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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 2079

03/04/2019 Authored by Sandell
The bill was read for the first time and referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to financing of state and local government; modifying state education aids
1.3 and levies; implementing a tax on capital gain net income; establishing the state
1.4 referendum replacement tax; amending Minnesota Statutes 2018, sections 124E.20,
1.5 subdivision 1; 125A.76, subdivision 1; 126C.10, subdivisions 1, 2, 31; 126C.13,
1.6 subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 125A;
1.7 275; 290; repealing Minnesota Statutes 2018, sections 126C.10, subdivisions 2e,
1.8 24, 25, 26, 27, 28, 29, 30, 32, 33; 126C.16, subdivisions 1, 3; 126C.17, subdivisions
1.9 1, 2, 3, 4, 5, 6, 7, 7a, 7b, 8, 9, 9a, 10, 11.

1.10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.11 Section 1. Minnesota Statutes 2018, section 124E.20, subdivision 1, is amended to read:

1.12 Subdivision 1. Revenue calculation. (a) General education revenue must be paid to a
1.13 charter school as though it were a district. The general education revenue for each adjusted
1.14 pupil unit is the state average general education revenue per pupil unit, plus the referendum
1.15 equalization aid allowance in the pupil's district of residence, minus an amount equal to the
1.16 product of the formula allowance according to section 126C.10, subdivision 2, times .0466,
1.17 calculated without declining enrollment revenue, local optional revenue, basic skills revenue,
1.18 extended time revenue, pension adjustment revenue, transition revenue, and transportation
1.19 sparsity revenue, plus declining enrollment revenue, basic skills revenue, pension adjustment
1.20 revenue, and transition revenue as though the school were a school district.

1.21 (b) For a charter school operating an extended day, extended week, or summer program,
1.22 the general education revenue in paragraph (a) is increased by an amount equal to 25 percent
1.23 of the statewide average extended time revenue per adjusted pupil unit.

1.24 (c) Notwithstanding paragraph (a), the general education revenue for an eligible special
1.25 education charter school as defined in section 124E.21, subdivision 2, equals the sum of

2.1 the amount determined under paragraph (a) and the school's unreimbursed cost as defined
2.2 in section 124E.21, subdivision 2, for educating students not eligible for special education
2.3 services.

2.4 **EFFECTIVE DATE.** This section is effective for fiscal year 2021 and later.

2.5 Sec. 2. Minnesota Statutes 2018, section 125A.76, subdivision 1, is amended to read:

2.6 Subdivision 1. **Definitions.** (a) For the purposes of this section and section 125A.79,
2.7 the definitions in this subdivision apply.

2.8 (b) "Basic revenue" has the meaning given it in section 126C.10, subdivision 2. For the
2.9 purposes of computing basic revenue pursuant to this section, each child with a disability
2.10 shall be counted as prescribed in section 126C.05, subdivision 1.

2.11 (c) "Essential personnel" means teachers, cultural liaisons, related services, and support
2.12 services staff providing services to students. Essential personnel may also include special
2.13 education paraprofessionals or clericals providing support to teachers and students by
2.14 preparing paperwork and making arrangements related to special education compliance
2.15 requirements, including parent meetings and individualized education programs. Essential
2.16 personnel does not include administrators and supervisors.

2.17 (d) "Average daily membership" has the meaning given it in section 126C.05.

2.18 (e) "Program growth factor" means ~~1.046 for fiscal years 2012 through 2015, 1.0 for~~
2.19 ~~fiscal year 2016,~~ 1.046 for fiscal year 2017, and the product of 1.046 and the program growth
2.20 factor for the previous year for fiscal year 2018 and later.

2.21 (f) "Nonfederal special education expenditure" means all direct expenditures that are
2.22 necessary and essential to meet the district's obligation to provide special instruction and
2.23 services to children with a disability according to sections 124D.454, 125A.03 to 125A.24,
2.24 125A.259 to 125A.48, and 125A.65 as submitted by the district and approved by the
2.25 department under section 125A.75, subdivision 4, excluding expenditures:

2.26 (1) reimbursed with federal funds;

2.27 (2) reimbursed with other state aids under this chapter;

2.28 (3) for general education costs of serving students with a disability;

2.29 (4) for facilities;

2.30 (5) for pupil transportation; and

2.31 (6) for postemployment benefits.

3.1 (g) "Old formula special education expenditures" means expenditures eligible for revenue
3.2 under Minnesota Statutes 2012, section 125A.76, subdivision 2.

3.3 (h) For the Minnesota State Academy for the Deaf and the Minnesota State Academy
3.4 for the Blind, expenditures under paragraphs (f) and (g) are limited to the salary and fringe
3.5 benefits of one-to-one instructional and behavior management aides and one-to-one licensed,
3.6 certified professionals assigned to a child attending the academy, if the aides or professionals
3.7 are required by the child's individualized education program.

3.8 (i) "Special education aid increase limit" means \$80 for fiscal year 2016, \$100 for fiscal
3.9 year 2017, and, for fiscal year 2018 and later, the sum of the special education aid increase
3.10 limit for the previous fiscal year and \$40.

3.11 (j) "District" means a school district, a charter school, or a cooperative unit as defined
3.12 in section 123A.24, subdivision 2. Notwithstanding section 123A.26, cooperative units as
3.13 defined in section 123A.24, subdivision 2, are eligible to receive special education aid under
3.14 this section and section 125A.79.

3.15 (k) "Initial special education cross subsidy" means the greater of zero or:

3.16 (1) the nonfederal special education expenditure under paragraph (f); plus

3.17 (2) the cost of providing transportation services for pupils with disabilities under section
3.18 123B.92, subdivision 1, paragraph (b), clause (4); minus

3.19 (3) the special education aid under subdivision 2c and sections 125A.11, subdivision 1,
3.20 and 127A.47, subdivision 7; minus

3.21 (4) the amount of general education revenue, excluding local optional revenue, plus
3.22 local optional aid and referendum equalization aid attributable to pupils receiving special
3.23 instruction and services outside the regular classroom for more than 60 percent of the school
3.24 day for the portion of time the pupils receive special instruction and services outside the
3.25 regular classroom, excluding portions attributable to district and school administration,
3.26 district support services, operations and maintenance, capital expenditures, and pupil
3.27 transportation.

3.28 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2021 and later.

3.29 Sec. 3. **[125A.81] SPECIAL EDUCATION CROSS SUBSIDY AID.**

3.30 A school district's annual special education cross subsidy aid equals the school district's
3.31 initial special education cross subsidy calculated for the preceding year times 0.9.

3.32 **EFFECTIVE DATE.** This section is effective for fiscal year 2021 and later.

4.1 Sec. 4. Minnesota Statutes 2018, section 126C.10, subdivision 1, is amended to read:

4.2 Subdivision 1. **General education revenue.** The general education revenue for each
 4.3 district equals the sum of the district's basic revenue, extended time revenue, gifted and
 4.4 talented revenue, declining enrollment revenue, ~~local optional revenue~~, small schools
 4.5 revenue, basic skills revenue, secondary sparsity revenue, elementary sparsity revenue,
 4.6 transportation sparsity revenue, total operating capital revenue, ~~equity revenue~~, pension
 4.7 adjustment revenue, and transition revenue.

4.8 **EFFECTIVE DATE.** This section is effective for fiscal year 2021 and later.

4.9 Sec. 5. Minnesota Statutes 2018, section 126C.10, subdivision 2, is amended to read:

4.10 Subd. 2. **Basic revenue.** (a) The basic revenue for each district equals the formula
 4.11 allowance times the adjusted pupil units for the school year. ~~The formula allowance for~~
 4.12 ~~fiscal year 2017 is \$6,067. The formula allowance for fiscal year 2018 is \$6,188.~~

4.13 (b) The formula allowance for fiscal year 2019 and later is \$6,312. The formula allowance
 4.14 for fiscal year 2020 is \$6,501. The formula allowance for fiscal year 2021 is \$7,500.

4.15 (c) For fiscal year 2022 and later, the formula allowance equals the formula allowance
 4.16 for fiscal year 2021 times the inflationary increase for that year.

4.17 (d) For purposes of this subdivision, "inflationary increase" means one plus the percentage
 4.18 change in the Consumer Price Index for urban consumers, as prepared by the United States
 4.19 Bureau of Labor Standards, from the current fiscal year to fiscal year 2021.

4.20 **EFFECTIVE DATE.** This section is effective for fiscal year 2021 and later.

4.21 Sec. 6. Minnesota Statutes 2018, section 126C.10, subdivision 31, is amended to read:

4.22 Subd. 31. **Transition revenue.** (a) A district's transition allowance equals the ~~sum of~~
 4.23 ~~the transition revenue the district would have received for fiscal year 2015 under Minnesota~~
 4.24 ~~Statutes 2012, section 126C.10, subdivisions 31, 31a, and 31e, and the greater of zero or~~
 4.25 ~~the difference between:~~

4.26 (1) ~~the sum of:~~

4.27 (i) ~~the general education revenue the district would have received for fiscal year 2015~~
 4.28 ~~according to Minnesota Statutes 2012, section 126C.10;~~

4.29 (ii) ~~the integration revenue the district received for fiscal year 2013 under Minnesota~~
 4.30 ~~Statutes 2012, section 124D.86;~~

5.1 ~~(iii) the pension adjustment the district would have received for fiscal year 2015 under~~
 5.2 ~~Minnesota Statutes 2012, section 127A.50;~~

5.3 ~~(iv) the special education aid the district would have received for fiscal year 2015 under~~
 5.4 ~~Minnesota Statutes 2012, section 125A.76; and~~

5.5 ~~(v) the special education excess cost aid the district would have received for fiscal year~~
 5.6 ~~2015 under Minnesota Statutes 2012, section 125A.79; and~~

5.7 ~~(2) the sum of the district's:~~

5.8 ~~(i) general education revenue for fiscal year 2015 excluding transition revenue under~~
 5.9 ~~this section;~~

5.10 ~~(ii) achievement and integration revenue for fiscal year 2015 under section 124D.862;~~

5.11 ~~(iii) special education aid for fiscal year 2015 under section 125A.76; and~~

5.12 ~~(iv) alternative teacher compensation revenue for fiscal year 2015 under section~~
 5.13 ~~122A.415;~~

5.14 district's transition revenue for fiscal year 2020 divided by the number of adjusted pupil
 5.15 units for fiscal year ~~2015~~ 2020.

5.16 (b) A district's transition revenue for fiscal year ~~2015~~ 2021 and later equals the sum of:

5.17 (1) the product of the district's transition allowance times the district's adjusted pupil
 5.18 units; and

5.19 (2) the greater of zero, or the product of the district's adjusted pupil units for that year
 5.20 and the difference between the district's referendum allowance for fiscal year 2020 and the
 5.21 statewide referendum allowance cap under Minnesota Statutes 2018, section 126C.17,
 5.22 subdivision 2.

5.23 **EFFECTIVE DATE.** This section is effective for fiscal year 2021 and later.

5.24 Sec. 7. Minnesota Statutes 2018, section 126C.13, subdivision 4, is amended to read:

5.25 Subd. 4. **General education aid.** ~~For fiscal year 2015 and later,~~ A district's general
 5.26 education aid equals:

5.27 (1) general education revenue, excluding operating capital revenue, equity revenue, local
 5.28 optional revenue, and transition revenue, minus the student achievement levy, multiplied
 5.29 times the ratio of the actual amount of student achievement levy levied to the permitted
 5.30 student achievement levy; plus

- 6.1 (2) operating capital aid under section 126C.10, subdivision 13b; plus
- 6.2 ~~(3) equity aid under section 126C.10, subdivision 30; plus~~
- 6.3 ~~(4) transition aid under section 126C.10, subdivision 33; plus~~
- 6.4 ~~(5) (3) shared time aid under section 126C.10, subdivision 7; plus~~
- 6.5 ~~(6) referendum aid under section 126C.17, subdivisions 7 and 7a; plus~~
- 6.6 ~~(7) (4) online learning aid under section 124D.096; plus~~
- 6.7 ~~(8) local optional aid according to section 126C.10, subdivision 2d, paragraph (d).~~

6.8 **EFFECTIVE DATE.** This section is effective for fiscal year 2021 and later.

6.9 Sec. 8. **[275.045] STATE REFERENDUM REPLACEMENT TAX.**

6.10 Subdivision 1. Levy amount. (a) The state referendum replacement levy is equal to the
 6.11 sum of each jurisdiction's referendum tax rate, as defined in section 275.08, subdivision 1b,
 6.12 paragraph (c), for taxes payable in 2019, times the jurisdiction's commercial-industrial
 6.13 referendum market value as assessed in the second previous year.

6.14 (b) The commissioner shall increase or decrease each jurisdiction's preliminary or final
 6.15 rate for a year as necessary to account for errors and tax base changes that affected a
 6.16 preliminary or final rate for either of the two preceding years. Adjustments are allowed to
 6.17 the extent that the necessary information is available to the commissioner at the time the
 6.18 rates and levy for a year must be certified, and for the following reasons:

6.19 (1) an erroneous report of taxable value by a local official;

6.20 (2) an erroneous calculation by the commissioner; and

6.21 (3) an increase or decrease in taxable value for commercial-industrial property reported
 6.22 to the commissioner under section 270C.85, subdivision 2, paragraph (g), clause (4), for
 6.23 the same year.

6.24 (c) The commissioner may, but need not, make adjustments if the total difference in the
 6.25 tax levied for the year would be less than \$100,000.

6.26 Subd. 2. Commercial-industrial referendum market value. For the purposes of this
 6.27 section, "commercial-industrial referendum market value" means the referendum market
 6.28 value of all taxable property classified as class 3 or class 5(1) under section 273.13, excluding
 6.29 the first \$100,000 of market value of each parcel of commercial-industrial property as
 6.30 defined under section 273.13, subdivision 24, clauses (1) and (2).

7.1 Subd. 3. **Apportionment and levy of state referendum replacement tax.** The state
7.2 referendum replacement tax must be levied by applying each jurisdiction's referendum
7.3 market value rate for taxes payable in 2019, plus any adjustments to this rate under
7.4 subdivision 1, to the jurisdiction's current commercial-industrial referendum market value
7.5 as assessed in the previous year. On or before October 1 each year, the commissioner of
7.6 revenue must certify each jurisdiction's preliminary state referendum replacement rate to
7.7 each county auditor that must be used to prepare the notices of proposed property taxes for
7.8 taxes payable in the following year. By January 1 of each year, the commissioner must
7.9 certify the final state referendum replacement rates to each county auditor that must be used
7.10 in spreading taxes.

7.11 **EFFECTIVE DATE.** This section is effective beginning with property taxes payable
7.12 in 2020.

7.13 Sec. 9. **[290.055] TAX ON CAPITAL GAIN NET INCOME.**

7.14 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
7.15 the meanings given.

7.16 (b) "Adjusted gross income" has the meaning given in section 62 of the Internal Revenue
7.17 Code.

7.18 (c) "Capital gain net income" has the meaning given in section 1222(9) of the Internal
7.19 Revenue Code.

7.20 Subd. 2. **Tax imposed; capital gains.** In addition to any other tax imposed by this
7.21 chapter, a tax of ten percent is imposed on the amount of a taxpayer's capital gain net income
7.22 in excess of \$0 that is included in adjusted gross income. Amounts included in capital gain
7.23 net income under subdivision 3 are not subject to the tax under this subdivision.

7.24 Subd. 3. **Tax imposed; nonrecognition of basis step-up.** (a) A tax of 19.85 percent is
7.25 imposed on the amount of the total capital gain determined under paragraph (b) that exceeds
7.26 \$50,000.

7.27 (b) The capital assets of a decedent are deemed to be sold as of the date of the decedent's
7.28 death when determining the gains from sales or exchanges of capital assets under section
7.29 1222(9) of the Internal Revenue Code, except that the following assets are not deemed to
7.30 be sold:

7.31 (1) any capital asset having a fair market value at the time of the decedent's death of
7.32 \$25,000 or less; and

8.1 (2) property classified as 2a property under section 273.13, subdivision 23, and classified
8.2 as agricultural homestead, agricultural relative homestead, or special agricultural homestead
8.3 under section 273.124.

8.4 (c) A capital gain resulting from a deemed sale under this subdivision is not subject to
8.5 the taxes imposed under section 290.06.

8.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
8.7 31, 2018.

8.8 Sec. 10. **REPEALER.**

8.9 Minnesota Statutes 2018, sections 126C.10, subdivisions 2e, 24, 25, 26, 27, 28, 29, 30,
8.10 32, and 33; 126C.16, subdivisions 1 and 3; and 126C.17, subdivisions 1, 2, 3, 4, 5, 6, 7, 7a,
8.11 7b, 8, 9, 9a, 10, and 11, are repealed.

8.12 **EFFECTIVE DATE.** This section is effective for fiscal year 2021 and later.

126C.10 GENERAL EDUCATION REVENUE.

Subd. 2e. **Local optional revenue.** (a) Local optional revenue for a school district equals \$424 times the adjusted pupil units of the district for that school year.

(b) A district's local optional levy equals its local optional revenue times the lesser of one or the ratio of its referendum market value per resident pupil unit to \$510,000. The local optional revenue levy must be spread on referendum market value. A district may levy less than the permitted amount.

(c) A district's local optional aid equals its local optional revenue less its local optional levy, times the ratio of the actual amount levied to the permitted levy.

Subd. 24. **Equity revenue.** (a) A school district qualifies for equity revenue if:

(1) the school district's adjusted pupil unit amount of basic revenue, transition revenue, and referendum revenue is less than the value of the school district at or immediately above the 95th percentile of school districts in its equity region for those revenue categories; and

(2) the school district's administrative offices are not located in a city of the first class on July 1, 1999.

(b) Equity revenue for a qualifying district that receives referendum revenue under section 126C.17, subdivision 4, equals the product of (1) the district's adjusted pupil units for that year; times (2) the sum of (i) \$14, plus (ii) \$80, times the school district's equity index computed under subdivision 27.

(c) Equity revenue for a qualifying district that does not receive referendum revenue under section 126C.17, subdivision 4, equals the product of the district's adjusted pupil units for that year times \$14.

(d) A school district's equity revenue is increased by the greater of zero or an amount equal to the district's adjusted pupil units times the difference between ten percent of the statewide average amount of referendum revenue per adjusted pupil unit for that year and the district's referendum revenue per adjusted pupil unit. A school district's revenue under this paragraph must not exceed \$100,000 for that year.

(e) A school district's equity revenue for a school district located in the metro equity region equals the amount computed in paragraphs (b), (c), and (d) multiplied by 1.25.

(f) For fiscal years 2017, 2018, and 2019 for a school district not included in paragraph (e), a district's equity revenue equals the amount computed in paragraphs (b), (c), and (d) multiplied by 1.16. For fiscal year 2020 and later for a school district not included in paragraph (e), a district's equity revenue equals the amount computed in paragraphs (b), (c), and (d) multiplied by 1.25.

(g) A school district's additional equity revenue equals \$50 times its adjusted pupil units.

Subd. 25. **Regional equity gap.** The regional equity gap equals the difference between the value of the school district at or immediately above the fifth percentile of adjusted general revenue per adjusted pupil unit and the value of the school district at or immediately above the 95th percentile of adjusted general revenue per adjusted pupil unit.

Subd. 26. **District equity gap.** A district's equity gap equals the greater of zero or the difference between the district's adjusted general revenue and the value of the school district at or immediately above the regional 95th percentile of adjusted general revenue per adjusted pupil unit.

Subd. 27. **District equity index.** A district's equity index equals the ratio of the sum of the district equity gap amount to the regional equity gap amount.

Subd. 28. **Equity region.** For the purposes of computing equity revenue under subdivision 24, a district with its administrative office located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington County on January 1, 2012, is part of the metro equity region. All other districts are part of the rural equity region.

Subd. 29. **Equity levy.** To obtain equity revenue for fiscal year 2015 and later, a district may levy an amount not more than the product of its equity revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident pupil unit to \$510,000.

Subd. 30. **Equity aid.** A district's equity aid equals its equity revenue minus its equity levy times the ratio of the actual amount levied to the permitted levy.

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Subd. 32. **Transition levy.** To obtain transition revenue for fiscal year 2015 and later, a district may levy an amount not more than the product of its transition revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident pupil unit to \$510,000.

Subd. 33. **Transition aid.** (a) For fiscal year 2004, a district's transition aid equals its transition revenue.

(b) For fiscal year 2005 and later, a district's transition aid equals its transition revenue minus its transition levy times the ratio of the actual amount levied to the permitted levy.

126C.16 REFERENDUM AND DESEGREGATION REVENUE CONVERSION.

Subdivision 1. **Revenue conversion.** Except as provided under subdivision 3, the referendum authority under section 126C.17 of a district must be converted by the department according to this section.

Subd. 3. **Per pupil revenue conversion.** (a) The department must convert each district's referendum revenue authority for fiscal year 2002 and later years to an allowance per pupil unit as follows: the revenue allowance equals the amount determined by dividing the district's maximum revenue under section 126C.17, for fiscal year 2001 by the district's 2000-2001 resident marginal cost pupil units. A district's maximum revenue for all later years for which the revenue is authorized equals the revenue allowance times the district's resident marginal cost pupil units for that year.

(b) The referendum allowance reduction must be applied first to the authority with the earliest expiration date.

126C.17 REFERENDUM REVENUE.

Subdivision 1. **Referendum allowance.** (a) A district's initial referendum allowance equals the result of the following calculations:

(1) multiply the referendum allowance the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 1, based on elections held before July 1, 2013, by the resident marginal cost pupil units the district would have counted for fiscal year 2015 under Minnesota Statutes 2012, section 126C.05;

(2) add to the result of clause (1) the adjustment the district would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections held before July 1, 2013;

(3) divide the result of clause (2) by the district's adjusted pupil units for fiscal year 2015;

(4) add to the result of clause (3) any additional referendum allowance per adjusted pupil unit authorized by elections held between July 1, 2013, and December 31, 2013;

(5) add to the result in clause (4) any additional referendum allowance resulting from inflation adjustments approved by the voters prior to January 1, 2014;

(6) subtract from the result of clause (5), the sum of a district's actual local optional levy and local optional aid under section 126C.10, subdivision 2e, divided by the adjusted pupil units of the district for that school year; and

(7) if the result of clause (6) is less than zero, set the allowance to zero.

(b) A district's referendum allowance equals the sum of the district's initial referendum allowance, plus any new referendum allowance authorized between July 1, 2013, and December 31, 2013, under subdivision 9a, plus any additional referendum allowance per adjusted pupil unit authorized after December 31, 2013, minus any allowances expiring in fiscal year 2016 or later, provided that the allowance may not be less than zero. For a district with more than one referendum allowance for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, the allowance calculated under paragraph (a), clause (3), must be divided into components such that the same percentage of the district's allowance expires at the same time as the old allowances would have expired under Minnesota Statutes 2012, section 126C.17. For a district with more than one allowance for fiscal year 2015 that expires in the same year, the reduction under paragraph (a), clause (6), to offset local optional revenue shall be made first from any allowances that do not have an inflation adjustment approved by the voters.

Subd. 2. **Referendum allowance limit.** (a) Notwithstanding subdivision 1, for fiscal year 2015 and later, a district's referendum allowance must not exceed the annual inflationary increase as calculated under paragraph (b) times the greatest of:

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(1) \$1,845;

(2) the sum of the referendum revenue the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 4, based on elections held before July 1, 2013, and the adjustment the district would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections held before July 1, 2013, divided by the district's adjusted pupil units for fiscal year 2015;

(3) the product of the referendum allowance limit the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 2, and the resident marginal cost pupil units the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.05, subdivision 6, plus the adjustment the district would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections held before July 1, 2013, divided by the district's adjusted pupil units for fiscal year 2015; minus \$424; or

(4) for a newly reorganized district created after July 1, 2013, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its adjusted pupil units for the year preceding reorganization.

(b) For purposes of this subdivision, for fiscal year 2016 and later, "inflationary increase" means one plus the percentage change in the Consumer Price Index for urban consumers, as prepared by the United States Bureau of Labor Standards, for the current fiscal year to fiscal year 2015. For fiscal year 2016 and later, for purposes of paragraph (a), clause (3), the inflationary increase equals one-fourth of the percentage increase in the formula allowance for that year compared with the formula allowance for fiscal year 2015.

Subd. 3. **Sparsity exception.** A district that qualifies for sparsity revenue under section 126C.10 is not subject to a referendum allowance limit.

Subd. 4. **Total referendum revenue.** The total referendum revenue for each district equals the district's referendum allowance times the adjusted pupil units for the school year.

Subd. 5. **Referendum equalization revenue.** (a) A district's referendum equalization revenue equals the sum of the first tier referendum equalization revenue and the second tier referendum equalization revenue, and the third tier referendum equalization revenue.

(b) A district's first tier referendum equalization revenue equals the district's first tier referendum equalization allowance times the district's adjusted pupil units for that year.

(c) A district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$300.

(d) A district's second tier referendum equalization revenue equals the district's second tier referendum equalization allowance times the district's adjusted pupil units for that year.

(e) A district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$760, minus the district's first tier referendum equalization allowance.

(f) A district's third tier referendum equalization revenue equals the district's third tier referendum equalization allowance times the district's adjusted pupil units for that year.

(g) A district's third tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 25 percent of the formula allowance, minus the sum of the district's first tier referendum equalization allowance and second tier referendum equalization allowance.

(h) Notwithstanding paragraph (g), the third tier referendum allowance for a district qualifying for secondary sparsity revenue under section 126C.10, subdivision 7, or elementary sparsity revenue under section 126C.10, subdivision 8, equals the district's referendum allowance under subdivision 1 minus the sum of the district's first tier referendum equalization allowance and second tier referendum equalization allowance.

Subd. 6. **Referendum equalization levy.** (a) A district's referendum equalization levy equals the sum of the first tier referendum equalization levy, the second tier referendum equalization levy, and the third tier referendum equalization levy.

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(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$880,000.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$510,000.

(d) A district's third tier referendum equalization levy equals the district's third tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$290,000.

Subd. 7. Referendum equalization aid. (a) A district's referendum equalization aid equals the difference between its referendum equalization revenue and levy.

(b) If a district's actual levy for first, second, or third tier referendum equalization revenue is less than its maximum levy limit for that tier, aid shall be proportionately reduced.

(c) Notwithstanding paragraph (a), the referendum equalization aid for a district, where the referendum equalization aid under paragraph (a) exceeds 90 percent of the referendum revenue, must not exceed 25 percent of the formula allowance times the district's adjusted pupil units. A district's referendum levy is increased by the amount of any reduction in referendum aid under this paragraph.

Subd. 7a. Referendum tax base replacement aid. For each school district that had a referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized referendum levy, the commissioner of revenue, in consultation with the commissioner of education, shall certify the amount of the referendum levy in taxes payable year 2001 attributable to the portion of the referendum allowance exceeding \$415 levied against property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding the portion of the tax paid by the portion of class 2a property consisting of the house, garage, and surrounding one acre of land. The resulting amount must be used to reduce the district's referendum levy amount otherwise determined, and must be paid to the district each year that the referendum authority remains in effect, is renewed, or new referendum authority is approved. The aid payable under this subdivision must be subtracted from the district's referendum equalization aid under subdivision 7. The referendum equalization aid after the subtraction must not be less than zero.

Subd. 7b. Referendum aid guarantee. (a) Notwithstanding subdivision 7, the sum of a district's referendum equalization aid and local optional aid under section 126C.10, subdivision 2e, for fiscal year 2015 must not be less than the sum of the referendum equalization aid the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 7, and the adjustment the district would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c).

(b) Notwithstanding subdivision 7, the sum of referendum equalization aid and local optional aid under section 126C.10, subdivision 2e, for fiscal year 2016 and later, for a district qualifying for additional aid under paragraph (a) for fiscal year 2015, must not be less than the product of (1) the district's referendum equalization aid for fiscal year 2015, times (2) the lesser of one or the ratio of the district's referendum revenue for that school year to the district's referendum revenue for fiscal year 2015, times (3) the lesser of one or the ratio of the district's referendum market value used for fiscal year 2015 referendum equalization calculations to the district's referendum market value used for that year's referendum equalization calculations.

Subd. 8. Unequalized referendum levy. Each year, a district may levy an amount equal to the difference between its total referendum revenue according to subdivision 4 and its referendum equalization revenue according to subdivision 5.

Subd. 9. Referendum revenue. (a) The revenue authorized by section 126C.10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under subdivision 11, paragraph (a), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per adjusted pupil unit. The ballot may state a schedule, determined by the board, of increased revenue per adjusted pupil unit that differs from year to year over the number of years for which the increased revenue is authorized or may state that the amount shall increase annually

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by the rate of inflation. For this purpose, the rate of inflation shall be the annual inflationary increase calculated under subdivision 2, paragraph (b). The ballot may state that existing referendum levy authority is expiring. In this case, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per adjusted pupil unit" as "per pupil." The notice required under section 275.60 may be modified to read, in cases of renewing existing levies at the same amount per pupil as in the previous year:

"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU ARE VOTING TO EXTEND AN EXISTING PROPERTY TAX REFERENDUM THAT IS SCHEDULED TO EXPIRE."

The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the revenue proposed by (petition to) the board of, School District No. ..., be approved?"

If approved, an amount equal to the approved revenue per adjusted pupil unit times the adjusted pupil units for the school year beginning in the year after the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The board must deliver by mail at least 15 days but no more than 30 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

The notice for a referendum may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice may include the following statement: "Passage of this referendum extends an existing operating referendum at the same amount per pupil as in the previous year."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board. A referendum to revoke or reduce the revenue amount must state the amount per adjusted pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(e) At least 15 days before the day of the referendum, the district must submit a copy of the notice required under paragraph (b) to the commissioner and to the county auditor of each county in which the district is located. Within 15 days after the results of the referendum have been certified by the board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district must notify the commissioner of the results of the referendum.

Subd. 9a. **Board-approved referendum allowance.** Notwithstanding subdivision 9, a school district may convert up to \$300 per adjusted pupil unit of referendum authority from voter approved to board approved by a board vote. A district with less than \$300 per adjusted pupil unit of referendum authority after the local optional revenue subtraction under subdivision 1 may authorize

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new referendum authority up to the difference between \$300 per adjusted pupil unit and the district's referendum authority. The board may authorize this levy for up to five years and may subsequently reauthorize that authority in increments of up to five years.

Subd. 10. **School referendum levy; market value.** A school referendum levy must be levied against the referendum market value of all taxable property as defined in section 126C.01, subdivision 3. Any referendum levy amount subject to the requirements of this subdivision must be certified separately to the county auditor under section 275.07.

Subd. 11. **Referendum date.** (a) Except for a referendum held under paragraph (b), any referendum under this section held on a day other than the first Tuesday after the first Monday in November must be conducted by mail in accordance with section 204B.46. Notwithstanding subdivision 9, paragraph (b), to the contrary, in the case of a referendum conducted by mail under this paragraph, the notice required by subdivision 9, paragraph (b), must be prepared and delivered by first-class mail at least 20 days before the referendum.

(b) In addition to the referenda allowed in subdivision 9, paragraph (a), the commissioner may grant authority to a district to hold a referendum on a different day if the district is in statutory operating debt and has an approved plan or has received an extension from the department to file a plan to eliminate the statutory operating debt.

(c) The commissioner must approve, deny, or modify each district's request for a referendum levy on a different day within 60 days of receiving the request from a district.