

**Subject** Local Optional Revenue Increases

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## Overview

Local optional revenue is a component of general education revenue. A school district's local optional revenue equals \$724 per pupil unit. Local optional revenue (LOR) is available to school districts only and is not available to charter schools (except for a small amount of equalization aid). LOR consists of two tiers. LOR first tier revenue is \$300 per pupil and is equalized at \$880,000 per pupil. The second tier of LOR, \$424 per pupil, is equalized at \$671,345 per pupil.

H.F. 3654 renames the program "local education revenue," combines the two tiers of revenue into a single tier, raises the per pupil allowance for all school districts from \$724 per pupil unit to \$979 per pupil unit for fiscal year 2027 and increases the local education allowance by the rate of growth in the basic formula allowance for fiscal year 2028 and later, and creates a geographic cost index that increases the local education revenue for those school districts in economic development regions where the regional average wage is greater than the statewide average wage, based on the Minnesota Department of Employment and Economic Development's regional average wage data.

## Summary

Section	Description
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| 1 | <b>Revenue calculation. [Charter schools]</b><br>Charter schools receive a small amount of aid equal to the current first tier equalization aid for local optional revenue (LOR). Changes the name in the charter school law for this aid from local optional aid to local education aid and since the tiers of LOR are eliminated, sets the aid amount equal to the total aid from both tiers at the new higher local education revenue allowance. |
| 2 | <b>Local education revenue.</b><br>Combines the two tiers of LOR revenue into a single tier, renames the program, raises the per pupil revenue for all school districts by \$255 per pupil from \$724 per   |

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	pupil unit to \$979 per pupil unit, and creates a geographic cost index that increases the local education revenue for those school districts in economic development regions where the regional average wage is greater than the statewide average wage.
3	<b>Referendum tax base replacement aid.</b> Adjusts each district's referendum tax base replacement aid to match the new local education aid.
4	<b>Referendum aid guarantee.</b> Adjusts each district's referendum aid guarantee so that the guarantee remains unchanged after the conversion from local optional revenue to local education revenue.
5	<b>Appropriation.</b> Appropriates an unspecified amount of state aid to fund the equalized aid portion of the local education aid.
6	<b>Revisor instruction.</b> Directs the revisor of statutes to substitute the terms "local education revenue," "local education aid," and "local education levy" for "local optional revenue," "local optional aid," and "local optional levy."



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