

2026 OPERATING REFERENDUM

Public Information Meeting

Hayfield Community Schools • ISD 203

Replace & Renew • November 3, 2026

Purpose



- Explain why the School Board is asking voters to consider an operating referendum now.
- Show what the proposed revenue would support in our schools.
- Explain the tax impact and how the question relates to the current 2021 levy.
- Answer questions so voters can make an informed decision on November 3.

What Are We Asking Voters To Do?



\$1,250

proposed operating referendum
allowance per pupil

≈ \$395,000

estimated additional district
funding each year

10 Years

new term replacing the
remaining years of the 2021
levy

- The proposal is a revoke-and-replace question: the current voter-approved operating levy would be cancelled and replaced with the new authority.
- The district is asking for what we believe is needed to maintain current opportunities and place the budget on a more sustainable path.

Why Now?



- Hayfield has worked for years to control spending and prepare for increasing financial pressure.
- The district experienced its first year of deficit spending in more than 10 years.
- State funding and other revenue sources have not consistently kept pace with inflation and the actual cost of providing services.
- Special education, transportation, insurance, staffing, utilities, and other operating costs continue to put pressure on the general fund.
- Using fund balance to cover ongoing expenses is not a long-term solution.

New State Requirements — Direct Costs to Hayfield

Payroll costs, paid leave, premiums and replacement staffing add up quickly in a school district.

TRA Employer Contribution

8.75% → 9.81%

A higher employer pension contribution increases the district cost of every TRA-covered employee.

Earned Sick & Safe Time (ESST)

Paid Leave + Substitute Cost

When qualifying leave is used, the district pays the employee and may also need to pay a substitute or replacement employee.

Paid Family & Medical Leave (PFML)

Premium + Replacement Cost

Beginning in 2026, the district has a state payroll-premium obligation. Extended leaves may also require substitute or replacement staffing.

Summer Unemployment

Additional Benefit Cost

Expanded unemployment eligibility for hourly school employees creates another potential cost associated with seasonal school employment.

The impact is cumulative: higher payroll costs + paid leave + premiums + substitute/replacement staffing.

Transportation & Other Operating Costs

Costs outside the classroom still have to be paid from the district's operating budget.

Bus Transportation Contract

Diesel Adjustment

The transportation contract includes a fuel adjustment tied to diesel prices. When fuel exceeds the contract's established level, the district pays the additional contractual cost.

Everyday Operating Expenses

More Expensive to Operate

Utilities, repairs, supplies, food, technology, contracted services and other routine purchases all cost more than they did just a few years ago.

These are necessary operating expenses — not new programs or additional staffing.

Inflation & Insurance Pressures

The same cost increases affecting families and businesses also affect Hayfield Community Schools.

Inflation

Higher Prices Across the Budget

Inflation affects supplies, utilities, repairs, transportation, food, technology and nearly every other item the district purchases.

Property Insurance

Rising Fixed Cost

Property and liability insurance premiums have increased, adding cost simply to protect district buildings, operations and taxpayers.

Health Insurance

Higher Employee Benefit Cost

Health insurance is a major employee benefit. Premium increases raise the cost of maintaining existing staff before adding any new positions or programs.

Our revenue has increased — but so has the cost of maintaining the same level of service.

Our Financial Track Record



This request comes after years of careful budgeting—not as a first response to a difficult budget year.

8 of 9 Years

the district finished under budget during the 2017–2025 period

10+ Years

without deficit spending before the recent shortfall

Act Before the Cliff

the goal is to address the structural problem before reserves are depleted

- We have been preparing for this budget challenge. The goal is long-term stability while continuing to provide the programs and opportunities our community expects.

What Would the Additional Revenue Support?



- Maintaining reasonable class sizes and current staffing levels.
- Preserving student programs and course offerings.
- Supporting extracurricular and co-curricular opportunities.
- Helping cover rising day-to-day operating costs.
- Reducing the need to rely on deficit spending and district reserves.

What Happens If the Referendum Does Not Pass?

- The School Board would be required to consider additional budget reductions.
- Possible impacts include larger class sizes and fewer course offerings.
- Student programs and staffing could be reduced.
- Extracurricular opportunities could be affected.
- Continued deficit spending is not sustainable.

This Is Different From the 2017 Building Vote



2017 BUILDING BOND

Funded major facility improvements and renovation work, including HVAC, lighting, cafeteria and kitchen improvements.

2026 OPERATING REFERENDUM

Supports the ongoing costs of operating the school district: staffing, programs, course offerings, utilities, supplies, and other day-to-day expenses.

REMINDER:

Two Separate Questions This Fall



The statewide Permanent School Fund amendment is completely separate from Hayfield's local operating referendum.

- Permanent School Fund Amendment: a statewide constitutional question involving distribution from Minnesota's Permanent School Fund; it does not create a new local tax.
- Hayfield Operating Referendum: a local school district question asking voters to revoke and replace the current operating levy.
- Voters make a separate decision on each question.

Operating Referendum

November election ballot question, stated as amount per pupil, may be subject to annual inflationary adjustments, maximum term of 10 years

Allows districts to generate additional general education revenue

(estimated standard cap for Taxes Payable 2025/Fiscal Year 2025-2026 is \$2,275.88)

Some districts qualify for state aid, resulting in a combination of local property tax levies & state aid

Taxes spread on Referendum Market Value

(most property types pay the same tax amount per dollar of property value)

Ag land and seasonal recreation property does not pay toward operating referendum taxes

Revenue may be used for any operating or capital expenses

(e.g. staff salaries & benefits, utilities, supplies, technology)

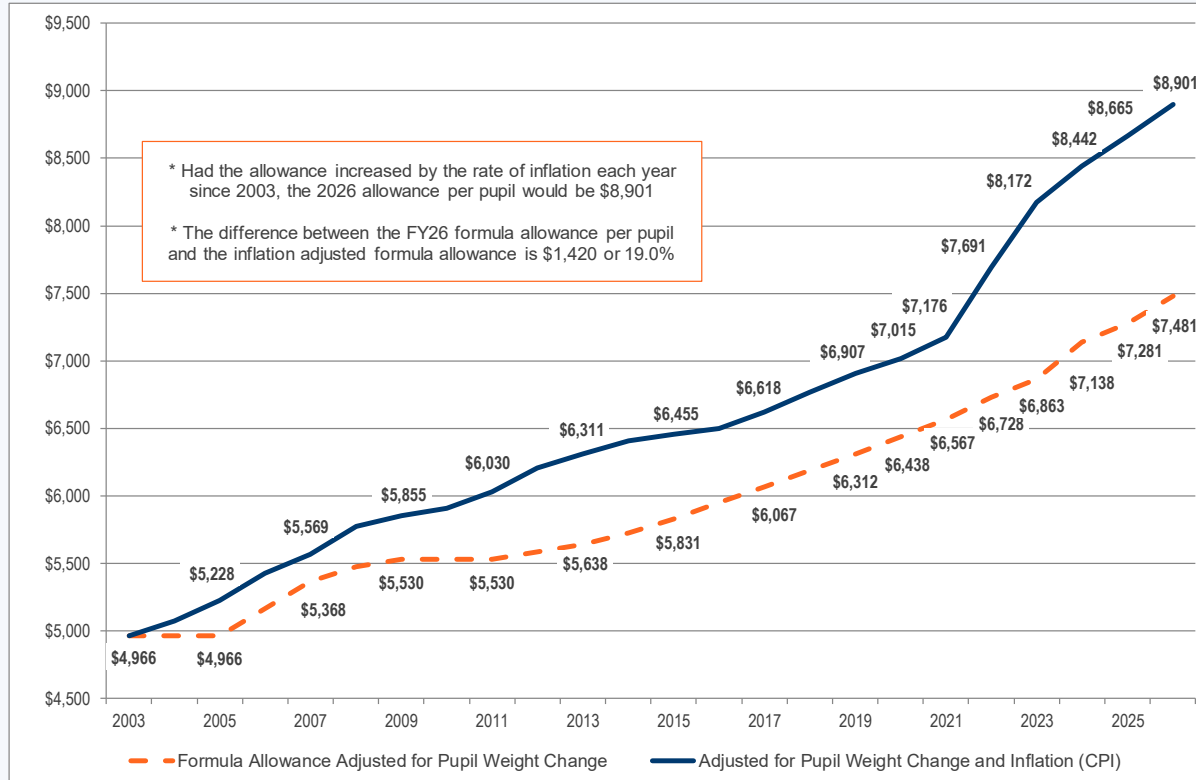
Reliance on Referendums

Since 2002-03, state General Education Revenue formula has not kept pace with inflation

If allowance increased with inflation each year, it would be \$1,420 higher, or \$8,901 for Fiscal Year 2025-26

The Fiscal Year 2025-26 allowance increased by \$200/pupil based on statutory calculation. This is the first year inflation is used to calculate formula allowance.

General Education Formula Allowance



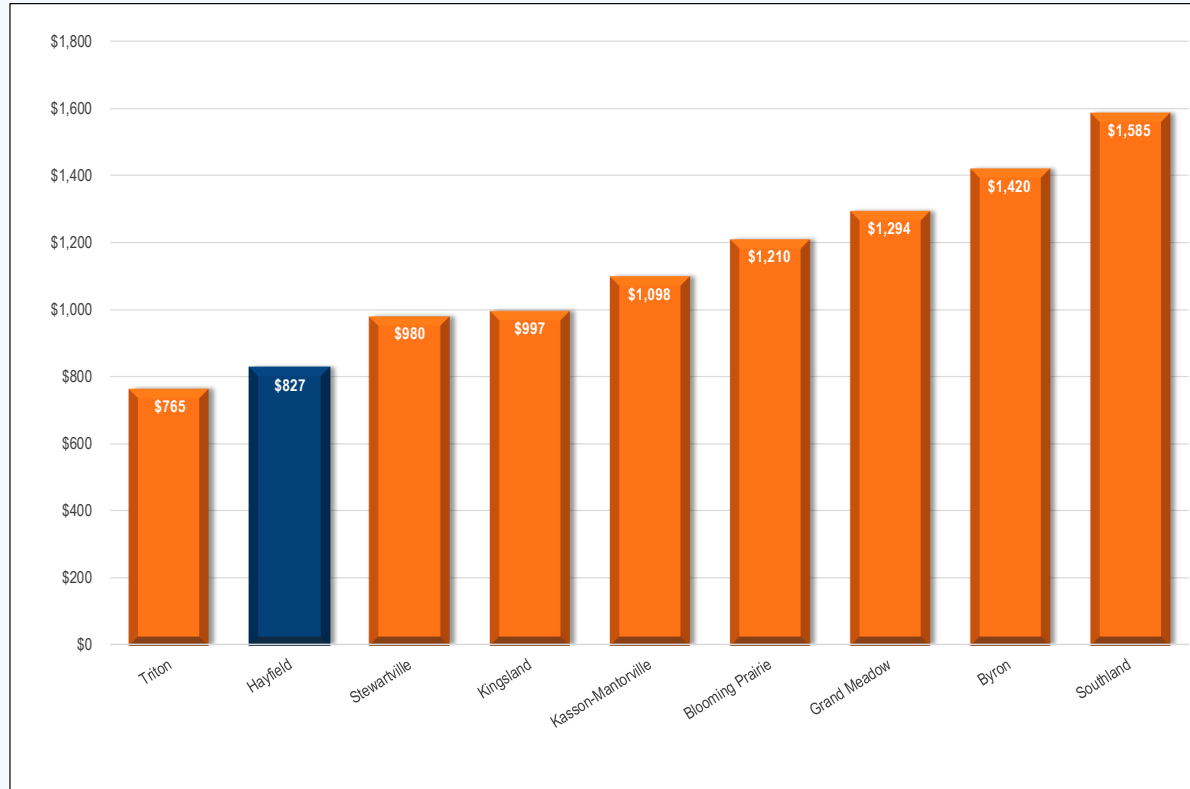
Source: MDE June 2025 CPI Inflation Estimates and Minnesota Laws 2023

Reliance on Referendums

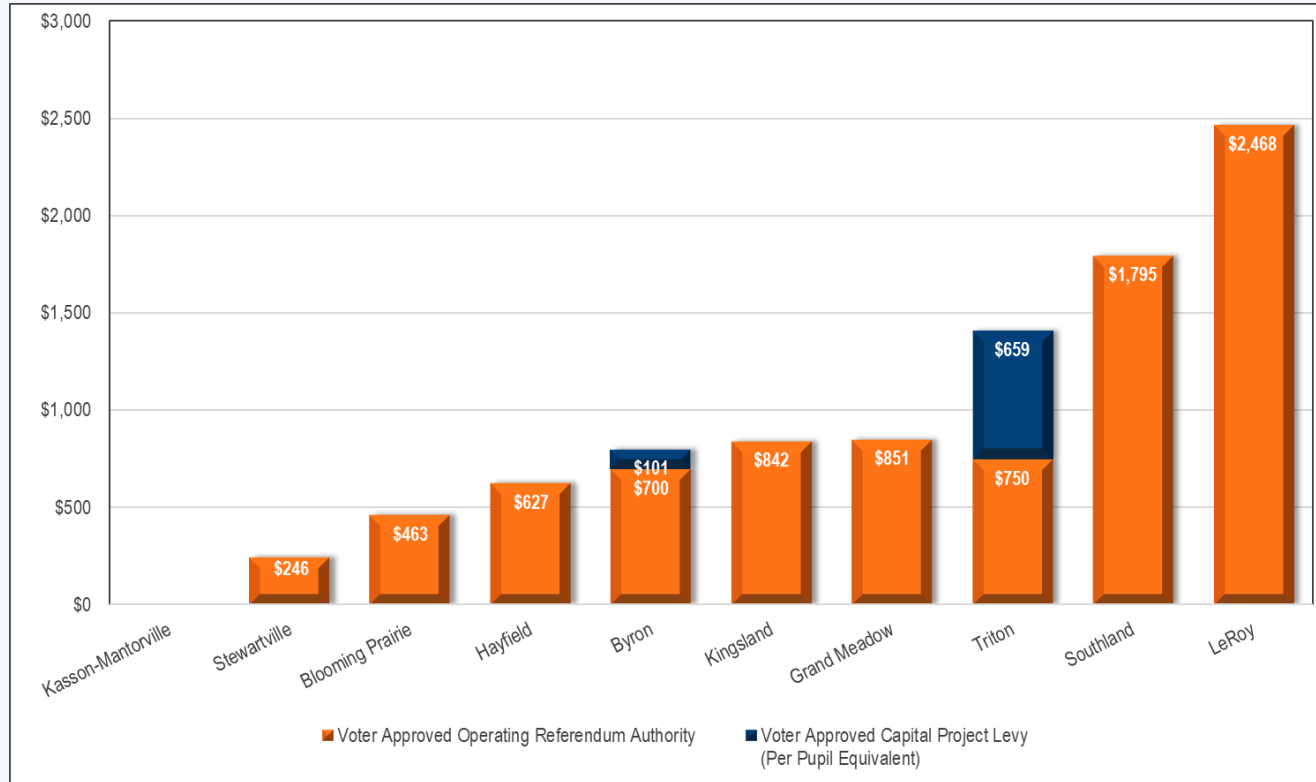
- Other funding sources (e.g., special education) also have not kept pace with inflation or costs of providing services
- Only options for districts to bridge funding gap are to cut budgets or request operating referendum and/or capital project levy revenue authority from voters; most districts have done both
- Nearly 3 out of every 4 Minnesota school districts rely on voter-approved operating referendums to help fund their schools.

Total School Tax Comparison

Total School Property Taxes, Payable 2025, on a Home with an Estimated Market Value of \$275,000



Voter Approved Referendum and CPL (Pay 26)



Current Operating Referendum Provisions

- Tax levies spread on Referendum Market Value (RMV)
 - ✓ Property taxes are not levied on:
 - Seasonal recreational property (cabins)
 - Agricultural land & buildings (only levied on house, garage & 1 acre)
 - ✓ Almost all other property pays same tax per dollar of market value
- Most other school levies are spread on Net Tax Capacity (NTC)
- Operating referendum revenue amounts can qualify for state equalization aid (dependent on District's RMV per resident pupil)

Estimated Tax Impact - \$1,250 per pupil

Year Taxes are Payable		2026	2027	
		Revoked Authority	Proposed Authority	NET CHANGE
Est. Adjusted Pupil Units (APU)		654	654	
Additional Revenue/Pupil Unit		-\$646.12	\$1,250.00	\$603.88
Est. Net Change in Revenue		-\$422,562	\$817,500	\$394,938

Type of Property	Estimated Market Value	Estimated Taxes for Referendum Levy Only*		
	\$100,000	-\$74	\$142	\$68
	125,000	-92	178	86
	150,000	-110	214	104
	175,000	-129	249	120
	200,000	-147	285	138
Residential	225,000	-166	320	154
Homesteads,	250,000	-184	356	172
Apartments,	300,000	-221	427	206
and Commercial-	350,000	-258	498	240
Industrial Property	400,000	-294	569	275
	450,000	-331	641	310
	500,000	-368	712	344
	600,000	-441	854	413
	700,000	-515	997	482
	800,000	-589	1,139	550
	900,000	-662	1,281	619
	1,000,000	-736	1,424	688

Sample Ballot – Revoke & Replace

School District Question 1 Revoking Existing Referendum Authorization; Approving New Authorization

The school board of Independent School District No. 203 (Hayfield Community Schools) has proposed to revoke the school district's existing referendum revenue authorization of \$646.12 per pupil and to replace that authorization with a new authorization of \$_____ per pupil. The proposed referendum revenue authorization would be applicable for ten years beginning with taxes payable in 2027, and increase each year by the rate of inflation beginning with taxes payable in 2028, unless otherwise revoked or reduced as provided by law.

☐

Yes

Shall the increase in the revenue proposed by the school board of Independent School District No. 203 be approved?

☐

No

**BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE
VOTING FOR A PROPERTY TAX INCREASE.**

2026 Election Timeline

Adopt resolution calling for
special election & Notify
Commissioner of Education &
County Auditor of election
information

By August 11

Sept. 19 -
Oct. 19

Mail required referendum
notice to each taxpayer in
District



November 3

Special election canvass
results
(3rd through 10th day following
election)

November 6-
13

When Would New Revenue be Available?

November 2026

- Operating Referendum Vote

December 2026

- School Board certifies the levy

Taxes Payable 2027

- 1st year of tax increase

Fiscal Year 2027-28

- 1st year District recognizes additional revenues

Key Takeaways



- Hayfield is asking voters to replace the current operating levy with a new 10-year plan.
- The proposal is expected to provide approximately \$395,000 in additional annual funding.
- The funding would help maintain staffing, class sizes, programs, courses, and extracurricular opportunities.
- The district is making the request before ongoing deficit spending creates a deeper financial problem.
- Election Day is November 3, 2026.

Questions & Discussion



Thank you for taking the time to learn about the 2026 Hayfield Community Schools operating referendum.

NOVEMBER 3, 2026

Election Day