SCHOOL DISTRICT 197 • School Board

Referendum Review

With a closer look at the Permanent School Fund amendment

Peter Olson-Skog, Superintendent | August 24, 2026

The district provides information. Voters make the decision.

TONIGHT

Three parts

The detail we committed to sharing on the Permanent School Fund in the larger context of the local referendum.

01

Where we are

The gap, what we have already cut, and what is left. A short review — most of this the board has seen.

02

The Permanent School Fund

What the fund is, what the amendment would actually change, and what it would mean here.

03

Two questions, one ballot

How they differ, why residents are conflating them, and how we answer that accurately.

PART ONE

Where we are

A short review of the budget picture and reductions to date.

THE PROBLEM

Costs climb faster than revenue. Every year.

State funding has not kept pace with inflation for two decades. Had the general education formula simply tracked inflation, District 197 would have received about $7.7 million more last year alone.

~3%

ANNUAL COST GROWTH

What it costs to run our schools, year over year.

~1%

ANNUAL REVENUE GROWTH

What the state formula and local sources typically deliver.

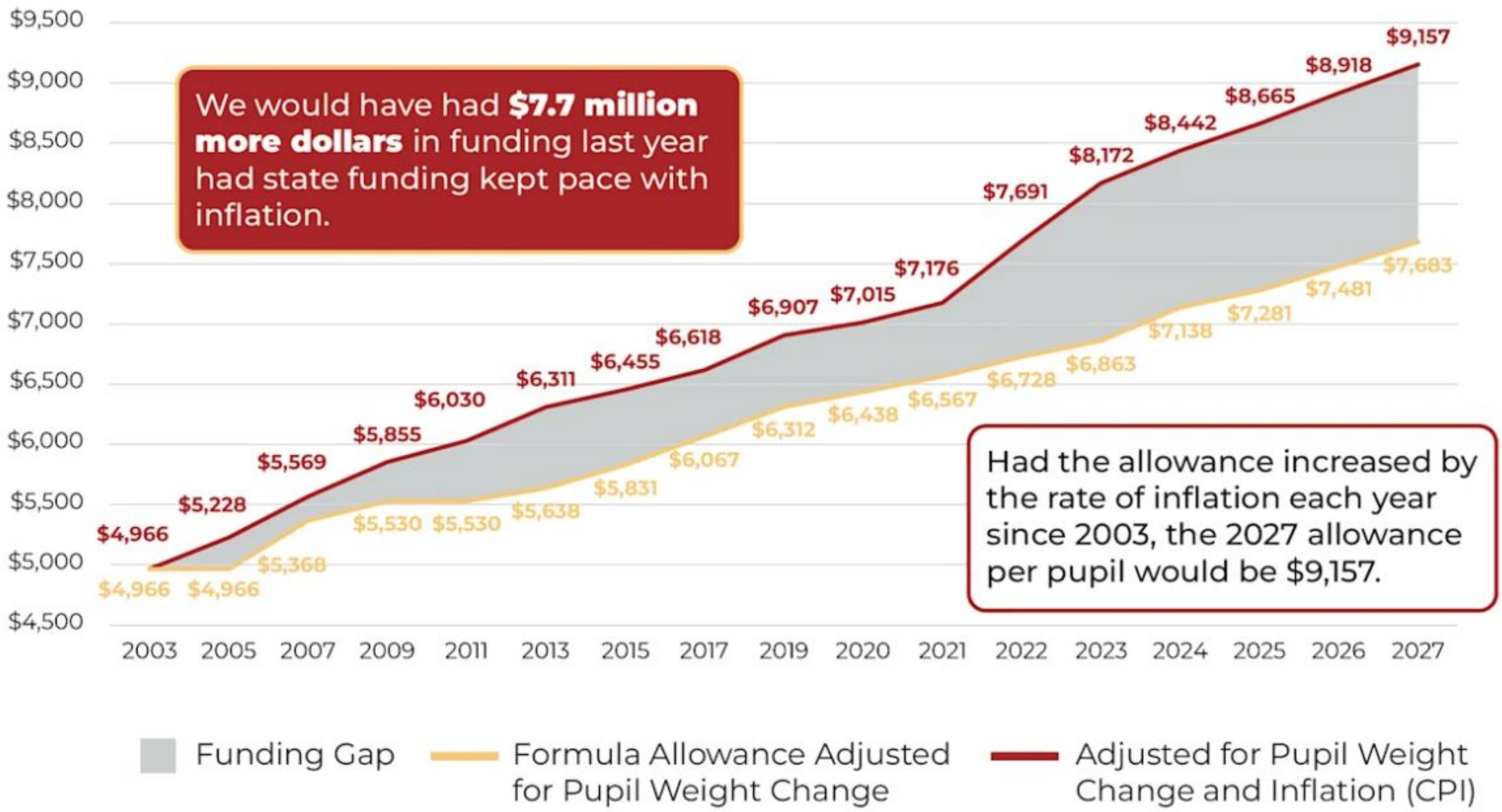
$2M

THE GAP, EVERY YEAR

And it accumulates. Skip a year of reductions and the hole is $4 million.

The gap is structural, not a one-year event. That is why one-time tools do not close it.

General Education Formula Allowance, 2003-2027



WHAT IS DRIVING IT

Health insurance is the clearest example

~44%

More than we paid four years ago

Four straight renewals of 8%, 8%, 14% and 8%. Compounded, our cost today is about 44% higher than it was four years ago.

- **Not ours to control**

  Health insurance, special education, transportation and utilities are obligations, not preferences.

- **Our employees pay it too**

  The employee share rose by the same percentages. Staff are absorbing these increases alongside everyone else.

- **Familiar to every household**

  This is the one line in our budget that residents experience directly in their own lives.

BEFORE ASKING

We started with our own budget

$3.2 million reduced over two years before bringing any question to voters. Nearly all of it permanent structural change rather than one-time patches.

$3.2M

CUT OVER TWO YEARS

Reductions made before any levy question went to the ballot.

$2.55M

FOR 2026–27 ALONE

$1.73M from positions; $825,000 from everything else.

One-third less

THAN STATE AVERAGE SPENT ON ADMIN

Per MDE's FY25 report as a percentage of budget

The MDE report predates nearly all of these reductions — the next one should show us further below average, not closer to it.

WHAT IS LEFT

Everything left will be felt in classrooms

The reductions we could make away from the classroom are largely behind us. If the levy does not pass, another $2 to $4 million comes out for the following year — and that is just to hold the fund balance where it is. Rebuilding to the board's target would require more.

- Staff reductions
- Larger class sizes and caseloads
- Reduced programming
- Reduced transportation

Nothing specific has been decided. Any reduction goes through the normal public budget process with board action in the spring.

ON THE BALLOT

What we are asking voters to decide

4.027% of net tax capacity	**$4.6M** per year, beginning payable 2027	**10 years** the maximum term state law allows
$46M estimated total over the term	**$14** per month on a $400,000 home	**$168** per year on that same home

Pays existing costs — textbooks, safety and security, technology, utilities, transportation — a different way. It builds nothing new and starts no new programs.

Reduced from $5 million to $4.6 million following community feedback. Positive Review and Comment received from the Commissioner of Education.

PART TWO

The Permanent School Fund

The detail I committed to bringing back on August 10.

BACKGROUND

A trust older than our oldest buildings

The Permanent School Fund is not new money and not a new program. It has been sending money to Minnesota districts for more than 165 years.

1858

ESTABLISHED AT STATEHOOD

Created when Minnesota entered the Union, funded by federal land grants set aside for public education.

$2.2B

CURRENT PRINCIPAL

Built from state trust lands — timber sales, mineral leases and similar natural resource revenue.

$58M

DISTRIBUTED LAST YEAR

Spread across every school district in Minnesota — more than 860,000 students.

The principal is never spent. Only the earnings are distributed — that is what makes it permanent.

THE AMENDMENT

What would actually change

The amendment modernizes how much the fund pays out each year. It creates no new tax and no new revenue source.

TODAY

Interest and dividends only

The constitution currently permits distribution of earned income alone — in practice up to roughly 2.5% of the fund's value. In low-interest years, that payout falls.

IF APPROVED

4.5% of a three-year average

A standard endowment payout formula. Smooths year-to-year swings, protects the principal long term, and makes district revenue more predictable. Effective July 1, 2027.

Passed the Legislature with bipartisan support — 133–0 in the House and 43–24 in the Senate.

EXACT WORDING

What voters will read

> *“Shall the Minnesota Constitution be amended to increase the funding going to all school districts from the permanent school fund, which is a fund that supports school districts without raising individual income or property taxes, effective July 1, 2027?”*

Note what the question itself tells voters: it raises no individual income or property taxes. That phrase is inside the ballot question, which is part of why residents read it as the painless option — and why they may assume it does more than it does.

Our levy question carries the opposite signal in bold: BY VOTING “YES” ON THIS BALLOT QUESTION, YOU ARE VOTING FOR A PROPERTY TAX INCREASE. Both notices are state-required wording, not district phrasing.

SCALE

Spread across the whole state

The fund distributes real money — but it is divided among every district in Minnesota, which is what determines the size of our share.

$58M

DISTRIBUTED STATEWIDE

Total sent to Minnesota school districts in the most recent year.

860,000+

STUDENTS SHARING IT

Enrollment across all Minnesota public school districts.

0.2%

OUR ESTIMATED GAIN

About 10% of a single year's funding gap — roughly one dollar in ten.

Our share of the increase is an estimate; finance office to confirm the underlying dollar figure.

A COUNTING DIFFERENCE WORTH KNOWING

On a constitutional amendment, a blank counts as No

Constitutional amendment

Passage requires a majority of everyone voting in the election — not just those who answer the question. A voter who skips it has, in effect, voted no.

This is already stated on our website.

Our capital project levy

Decided by a simple majority of those who vote on the question itself. A blank is simply not counted — it is not a no. The positive MDE Review and Comment is what keeps the threshold at a simple majority rather than 60%.

Minn. Stat. § 123B.63 subd. 3; Minn. Const. art. IX.

PART THREE

Two questions, one ballot

What residents are already asking, and how we answer it accurately.

SIDE BY SIDE

Different animals entirely

	Permanent School Fund amendment	Capital project levy
Who decides	Every voter in Minnesota	Only voters inside our district
What it costs you	Nothing — no new taxes	About $14 a month on a $400,000 home
What we would receive	Roughly 0.2% more revenue	About $4.6 million a year
Against a $2M annual gap	Helps a little — about 10% of one year's gap	Closes it for the near future and rebuilds fund balance, assuming consistent state and federal funding

They are not alternatives. Passage of the statewide amendment would not remove the need for the local question.

WHAT WE ARE HEARING

The confusion is already out there

Residents are encountering both questions and reasonably assuming one covers the other. Two board members flagged this after the last meeting.

THE ASSUMPTION

“The schools are getting more money from the state — so why do they need my property taxes too?”

WHY IT IS UNDERSTANDABLE

The amendment’s ballot language says outright that it raises no income or property taxes. Ours says the opposite in bold.

OUR CORRECTION

Both are accurate. They differ by roughly a factor of ten. We say so plainly, with the numbers, and let people decide.

DISCUSSION

Questions from the board

- **One question costs nothing and helps a little.**

  The amendment would send slightly more money to every Minnesota district at no cost to taxpayers.

- **The other costs about $14 a month and does the work.**
  Roughly $4.6 million a year against a $2 million annual compounding gap. In the near future it protects programming and moves the fund balance back toward policy levels. It also buys time to keep pressing the state to keep up with inflation.

- **They are not substitutes for each other.**