

SCHOOL DISTRICT 197

West St. Paul + Mendota Heights + Eagan Area

Independent School District, ISD 197

Public Hearing for Taxes Payable in 2026

DECEMBER 8, 2025

PRESENTED BY:

BRIAN SCHULTZ,
DIRECTOR OF FINANCE

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:

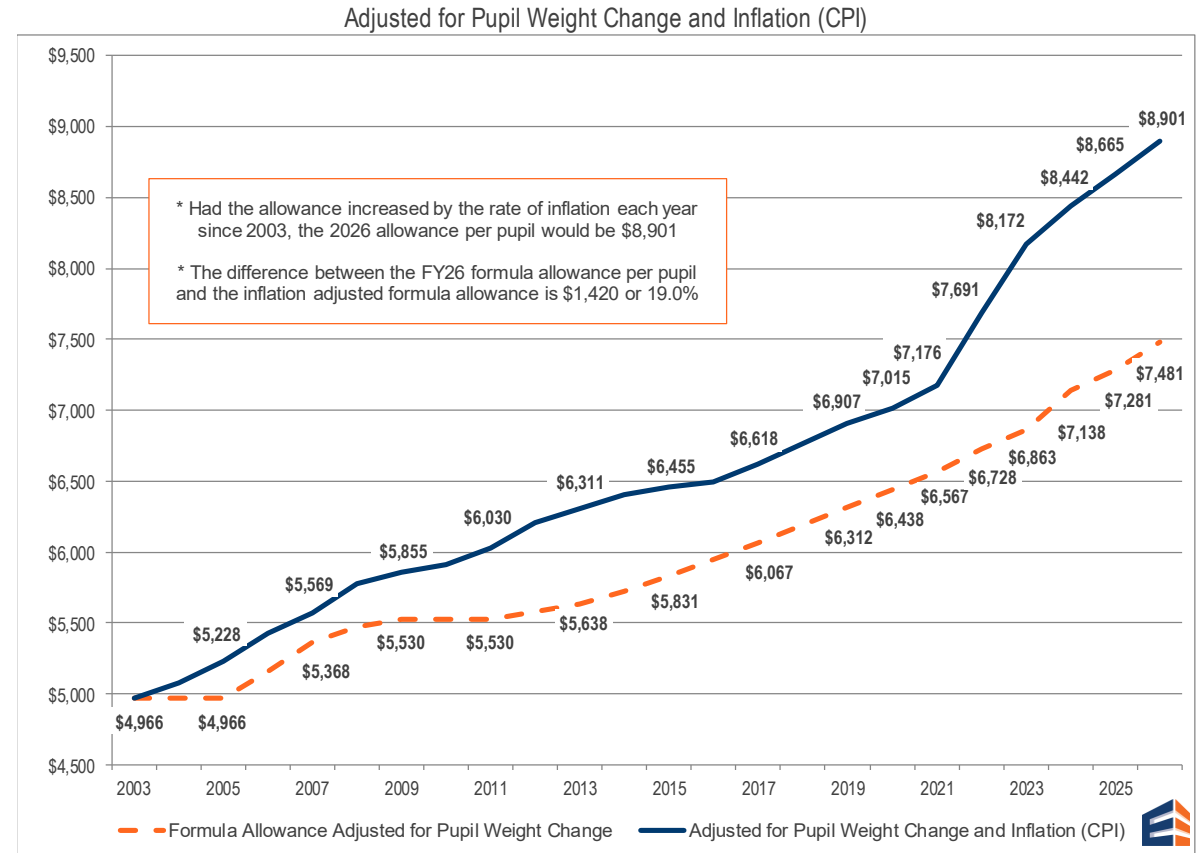
- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Tax policy for local schools
- Maximum authorized property tax levy
 - Districts can levy less, but not more than amount authorized by state, unless approved by voters in November

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



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

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
- Building Construction
- Debt Service



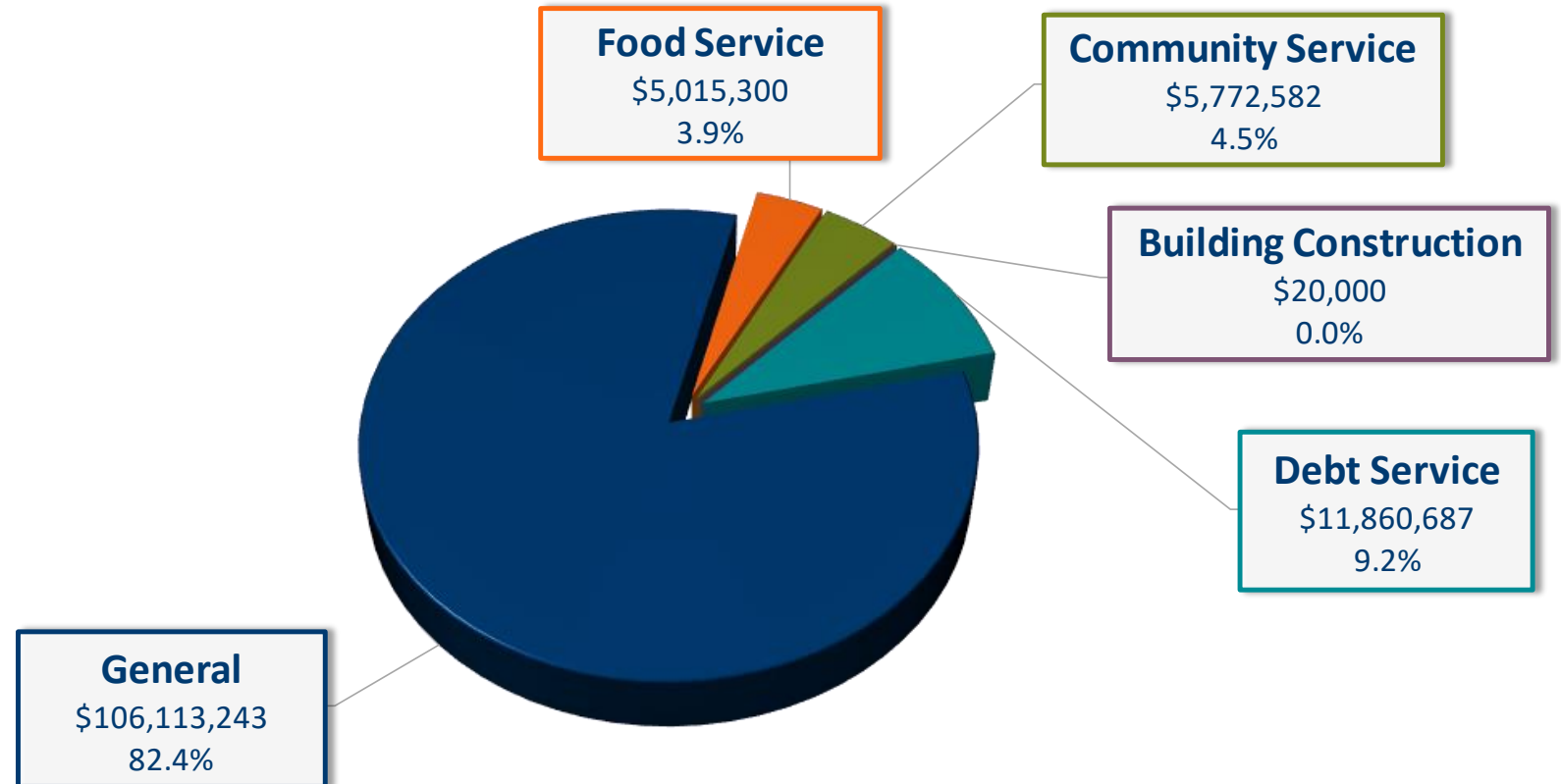
District Revenues & Expenditures

Budget for FY 2026

FUND	2025-26 BUDGET	
	REVENUES & TRANSERS IN	EXPENDITURES & TRANSFERS OUT
General/Other	\$106,113,243	\$104,856,416
Food Service	5,015,300	4,933,187
Community Service	5,772,582	5,835,586
Building Construction	20,000	8,978,837
Debt Service	11,860,687	11,499,807
Total All Funds	128,781,812	136,103,833

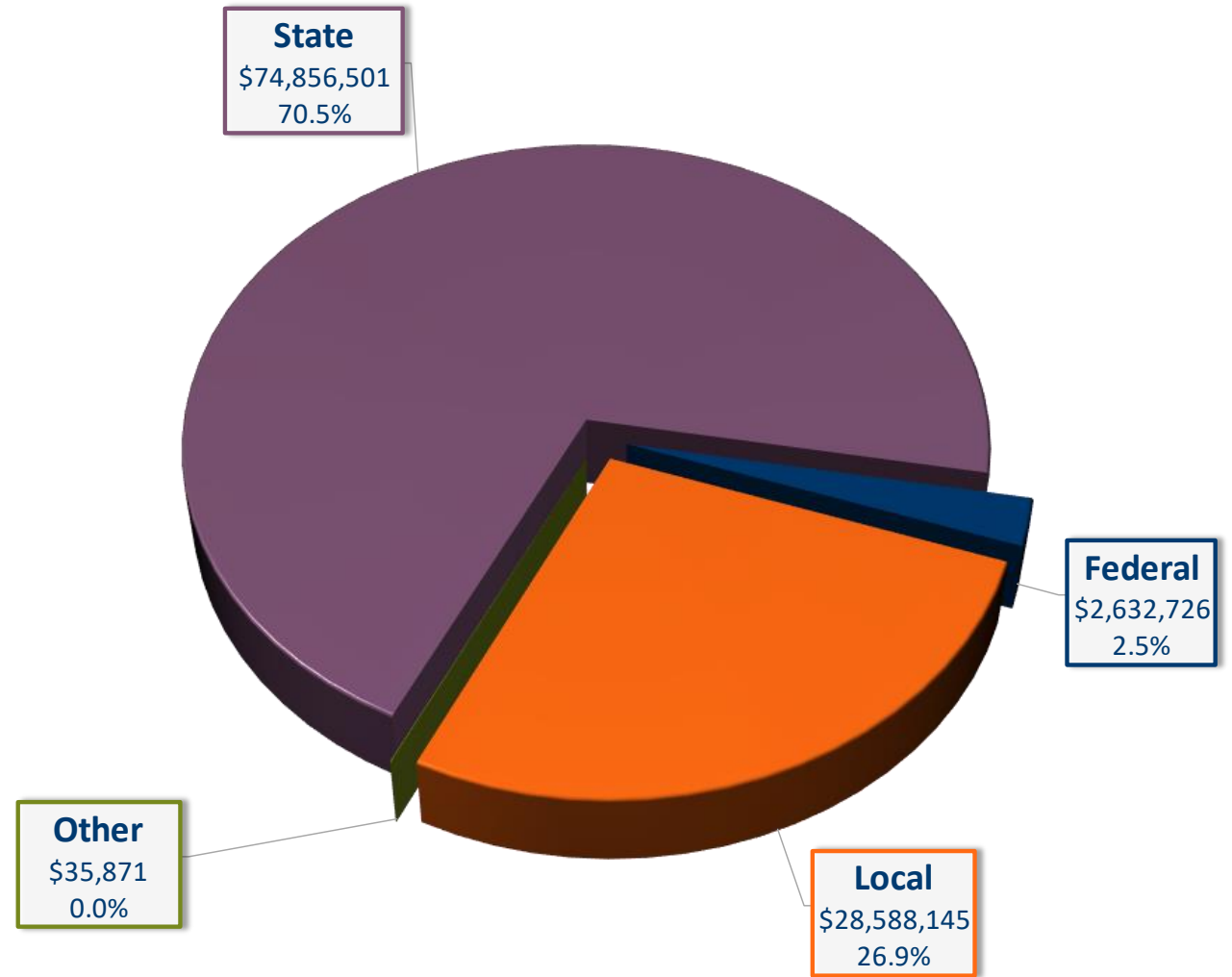
Revenue - All Funds -

2025-26 Budget
\$128,781,812



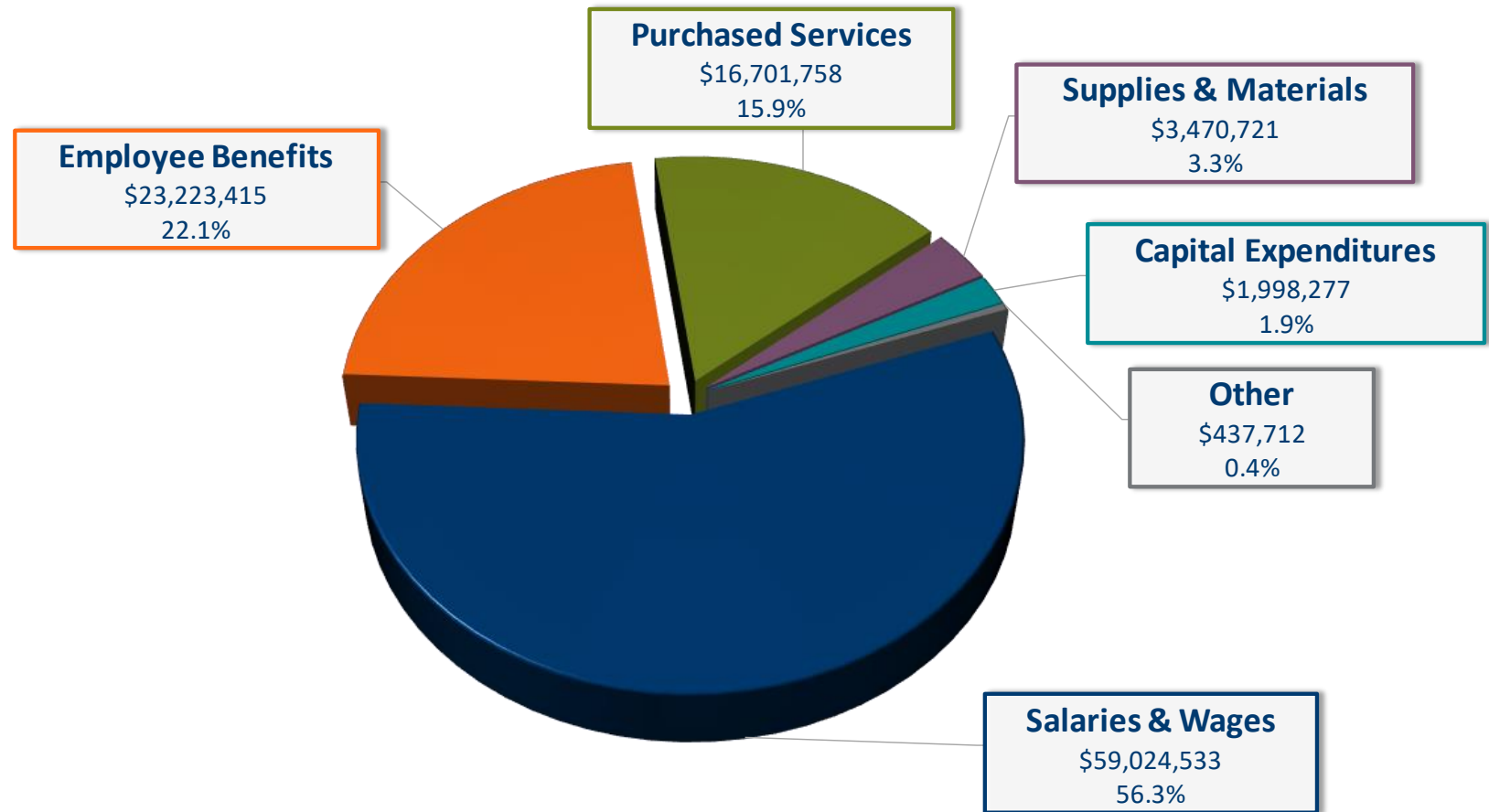
General Fund Revenue

2025-26 Budget
\$106,113,243



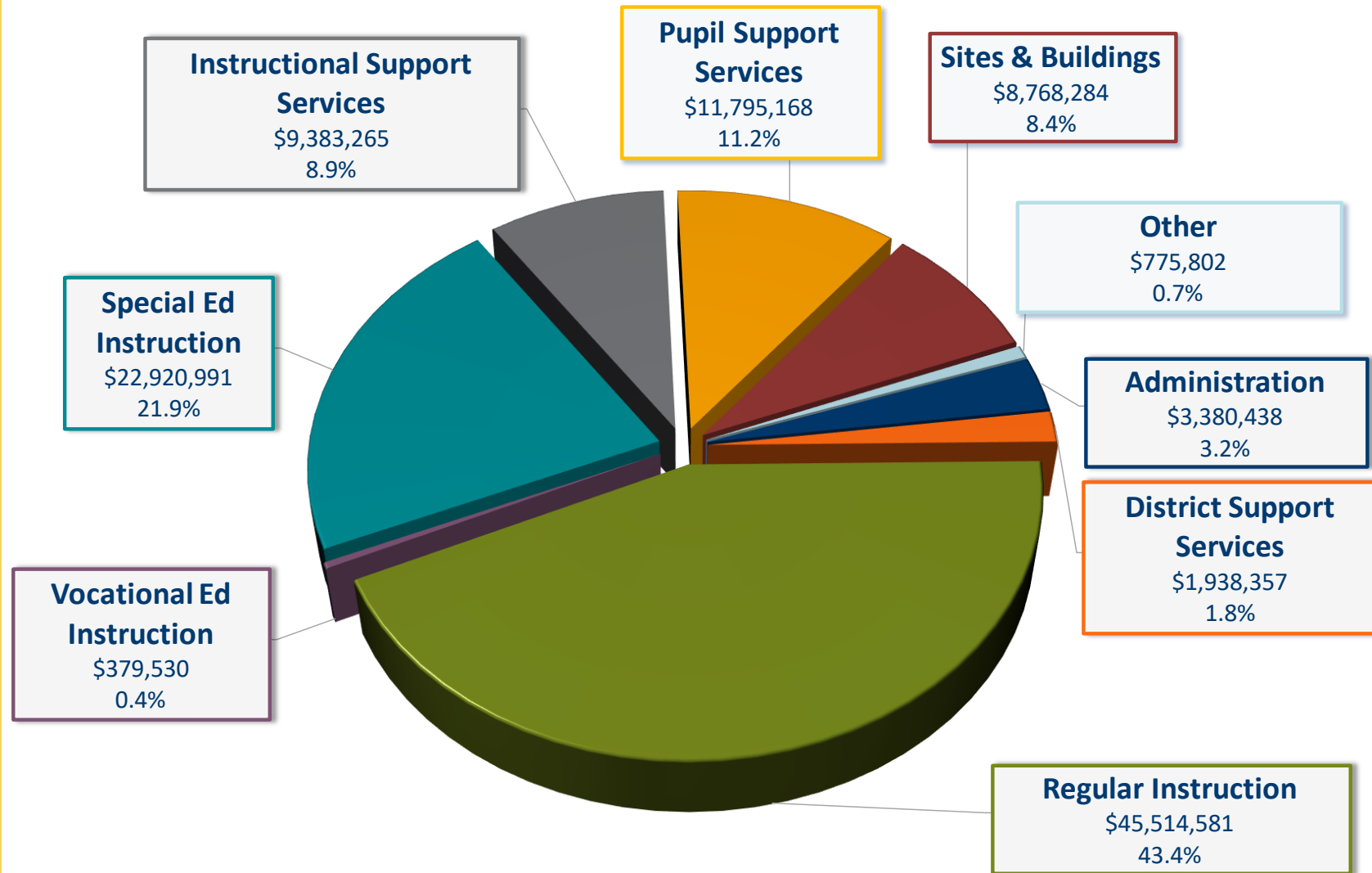
General Fund Expenditures - by Object -

2025-26 Budget
\$104,856,416



General Fund Expenditures - by Program -

2025-26 Budget
\$104,856,416



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

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

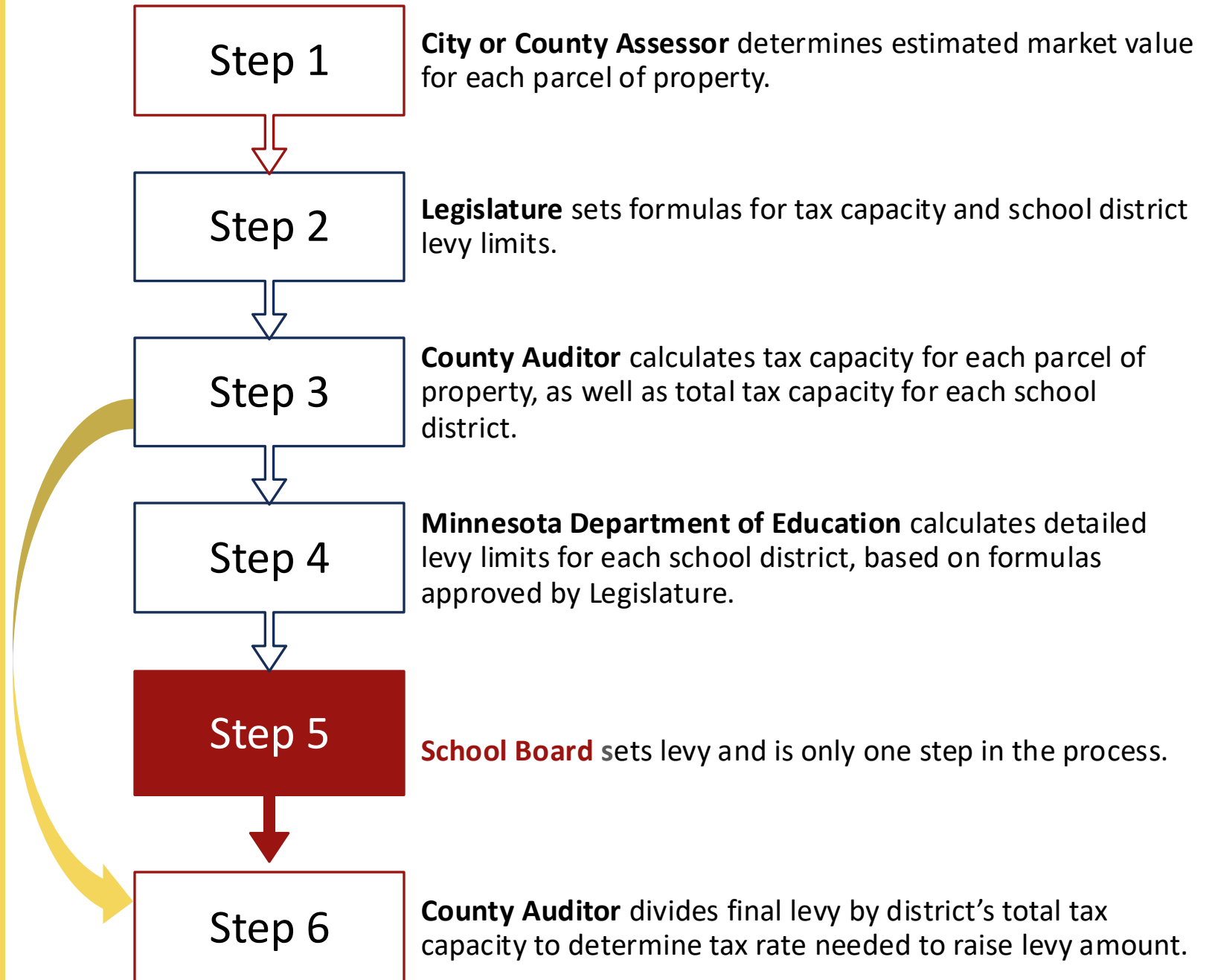
- Every owner of taxable property pays property taxes to various “taxing jurisdictions” (county, city/township, school district, special districts) in which property is located
- Each taxing jurisdiction sets own tax levy, often based on limits in state law
- County sends bills, collects taxes from property owners & distributes funds back to other taxing jurisdictions

School District Property Taxes

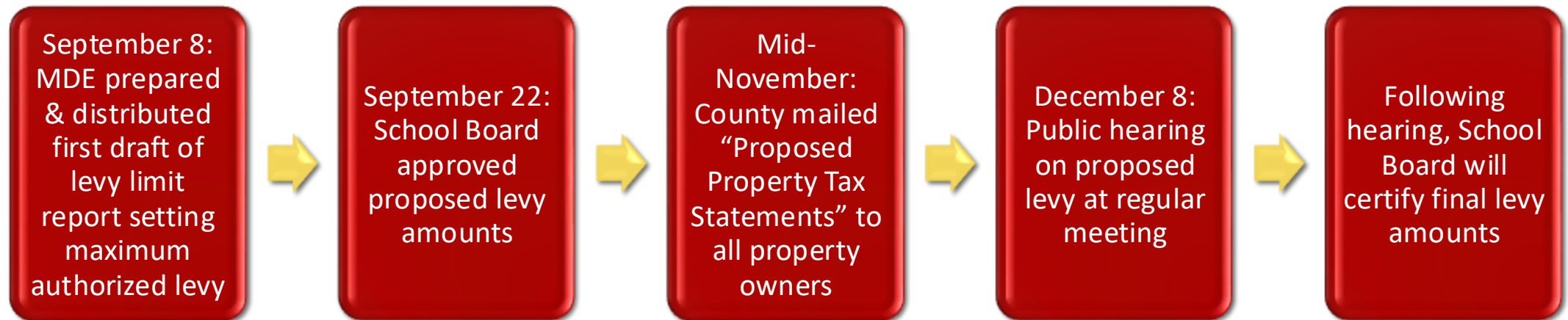
- Each school district has limited authority to levy taxes
- MDE calculates levy amounts for various categories, set by:
 - State law
 - Voter approval

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)



The background of the slide features a blurred image of financial documents. In the foreground, there is a tablet displaying a bar chart. Below it, a printed document shows a bar chart with blue bars and a red line graph. A pen is visible on the left side of the documents.

Overview of District's Proposed Tax Levy

- Proposed Payable 2026 tax levy is a decrease from 2025 of \$315,041 or -0.8%
- 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				
Voter Approved Operating Referendum	\$12,999,599	\$13,111,559	\$111,960	
Local Optional Revenue (LOR)	4,151,827	4,175,560	23,733	
Equity	395,642	414,200	18,558	
Voter Approved Capital Project Levy	2,411,890	2,444,742	32,852	
Operating Capital	1,256,715	1,188,461	(68,253)	
Alternate Teacher Compensation	479,695	488,554	8,860	
Achievement and Integration	328,719	345,542	16,823	
Long Term Facilities Maintenance (LTFM)	1,320,861	1,384,972	64,110	
Lease Levy	1,198,056	1,228,630	30,573	
Other Post Employment Benefits (OPEB)	611,143	811,837	200,694	
Other	601,002	722,674	121,672	
Prior Year Adjustments	1,034,775	314,298	(720,477)	
Total, General Fund	\$26,789,924	\$26,631,029	(\$158,895)	-0.6%
Community Service				
Basic Community Education	\$371,956	\$367,421	(\$4,535)	
Early Childhood Family Education	248,718	208,023	(40,696)	
School-Age Child Care	560,000	700,000	140,000	
Other	15,669	14,753	(916)	
Prior Year Adjustments	(25,516)	(125,618)	(100,102)	
Total, Community Service Fund	\$1,170,827	\$1,164,579	(\$6,248)	-0.5%
Debt Service				
Voter Approved	\$10,009,727	\$9,998,702	(\$11,025)	
Long Term Facility Maintenance	2,058,772	2,335,936	277,164	
Reduction for Debt Excess	(251,404)	(701,060)	(449,655)	
Prior Year Adjustments	33,592	67,210	33,618	
Total, Debt Service Fund	\$11,850,687	\$11,700,789	(\$149,898)	-1.3%
Total Levy, All Funds	\$39,811,438	\$39,496,396	(\$315,041)	-0.8%
Subtotal by Truth in Taxation Categories:				
Voter Approved	25,781,116	25,085,351	(695,765)	
Other	14,030,322	14,411,045	380,724	
Total	\$39,811,438	\$39,496,396	(\$315,041)	-0.8%

Explanation of Levy Changes

Category:

General Fund - OPEB

Change:

+\$200,694

Use of Funds:

General Operating Expenses

Reason for Change:

Levy is based on actual OPEB costs, which can change from year to year

Explanation of Levy Changes

Category:

General Fund – Prior Year Adjustments

Change:

-\$720,477

Use of Funds:

Various

Reason 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 – Long Term Facilities Maintenance (LTFM) & Reduction for Debt Excess
Change:	+\$277,164 (LTFM) & -\$449,655 (Debt Excess)
Use of Funds:	Debt Payments
Reasons for Changes:	<ul style="list-style-type: none">• Debt service levies are coordinated to maintain a level or declining tax rate• 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• Formulas in state law determine adjustments to tax levy for debt excess balances

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

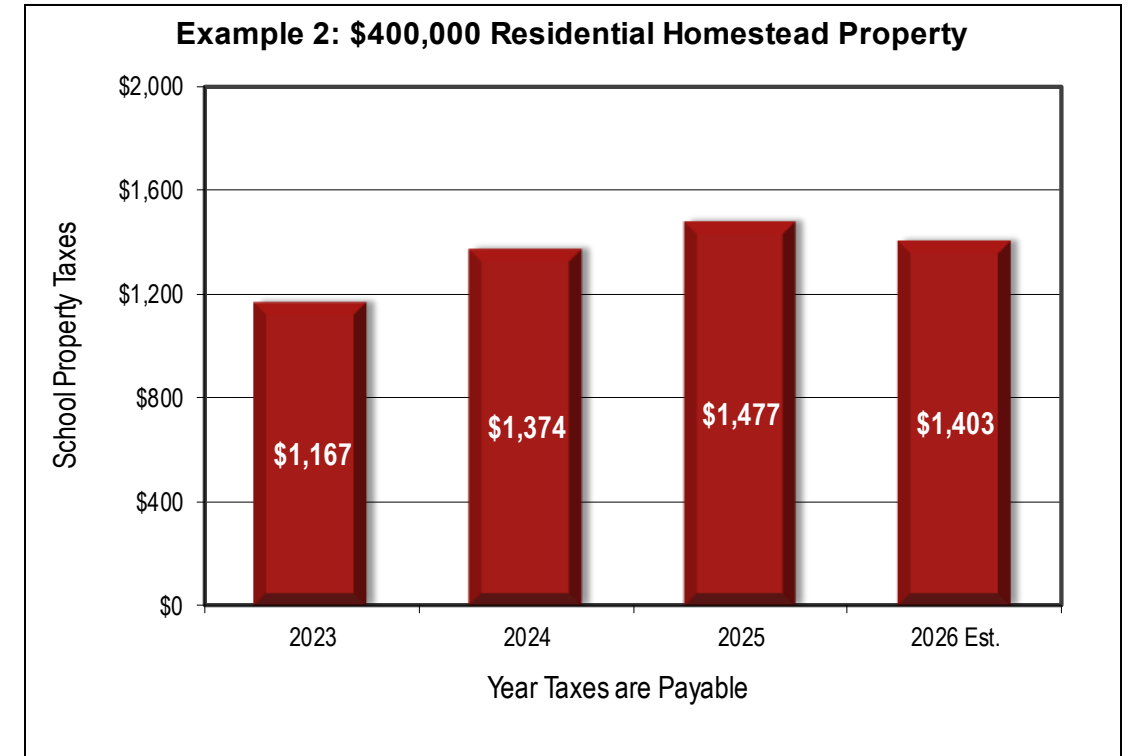
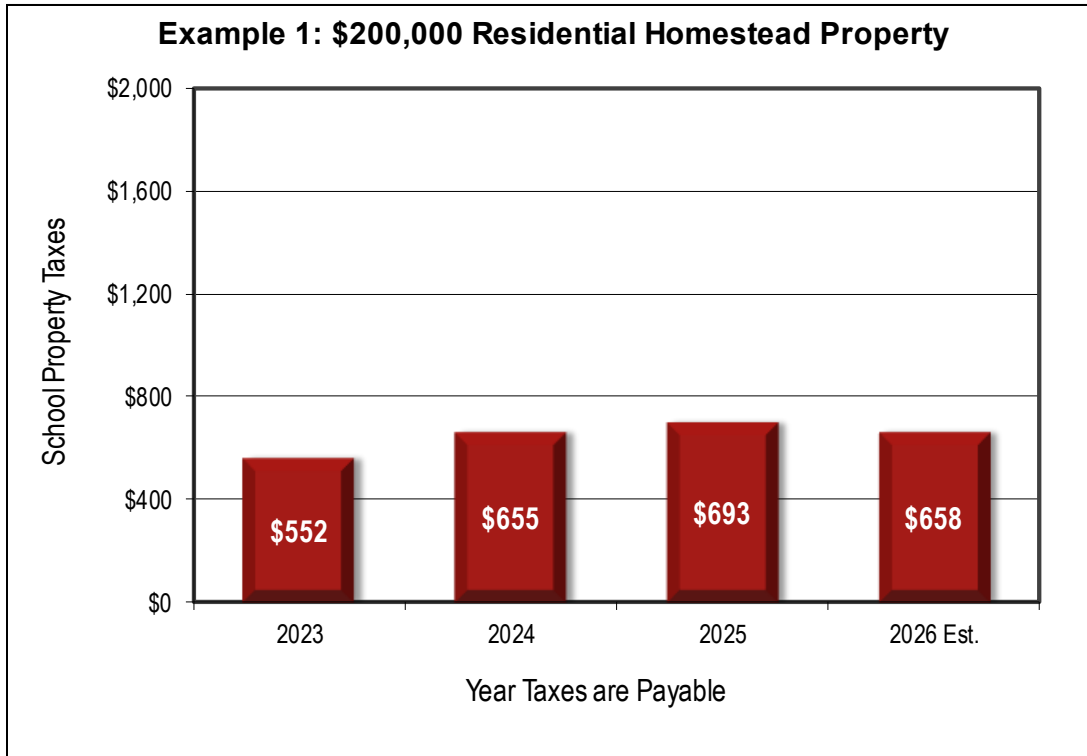
- Changes in value of individual property
- Changes in total value of all property within District
- Increases or decreases in levy amounts caused by changes in state funding formulas, local needs & costs, voter-approved referendums & other factors

Four Year School Levy Comparison

- Examples include school district taxes only & are shown based on no change in property values 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 West St. Paul
- 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, 2023-26

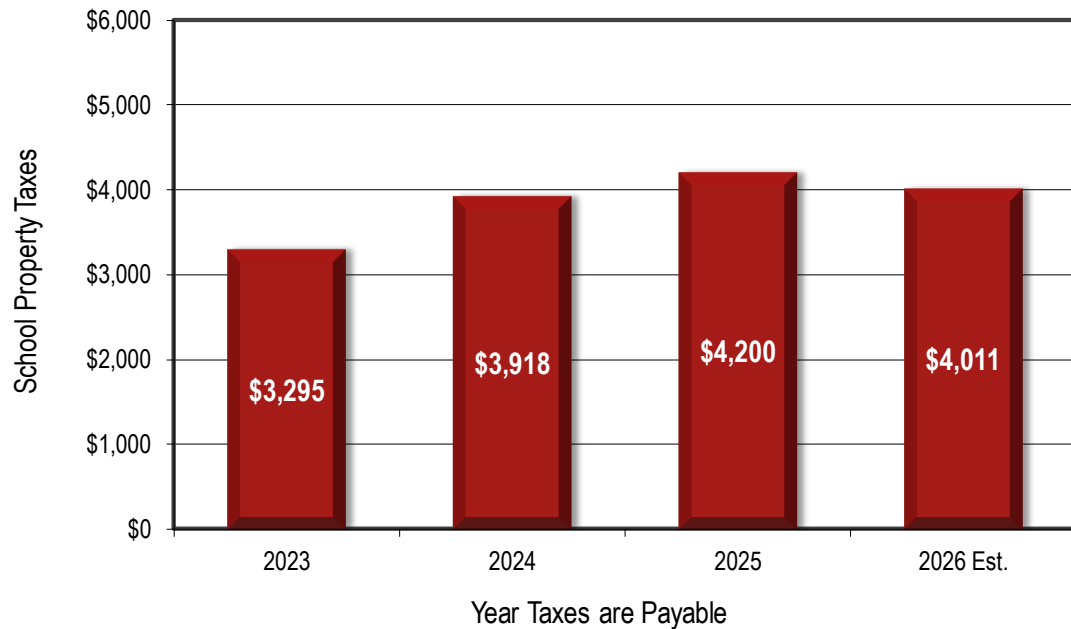
Based on No Changes in Property Value



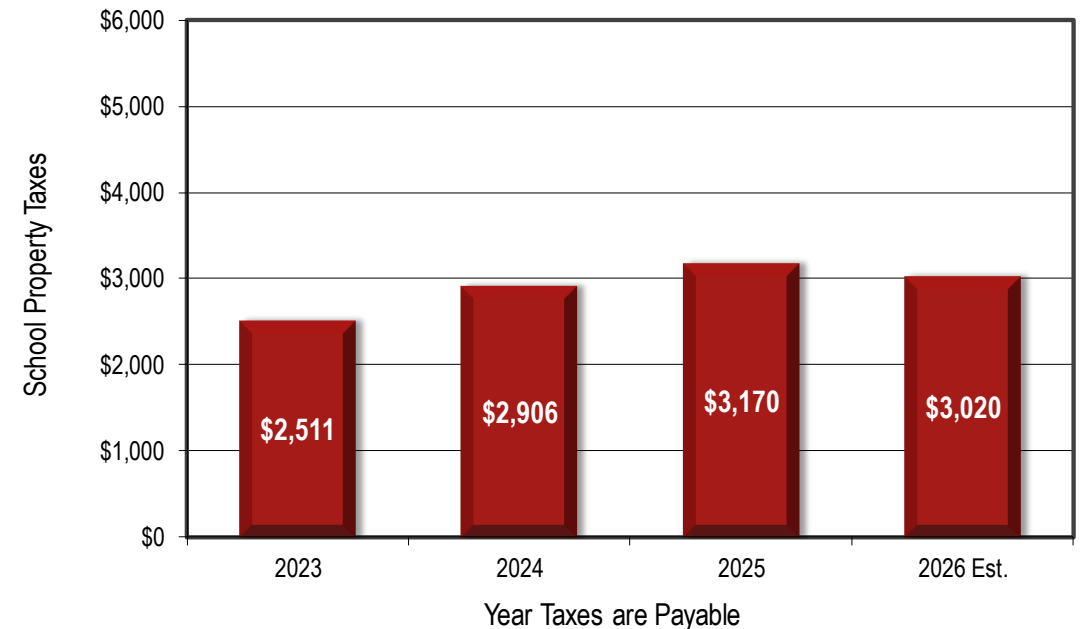
Estimated Changes in School Property Taxes, 2023-26

Based on No Changes in Property Value

Example 3: \$1,000,000 Commercial - Industrial Property



Example 4: \$750,000 Apartment - Non Residential Homestead Property



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

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PUBLIC COMMENTS