

HF3371 - 0 - Local Option Rev. for Certain School Dist. Mod.

Chief Author: **Kari Rehrauer**  
 Committee: **Education Finance**  
 Date Completed: **3/10/2026 2:22:24 PM**  
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	2,192	2,072	1,752	
<b>Total</b>	-	-	<b>2,192</b>	<b>2,072</b>	<b>1,752</b>	
<b>Biennial Total</b>			<b>2,192</b>		<b>3,824</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Alyssa Holterman Rosas      **Date:** 3/10/2026 2:22:24 PM  
**Phone:** 651-284-6439      **Email:** alyssa.holterman.rosas@lbo.mn.gov

**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
General Fund	-	-	2,192	2,072	1,752	
<b>Total</b>		-	-	<b>2,192</b>	<b>2,072</b>	<b>1,752</b>
<b>Biennial Total</b>				<b>2,192</b>		<b>3,824</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	-	2,192	2,072	1,752	
<b>Total</b>		-	-	<b>2,192</b>	<b>2,072</b>	<b>1,752</b>
<b>Biennial Total</b>				<b>2,192</b>		<b>3,824</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>		-	-	-	-	-
<b>Biennial Total</b>				-		-

**Bill Description**

This bill changes the calculation of general education local optional revenue (LOR) by adding a third tier to increase revenue for school districts with limited referendum revenue authority. This change would be effective for fiscal year (FY) 2027 and later.

Subdivision 2e, para (a) creates a third tier of local optional revenue equal to the greater of zero or the product of the district's adjusted pupil units for that year multiplied by the difference between \$100 and the district's operating referendum revenue per adjusted pupil unit for that year.

Subd. 2e(d) removes obsolete language related to FY 2023 and FY 2024.

Subd. 2e(e) defines the third-tier local optional levy as equal to the district's third-tier local optional revenue multiplied by the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$880,000.

Subd. 2e(g) amends current language by defining a district's local optional aid as the total of the first, second, and third tiers.

Makes the section effective for revenue for FY 2027 and later.

Section 2 appropriates a blank amount from the general fund to MDE in FY 2027 for additional general education aid for increasing local optional revenue under section 1.

**Assumptions**

The February 2026 general education forecast data are used in the calculations.

**Third tier of local optional revenue =**

Greater of zero or the product of the district's adjusted pupil units for that year and (\$100 - the district's operating referendum revenue per adjusted pupil unit for that year).

**Third tier of local optional levy =**

The district's third-tier local optional revenue multiplied by the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$880,000.

**Third tier of local optional aid =**

Third-tier revenue - third-tier levy.

It is assumed that 90 districts will qualify for the third tier. This number includes the two newly consolidated districts in FY 2027.

**Expenditure and/or Revenue Formula**

<b>HF 3371</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
General Education Aid Entitlement	8,775,989,838	8,932,022,354	9,074,138,390
General Education Levy	1,901,671,956	1,957,270,352	2,009,111,234
Total Revenue	10,677,661,795	10,889,292,707	11,083,249,623
<b>February 2026 Forecast</b>			
	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
General Education Aid Entitlement	8,773,553,700	8,929,990,318	9,072,417,377
General Education Levy	1,890,854,529	1,946,237,943	1,997,856,957
Total Revenue	10,664,408,229	10,876,228,261	11,070,274,334
<b>Change</b>			
	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
General Education Aid Entitlement	2,436,138	2,032,036	1,721,013
General Education Levy	10,817,428	11,032,409	11,254,277
Total Revenue	13,253,566	13,064,446	12,975,290
<b>Entitlement Change (1000s)</b>			
	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
General Education Aid Entitlement	2,436	2,032	1,721
General Education Levy	10,817	11,032	11,254
Total Revenue	13,253	13,064	12,975
<b>90/10 Entitlements</b>			
	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>
Appropriation Change			
90% Current	2,192	1,829	1,549
10% Final	0	244	203
Total Appropriation	2,192	2,072	1,752

**Long-Term Fiscal Considerations**

The increase in general education revenue proposed in this bill is ongoing and will increase both aid and levy revenue.

**Local Fiscal Impact**

This bill increases general education revenue for school districts and affects local property taxes. School districts with limited referendum revenue authority will receive additional revenue. MDE has already issued levies for FY2027. Therefore, there would be no FY2027 levy increase, and the FY2027 levy would be adjusted in FY2028 levy.

HF3371	FY 2027	FY 2028	FY 2029
FY 2027 Adjustment		10,817,428	
Current Year Levy		11,032,409	11,254,277
<b>Total Levy Increase</b>		21,849,837	11,254,277

**References/Sources**

**Agency Contact:** Becky Wochnick (651) 582-8781

**Agency Fiscal Note Coordinator Signature:** Betsy Hjelseth

**Phone:** 651-582-8242

**Date:** 3/10/2026 12:55:14 PM

**Email:** bettsy.hjelseth@state.mn.us