



Financial Update

Preliminary Levy

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Preliminary Tax Levy for Taxes Payable 2027



- 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 2027 calendar year are accounted for as revenue in school year 2027-2028
- 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 25% 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

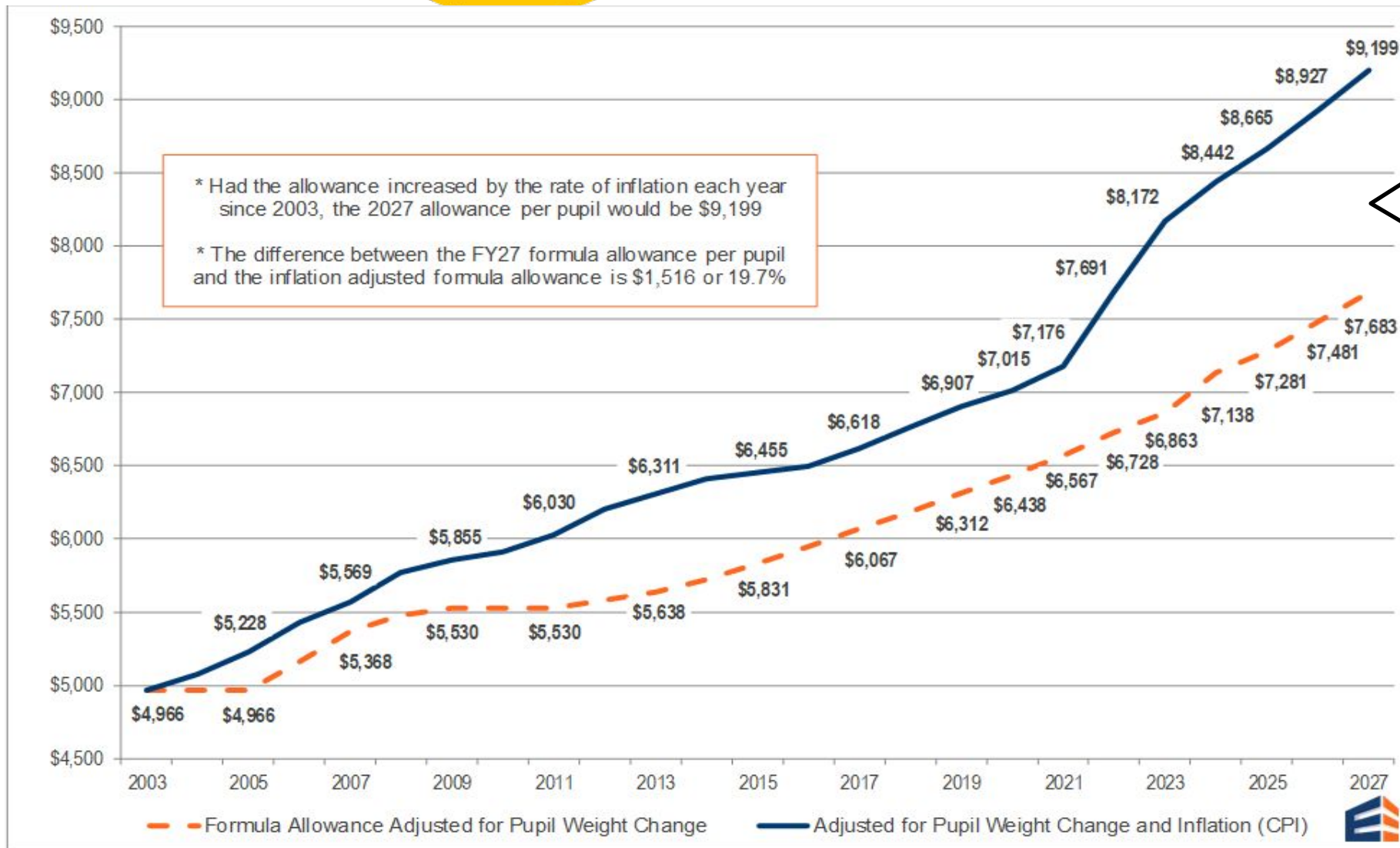
As a result, school district funding is highly regulated.

Basic General Education Formula Lags Inflation

- Since 2002–03, State General Education Revenue formula allowance (basic formula) has not kept pace with inflation.
- For Fiscal Year 2026–27, the basic formula increased 2.69% or \$202 per pupil more than the previous year
- For Fiscal Year 2027–28, 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 2026–27 of \$7,683 would need to increase by another \$1,516 (19.7%) to have kept pace with inflation since 2002–03, resulting in an allowance of \$9,199.

Education Funding in Minnesota



Budget Impact:

\$31,033,430

Underfunding of Special Education

According to MDE:

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

Even with recent improvements in funding, Fiscal Year 2027 costs of providing programs will be underfunded statewide by an estimated \$448 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
- 2027 taxes provide revenue for 2027–28 fiscal year
- Budget adopted in June 2026

City/County:

- Budget year begins Jan. 1
- 2027 taxes provide revenue for 2027 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

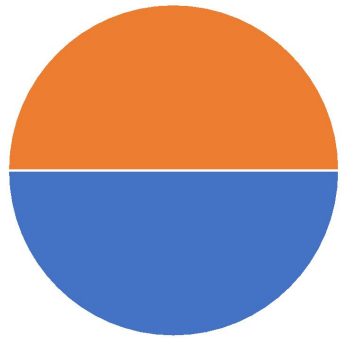


Two properties in the same school district

- Both houses are valued at \$100,000

Total levy of \$500

- Each property will pay \$250 of levy



\$100,000



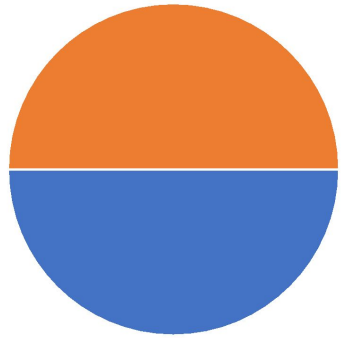
Impact of Property Valuations

\$110,000



Two properties in the same district

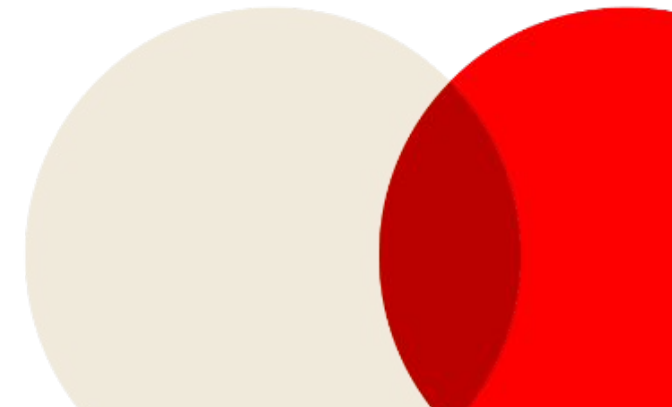
- Orange house value increases by 10%
- Blue house value increases by 25%



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 releases preliminary levy reports by Sept. 8
- Tax Levy workshop on Sept. 9
- Finance staff audits every levy
- Board approves 2026 Pay 2027 preliminary levy at its September 24, 2026 meeting
- Board approves final levies at its December meeting



Questions?