

**EDUCATION FINANCE
Education finance provisions
modified and appropriation
provided**

March 15, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 3224 (Huot) / S.F. 3554 (Rarick) as introduced

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
Education Aid	\$0	(\$140,510)	(\$401,510)	(\$497,250)
Property Tax Refund Interaction	\$0	\$0	\$26,220	\$25,700
Income Tax Interaction	\$0	\$0	\$5,590	\$5,400
School Bond Credit	\$0	\$0	\$0	(\$80)
General Fund Total	\$	(\$140,510)	(\$369,700)	(\$466,230)

Various effective dates.

EXPLANATION OF THE BILL

The proposal would make a number of changes to state aids to school districts. These changes include:

- Providing additional equalization aid
- Simplifying aid and levy formulas for debt service revenue, local optional revenue, long-term facilities maintenance (LTFM) revenue, and operating referendum revenue
- Increasing local optional revenue
- Increasing LTFM revenue
- Extending authority for certain cooperative units and joint powers districts to allocate lease costs and deferred maintenance to their member districts
- Increasing debt service equalization aid under the enhanced debt service equalization aid program for some consolidating districts

REVENUE ANALYSIS DETAIL

- Based on estimates from the Department of Education, the proposal would increase state aid to school districts by \$140.51 million in fiscal year 2023, \$401.51 million in fiscal year 2024, and \$497.25 million in fiscal year 2025.
- The increase in local optional revenue to independent school districts would reduce existing school district levies beginning in taxes payable 2023. Lower levies would reduce property taxes on all property.

- The lower property tax burden would reduce state-paid homeowner property tax refunds and income tax deductions beginning in fiscal year 2024, resulting in a savings to the state general fund.
- Due to the changes to enhanced debt service equalization for consolidating districts, debt service levies would increase in some districts. The levy increase would increase the school building bond credit by \$90,000 in taxes payable 2024. This number has been converted to fiscal years for the purposes of this estimate.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

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