

SF1202 - 0 - School District Aid and Levy Limitations Modified

Chief Author: **Mary Kunesh**
 Committee: **Education Finance**
 Date Completed: **3/7/2025 9:48:43 AM**
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative.
 Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Dollars in Thousands					
Total	-	-	-	-	-
Biennial Total			-		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2025	FY2026	FY2027	FY2028	FY2029
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman Rosas **Date:** 3/7/2025 9:48:43 AM
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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2025	FY2026	FY2027	FY2028	FY2029
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

The bill updates the name of "health and safety" to "long-term facilities maintenance" and adds local optional aid to the excess tax increment formula.

Assumptions

The reporting process for the excess tax increment changed in fiscal year (FY) 2024 to where counties would submit an MDE created Tax Increment Report once a year instead of multiple times a year using various documents/forms to report their tax increments. With the new process, MDE started receiving an increased number of tax increment reports. Based off this new trend, MDE expects to receive between 70 and 80 excess tax increment reports annually.

Including local optional aid in the excess tax increment adjustment formula increases the ratio used to determine the distribution tax increment. This increase directly correlates to where the larger the tax increment payment received by a district, the greater the ratio increase. As the ratio is increased, the distribution tax increment is also increased which reduces next year's excess tax increment adjustment. Overall, the proposed changes to statute will increase the general fund net tax capacity adjustment and reduce the general fund levy for those districts that receive excess tax increment payments.

Expenditure and/or Revenue Formula

None

Long-Term Fiscal Considerations

None

Local Fiscal Impact

The portion of the calculation affected by this bill has been included below to help illustrate the tax increment adjustment calculation as well as three tables that highlight this year's and the two preceding years of tax increment calculations using the current and proposed changes to the statute. The total TIF adjustment statewide is the amount that levies are reduced around the state for that year.

Tax Increment Adjustment Calculation 2023			
	Current Statute	Statute with Changes	% Changed
# of Districts with TIF reports	82	82	N/A
Total TIF Received Statewide	\$ 5,242,662	\$ 5,242,6612	N/A
# of districts with TIF Adjustment	20	20	N/A
Total TIF Adjustment Statewide	\$ (4,240,437)	\$ (4,198,055)	-1%
Lowest TIF Adjustment - ISD 273	\$ (5,039)	\$ (5,039)	0%
Average TIF Adjustment	\$ (12,889)	\$ (12,760)	-1%
Highest TIF Adjustment - ISD 625	\$ (1,495,680)	\$ (1,455,763)	-3%

Tax Increment Adjustment Calculation 2024			
	Current Statute	Statute with Changes	% Changed
# of Districts with TIF reports	71	71	N/A
Total TIF Received Statewide	\$ 3,245,527	\$ 3,245,527	N/A
# of districts with TIF Adjustment	17	17	N/A
Total TIF Adjustment Statewide	\$ (2,471,352)	\$ (2,437,442)	-1%
Lowest TIF Adjustment - ISD 882	\$ (2,061)	\$ (2,061)	0%
Average TIF Adjustment	\$ (7,512)	\$ (7,409)	-1%
Highest TIF Adjustment - ISD 625	\$ (1,117,403)	\$ (1,085,536)	-3%

Tax Increment Adjustment Calculation 2025			
	Current Statute	Statute with Changes	% Changed
# of Districts with TIF reports	71	71	N/A
Total TIF Received Statewide	\$ 2,676,742	\$ 2,676,742	N/A
# of districts with TIF Adjustment	16	16	N/A
Total TIF Adjustment Statewide	\$ (1,859,874)	\$ (1,835,321)	-1%
Lowest TIF Adjustment - ISD 273	\$ (1,023)	\$ (1,023)	0%
Average TIF Adjustment	\$ (5,653)	\$ (5,579)	-1%

Highest TIF Adjustment - ISD 625	\$ (531,243)	\$ (509,140)	-4%
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References/Sources

Excess Tax Increment Finance Calculation Model

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