

**Subject** Modifying Equalization Revenue Programs

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## Overview

Minnesota's school districts may seek approval from their voters to approve additional funds through an election. This revenue source is called the operating referendum. Operating referendum revenue is provided through an equalized aid and levy.

Equalization is a way of trying to limit variations in school district revenue due to differences in school district tax bases. Equalization helps taxpayers in a property-poor district pay a tax rate closer to those in property-rich districts to attain the same level of revenue. Under current law, Minnesota's operating referendum is equalized in three tiers, with lower levels of equalization in the second and third tiers. Equalization may be expressed through an equalizing factor (the ratio of the district's tax base per pupil to a fixed number) or through a uniform tax rate.

H.F. 618 replaces the referendum revenue's three tiers of equalizing factors with three different tax rates. The equalizing factor of \$880,000 for the first tier (the first \$300 per pupil of referendum) is converted to a tax rate of .03 percent. This change reduces the referendum levy (and increases the referendum aid) by about \$12 million statewide. The second tier equalizing factor is \$510,000. H.F. 618 converts this to a rate of .08 percent. This change reduces the referendum levy (and increases the aid) by about \$1 million statewide. The third tier equalizing factor is \$290,000. H.F. 618 converts this tier to a rate of .15 percent and reduces the referendum levy by about \$20 million.

## Summary

Section	Description
1	<b>Referendum equalization levy.</b> Replaces the operating referendum equalizing factors with uniform tax rates. Sets the tax rates at .03 percent for the first tier, .08 percent for tier two, and .15 percent for tier three.

Section	Description
2	<b>Appropriation.</b> Appropriates an unspecified amount of money for additional referendum equalization aid.



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