



**EDEN PRAIRIE SCHOOLS**

Inspiring each student every day

# Public Hearing for Taxes Payable in 2025

DECEMBER 9, 2024

PRESENTED BY:

ANDREW ADAMS

EXECUTIVE DIRECTOR OF  
BUSINESS SERVICES

# Minnesota State Law Requires:

## **A Public Meeting...**

- Between November 24<sup>th</sup> & December 28<sup>th</sup>
- After 6:00 PM
- May be part of regularly scheduled meeting
- May adopt final levy at same meeting
- Must allow for public comment

## **...and Presentation of:**

- Current year budget
- Proposed property tax levy



# Hearing Agenda

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- 1. Background Information on School Funding**
- 2. District's Budget**
- 3. District's Proposed Tax Levy for Taxes Payable in 2025**
- 4. Public Comments**

# MN Legislature Must Set Funding for Minnesota Public Schools

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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.”



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As a result...

# Funding is Highly Regulated

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## **State Sets:**

- Formulas which determine revenue; most revenue based on specified amounts per pupil
- Maximum authorized property tax levy (districts can levy less but not more than amount authorized by state, unless approved by voters)

***State also authorizes school board to submit referendums for operating and capital needs to voters for approval***



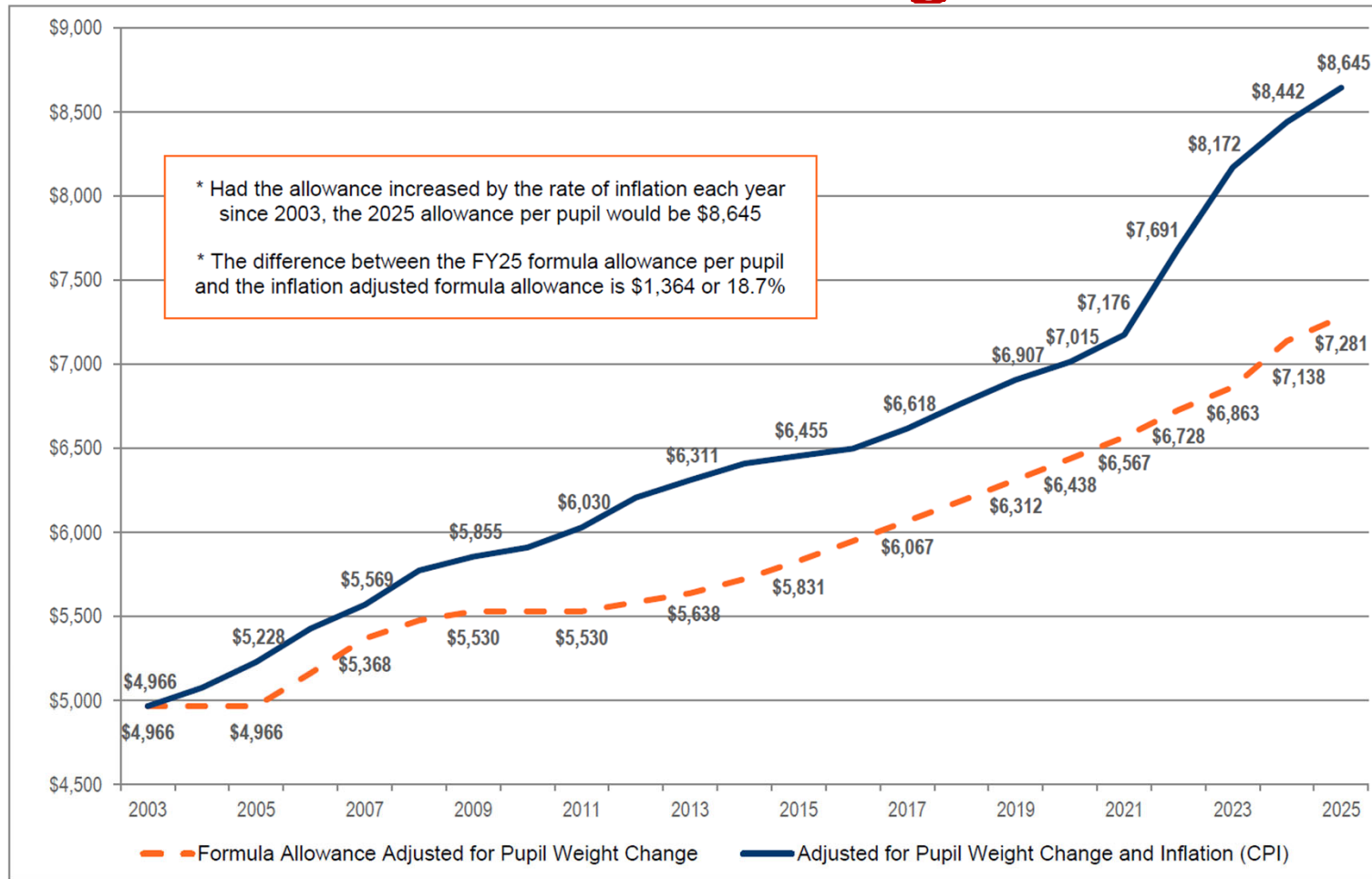
# Challenge: State Set Basic General Education Formula Lags Inflation

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- Since FY03, state General Education Revenue formula has not kept pace with inflation
- For FY25, Legislature approved an increase of 2.00%
- Per-pupil allowance for FY25 of \$7,281 would need to increase by another \$1,364 (18.7%) to have kept pace with inflation since FY03



# Education Formula Lags Inflation



Source: MDE June 2024 Inflation Estimates and Minnesota Laws 2023

# Referendum Need

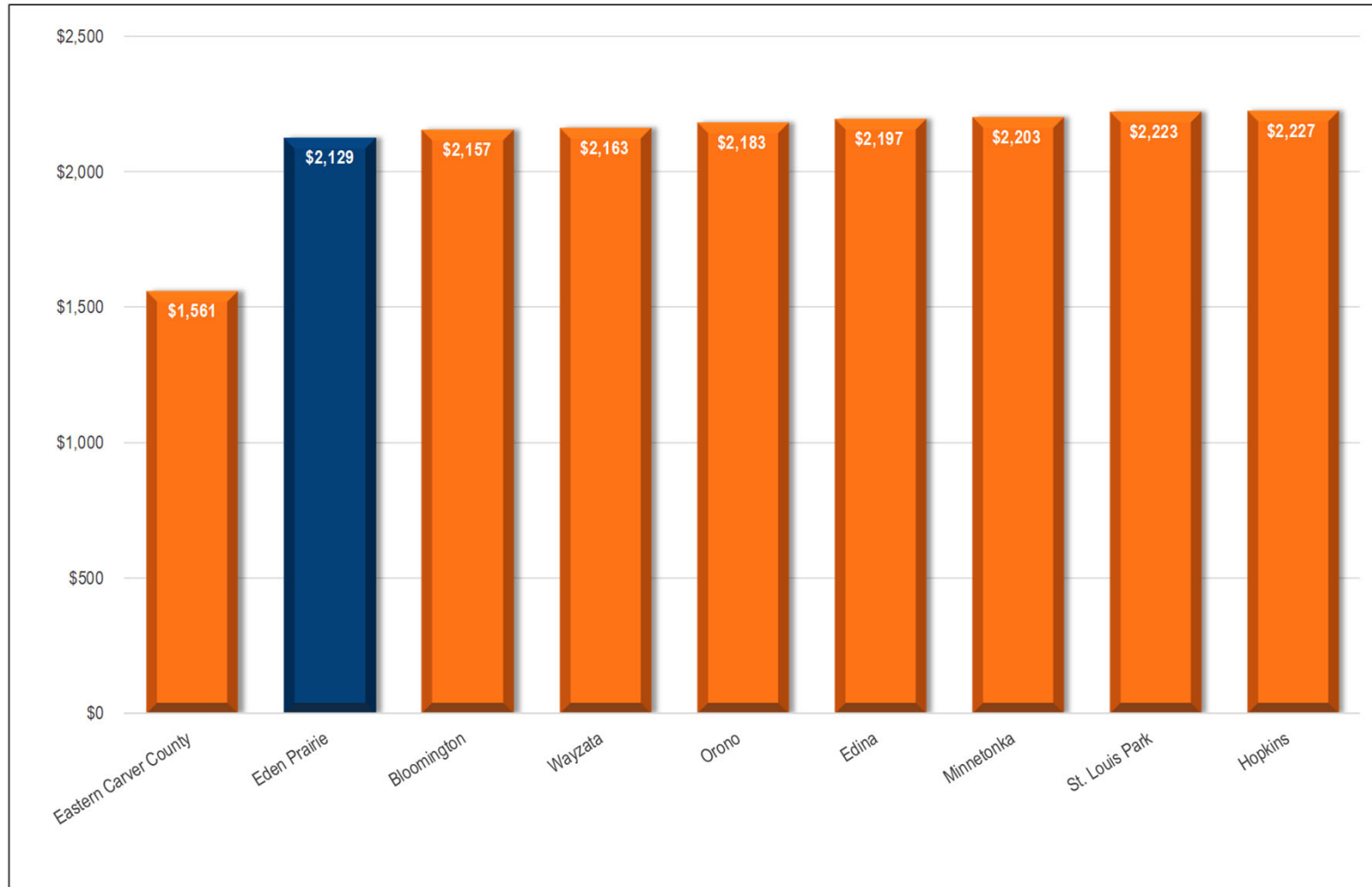
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## Result:

- Growing dependence on referendum revenue to bridge the gap in state funding

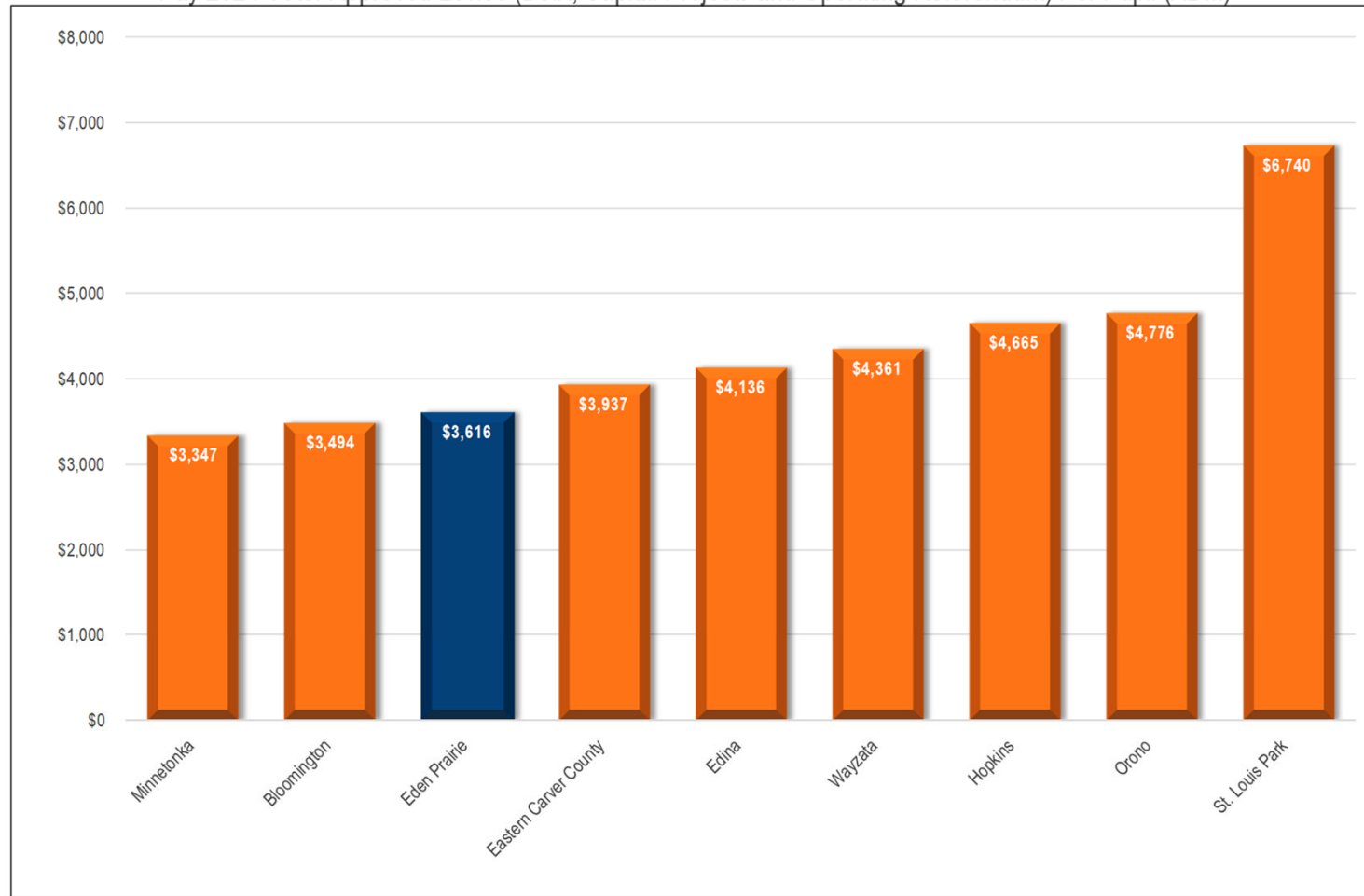


Voter Approved Referendum Authority Per Pupil Unit FY 2024-25 (Excludes Local Optional Revenue)



Source: MDE Pay 24 Levy Certification Report, Pay 24 School Tax Report.

Pay 2024 Voter Approved Levies (Debt, Capital Projects and Operating Referendum) Per Pupil (ADM)



Source: Pay 2024 School Tax Report, Enrollment: Pay 24 MDE Levy Certification.

Pupil: MDE Estimated FY 2024 Enrollment, WhatIf FY24 (6-26-23)

# Change in Tax Levy Does not Determine Change in Budget

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1

Tax levy is based on many state-determined formulas plus voter approved referendums

2

Some increases in tax levies are revenue neutral, offset by reductions in state aid

3

**Expenditure budget is limited** by state-set revenue formulas, voter-approved levies, and fund balance

4

An increase in school taxes does not always correlate to an equal increase in budget



# School District Levy Cycle Differs from City/County Levy Cycle

## City/County:

- Budget Year same as calendar year
- 2025 taxes provide revenue for 2025 calendar year budget

## Schools:

- Budget year begins July 1st and coincides with school year
- 2025 taxes provide revenue for 2025-26 school year
- Budget will be adopted in June 2025



# Budget Information

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Because approval of school district budget lags certification of tax levy by six months, state requires only current year budget information and prior year actual financial results be presented at this hearing. The Fiscal 2025-26 budget will be set in June 2025.

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

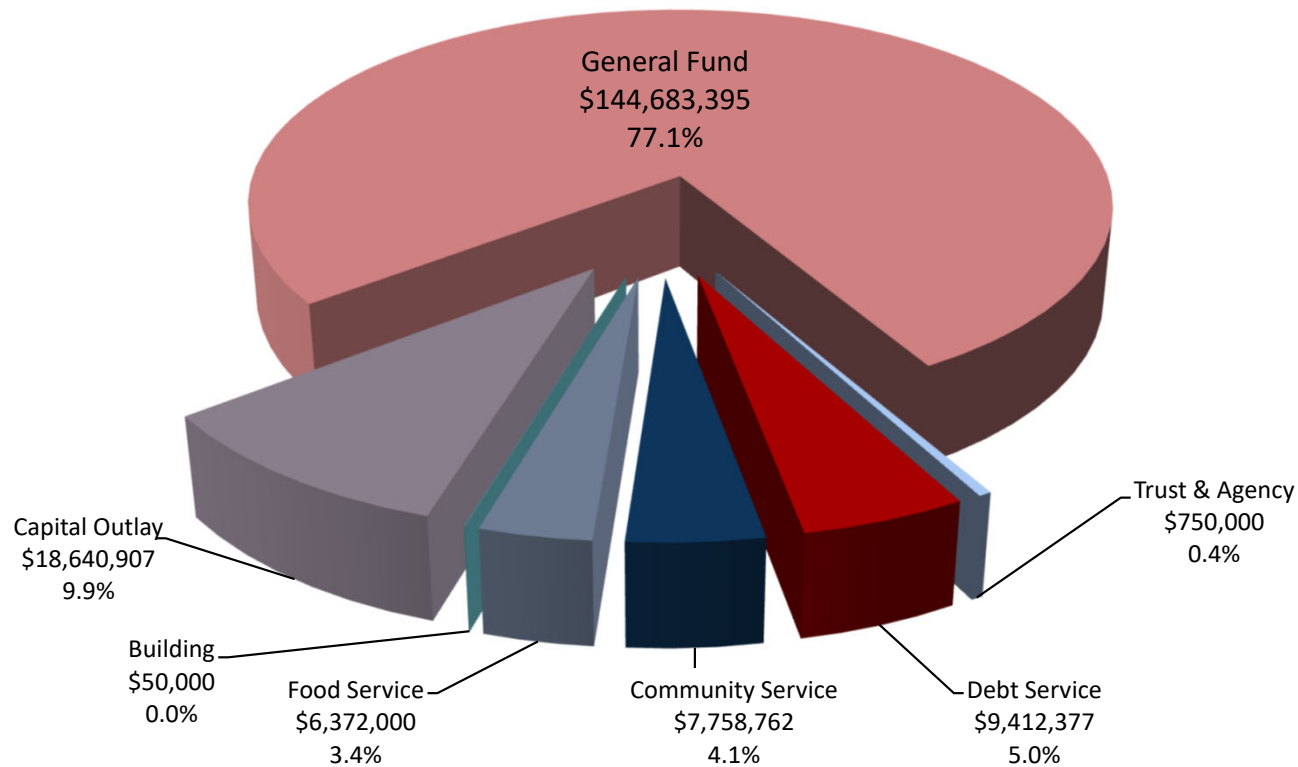
## Our District's Funds:

- General (Includes: Capital Project Levy, Transportation)
- Food Service
- Community Service
- Building Construction (LTFM, Designing Pathways)
- Debt Service
- Other Post Employment Benefit (OPEB) Trust
- Internal Service (Self Funded Medical and Dental)

# Revenues - All Funds

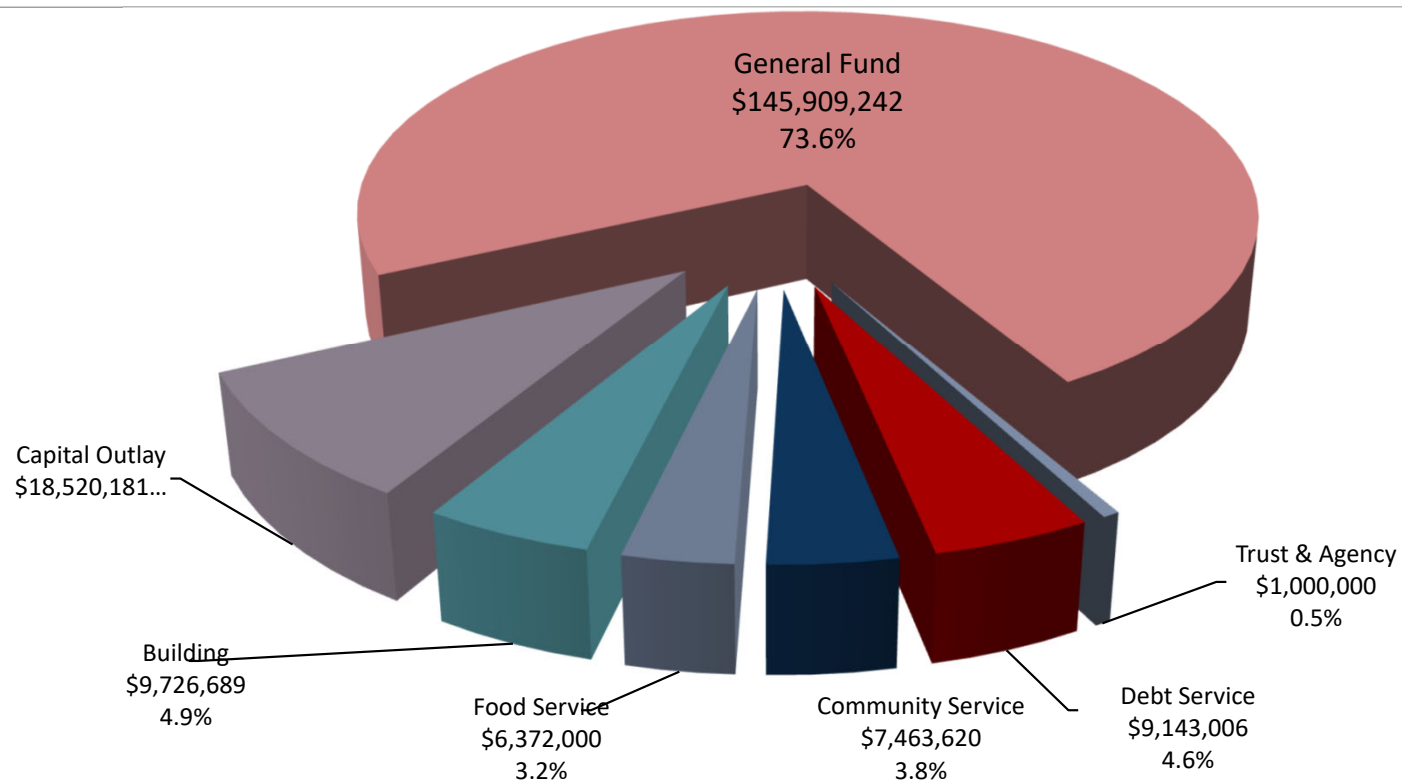
## FY 25 Budget Total - \$187,667,441

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# Expenditures - All Funds

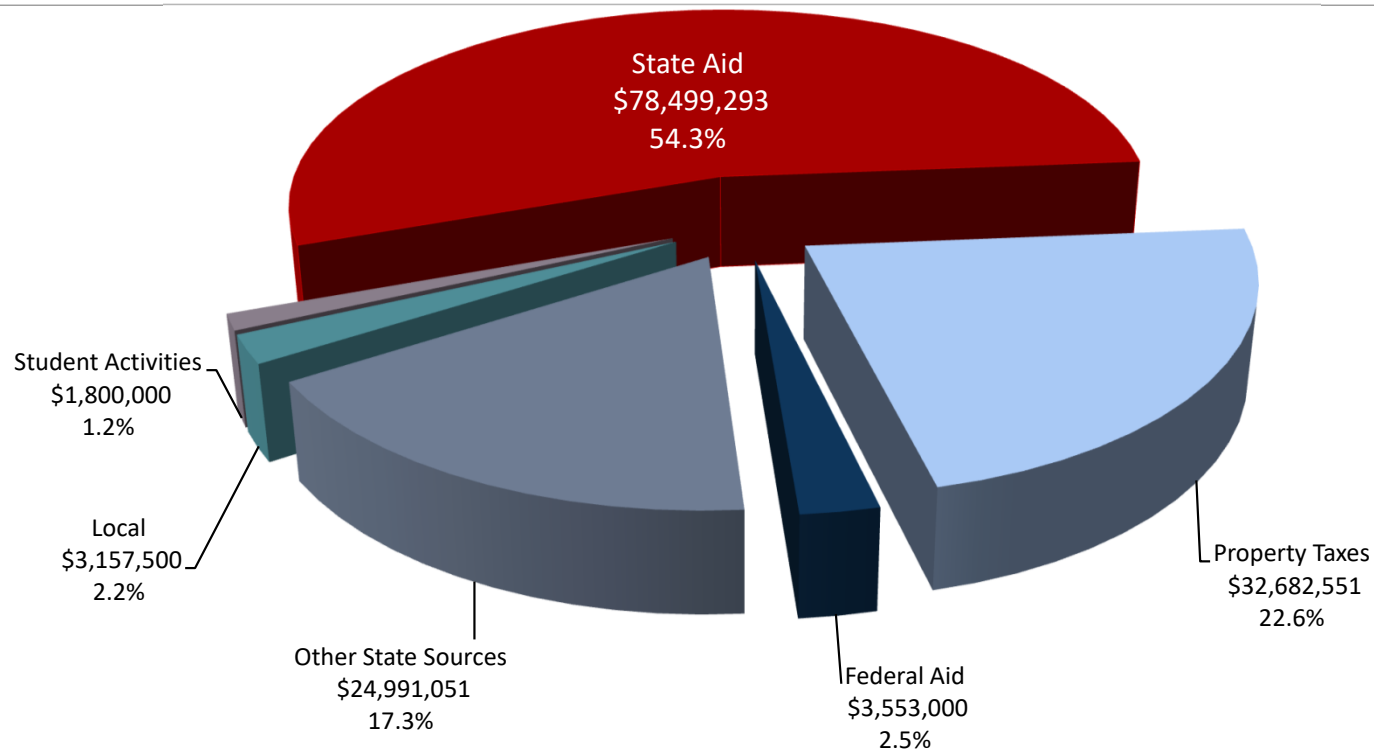
## FY25 Budget Total - \$198,134,738



# General Fund Revenues

## FY 25 Budget - \$144,683,395

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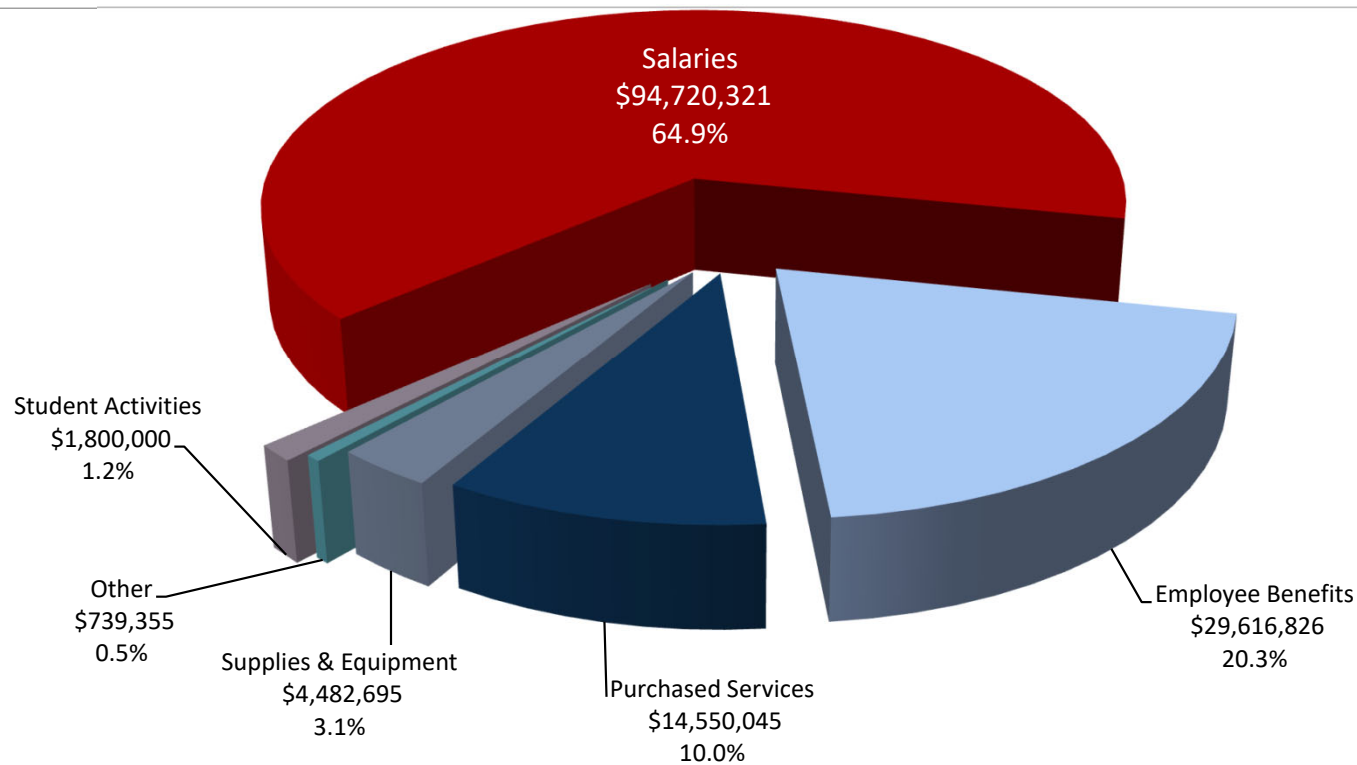




# General Fund Expenditures

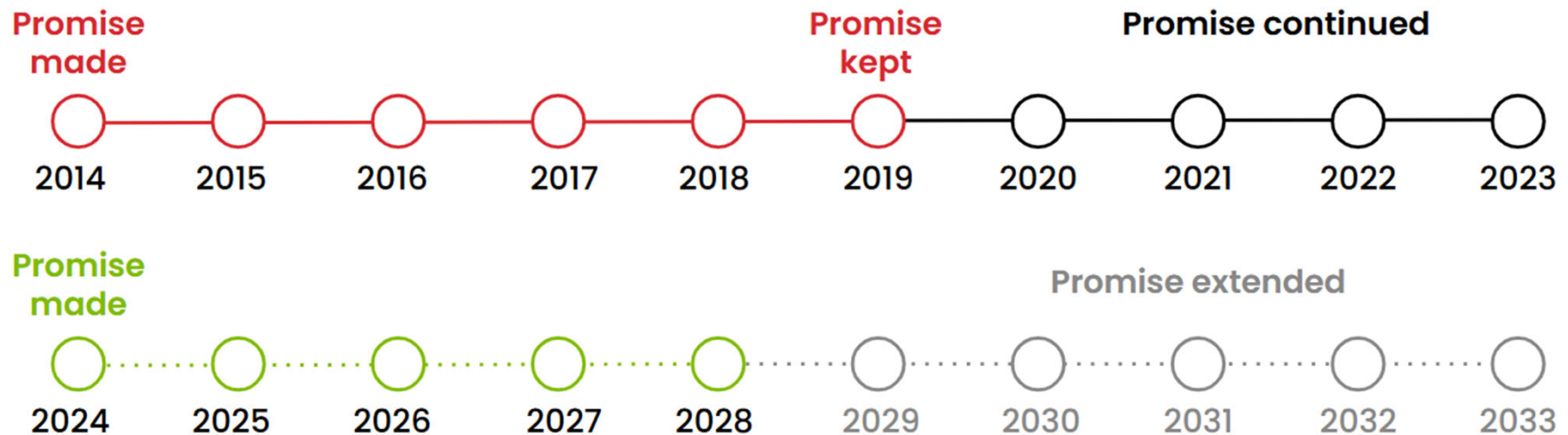
## FY 25 Budget - \$145,909,242

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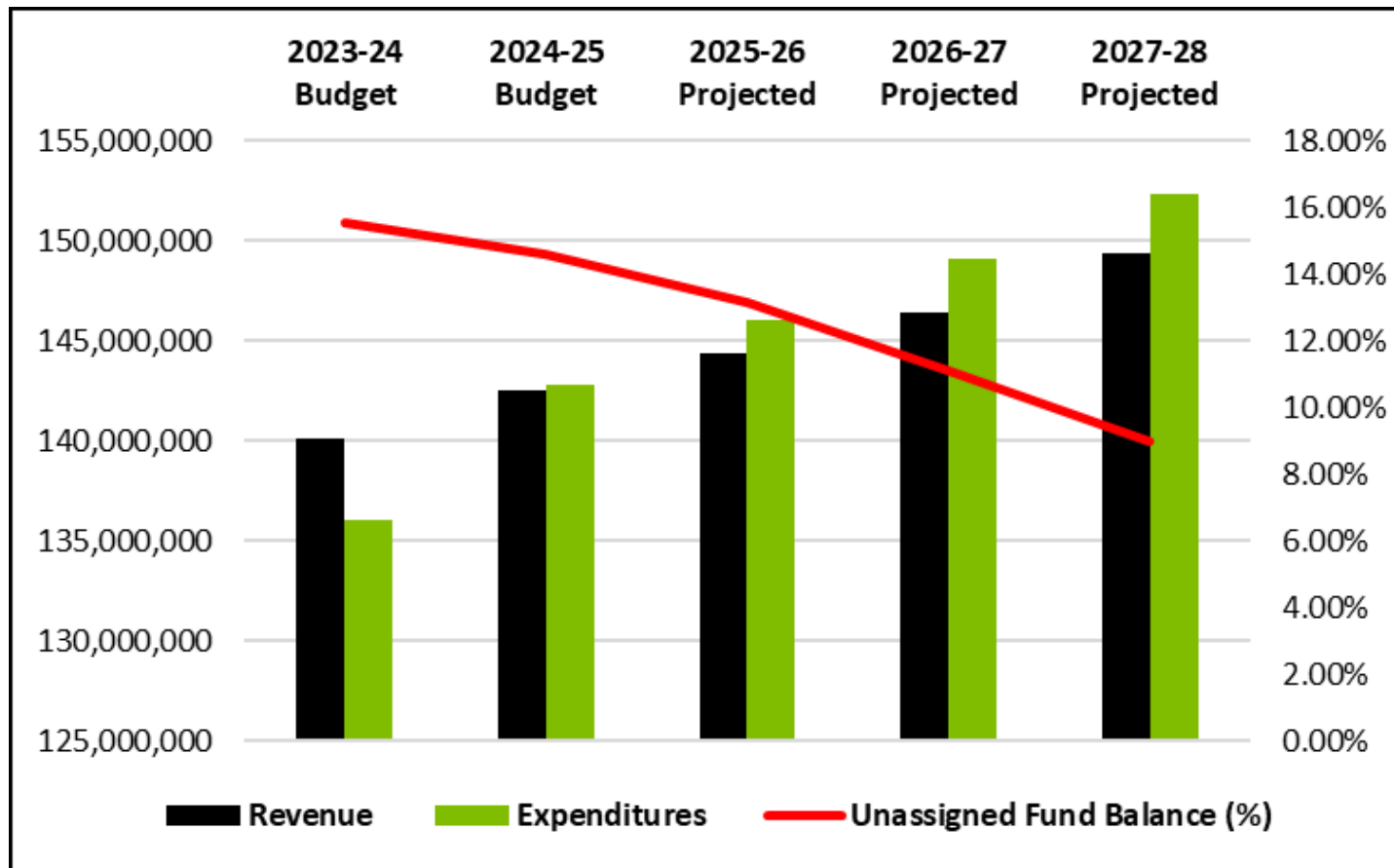


# Promises made, promises extended

The 2014 operating levy promised to **avoid reductions to programs and services for at least five years**. Fiscal Year 23 was **year nine**. We renewed a 5 year promise supported by the community that began in FY24 and are now in year 2 of the 5 year promise.



# Multi-Year Budget Projection



# Payable 2024 Property Tax Levy

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Determination of levy

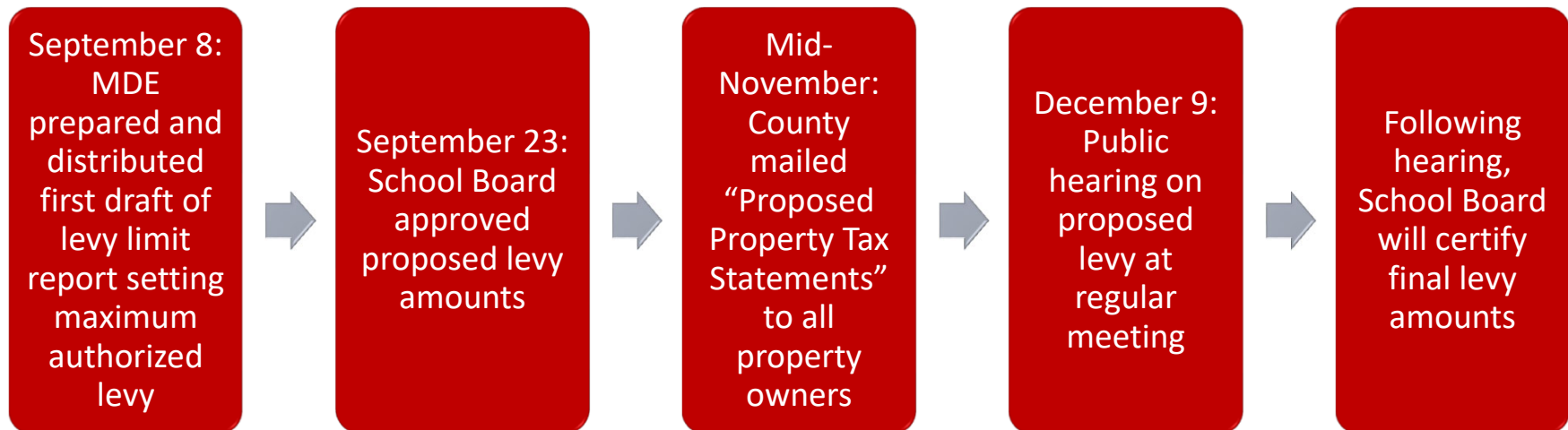
Comparison of 2024 to 2025 levies

Specific reasons for changes in tax  
levy

Impact on taxpayers

# Schedule of Events of District's 2024 (Payable 2025) Tax Levy

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## Just a Note...

- The operating referendum of 2022 impacted tax statements issued for calendar year 2023
- 2025 will mark the 3<sup>rd</sup> year of the operating referendum





# Property Tax Background

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- 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





# School District Property Taxes

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- Each school district may levy taxes in over 40 different categories
- “Levy limits” (maximum levy amounts) for each category are set by
  - State law
  - Voter approval
- Minnesota Department of Education (MDE) calculates detailed levy limits for each district





# Factors Impacting Individual Taxpayer Taxes

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Many factors can cause a tax bill for an individual property to increase or decrease from year to year

- Estimated Market Value established by County/City Assessor
- Property Classifications established by state legislature
- Tax levy established by taxing jurisdictions (School, City, County, and others)



# Market Value:

## Basics of Property Assessment

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- Minnesota Law requires that property be valued at its market value
- Assessors physically review 20% of properties annually, but re-value all properties each year
  - Also review properties where permits were issued
- For 1/01/2024 Assessments (Pay 2025), study period is October 2022-September 2023
- Use sales data and computer software to re-value all properties
- Perform a study of recent sales to establish appropriate adjustments to values



# Market Value:

## Eden Prairie Assessment Details 2024

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City of Eden  
Prairie Property  
Value Increase in  
2024

+1.3%

- Industrial +5.7%
- Residential +1.0%
- Townhouses +0.7%
- Apartments +2.5%
- Commercial -0.6%



# Market Value:

## Hennepin County Assessment Details 2024

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Hennepin County  
Property Value  
Increase in 2024

+1.1%

- Industrial +5.2%
- Residential +1.3%
- Townhouses +2.2%
- Apartments +0.7%
- Commercial -1.7%



# Classified Property Tax System:

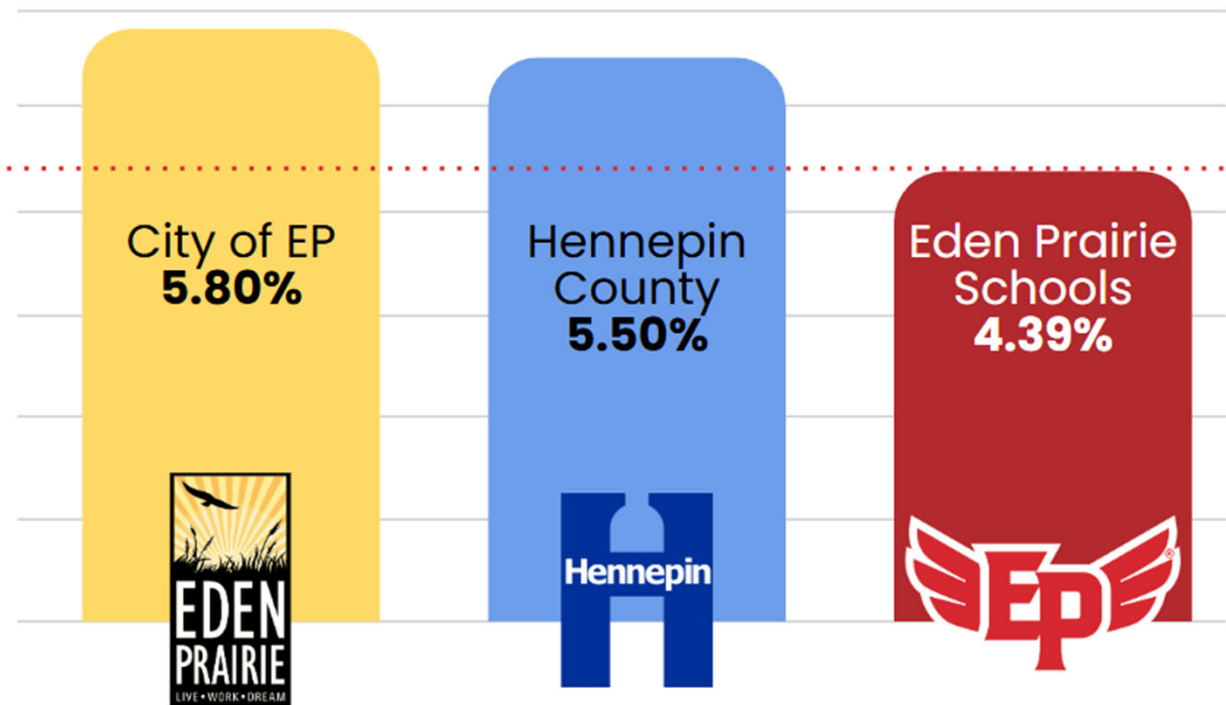
## Properties are Assigned Class Rates

Property Tax Class	Tax Rate Pay 2024
Residential (Up to \$500,000)	1.00%
Residential (Over \$500,000)	1.25%
Apartments	1.25%
Commercial (Up to \$150,000)	1.50%
Commercial (Over \$150,000)	2.00%
Seasonal Recreational (Up to \$500,000)	1.00%

Note:

The property's taxable market value is multiplied by the class rate(s) to determine the property's tax base, known as its net tax capacity.





# Local Taxing Jurisdictions Proposed Levy Increases

# Property Taxes:

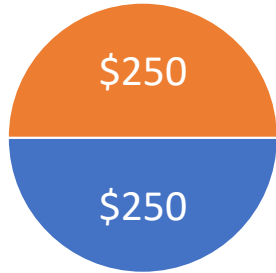
## Dividing the Property Tax Pie

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### Tax Burden Shift

- Property values do not rise uniformly across all properties
- The burden of the tax levy shifts from taxpayers with lower increases to those with higher increases
  - Higher increase = Larger piece of the pie





# Impact of Property Valuations

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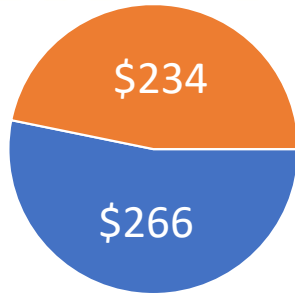
## Two Properties in the district

- Both houses are valued at \$100,000

## Total levy of \$500

- Each property will pay \$250 of the levy





# 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

# Property Taxes

## School Revenue Impact

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Property  
Value  
Versus  
Inflation

- Property valuation increases do not change the amount of revenue the district receives
  - (Exception – Capital Project/Technology Levy)
- Inflation does drive additional revenue and helps to offset inflationary expenses



# Pay 25 Levy Look Back

Date	Pay 25 Increase	Details
September 23, 2024	4.54%	Approved estimated levy and certify “Levy to the MAXIMUM” to Hennepin County.
September 30, 2024	4.71%	Final calculation of factoring all adjustments released by MDE.
December 9, 2024	4.39%	Proposed Final Pay 25 property tax levy Board for certification to Hennepin County.

# Overview of Levy Changes

Fund	Pay 24	Pay 25	\$ Change	% Change
General	\$49,660,251	\$51,491,388	+ \$1,831,137	+ 3.69%
Community Education	1,302,511	1,314,321	+ 11,810	+ 0.91
Debt Service	9,412,377	10,218,815	+ 806,438	+ 8.57
<b>Total</b>	<b>\$60,375,139</b>	<b>\$63,024,524</b>	<b>+ \$ 2,649,385</b>	<b>+ 4.39%</b>

Note: Includes an under levy of \$193,457.81

# Explanation of Levy Changes

General Fund	
Category:	Operating Referendum & Local Optional Revenue
Change:	+ \$1,055,572
Use of Funds:	General operating expenses
Reasons for Increase:	
Voter Approved:	
	Inflation adjusted (CPI) – increase of 2.43%

# Explanation of Levy Changes

General Fund	
Category:	Abatements/Other Adjustments
Change:	+ \$867,031
Use of Funds:	General operating expenses
Reasons for increase:	
	The district approved an under levy of \$791,752 for Pay 2024.



# Explanation of Levy Changes

General Fund	
Category:	Building / Lease Levy
Change:	+ \$813,469
Use of Funds:	To pay for leases of instructional spaces
Reasons for decrease:	
	The District purchased the Valley View property and increased lease levy obligations by \$1.1 million through issuance of Certificates of Participation (COPs). Offset by Intermediate Dist. 287 Lease Levy, City Center Lease and Graduation venue expirations, and a Pay 22 negative adjustment.



# Explanation of Levy Changes

General Fund	
Category:	Capital Project Levy (Technology Levy)
Change:	+ \$677,308
Use of Funds:	Capital & Technology expenses (Examples include; Infrastructure, Equipment, hardware (student and staff devices), software (instructional technology))
Reasons for increase:	
Voter Approved:	
	The capital project levy is based on net tax capacity (NTC), which is a factor based on the value of property.





# Explanation of Levy Changes

General Fund	
Category:	Long-Term Facility Maintenance (LTFM)
Change:	- \$1,857,349
Use of Funds:	Deferred capital and maintenance, approved health and safety, increased accessibility to school facilities, and a push towards sustainability projects
Reasons for increase:	
School Board Approved:	
	Decrease is the result of a committed reduction aligned with the purchase of the Valley View Property to meet the board promise of reducing the LTFM Pay-As-You-Go Levy and related state approved projects.



# Explanation of Levy Changes

Debt Service Fund	
Category:	Debt Service
Change:	+ \$697,186
Use of Funds:	To make principal and interest payments on debt
Reasons for increase:	
School Board Approved:	
	Planned increase in the principal and interest payments on alternative facilities bonds and long-term facilities maintenance bonds.



# Proposed Levy Reductions

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## Taxpayer Savings

- Debt Service Fund
  - Permanently reduce property tax abatements of \$193,457.81



# Overview of Levy Changes

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Fund	Pay 24	Pay 25	\$ Change	% Change
Voter Approved	\$ 33,662,029	\$ 35,184,227	+ \$1,522,198	+ 4.52%
School Board Approved	<u>26,713,110</u>	<u>27,840,297</u>	<u>+ 1,127,187</u>	<u>+ 4.22%</u>
<b>Total</b>	<b>\$ 60,375,139</b>	<b>\$ 63,024,524</b>	<b>+ \$2,649,385</b>	<b>+ 4.39%</b>

Note: School Board Approved Includes an under levy of \$193,457.81

# Four Year School Levy Comparison

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- Examples include school district taxes only & are shown based on no change and an 22.0% 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
- Amounts for 2025 are preliminary estimates; final amounts could change slightly
- Examples are for property in the City of Eden Prairie
- Estimates prepared by Ehlers (District's municipal financial advisors)



Estimated Changes in School Property Taxes, 2022 to 2025  
Based on No Changes in Property Values

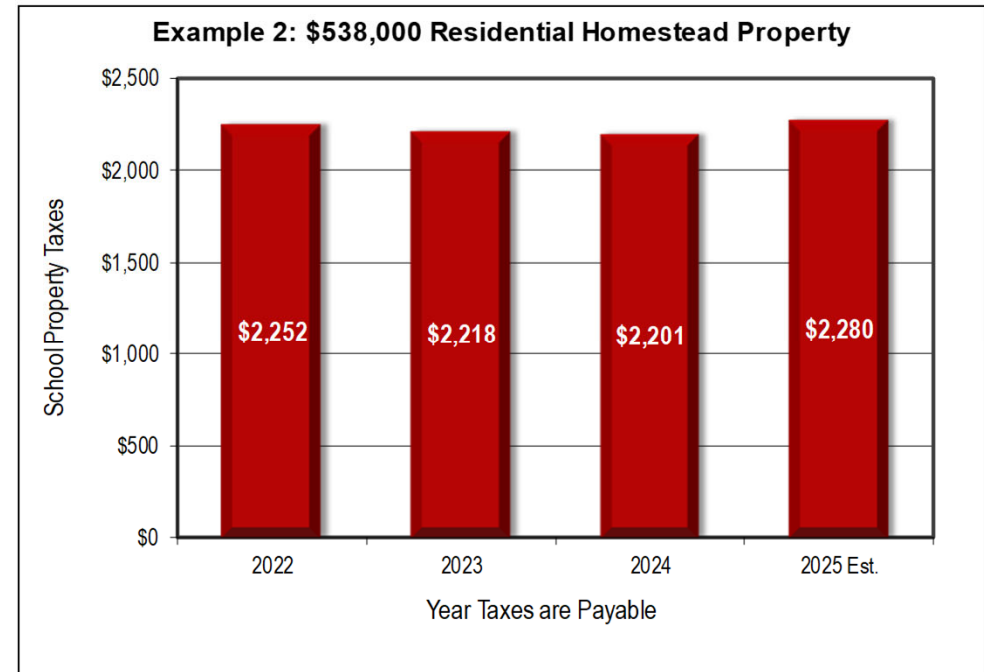
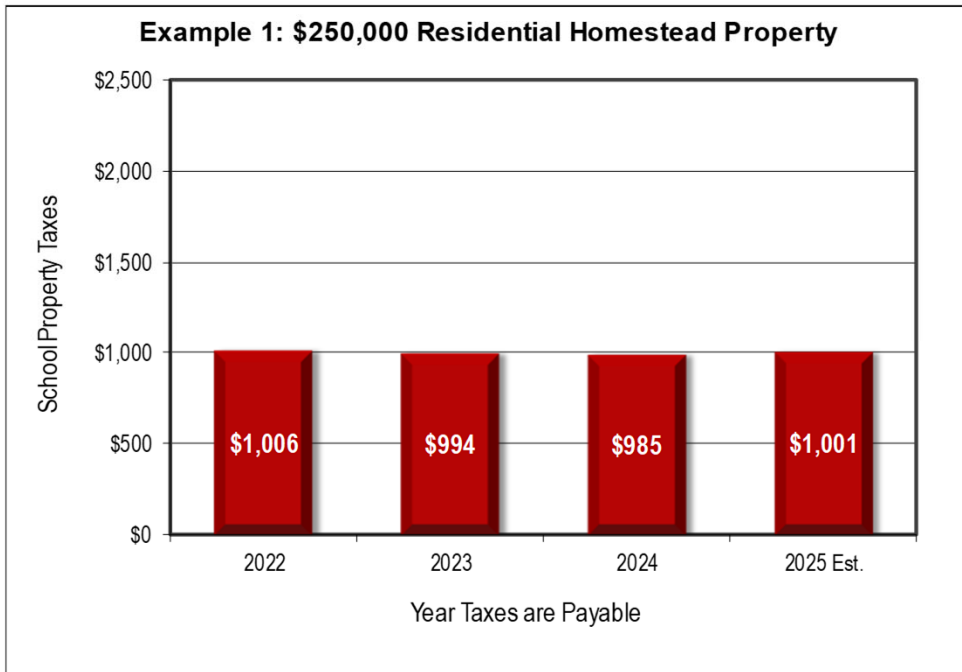
Type of Property	Estimated Market Value	Actual Taxes Payable in 2022	Actual Taxes Payable in 2023	Actual Taxes Payable in 2024	Estimated Taxes Payable in 2025	Change in Taxes 2022 to 2025	Change in Taxes 2024 to 2025
Residential Homestead	\$250,000	\$1,006	\$994	\$985	\$1,001	-\$5	\$16
	350,000	1,440	1,420	1,409	1,439	-1	30
	450,000	1,867	1,840	1,825	1,878	11	53
	538,000	2,252	2,218	2,201	2,280	28	79
	545,000	2,285	2,250	2,233	2,313	28	80
	650,000	2,776	2,730	2,711	2,808	32	97
	750,000	3,243	3,187	3,165	3,280	37	115
	850,000	3,711	3,644	3,620	3,752	41	132

**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 2025 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 2022 to 2025.

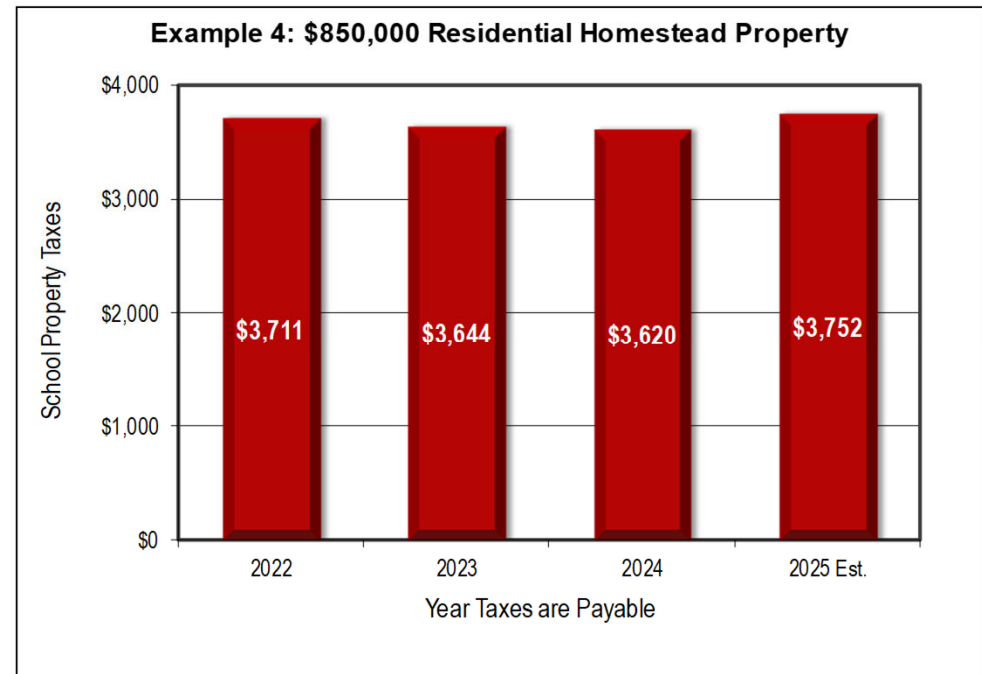
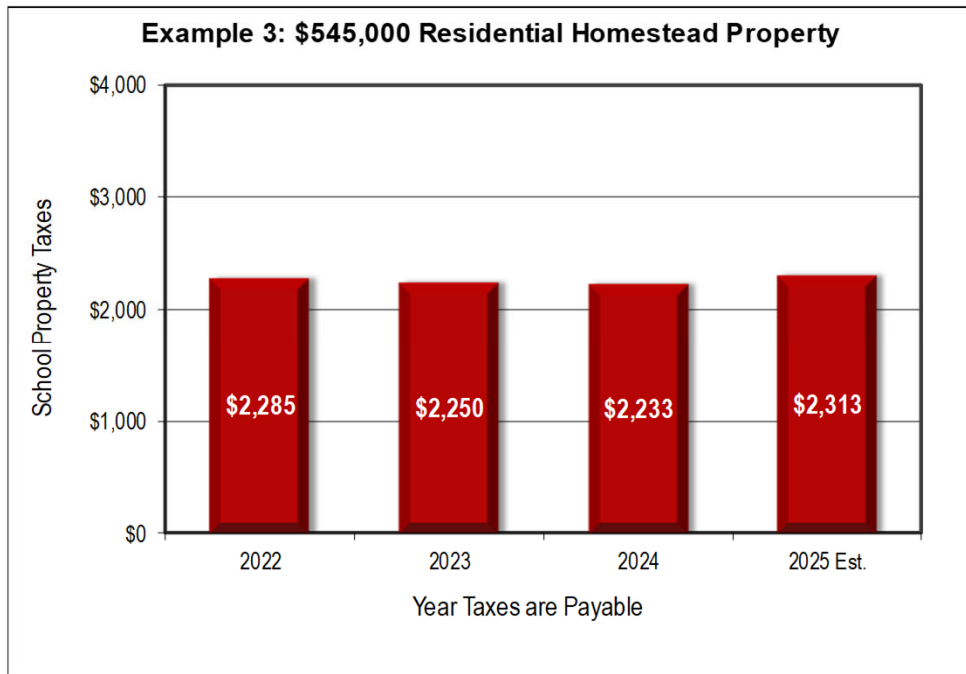
# Estimated Changes in School Property Taxes, 2022-25

*Based on No Changes in Property Value*



# Estimated Changes in School Property Taxes, 2022-25

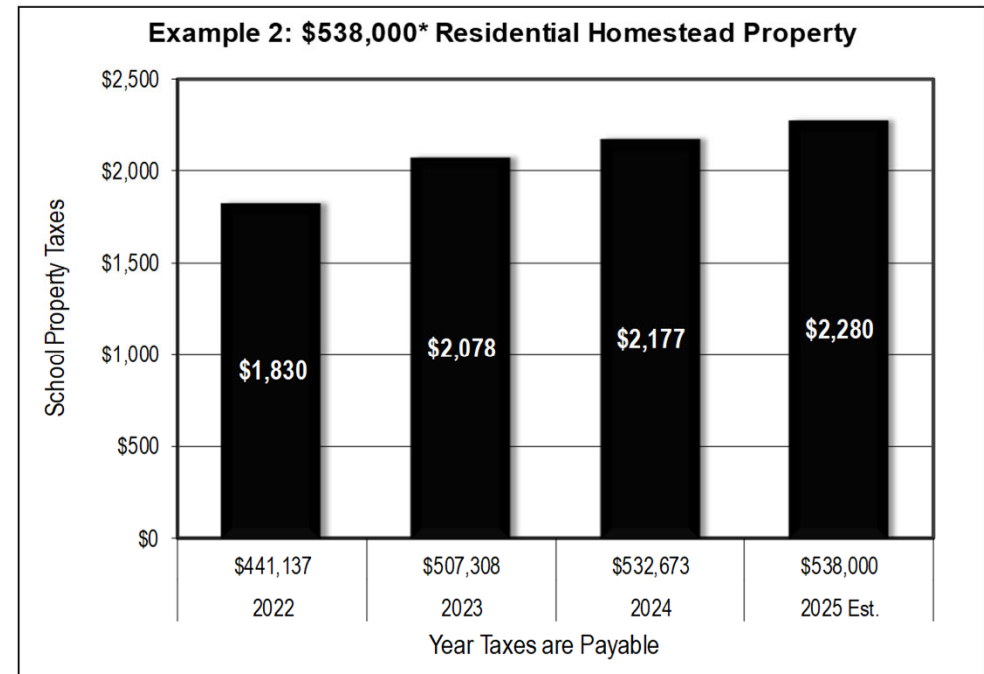
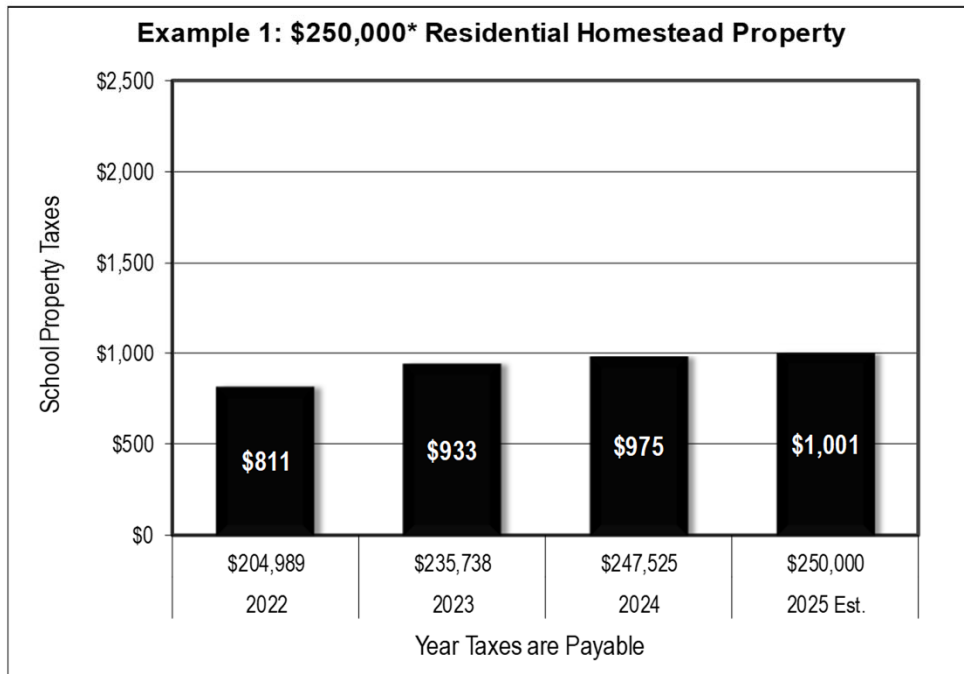
*Based on No Changes in Property Value*





# Estimated Changes in School Property Taxes, 2022-25

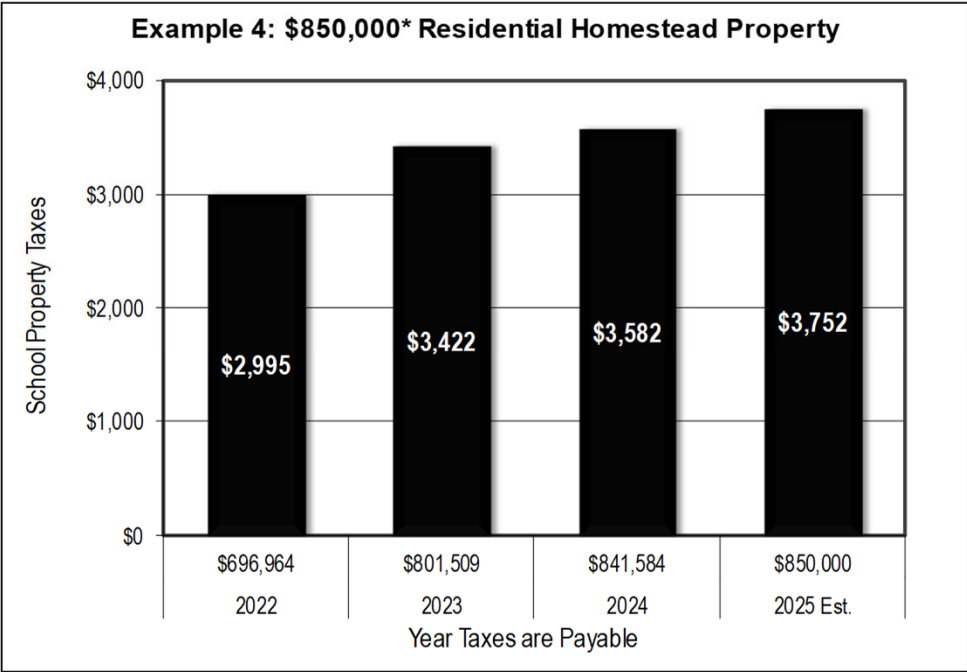
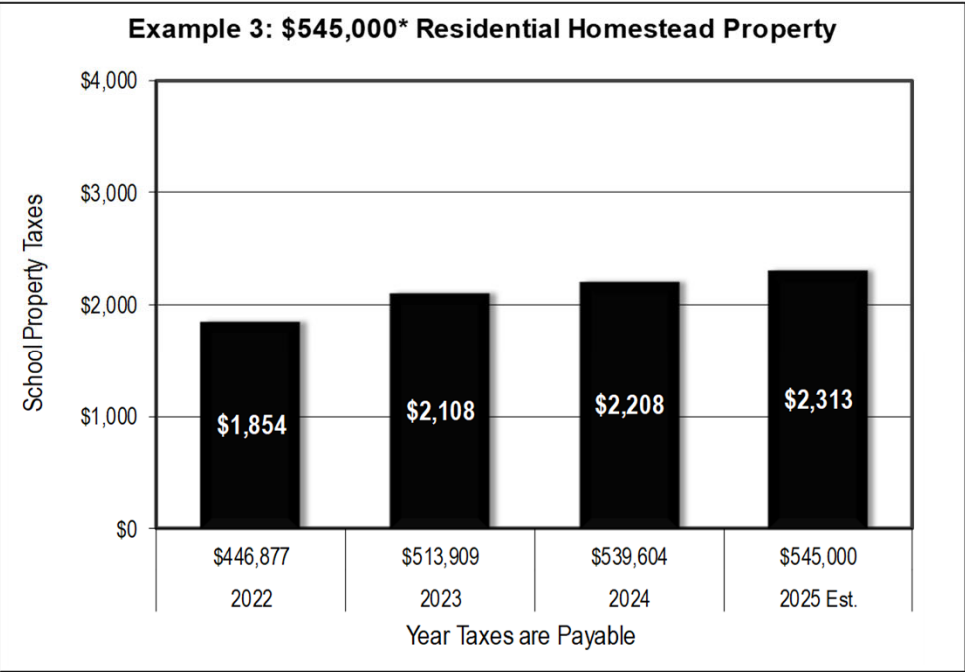
*Based on 22.0% Cumulative Changes in Property Value*



\* Estimated market value for taxes payable in 2024. Taxes are calculated based on changes in market value of 15.0% from 2022 to 2023, 5.0% from 2023 to 2024 and 1.0% from 2024 to 2025.

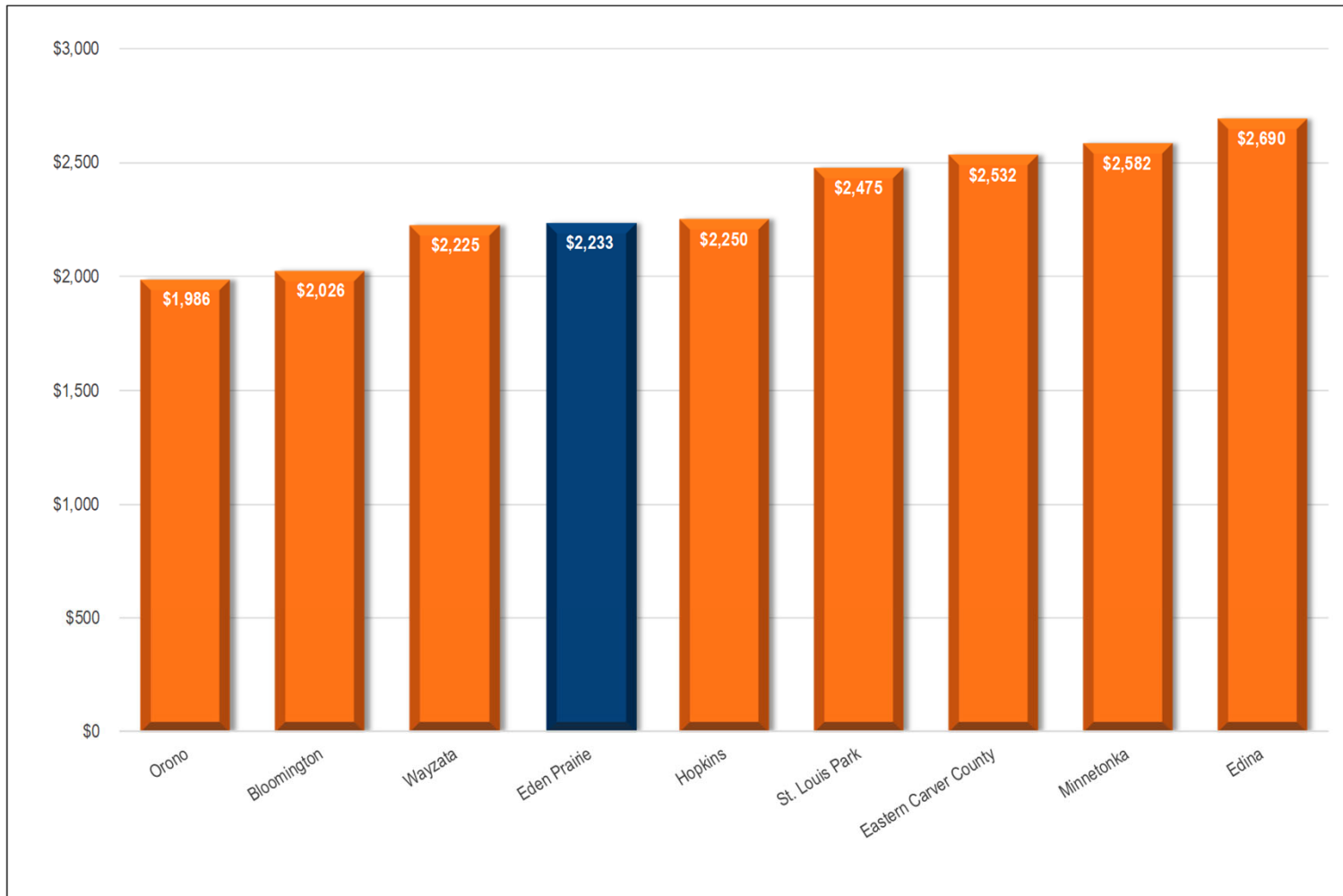
# Estimated Changes in School Property Taxes, 2021-24

*Based on 22.0% Cumulative Changes in Property Value*



\* Estimated market value for taxes payable in 2024. Taxes are calculated based on changes in market value of 15.0% from 2022 to 2023, 5.0% from 2023 to 2024 and 1.0% from 2024 to 2025.

Total School Property Taxes, Payable 2024, on a Home with an Estimated Market Value of \$545,000



Source: Pay 24 School Tax Report.

# Taxpayer Options

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## Minnesota Tax Court

- Taxpayers have the right to appeal their property valuation to the local board of appeal and adjustment and County board of appeal and adjustment each spring.
- For Pay 2025, the only option left is to appeal to Minnesota tax court (Open until April 2025)

# State Property Tax Refunds & Deferral

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## Taxpayer Options

- The State of MN has two tax refund programs and one tax deferral program available for owners of homestead property
- These programs may reduce the net tax burden for local taxpayers, but only if you take time to complete and send in the forms
- For help with the forms and instructions:
  - Consult your tax professional
  - Visit the Department of Revenue website at [www.revenue.state.mn.us](http://www.revenue.state.mn.us)



# State Property Tax Refunds & Deferral

## Homestead Credit Refund

- Regular Refund
  - You owned and lived in your home on January 2, 2024
  - Your household income for 2023 was less than \$135,410
- Special Refund
  - You owned and lived in the same home on January 2, 2023 & January 2, 2024
  - Your home's net property tax increased by more than 12% from 2023 to 2024
  - The net property tax increase was at least \$100
  - The increase was not due to improvements you made to the property
- Refund is a sliding scale, based on total property taxes and income



# State Property Tax Refunds & Deferral

## 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
- You have owned and lived in your home for the last 5 years
- Deferred property taxes plus accrued interest (<5%) must be paid when home is sold or homeowner dies
- 3% of your total household income, state pays remainder as a loan



## Next Steps

**Accept**

Board will accept public comments on proposed levy



**Certify**

Board will certify 2025 property tax levy



# Contact Information

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## School District Specific Tax Levy Questions:

Andrew Adams, Executive Director of Business Services

[aadams@edenpr.org](mailto:aadams@edenpr.org)

(952) 975-7071

## To Appeal your Property Valuation:

MN Tax Court

[info@taxcourt.state.mn.us](mailto:info@taxcourt.state.mn.us)

651-297-8737



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