

## MEMORANDUM

To: School District Superintendents  
School Business Managers

From: Tom Melcher, School Finance Director

Date: June 13, 2013

**Subject: Implementation of Tax Bill Provisions Relating to Board-Approved Referendum Revenue and Location Equity Revenue**

Article 3 of the omnibus tax bill, (*Laws of Minnesota for 2013*, Chapter 143), establishes location equity revenue as a new component of general education revenue beginning in FY 2015 and allows a school district to 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 may authorize new referendum authority up to the difference between \$300 per adjusted pupil unit and the district's referendum authority.

For a school district with any of its area located within the seven-county metropolitan area, location equity revenue equals \$424 times the adjusted pupil units of the district for that school year. For all other school districts with more than 2,000 pupils in adjusted average daily membership for the fiscal year ending in the year before the levy is certified, location equity revenue equals \$212 times the adjusted pupil units of the district for that year. Location equity revenue is an equalized levy spread on referendum market value (RMV) with an equalizing factor of \$510,000 in RMV per resident pupil unit. A school district may elect not to participate in the location equity revenue program by a board vote taken prior to September 1 of the fiscal year before the fiscal year for which the decision not to participate becomes effective. The board resolution must state which fiscal years the district will not participate. A copy of the board resolution to not participate must be submitted to the commissioner.

For districts receiving location equity revenue, the location equity allowance is subtracted off of the referendum allowance otherwise authorized for the district. A district's referendum allowance equals the greater of zero or the sum of:

- (1) the district's initial referendum allowance for fiscal year 2015 as adjusted for 2013 legislation, including the change from resident marginal cost pupil units to adjusted pupil units, pupil unit weighting changes, and the roll-in of alternative attendance adjustments into the referendum allowance; plus
- (2) any additional referendum allowance per adjusted pupil unit authorized by referendum election or board vote after June 30, 2013, minus
- (3) the location equity revenue subtraction, minus
- (4) any allowances expiring in fiscal year 2016 or later.

The Minnesota Department of Education will implement the law by subtracting the location equity allowance off of the referendum allowance before determining a district's eligibility for a board-approved increase in referendum authority.

The maximum amount that can be authorized or converted from voter approved to board approved under these provisions is as follows:

- For a school district with any of its area located within the seven-county metropolitan area, \$724 per adjusted pupil unit (referendum allowance of \$300 plus location equity allowance of \$424).
- For all other school districts with more than 2,000 pupils in adjusted average daily membership for fiscal year 2012, \$512 per adjusted pupil unit (referendum allowance of \$300 plus location equity allowance of \$212).
- For all other school districts with 2,000 or fewer pupils in adjusted average daily membership for fiscal year 2012, \$300 (referendum allowance of \$300).

The department will begin implementing the legislation immediately to provide school districts with timely information needed to determine property tax levies payable in 2014. Timelines for this process include:

- June 30: Deadline for school districts planning to hold an operating referendum to increase revenue for FY 2015 to adopt a board resolution, to avoid the operating referendum freeze.
- July 1: Earliest date that a district can pass a board resolution converting up to \$300 per adjusted pupil unit of referendum revenue from voter-approved to board-approved, or that a district with less than \$300 per adjusted pupil unit of referendum authority may authorize new referendum authority up to the difference between \$300 per adjusted pupil unit and the district's referendum authority.
- August 31: Deadline for a school district electing not to participate in location equity revenue to pass a board resolution opting out of the revenue.
- September 8: Deadline for MDE to certify property tax levy limitations to school districts.
- September 30: Deadline for a district to pass a board resolution to convert referendum revenue from voter-approved to board-approved, or authorize new referendum authority for taxes payable in 2014.
- September 30: Deadline for districts to certify proposed property tax levies to county auditor.

There are reports posted to the department's website that show the total revenue changes and changes per ADM under the newly enacted legislation compared with old law for FY 2014 and FY 2015. [View the "Revised FY 2014 and FY 2015 Preliminary Revenue Projections – 2013 End of Session" spreadsheet](#). These are revised from the runs shared in legislative update meetings and posted earlier this month. There are several tabs, including a lookup table for individual district detail. District by district tables for FY 2014 and FY 2015 show a summarized comparison of districts and across district groupings. The category tab explains the funding components that are included in the summarized categories. There are also tabs showing additional detail for special education and achievement and integration revenue changes.

The department will provide all school districts with details on the calculation of initial referendum allowances for FY 2015 and later, and the process for implementing these changes as soon as possible. Questions concerning referendum and location equity calculations should be directed to Bob Porter at [bob.porter@state.mn.us](mailto:bob.porter@state.mn.us) or (651)582-8851 or Terri Yetter at [terri.yetter@state.mn.us](mailto:terri.yetter@state.mn.us) or (651)582-8868.