School District Equalization

School district funding consists of a mix of state aid and local property tax levies. Some levies are referred to as "equalized" school levies. Equalization means the that the program's revenue is divided between state aid and the local property tax based on a measure of each school district's tax base.

The measure used in Minnesota for equalizing school levies is tax base per pupil, and for equalized school levies, the equalization aid provides assistance for lower-tax base school districts to help narrow the spread in the amount of tax paid for the same level of service in a property poor school district and a property wealthy school district. In Minnesota, for the operating referendum and local optional revenue (LOR), the tax base used is called Referendum Market Value (RMV) which is market value of all the taxable property located within the boundaries of the school district except for agricultural lands and seasonal recreational property, which are excluded from the tax base.

Equalizing a School Levy

To equalize a school levy, the first step is to calculate the revenue. In this example, the revenue is simply $724 per pupil times the number of pupils in the district. Next, the levy share is determined by comparing the district's RMV tax base per pupil to the equalizing factor set in statute. In the example, the equalizing factor is $880,000. If a district's tax base per pupil is above that amount, the district's revenue comes entirely through the local levy. If the district's tax base per pupil is less than the equalizing factor, then the ratio of the district's tax base per pupil to the equalizing factor is used to calculate the levy share. The aid share is the difference between the revenue and the levy. In the example below, the bottom line shows how the taxes on a $300,000 home would vary for the same program and revenue amount ($724 per pupil). The second to last line of the table shows how equalization pulls the rates closer together to help narrow the impact that tax base has on the district's ability to pay for a levy.

Equalization Example for Three Selected School Districts

District Name	ISD #270 Hopkins	ISD #659 Northfield	ISD #492 Austin
Pupils	7,036	4,048	5,390
Tax Base (Ref Market Value)	14,913,108,700	3,343,002,900	2,122,746,135
Tax Base/pupil	2,119,544	825,922	393,841
Equalizing Factor	880,000	880,000	880,000
Allowance	724	724	724
Revenue	5,094,064	2,930,462	3,902,259
Levy Share	5,094,064	2,750,380	1,746,441
Aid	0	180,083	2,155,818
Share paid by state	0.0%	6.1%	55.2%
Tax on $300,000 Home	102	247	247
Tax on home without equalization	102	263	551