDITURES &<br>TRANSERS OUT | FUND BALANCES           | REVENUES &<br>TRANSERS IN | EXPENDITURES &<br>TRANSERS OUT | FUND BALANCES              |
| General/Restricted      | \$3,420,662              | \$46,738,522               | \$45,808,143                   | \$4,351,041             | \$50,367,725              | \$50,773,336                   | \$3,945,430                |
| General/Other           | 44,562,904               | 304,114,033                | 295,963,968                    | 52,712,969              | 300,194,237               | 301,731,703                    | 51,175,503                 |
| Food Service            | 5,479,608                | 15,275,172                 | 14,500,475                     | 6,254,305               | 15,583,663                | 15,997,830                     | 5,840,138                  |
| Community Service       | 254,340                  | 17,267,228                 | 17,574,345                     | (52,777)                | 17,660,954                | 17,635,262                     | (27,085)                   |
| Building Construction   | 142,867,348              | 17,017,229                 | 30,133,687                     | 129,750,890             | 133,710,100               | 107,970,009                    | 155,490,981                |
| Debt Service            | 9,304,960                | 40,691,202                 | 41,807,530                     | 8,188,632               | 39,214,785                | 39,102,368                     | 8,301,049                  |
| Trust                   | 55,077                   | 20,885                     | 17,295                         | 58,667                  | 23,000                    | 23,000                         | 58,667                     |
| OPEB* Irrevocable Trust | 3,246,056                | 389,675                    | 258,527                        | 3,377,204               | 150,000                   | 270,000                        | 3,257,204                  |
| Total All Funds         | 209,190,955              | 441,513,946                | 446,063,970                    | 204,640,931             | 556,904,464               | 533,503,508                    | 228,041,887                |

\* Other Post Employment Benefits

# Revenue – All Funds

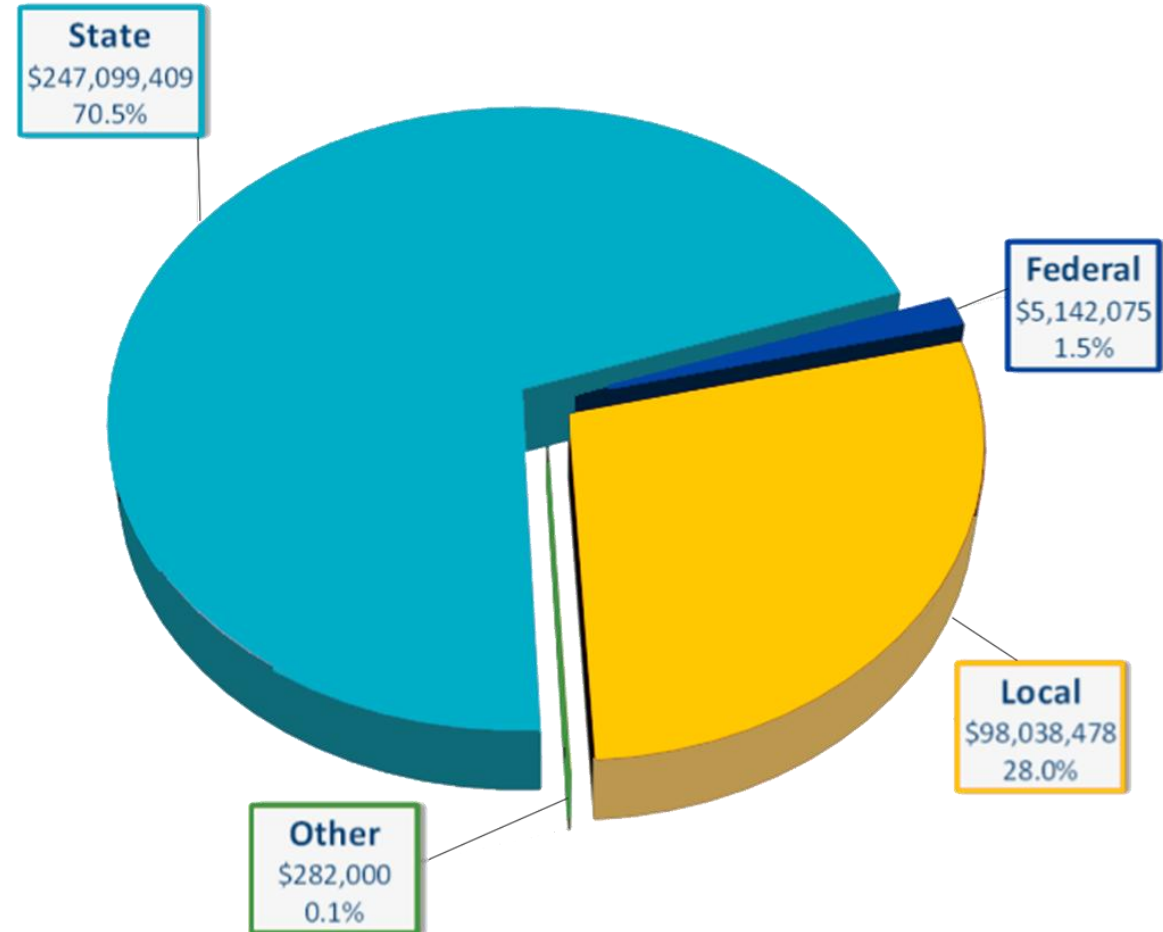


**2025-26 Budget**  
**\$556,904,464**



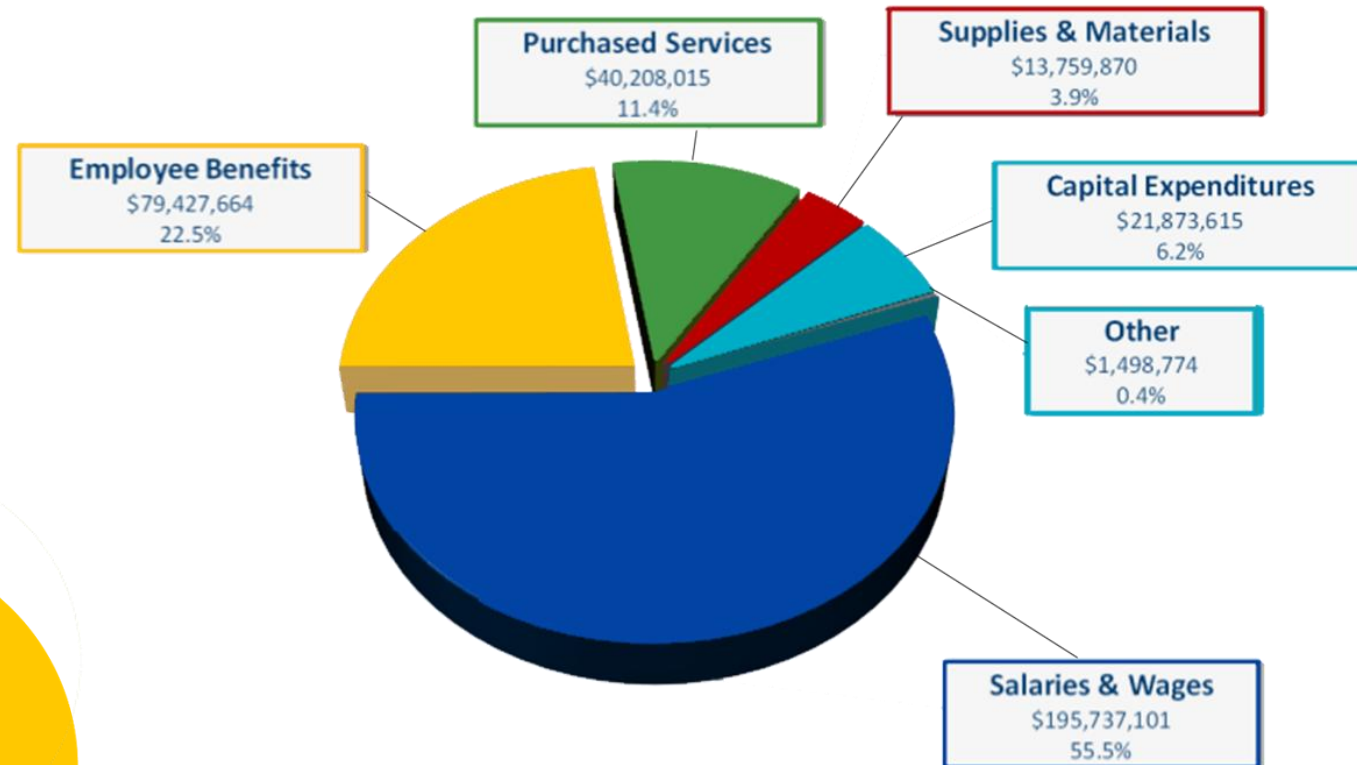
# General Fund Revenue

**2025-26 Budget  
\$350,561,962**



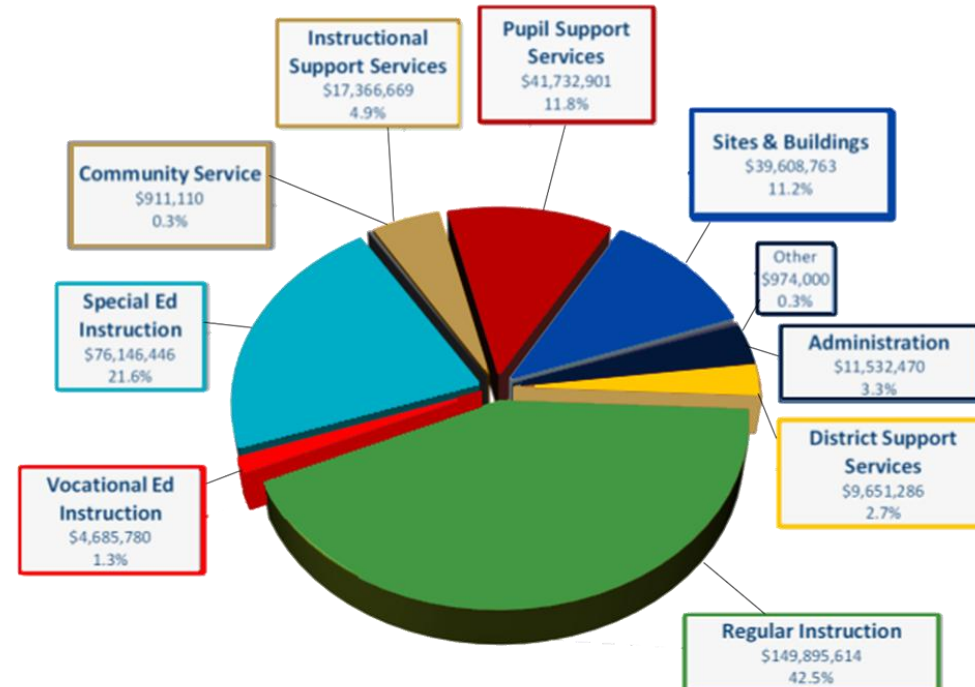
# General Fund Expenditures – by Object

**2025-26 Budget  
\$352,505,039**



# General Fund Expenditures – by Program

**2025–26 Budget  
\$352,505,039**



# Change in Tax Levy Does Not Determine Change in Budget



- Tax levy is based on many state-determined formulas and 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 2026



## **City/County:**

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

# Sample of Parcel-Specific Notice

- Mailed to every property owner between November 10 – November 25

## 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 and distributes funds back to other taxing jurisdictions



Spruce County  
Jane Smith, Auditor-Treasurer  
345 12th Street East, Box 78  
Spruceville, MN 55555-5555  
(555) 345-6789  
[www.co.spruce.mn.us](http://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 |
|                                                                 | Homestead Exclusion              | \$         | \$33,050  |
|                                                                 | Taxable Market Value             | \$125,000  | \$116,950 |
|                                                                 | Class                            | Res NHmstd | Res Hmstd |
| PROPOSED TAX                                                    |                                  |            |           |
| 2                                                               | Property taxes before credits    | \$1,479.52 |           |
|                                                                 | School building bond credit      | \$ 12.00   |           |
|                                                                 | Agricultural market value credit |            |           |
|                                                                 | Other credits                    |            |           |
|                                                                 | Property taxes after credits     | \$1,467.52 |           |
| Step                                                            | PROPERTY TAX STATEMENT           |            |           |
| 3                                                               | Coming in 2026                   |            |           |
| The time to provide feedback on<br>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<br>Spruce County Courthouse<br>123 Spruce St<br>Spruceville, MN 55555<br><a href="http://www.co.spruce.mn.us">www.co.spruce.mn.us</a><br>(555) 123-4567                                                                                        | December 4, 7:00 PM                                      | \$438.06             | \$484.18             |
| City of Spruceville<br>Mayor's Office<br>456 Spruce St<br>Spruceville, MN 55555<br><a href="http://www.ci.spruceville.mn.us">www.ci.spruceville.mn.us</a><br>(555) 123-7654                                                                                     | December 2, 6:30 PM<br>Spruceville City Hall             | \$273.79             | \$312.06             |
| Spruceville School District 999<br>150 1st St N<br>Spruceville, MN 55555<br><a href="http://www.spruceville.k12.mn.us">www.spruceville.k12.mn.us</a><br>(555) 123-6789<br>Voter Approved Levies<br>Other Levies                                                 | December 9, 7:00 PM<br>Spruceville High School Cafeteria | \$289.35<br>\$340.11 | \$296.68<br>\$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                                                                                                                                                                                                                         |                                                          | \$1,341.31           | \$1,467.52      9.4% |

# School District Property Taxes

Each school has limited authority to levy taxes

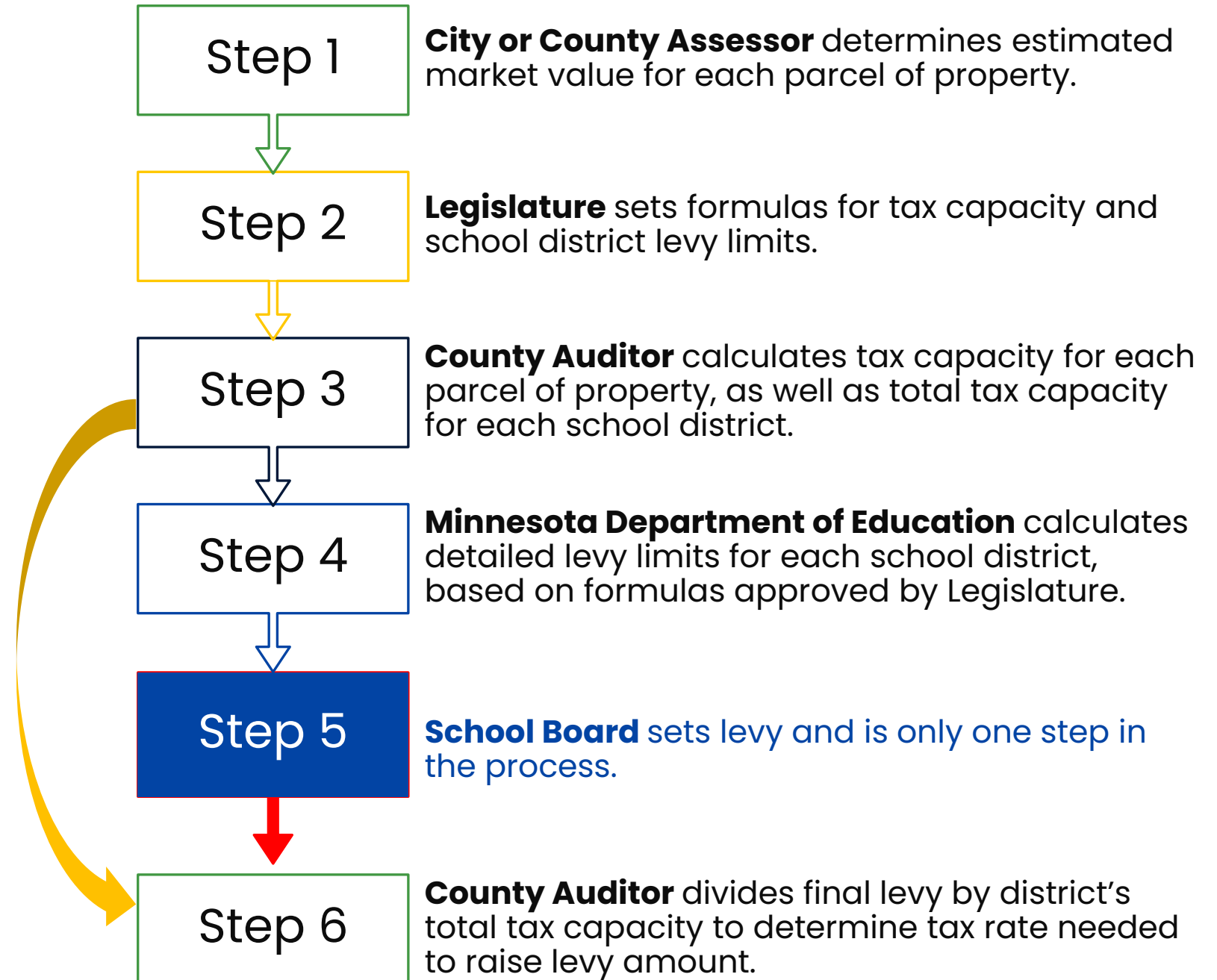
MDE calculates levy amounts for various categories, set by:

- State law
- Voter approval



## School District Property Tax Process

*Note:* Certain levy categories, tax rates and levy amounts are based on referendum market value, rather than tax capacity.



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



**September 8:** MDE prepared and distributed first draft of levy limit report setting maximum

**September 18:** School Board approved proposed levy amounts

**Mid-November:** County mailed "Proposed Property Tax Statements" to all property owners

**December 11:** Public hearing on proposed levy at regular meeting

**Following hearing,** School Board will certify final levy amounts

# Overview of District's Proposed Tax Levy

- Proposed Payable 2026 tax levy is an increase from 2025 of \$5,667,951 or 4.4%
- Changes by levy category and reasons for major increases and 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     |
|--------------------------------------------------|-----------------------------|-------------------------------|----------------------|--------------|
| <b>General</b>                                   |                             |                               |                      |              |
| Voter Approved Operating Referendum              | \$41,994,300                | \$42,906,612                  | \$912,312            |              |
| Local Optional Revenue (LOR)                     | 14,442,003                  | 14,230,128                    | (211,875)            |              |
| Equity                                           | 1,607,913                   | 1,602,915                     | (4,998)              |              |
| Voter Approved Capital Project Levy              | 5,672,480                   | 5,617,191                     | (55,289)             |              |
| Operating Capital                                | 2,268,094                   | 2,154,604                     | (113,490)            |              |
| Alternate Teacher Compensation                   | 1,789,951                   | 1,841,429                     | 51,478               |              |
| Achievement and Integration                      | 1,054,596                   | 1,076,727                     | 22,132               |              |
| Long Term Facilities Maintenance (LTFM)          | 12,930,026                  | 7,420,979                     | (5,509,047)          |              |
| Lease Levy                                       | 4,732,008                   | 5,159,358                     | 427,350              |              |
| Other                                            | 3,025,453                   | 3,261,536                     | 236,084              |              |
| Prior Year Adjustments                           | 250,550                     | 2,122,274                     | 1,871,724            |              |
| <b>Total, General Fund</b>                       | <b>\$89,767,372</b>         | <b>\$87,393,751</b>           | <b>(\$2,373,621)</b> | <b>-2.6%</b> |
| <b>Community Service</b>                         |                             |                               |                      |              |
| Basic Community Education                        | \$765,932                   | \$688,008                     | (\$77,925)           |              |
| Early Childhood Family Education                 | 464,267                     | 389,529                       | (74,738)             |              |
| School-Age Child Care                            | 1,200,000                   | 1,300,000                     | 100,000              |              |
| Other                                            | 28,996                      | 27,012                        | (1,984)              |              |
| Prior Year Adjustments                           | 239,782                     | 417,240                       | 177,458              |              |
| <b>Total, Community Service Fund</b>             | <b>\$2,698,978</b>          | <b>\$2,821,789</b>            | <b>\$122,811</b>     | <b>4.6%</b>  |
| <b>Debt Service</b>                              |                             |                               |                      |              |
| Voter Approved                                   | \$23,967,958                | \$30,270,741                  | \$6,302,783          |              |
| Long Term Facility Maintenance                   | 13,525,475                  | 15,054,411                    | 1,528,936            |              |
| Reduction for Debt Excess                        | (1,859,447)                 | (1,824,408)                   | 35,039               |              |
| Prior Year Adjustments                           | 46,021                      | 98,024                        | 52,002               |              |
| <b>Total, Debt Service Fund</b>                  | <b>\$35,680,007</b>         | <b>\$43,598,767</b>           | <b>\$7,918,760</b>   | <b>22.2%</b> |
| <b>Total Levy, All Funds</b>                     | <b>\$128,146,357</b>        | <b>\$133,814,308</b>          | <b>\$5,667,951</b>   | <b>4.4%</b>  |
| <b>Subtotal by Truth in Taxation Categories:</b> |                             |                               |                      |              |
| Voter Approved                                   | 70,957,245                  | 79,593,883                    | 8,636,638            |              |
| Other                                            | 57,189,112                  | 54,220,425                    | (2,968,687)          |              |
| <b>Total</b>                                     | <b>\$128,146,357</b>        | <b>\$133,814,308</b>          | <b>\$5,667,951</b>   | <b>4.4%</b>  |



# Explanation of Levy Changes

## Category:

- General Fund – Voter Approved Operating Referendum

## Change:

- Increase of \$912,312

## Use of Funds:

- General Operating Expenses

## Reasons for Change:

- Voter-approved operating referendum authority includes an annual inflationary increase (determined by the State, as set in statute);
  - Offset by decrease due to projected decline in enrollment
- 

# Explanation of Levy Changes

## Category:

- General Fund – Long Term Facilities Maintenance (LTFM)

## Change:

- Decrease of \$5,509,047

## Use of Funds:

- Deferred Maintenance Costs

## Reasons for Change:

- District is eligible for LTFM revenue based on state-approved project costs
- Levies are coordinated with other capital and debt levies to maintain a level or declining tax rate

# Explanation of Levy Changes

**Category:**

- General Fund – Prior Year Adjustments

**Change:**

- Increase of \$1,871,724

**Use of Funds:**

- Various

**Reasons for Change:**

- Initial levies are based on estimates.
- In later years, amounts are updated and levies are retroactively adjusted.

# Explanation of Levy Changes

## Category:

- Debt Service Funds – Voter Approved (VA) and Long Term Facilities Maintenance (LTFM)

## Change:

- Increases of \$6,302,783 (VA) and \$1,528,936 (LTFM)

## Use of Funds:

- Required Payments on Bonds

## Reasons for Change:

- Districts are required to levy at 105% of debt service payment amounts to cover delinquencies in tax collections
- Levies are coordinated with other capital and debt levies to maintain a level or declining tax rate

# 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

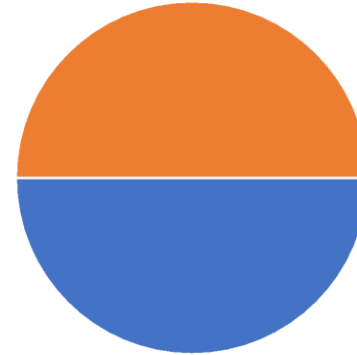
## Two properties in the district

- Both houses are valued at \$100,000

## Total levy of \$500

- Each property will pay \$250 of levy

\$100,000



\$100,000



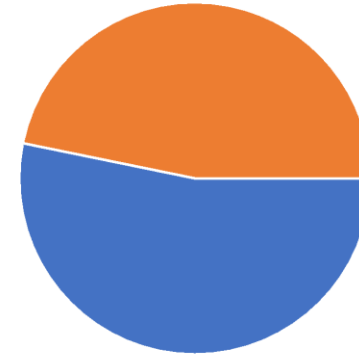
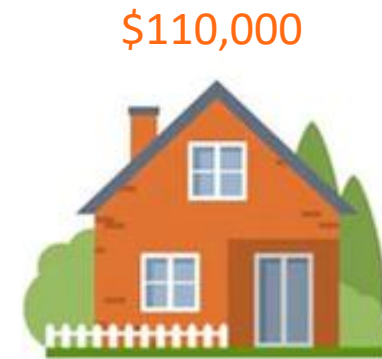
# Impact of Property Valuations

## 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



# Four Year School Levy Comparison



- Examples include school district taxes only and are shown based on:
  - No change; and
  - A 10.0% 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
- Examples are for property in City of Woodbury
- Amounts for 2026 are preliminary estimates; final amounts could change slightly
- Estimates prepared by Ehlers (District's municipal financial advisors)

# Four Year School Levy Comparison



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              | \$515                        | \$517                        | \$497                        | \$494                           | -\$21                        | -\$3                         |
|                         | 250,000                | 1,461                        | 1,474                        | 1,474                        | 1,466                           | 5                            | -8                           |
|                         | 450,000                | 2,713                        | 2,739                        | 2,775                        | 2,763                           | 50                           | -12                          |
|                         | 600,000                | 3,696                        | 3,734                        | 3,810                        | 3,794                           | 98                           | -16                          |
|                         | 750,000                | 4,718                        | 4,770                        | 4,865                        | 4,847                           | 129                          | -18                          |
| Commercial/Industrial # | \$100,000              | \$583                        | \$611                        | \$599                        | \$593                           | \$10                         | -\$6                         |
|                         | 500,000                | 3,256                        | 3,438                        | 3,356                        | 3,321                           | 65                           | -35                          |
|                         | 1,000,000              | 6,659                        | 7,039                        | 6,867                        | 6,795                           | 136                          | -72                          |
|                         | 2,000,000              | 13,465                       | 14,243                       | 13,887                       | 13,743                          | 278                          | -144                         |

# For commercial-industrial property, amounts above are for property in Woodbury. Taxes for commercial-industrial property in other municipalities may be slightly different, due to the impact of the Fiscal Disparities Program.

## General Notes

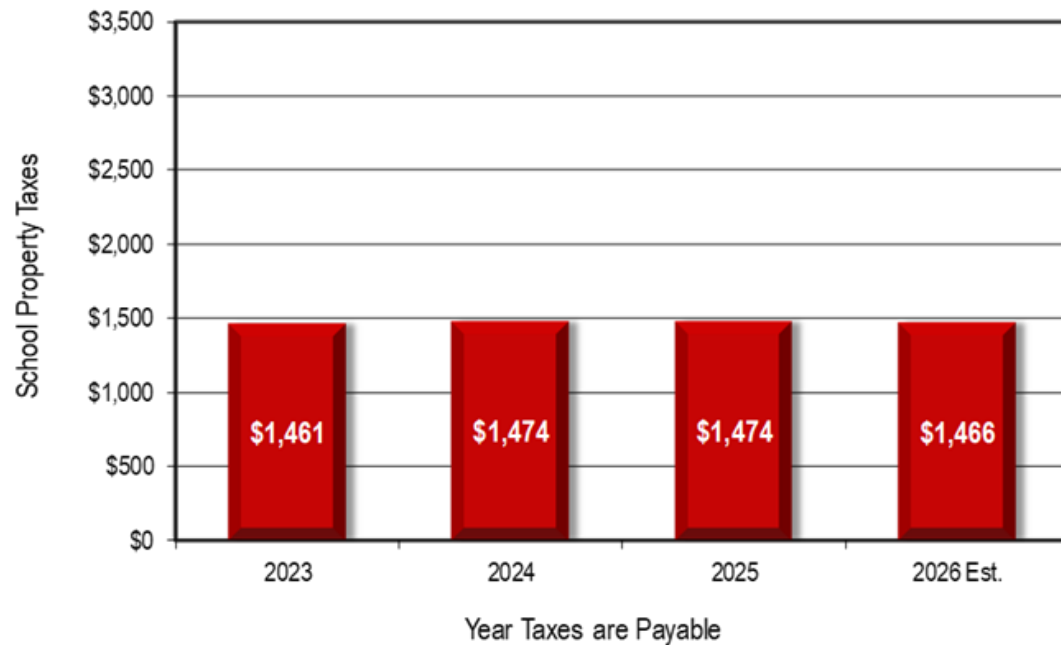
1. Amounts are based on school district taxes only, and do not include taxes for city or township, county, state, or other taxing jurisdictions.
2. Estimates of taxes payable in 2026 are preliminary, based on the best data available.
3. For all examples of properties, taxes are calculated based on no changes in estimated market value from 2023 to 2026.

# Estimated Changes in School Property Taxes, 2023-26

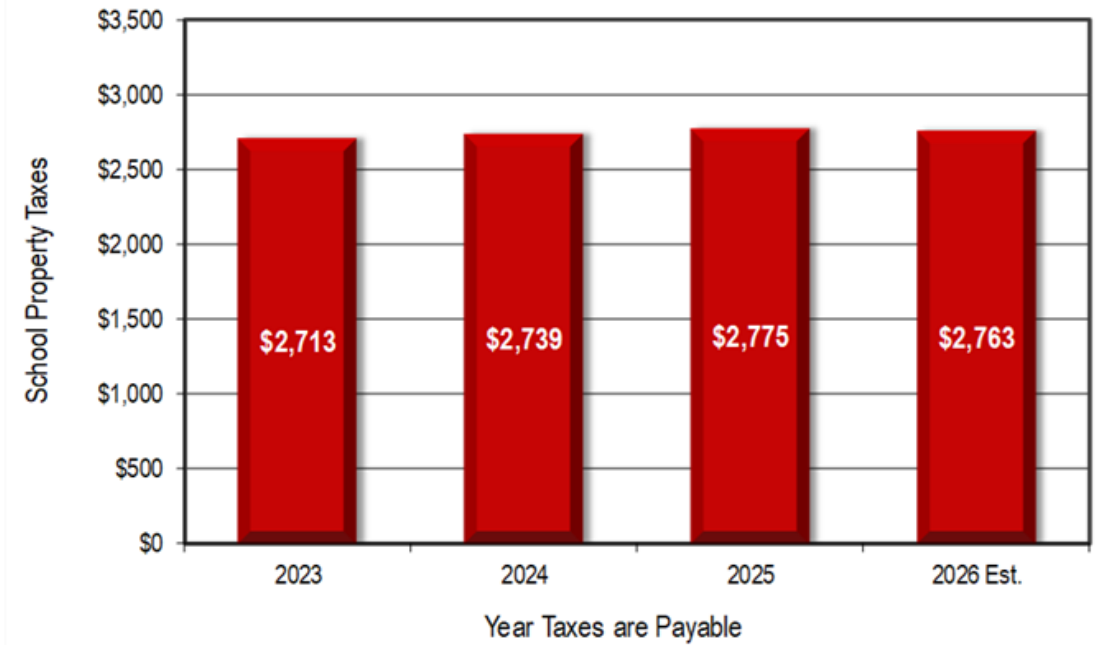
*Based on No Changes in Property Value*



**Example 1: \$250,000 Residential Homestead Property**



**Example 2: \$450,000 Residential Homestead Property**

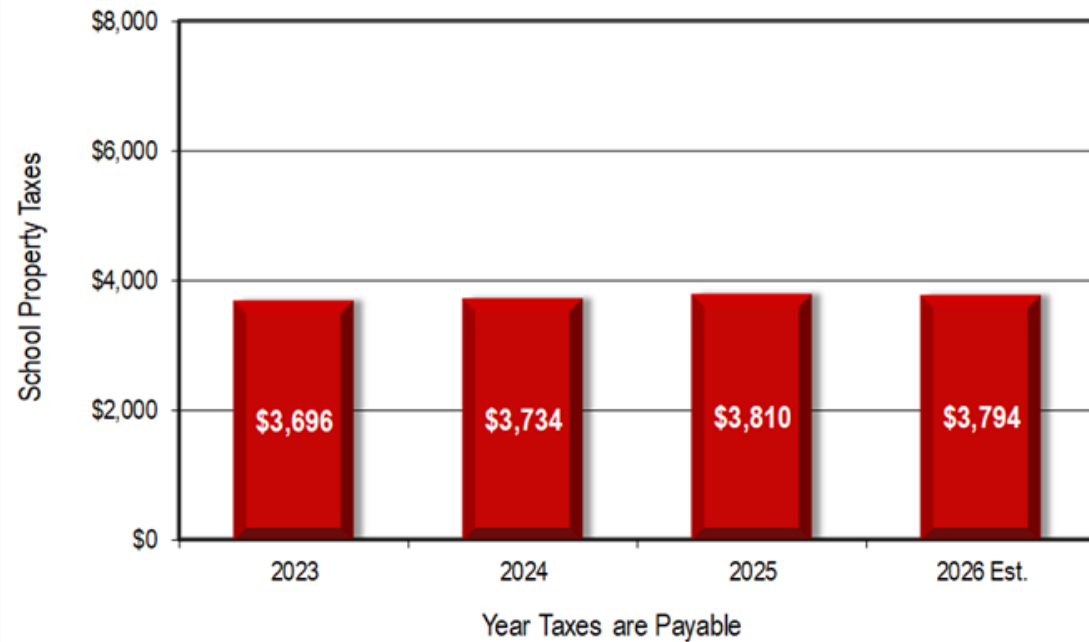


# Estimated Changes in School Property Taxes, 2023-26

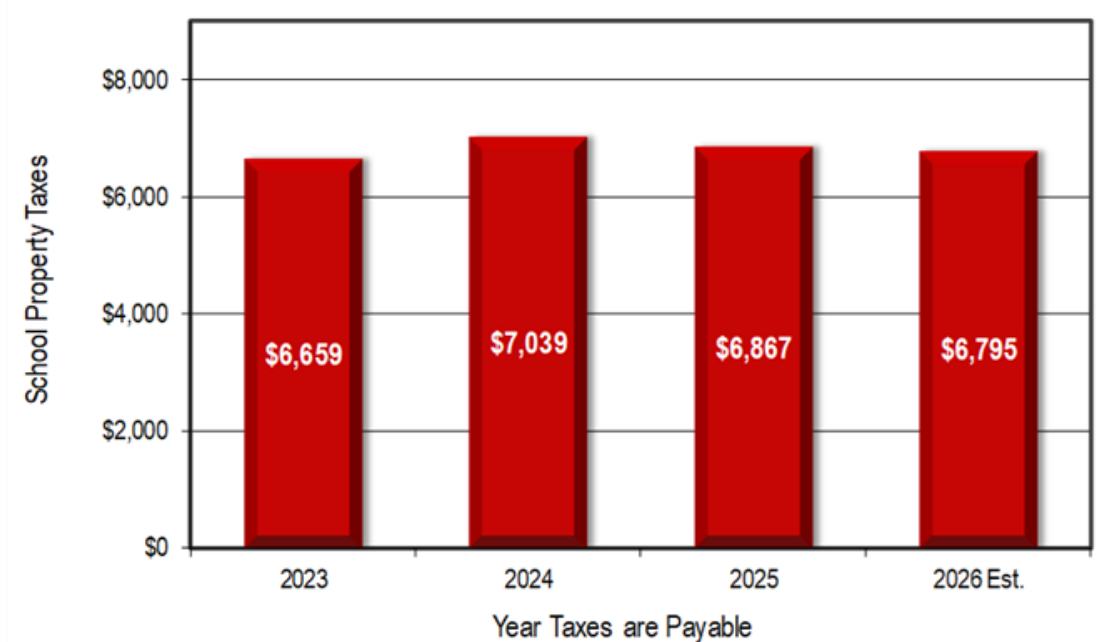
*Based on No Changes in Property Value*



**Example 3: \$600,000 Residential Homestead Property**

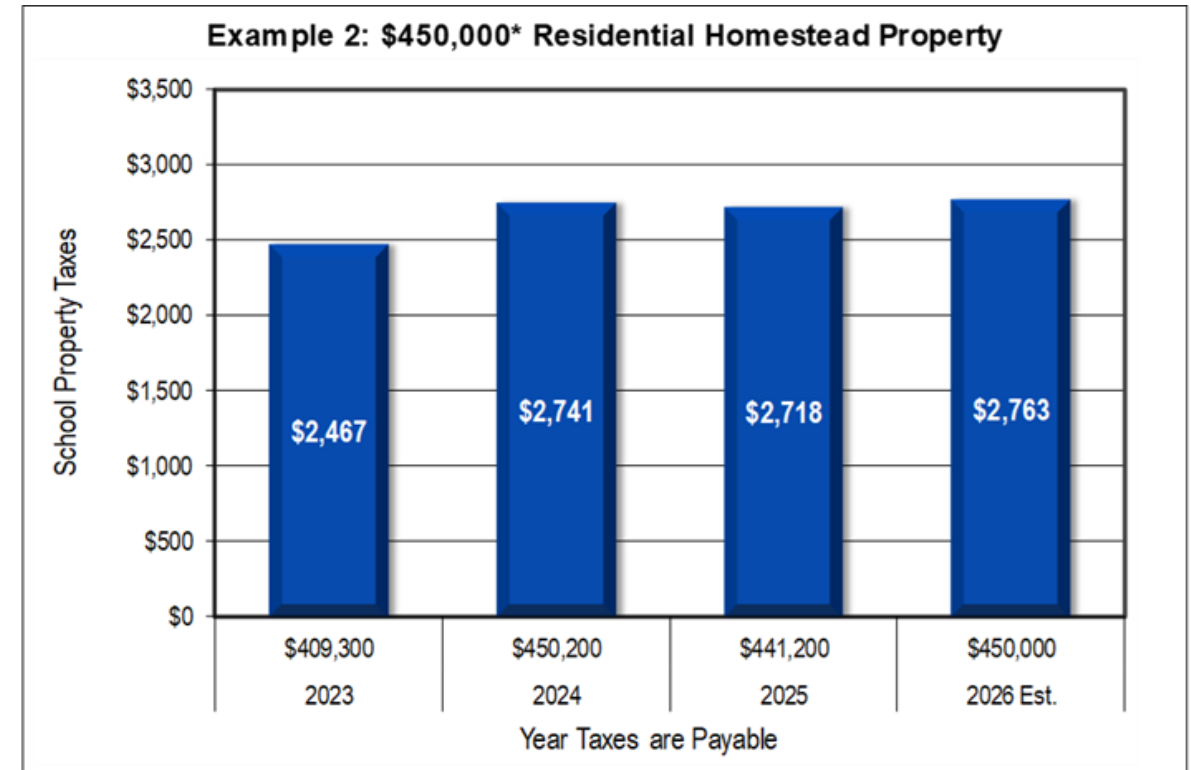
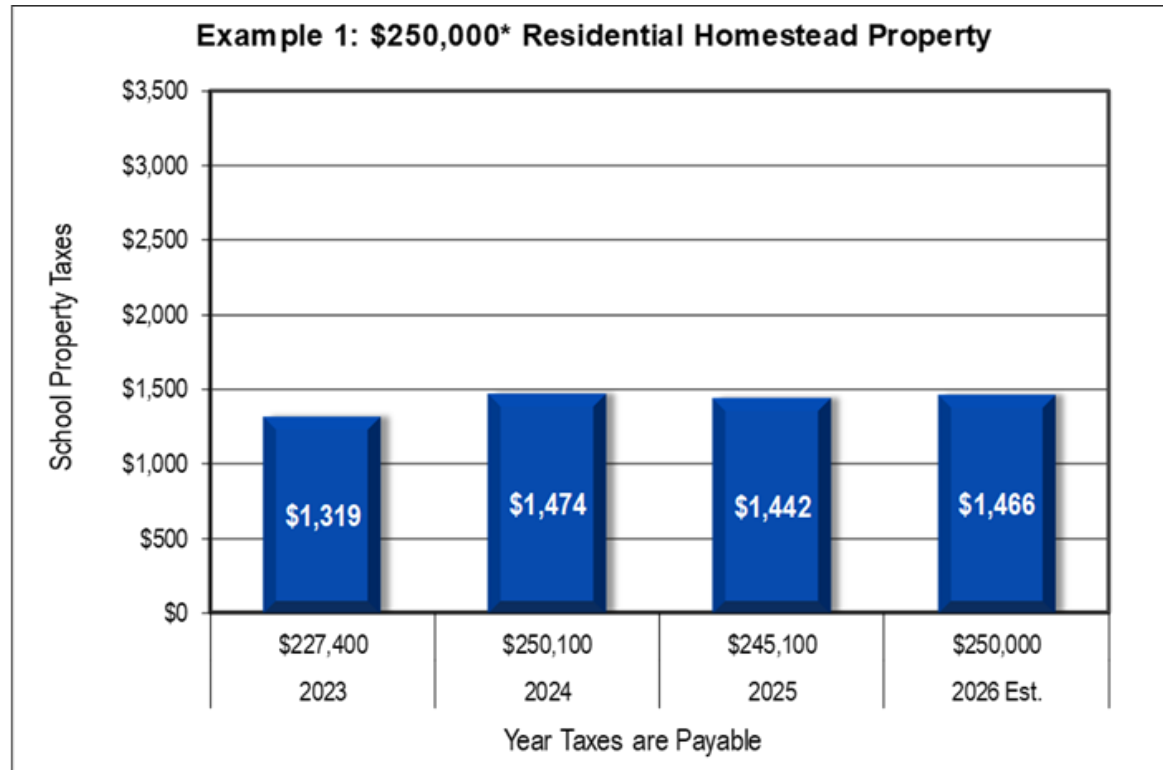


**Example 4: \$1,000,000 Commercial - Industrial Property**



# Estimated Changes in School Property Taxes, 2023-26

*Based on 10.0% Cumulative Changes in Property Value*



\* Estimated market value for taxes payable in 2026. Taxes are calculated based on changes in market value of 10.0% from 2023 to 2024, -2.0% from 2024 to 2025 and 2.0% from 2025 to 2026.

# State Property Tax Refunds and Deferral



## **Homestead Credit Refund**

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

## **Special Property Tax Refund**

- Available for all homestead property, both residential and agricultural (HGA only) with a gross tax increase of at least 12% and \$100 over the 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

- School Board accepts public comments on proposed levy
  - Board certifies 2026 property tax levy
- 

# PUBLIC COMMENT