



## **S.F. No. 2239 – Local optional revenue program modifications**

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**Date:** March 17, 2025

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**S.F. No. 2239** proposes to increase school district local optional revenue (LOR) authority and change the share of LOR revenue that is paid with state equalization aid. The bill increases the first tier LOR allowance from \$300 to \$550 per pupil for fiscal year 2027. Beginning in fiscal year 2028, the first and second tier LOR allowances would increase in proportion to annual percentage increases in the basic revenue formula allowance. The bill also increases the first tier levy equalizing factor beginning in fiscal year 2027 and the second tier equalizing factor beginning in fiscal year 2028. The bill appropriates additional general education aid in fiscal year 2027 to pay for aid increases under the proposal.

### **Additional background information**

The LOR program consists of school board-approved equalized levy authority. A district's total LOR revenue is divided into two progressive equalization tiers. The first portion of the district's revenue is allocated to the first tier, with the strongest level of equalization. Districts that have approved higher LOR amounts may have additional revenue allocated to the second tier, with a somewhat weaker level of equalization.

Districts in which the referendum market value (RMV) per resident pupil unit is less than the statutory equalizing factor for an equalizing tier will generate some amount of equalization aid on the portion of its LOR levy allocated to that equalizing tier. Increasing the statutory equalizing factors increases the number of districts that qualify for equalization aid and increases the aid amount for any qualifying districts. All else equal, an increase in equalization aid reduces the portion of LOR revenue raised from local property taxpayers.

The first tier LOR aid attributable to a charter school student in the student's resident district follows the student to the charter school. An increase in first tier LOR aid increases charter school general education aids.

The first tier LOR revenue, aid, and levy amounts are inputs to the equity revenue formula and to the allocation of a district's tax base replacement aid. Changes to amounts in the LOR program have interactive effects in these other programs.

