

HOUSE RESEARCH

Bill Summary

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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 26 percent of the basic formula allowance times the inflation factor for that year (estimated at \$1,572 per resident marginal cost pupil unit for FY 2010). School districts are exempt from the cap if they qualify for sparsity revenue (96 school districts qualify for sparsity revenue in FY 2010). 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. The inflationary increase was defined as the yearly change in the CPI for fiscal year 2005 through 2008. For years after 2008, the inflationary increase is lowered to one-fourth of the percent increase in the basic formula allowance for that year.

For fiscal year 2010, based on preliminary data, 18 districts have revenue at or above the cap (about two-thirds of these districts are not subject to the cap because they qualify for sparsity revenue). Another 13 school districts have revenue amounts within \$100 of the cap.

This bill removes the sunset on the inflationary increase and continues to allow the referendum cap to grow by the rate of inflation for fiscal year 2010 and later.

- 1 Referendum allowance limit.** Removes the sunset on the CPI inflationary increase for the referendum allowance limit.