

Subject School District Local Optional Revenue

Authors Norris and Others

Analyst Tim Strom

Date March 12, 2024

Overview

Local optional revenue (LOR) is a component of general education revenue and is currently set at \$724 per pupil unit. LOR is an equalized aid and levy split into two tiers of revenue. The equalization is based on referendum market value per pupil and is set at a fairly low rate; about 90 percent of LOR is provided through local property taxes while about 10 percent of the revenue is provided in state aid.

H.F. 4117 makes several changes to LOR. H.F. 4117 increases the revenue amount by raising the formula allowance from \$724 per pupil to \$920 per pupil for fiscal year 2025 and in fiscal year 2026 and later, increases the \$920 per pupil formula allowance by the rate of inflation and adds cost-based reimbursements for school districts' unemployment insurance costs and paid family and medical levy expenses.

H.F. 4117 also proposes to increase the equalization aid in both the LOR program and the operating referendum revenue program.

Summary

Section	Description
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1	Local optional revenue.
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	Increases local optional revenue (LOR) from \$724 per pupil to \$920 per pupil for fiscal year 2025. For fiscal years 2026 and later, broadens the LOR to include three parts: a basic formula allowance linked to the rate of inflation; a cost-based reimbursement for a school's unemployment insurance costs; and a cost-based reimbursement for each school's qualifying paid family and medical leave expenses.
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Section	Description
2	Local optional levy. Freezes the pay 24 (fiscal year 2025) local optional levy at the level it was certified at during the fall of 2023 and sets a single equalizing factor for fiscal year 2026 and later at an unspecified amount.
3	Local optional aid. Sets local optional aid as the difference between each school district's local optional revenue and its local optional levy.
4	Referendum allowance. Simplifies the calculation of the operating referendum allowance.
5	Referendum equalization revenue. Eliminates the referendum revenue tiers and provides all referendum revenue through a single amount.
6	Referendum equalization levy. Sets a single equalizing factor for the referendum revenue program at an unspecified amount.
7	Referendum equalization aid. Clarifies the calculation of referendum equalization aid.
8	General education aid. [Appropriation] Increases the general education aid appropriation by an unspecified amount to pay for the higher levels of local optional revenue and referendum aid.
9	Repealer. Repeals the unequalized portion of referendum revenue (making the full amount subject to equalization), the unemployment insurance aid special revenue account, and the school district unemployment insurance levy.



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