

Talking Points - [HF3224](#) - School Levies Tax Relief and Reform Bill

1. The disparities in using local property taxes to fund Minnesota schools resulted from years of neglect at the state level. With a \$9.3 billion state budget surplus, it is hard to say the state doesn't have the resources to take bold action and fix these glaring inequities. See the [total property tax relief for your district](#). See a graphic for the [state's portion of a referendum dollar in your district](#) in HF3224.
2. HF3224 significantly lowers property taxes and makes future school levies more affordable in lower-property wealth school districts by increasing equalization. The impacted school levies are the voter-approved referendum, board-approved location optional revenue (LOR), and debt service for building bonds. The funding in the bill goes directly towards reducing property taxes across the state, and the dollars do not go to school districts. Therefore, the bill should be addressed and paid for in the tax committees.
3. To make the property tax relief permanent and ongoing, the bill bases the state's equalization aid on a percentage of the state average property values. Without this fix, property taxes will rise again over time, and taxpayers in low-property wealth districts will again pay two, three, or even four times more for the same levy dollar to support educational opportunities for their local students.
4. The LOR is critical operating revenue for schools. Established in 2015, the buying power of LOR continues to erode due to inflation. Schools require stable and predictable funding to maintain valuable staffing and programming for their students. The bill increases the cap on LOR by \$101, raising it from \$724 to \$825 per pupil for the next school year, and then increases the LOR revenue by the same percentage that the basic formula is increased by the legislature each year.
5. When voters approve a building bond, the community expects their school district to maintain that asset. All school districts can levy maintenance revenue through a fair, highly equalized levy for all taxpayers. As maintenance costs continually rise, the bill increases the LTFM levy cap by \$120 to \$500 per pupil and annually increase the levy to maintain its buying power.
6. The modest increases in the LTFM maintenance and LOR operating levies will not significantly impact the property tax relief in the bill as the new equalization keeps the taxpayer's cost down.
7. The legislature in recent years recognized that school levies' property tax relief should be permanent to be effective. The legislature already indexed the agricultural bond credit and LTFM; and the debt-service levy to a lesser degree. The bill extends that philosophy to the other major school levies.
8. Both the House and the Senate want to provide tax relief this legislative session. It's up to us to convince legislators to deliver the tax relief through HF3224. It offers significant property tax relief around the state and makes Minnesota public school funding system more equitable for students and taxpayers.

History

1. The legislature is constitutionally obligated to equitably fund public schools. The Minnesota Constitution only calls out two specific areas of government that the state must fund – trunk highway systems and public education. Article 13, Section 1 in the Minnesota Constitution states, “. . . it is the duty of the legislature to establish a general and UNIFORM system of public schools. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.”
2. The basic formula is meant to deliver the foundational resources to provide students with quality educational opportunities such as reasonable class sizes, robust program offerings, and strong student support services. However, the basic formula has not kept pace with inflation. The state spends over [\\$1,600 per pupil less on the students today](#) than it invested when their parents were in the classroom a generation ago.
3. In addition, the state allowed the special education cross subsidy, the unfunded cost of providing mandated special education services, to grow to an unsustainable level. The state average special education cross subsidy is \$824 per student. See the [special education cross subsidy for your school district](#).

4. School districts rely on school levies to make up for inadequate state funding. Numerous board- and voter-approved school levies pay for fundamental necessities such as operating expenses and unfunded mandates. Levy revenue also funds new or enhanced buildings (when voters approve a building bond, local property taxes are collected in a debt-service levy that the district uses to pay the mortgage.) A long-term facilities maintenance (LTFM) levy is used to maintain valuable school buildings and facilities.
5. The cost to the local taxpayer for a school levy depends on the property wealth of the school district. Without significant industrial or commercial development to broaden the tax base, taxpayers in low-property wealth districts can pay substantially more for the same levy dollar generated in high-property wealth districts.
6. The legislature allows districts to generate up to \$2,553 per pupil in operating revenue through the voter-approved referendum and the board-approved location optional revenue (LOR). Most districts use the \$724 per pupil in LOR. However, districts have varying success in passing referendums. Taxpayers in mostly residential school districts pay two to four times more than taxpayers in a district with a broader tax base. The resulting disparity in voter-approved referendum revenue ranges from \$0 to over \$1,800 per pupil, leaving many Minnesota students without the educational opportunities they need and deserve. See the taxpayer cost for this operating levy revenue for your school district in the [Where Do You Live? charts](#).
7. In the early 1990s, legal action against the state that highlighted the disparities in referendum funding prompted the legislature to establish the equalization program. Equalization is intended to make the taxpayer cost of a levy dollar more uniform across the state. The state pays a portion of every school levy dollar to reduce the local taxpayer's cost through equalization. The amount of the school levy dollar the state covers is based on the property wealth of the individual school district. Equalization was very effective when established. In many cases, the state needed to pay a significant portion of a levy dollar in low-property wealth districts to keep the taxpayer cost uniform across the state. However, equalization has significantly eroded over time as the formulas have never been updated, and the burden has shifted back to the local property taxpayer. See how much of the referendum the state pays for a voter-approved referendum in your school district in the [HF3224 graphs](#). These graphs also show the impact of HF3224.
8. All communities value their local schools and must have equal access to affordable levy revenue so their students can have the same educational opportunities seen in high-property wealth school districts. The quality of a student's education should not depend on their zipcode.
9. Taxpayers deserve property tax relief to lighten their burden of the high cost of a school levy dollar in low-property wealth school districts.