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To: Senate Taxes Committee Members

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Date: April 23, 2024

RE: Taxes-Related Provisions in S.F. 5252 (Omnibus E-12 Finance Bill)

S.F. 5252 is the omnibus E-12 finance bill. The bill contains a few provisions that modify school district levy authority:

- **Article 1, section 7** increases the local optional revenue equalizing factor in fiscal year 2025. This change increases state equalization aid and reduces local referendum market value (RMV) levies in the local optional revenue program. The levy reduction under this section is equal to the estimated RMV levy increase attributable to the additional voluntary prekindergarten (VPK) pupils authorized later in the bill.
- **Article 1, section 11, paragraph (a)** increases the operating capital revenue equalizing factor in fiscal year 2025. This change increases state equalization aid and reduces local net tax capacity (NTC) levies in the operating capital program. The levy reduction under this section is equal to the estimated NTC levy increase attributable to the additional VPK pupils authorized later in the bill.
- **Article 10, section 3, paragraph (b)** authorizes an additional 5,200 VPK seats in the 2024-2025 school year. These additional VPK seats will generate additional pupil counts for individual districts and charter schools. VPK pupil counts are included in various school finance formulas in the same way as other pupils and result in additional state aid and school district property tax levy authority. This additional levy authority impacts levies on both school district property tax bases: referendum market value and net tax capacity.

Under the combination of these provisions, the net statewide levy on each school district tax base is unchanged from the February 2024 forecast in Pay 2025 and all other years in the forecast window.

Because of the timing of the legislative session and the property tax certification calendar, the levy changes in these three sections will be recognized by the school districts in FY 2025 and impact the property tax paid by local property taxpayers in calendar year 2025.