

**Subject** Enhancing Equalization Aid for School Districts

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## Overview

Many Minnesota school district levies are equalized. Equalization means that the state aid portion of the revenue is determined by the district's relative property tax base per pupil. The greater the property tax base per pupil, the smaller the state aid payment. Equalization helps level tax rates across school districts.

H.F. 3224 provides additional equalization aid for school districts and simplifies the aid and levy formulas for debt service revenue, local optional revenue, long-term facilities maintenance (LTFM) revenue, and operating referendum revenue. The bill increases local optional revenue for school districts and LTFM revenue for school districts and charter schools. The bill also extends certain authority available to specific cooperative units to certain joint powers associations to allocate lease costs and deferred maintenance costs back to their member districts. The bill also authorizes the higher level of debt service equalization aid available under the enhanced debt service equalization aid program to school districts that consolidate on or after July 1, 2022.

## Summary

Section	Description
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| 1 | <b>Debt service equalization revenue.</b><br>Lowers the unequalized portion of debt service revenue from 15.74 percent of adjusted net tax capacity to 10 percent of adjusted net tax capacity. Treats the full amount of debt service revenue over 10 percent of adjusted net tax capacity as a single tier. |
| 2 | <b>Equalized debt service levy.</b><br>Simplifies the debt service levy calculation. Equalizes all of the debt service revenue in excess of 10 percent of adjusted net tax capacity at 100 percent of the initial   |

<b>Section</b>	<b>Description</b>
	equalizing factor (the initial equalizing factor is the statewide average net tax capacity per pupil).
<b>3</b>	<b>Debt service equalization aid.</b> Simplifies debt service equalization aid by combining the aid into one tier.
<b>4</b>	<b>Enhanced debt service equalization aid.</b> Broadens the qualifications for enhanced debt service equalization aid to include debt service equalization aid for any school district that consolidates on or after July 1, 2022, for construction projects that have received a positive review and comment from the commissioner of education (current law limits eligibility to districts that have been impacted by a natural disaster that has caused more than \$500,000 of damage not otherwise covered by insurance or FEMA payments).
<b>5</b>	<b>Long-term facilities maintenance revenue.</b> Increases the per pupil allowance for long-term facilities maintenance (LTFM) revenue from \$380 per pupil to \$500 per pupil for fiscal year 2023. Increases the LTFM per pupil formula for subsequent years by the rate of inflation.
<b>6</b>	<b>LTFM revenue; charter schools.</b> Increases the LTFM formula allowance for charter schools from \$132 per pupil to \$174 per pupil for fiscal year 2023. Increases the charter school LTFM per pupil formula for subsequent years by the rate of inflation.
<b>7</b>	<b>LTFM revenue for intermediate school districts and cooperative units.</b> Expands the types of cooperative units that may allocate LTFM costs back to their member districts to include joint powers districts. (Note: Under current law, this authority is limited to intermediate school districts and other specified cooperative units.) Clarifies that LTFM bonds issued by a cooperative unit or joint powers district remain the responsibility of all member districts.
<b>8</b>	<b>LTFM equalization revenue.</b> Removes obsolete language and sets the LTFM equalization revenue equal to the product of the district's pupil units and its LTFM allowance for that year.
<b>9</b>	<b>LTFM equalized levy.</b> Increases the equalizing factor for the LTFM equalized levy from 123 percent of the state average tax base per pupil to 125 percent of the state average tax base per pupil.

Section	Description
10	<b>Local optional revenue.</b> Increases local optional revenue by raising the allowance from \$724 per pupil to \$825 per pupil for fiscal year 2023 and increases the allowance by the rate of inflation for subsequent years. Combines the two tiers of local optional revenue into one tier and links the local optional revenue equalization factor to 150 percent of the statewide average tax base per pupil.
11	<b>Referendum equalization revenue.</b> Combines all of a district's approved referendum revenue into one tier for purposes of equalization aid.
12	<b>Referendum equalization levy.</b> Increases the equalizing factor for referendum equalization aid to 125 percent of the statewide average tax base per pupil (currently there are two tiers of equalization with equalizing factors of \$567,000 and \$290,000).
13	<b>Referendum equalization aid.</b> Adjusts referendum equalization aid to match the one tier of referendum equalization revenue computed in section 11.
14	<b>To lease building or land.</b> Authorizes a joint powers district to include facility lease expenses in its member district lease levy authority in the same manner as intermediate school districts and other cooperative districts according to the plan adopted by the joint powers district or cooperative unit.
15	<b>Appropriations.</b> Appropriates an unspecified amount of money in fiscal year 2023 from the general fund to the Department of Education for additional local optional revenue and additional LTFM aid.



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