

HOUSE RESEARCH

Bill Summary

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Authors: Erhardt and others

Subject: Eliminating the Referendum Allowance Limit

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Overview

Minnesota's school districts are subject to state-imposed limits on the revenue they can raise through the local property tax. A school district may hold an election for additional operating revenue, through the referendum revenue program, which is an equalized aid and levy. However, there are certain restrictions on the amount of referendum a district may approve. The current referendum allowance cap is 18.6 percent of the basic formula allowance times the inflation factor for that year. The cap for fiscal year 2006 is \$889 per resident pupil unit. School districts are exempt from the cap if they qualify for sparsity revenue (79 school districts qualify for sparsity revenue). Additionally, a school district that was above the referendum cap in 1994 is grandfathered in at its higher level and that amount is subject to an inflationary increase. For fiscal year 2006, 44 districts have revenue at or above the cap (about half of these districts are not subject to the cap because they qualify for sparsity revenue). Another 50 school districts have revenue amounts within \$100 of the cap.

This bill lifts the cap on referendum revenue for all school districts beginning in fiscal year 2007.

Section

- 1 Repealer.** Repeals the referendum cap (§ 126C.17, subd. 2) and the sparsity exemption to the referendum cap (§ 126C.17, subd. 3) effective for revenue for fiscal year 2007.