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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 2544

02/27/2014 Authored by Benson, J.; Sawatzky and Carlson  
The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act  
1.2 relating to education finance; clarifying the calculation of location equity  
1.3 revenue; amending Minnesota Statutes 2013 Supplement, sections 126C.10,  
1.4 subdivision 2e; 126C.17, subdivisions 1, 6, 7b, 9, 9a.

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

1.6 Section 1. Minnesota Statutes 2013 Supplement, section 126C.10, subdivision 2e,  
1.7 is amended to read:

1.8 Subd. 2e. **Location equity revenue.** (a) For a school district with any of its area  
1.9 located within the seven-county metropolitan area, location equity revenue equals \$424  
1.10 times the adjusted pupil units of the district for that school year.

1.11 (b) For all other school districts ~~with more than 2,000 pupils in adjusted average~~  
1.12 ~~daily membership~~ not eligible for small schools revenue under subdivision 2c, for the  
1.13 fiscal year ending in the year before the levy is certified, location equity revenue equals  
1.14 \$212 times the adjusted pupil units of the district for that year.

1.15 (c) A district's location equity levy equals its location equity revenue times the lesser  
1.16 of one or the ratio of its referendum market value per resident pupil unit to \$510,000. The  
1.17 location equity revenue levy must be spread on referendum market value.

1.18 (d) A district's location equity aid equals its location equity revenue less its location  
1.19 equity levy, times the ratio of the actual amount levied to the permitted levy.

1.20 (e) A school district may elect not to participate in the location equity revenue  
1.21 program by a board vote taken prior to September 1 of the fiscal year before the fiscal year  
1.22 for which the decision not to participate becomes effective. The board resolution must  
1.23 state which fiscal years the district will not participate. A copy of the board resolution  
1.24 to not participate must be submitted to the commissioner.

2.1 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2016  
 2.2 and later.

2.3 Sec. 2. Minnesota Statutes 2013 Supplement, section 126C.17, subdivision 1, is  
 2.4 amended to read:

2.5 Subdivision 1. **Referendum allowance.** (a) A district's initial referendum allowance  
 2.6 for fiscal year 2015 equals the result of the following calculations:

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

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

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

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

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

2.20 (6) subtract from the result of clause (5) \$424 for a district receiving location equity  
 2.21 revenue under section 126C.10, subdivision 2e, paragraph (a), or \$212 for a district  
 2.22 receiving location equity revenue under section 126C.10, subdivision 2e, paragraph (b); and

2.23 (7) if the result of clause (3) (6) is less than zero, set the allowance to zero.

2.24 (b) A district's referendum allowance equals the sum of the district's initial  
 2.25 referendum allowance ~~for fiscal year 2015~~, plus any additional referendum allowance per  
 2.26 adjusted pupil unit authorized after ~~June 30~~ December 31, 2013, minus ~~(i) the location~~  
 2.27 ~~equity revenue subtraction, and (ii) any allowances expiring in fiscal year 2016 or later,~~  
 2.28 provided that the allowance may not be less than zero. For a district with more than one  
 2.29 referendum allowance for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17,  
 2.30 the allowance calculated under paragraph (a), clause (3), must be divided into components  
 2.31 such that the same percentage of the district's allowance expires at the same time as the old  
 2.32 allowances would have expired under Minnesota Statutes 2012, section 126C.17. For a  
 2.33 district with more than one allowance for fiscal year 2015 that expires in the same year, the  
 2.34 reduction under paragraph (a), clause (6), to offset location equity revenue shall be made  
 2.35 first from any allowances that do not have an inflation adjustment approved by the voters.

3.1 ~~(e) For purposes of this subdivision, a district's location equity revenue subtraction~~  
 3.2 ~~equals \$424 for a district receiving location equity revenue under section 126C.10,~~  
 3.3 ~~subdivision 2d, paragraph (a), \$212 for a district receiving location equity revenue under~~  
 3.4 ~~section 126C.10, subdivision 2d, paragraph (b), and zero for all other school districts.~~

3.5 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2016  
 3.6 and later.

3.7 Sec. 3. Minnesota Statutes 2013 Supplement, section 126C.17, subdivision 6, is  
 3.8 amended to read:

3.9 **Subd. 6. Referendum equalization levy.** (a) ~~For fiscal year 2003 and later,~~  
 3.10 A district's referendum equalization levy equals the sum of the first tier referendum  
 3.11 equalization levy, the second tier referendum equalization levy, and the third tier  
 3.12 referendum equalization levy.

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

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

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

3.22 Sec. 4. Minnesota Statutes 2013 Supplement, section 126C.17, subdivision 7b, is  
 3.23 amended to read:

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

3.31 (b) Notwithstanding subdivision 7, the sum of referendum equalization aid and  
 3.32 location equity aid under section 126C.10, subdivision 2e, for fiscal year 2016 and later,  
 3.33 for a district qualifying for additional aid under paragraph (a) for fiscal year 2015, must  
 3.34 not be less than the product of (1) the district's referendum equalization aid for fiscal year

4.1 2015, times (2) the lesser of one or the ratio of the district's referendum revenue for that  
 4.2 school year to the district's referendum revenue for fiscal year 2015, times (3) the lesser  
 4.3 of one or the ratio of the district's referendum market value used for fiscal year 2015  
 4.4 referendum equalization calculations to the district's referendum market value used for  
 4.5 that year's referendum equalization calculations.

4.6 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015  
 4.7 and later.

4.8 Sec. 5. Minnesota Statutes 2013 Supplement, section 126C.17, subdivision 9, is  
 4.9 amended to read:

4.10 Subd. 9. **Referendum revenue.** (a) The revenue authorized by section 126C.10,  
 4.11 subdivision 1, may be increased in the amount approved by the voters of the district  
 4.12 at a referendum called for the purpose. The referendum may be called by the board.  
 4.13 The referendum must be conducted one or two calendar years before the increased levy  
 4.14 authority, if approved, first becomes payable. Only one election to approve an increase  
 4.15 may be held in a calendar year. Unless the referendum is conducted by mail under  
 4.16 subdivision 11, paragraph (a), the referendum must be held on the first Tuesday after the  
 4.17 first Monday in November. The ballot must state the maximum amount of the increased  
 4.18 revenue per adjusted pupil unit. The ballot may state a schedule, determined by the board,  
 4.19 of increased revenue per adjusted pupil unit that differs from year to year over the number  
 4.20 of years for which the increased revenue is authorized or may state that the amount shall  
 4.21 increase annually by the rate of inflation. For this purpose, the rate of inflation shall be the  
 4.22 annual inflationary increase calculated under subdivision 2, paragraph (b). The ballot may  
 4.23 state that existing referendum levy authority is expiring. In this case, the ballot may also  
 4.24 compare the proposed levy authority to the existing expiring levy authority, and express  
 4.25 the proposed increase as the amount, if any, over the expiring referendum levy authority.  
 4.26 The ballot must designate the specific number of years, not to exceed ten, for which the  
 4.27 referendum authorization applies. The ballot, including a ballot on the question to revoke  
 4.28 or reduce the increased revenue amount under paragraph (c), must abbreviate the term  
 4.29 "per adjusted pupil unit" as "per pupil." The notice required under section 275.60 may  
 4.30 be modified to read, in cases of renewing existing levies at the same amount per pupil  
 4.31 as in the previous year:

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

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

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

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

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

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

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

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

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

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

6.9 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015  
6.10 and later.

6.11 Sec. 6. Minnesota Statutes 2013 Supplement, section 126C.17, subdivision 9a, is  
6.12 amended to read:

6.13 Subd. 9a. **Board-approved referendum allowance.** Notwithstanding subdivision  
6.14 9, a school district may convert up to \$300 per adjusted pupil unit of referendum authority  
6.15 from voter approved to board approved by a board vote. A district with less than \$300  
6.16 per adjusted pupil unit of referendum authority after the location equity subtraction under  
6.17 subdivision 1 may authorize new referendum authority up to the difference between  
6.18 \$300 per adjusted pupil unit and the district's referendum authority. The board may  
6.19 authorize this levy for up to five years and may subsequently reauthorize that authority  
6.20 in increments of up to five years.

6.21 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015  
6.22 and later.