

**SENATE**  
**STATE OF MINNESOTA**  
**NINETY-FOURTH SESSION**

**S.F. No. 1202**

(SENATE AUTHORS: KUNESH)

DATE  
02/10/2025

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Introduction and first reading  
Referred to Education Finance

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to education finance; clarifying the calculation of school district aid and

1.3 levy limitations upon return of excess tax increment or decertification of a tax

1.4 increment district; amending Minnesota Statutes 2024, section 127A.49, subdivision

1.5 3.

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

1.7 Section 1. Minnesota Statutes 2024, section 127A.49, subdivision 3, is amended to read:

1.8 Subd. 3. **Excess tax increment.** (a) If a return of excess tax increment is made to a

1.9 district pursuant to sections 469.176, subdivision 2, and 469.177, subdivision 9, or upon

1.10 decertification of a tax increment district, the school district's aid and levy limitations must

1.11 be adjusted for the fiscal year in which the excess tax increment is paid under the provisions

1.12 of this subdivision.

1.13 (b) An amount must be subtracted from the district's aid for the current fiscal year equal

1.14 to the product of:

1.15 (1) the amount of the payment of excess tax increment to the district in the preceding

1.16 year, times

1.17 (2) the ratio of:

1.18 (i) the sum of the amounts of the district's certified levy in the third preceding year

1.19 according to the following:

1.20 (A) section ~~123B.57~~ 123B.595, if the district received ~~health and safety~~ long-term

1.21 facilities maintenance aid according to that section for the second preceding year;

(B) section 124D.20, if the district received aid for community education programs according to that section for the second preceding year;

(C) section 142D.11, subdivision 3, if the district received early childhood family education aid according to section 142D.11 for the second preceding year;

(D) section 126C.17, subdivision 6, if the district received referendum equalization aid according to that section for the second preceding year;

(E) section 126C.10, subdivision 13a, if the district received operating capital aid according to section 126C.10, subdivision 13b, in the second preceding year;

(F) section 126C.10, subdivision 29, if the district received equity aid according to section 126C.10, subdivision 30, in the second preceding year;

(G) section 126C.10, subdivision 32, if the district received transition aid according to section 126C.10, subdivision 33, in the second preceding year;

(H) section 123B.53, subdivision 5, if the district received debt service equalization aid according to section 123B.53, subdivision 6, in the second preceding year;

(I) section 123B.535, subdivision 4, if the district received natural disaster debt service equalization aid according to section 123B.535, subdivision 5, in the second preceding year;

(J) section 124D.22, subdivision 3, if the district received school-age care aid according to section 124D.22, subdivision 4, in the second preceding year; ~~and~~

(K) section 126C.10, subdivision 2e, if the district received local optional aid according to section 126C.10, subdivision 2e, in the second preceding year; and

(L) section 122A.415, subdivision 5, if the district received alternative teacher compensation equalization aid according to section 122A.415, subdivision 6, paragraph (a), in the second preceding year; to

(ii) the total amount of the district's certified levy in the third preceding year, plus or minus auditor's adjustments.

(c) An amount must be subtracted from the school district's levy limitation for the next levy certified equal to the difference between:

(1) the amount of the distribution of excess increment; and

(2) the amount subtracted from aid pursuant to clause (a).

If the aid and levy reductions required by this subdivision cannot be made to the aid for the fiscal year specified or to the levy specified, the reductions must be made from aid for

3.1 subsequent fiscal years, and from subsequent levies. The school district must use the payment  
3.2 of excess tax increment to replace the aid and levy revenue reduced under this subdivision.

3.3 (d) This subdivision applies only to the total amount of excess increments received by  
3.4 a district for a calendar year that exceeds \$25,000.

3.5 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2027 and later.