

HF879 - 0 - Local Optional Revenue Modified

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 Committee: Education Finance
 Date Completed: 2/20/2023 8:15:50 AM
 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) Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	97,403	75,125	52,356	41,776
Total	-	97,403	75,125	52,356	41,776
Biennial Total			172,528		94,132

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
Total	-	-	-	-	-

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:** 2/20/2023 8:15:50 AM
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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.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	97,403	75,125	52,356	41,776	
Total	-	97,403	75,125	52,356	41,776	
	Biennial Total		172,528		94,132	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	97,403	75,125	52,356	41,776	
Total	-	97,403	75,125	52,356	41,776	
	Biennial Total		172,528		94,132	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
	Biennial Total		-		-	

Bill Description

Subdivision 2e updates the local optional revenue fiscal year information as well as clarifies fiscal year 2024 and later allowance times a district’s adjusted pupil units.

The purpose of the legislation is to move from a two-tiered local optional revenue program to a one tier in fiscal year 2025. Subdivision 2e (C) (D) and (E) clarify the 2023 and 2024 allowance as well as equalization factors. (E) creates the one tier local optional revenue program.

Subdivision 2e (H) increases the fiscal year 2024 local optional allowance to \$840. For Fiscal year 2025 and later the Local Optional allowance is equal to the previous year times the ratio of the general education basic formula allowance for the current year to the general education basic formula allowance for the previous year.

Assumptions

Current law does not have a formula allowance change. The local optional allowance of \$840 was used for fiscal year 2025 and later. The \$840 was used to calculate the allowance and the new one-tiered program was used to calculate the equalization aid. For Fiscal Year 2024 only, the difference between the \$840 allowance and the current law allowance \$724 was used as additional aid (\$116 per APU) to school districts and charter schools.

It is assumed that in fiscal year 2025 and later that the local optional revenue aid from a one tier calculation is still part of the charter school referendum/tier one aid program.

There would be no MNIT or FTE costs associated with the legislation.

Expenditure and/or Revenue Formula

	2024	2025	2026	2027
State Aid Entitlement	108,224,996	71,447,004	50,235,372	40,836,068
90	97,403,000	64,303,000	45,212,000	36,753,000
10	-	10,822,000	7,144,000	5,023,000
Appropriation	97,403,000	75,125,000	52,356,000	41,776,000
	2024	2025	2026	2027
Levy	-	31,837,422	50,731,553	58,499,203

Long-Term Fiscal Considerations

This will be an ongoing increase in state aid.

Local Fiscal Impact

Property tax levy increases with the change in number of tiers as well as the increased local optional allowance.

References/Sources

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