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# **A History of the School Operating Levy Referendum**

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## **The Origins of the Operating Levy Referendum**

In 1971, the Minnesota Legislature as part of the “Minnesota Miracle” gave school districts the ability to levy, with voter approval, for additional revenue to cover general district operating costs. This authority was rather broad; as most other levy authority for school districts was limited in amount and purpose. Prior to 1971, local school boards had much greater flexibility in deciding how much to levy, with the levy limited primarily by the need for money and the ability and willingness of the property taxpayers in the district to provide resources. The 1971 law was the first effective state-imposed and voter-controlled levy limit on school districts.

The specifics of the law were relatively open-ended. The 1971 referendum levy law stated that “the levy...may be increased in any amount which is approved by the voters of the district in a referendum called for that purpose,” and that “the referendum may be held on the date set for the election of members to the school board, or on an equivalent date in any year in which there is no such election, or between September 1 and September 20.” (*1971 Laws, Extra Session, Ch. 31, Art. XX, Sec. 8, clause 3*) The 1971 law also provided for the revocation of any additional levy authority that had been previously approved via a subsequent referendum proposed by the school board or required by a voter petition.

## **The Current Status of the Operating Levy Referendum**

Today, referendum levies are much more controlled. For instance, referendum elections themselves may only be held on Election Day in November, unless the school district is in Statutory Operating Debt, or the election is held by mail. In addition, referendum levies now must be levied against the market value of all property in the district, excluding agriculture land and seasonal recreational property, rather than net tax capacity (net tax capacity uses classification rates to change the property tax burden of particular types of property, relative to the property’s actual market value). This has the effect of shifting a greater burden of the referendum levy to the residential property classes that are otherwise taxed at lower rates than most other types of property.

Further, referendum amounts are capped. Districts which qualify for sparsity revenue may exceed the caps, but in all other cases, a district may only have a referendum amount on a per pupil basis that is less than or equal to the greater of (1) 18.2 percent of the basic formula amount (\$837 for fiscal year 2003), or; (2) the district’s referendum allowance in 1994 multiplied by 1.162 plus the district’s 2002 supplemental and transition amount, minus \$415, or; (3) the sum of the previous year’s referendum amounts in each individual district in a newly reorganized district.

Since 1993, referendum revenue has been “equalized” at varying levels, that is, the state pays in aid the difference between what is raised by a local levy and a guaranteed revenue amount. The current equalization formula has a two-tier approach: the first \$126 per pupil of a school district’s referendum levy is equalized at \$476,000 of market value, and any amount above \$126 and below the cap (\$837 in 2002-03) is equalized at \$270,000. Districts qualifying for sparsity revenue have any amount of referendum revenue above \$126 per pupil equalized at \$270,000.

Equalization is used to make property tax burdens for districts with similar per pupil referendum revenues but varying tax bases the same. The relationship of a district's market value per pupil unit to the equalizing factor (\$476,000 in the case of the first \$126 of referendum revenue) indicates how much basic referendum revenue the district will receive from property taxes. If a district's property valuation per pupil unit were \$238,000 for example (50 percent of \$476,000), the district would receive 50 percent of its revenue from its referendum levy and 50 percent from state equalization aid. If a district's market value per pupil unit is greater than \$476,000, that district will receive all of its basic revenue from the local levy.

### Historical Levels of the Operating Levy Referendum

In fiscal year 1973, the first year of the referendum levy, one school district had an excess levy totaling \$25,400. By fiscal year 1980, 95 districts had referendum levies in effect, totaling \$12.3 million. From 1980 forward, with few exceptions, revenue raised through voter-approved referendum has increased substantially each year, and the percentage of districts with voter-approved levies also increased, rising to nearly 90 percent of all districts during fiscal year 2002. This trend is illustrated in figure 1, which shows the percentage of districts with a referendum each year since fiscal year 1980. As figure 1 shows, for fiscal year 2003 there was a substantial reduction in voter-approved levies, due to the conversion of the first \$415 of each district's referendum to a \$415 increase in the basic formula, a change enacted by the Legislature during the 2001 Legislative session. A similar conversion, of \$100 for fiscal year 1993, marks the only other year in which the percentage of school districts with referendums declined.

Figure 1: **Percent of Districts with Referendum**

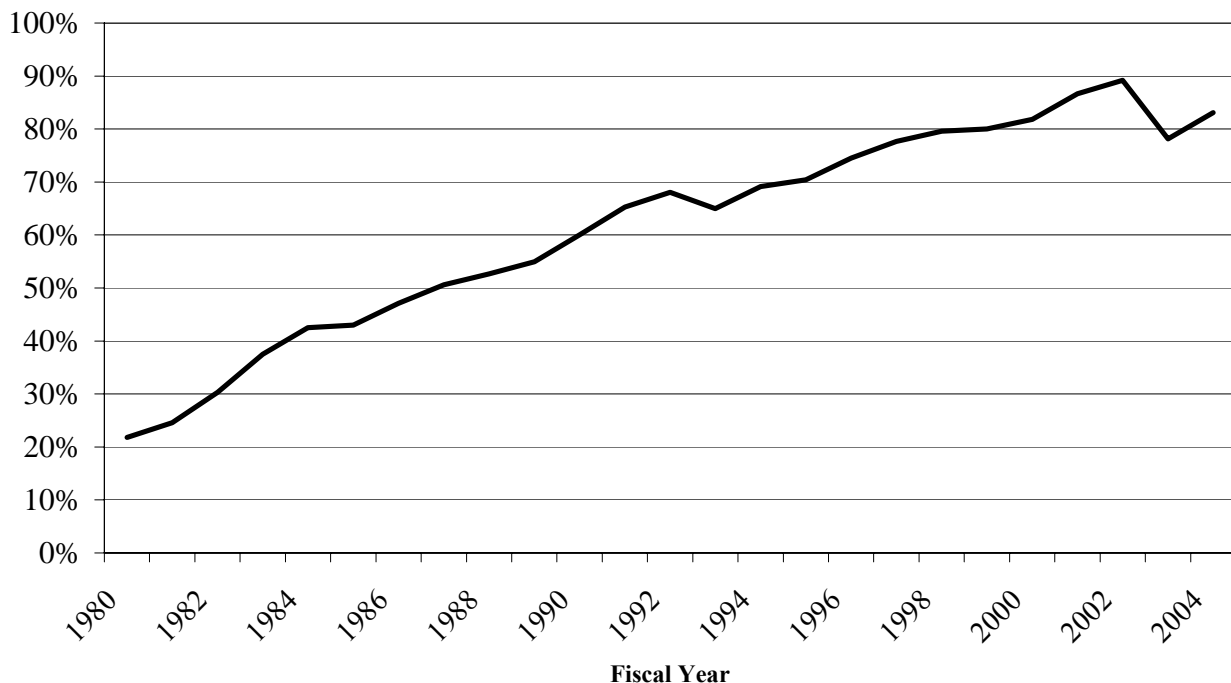
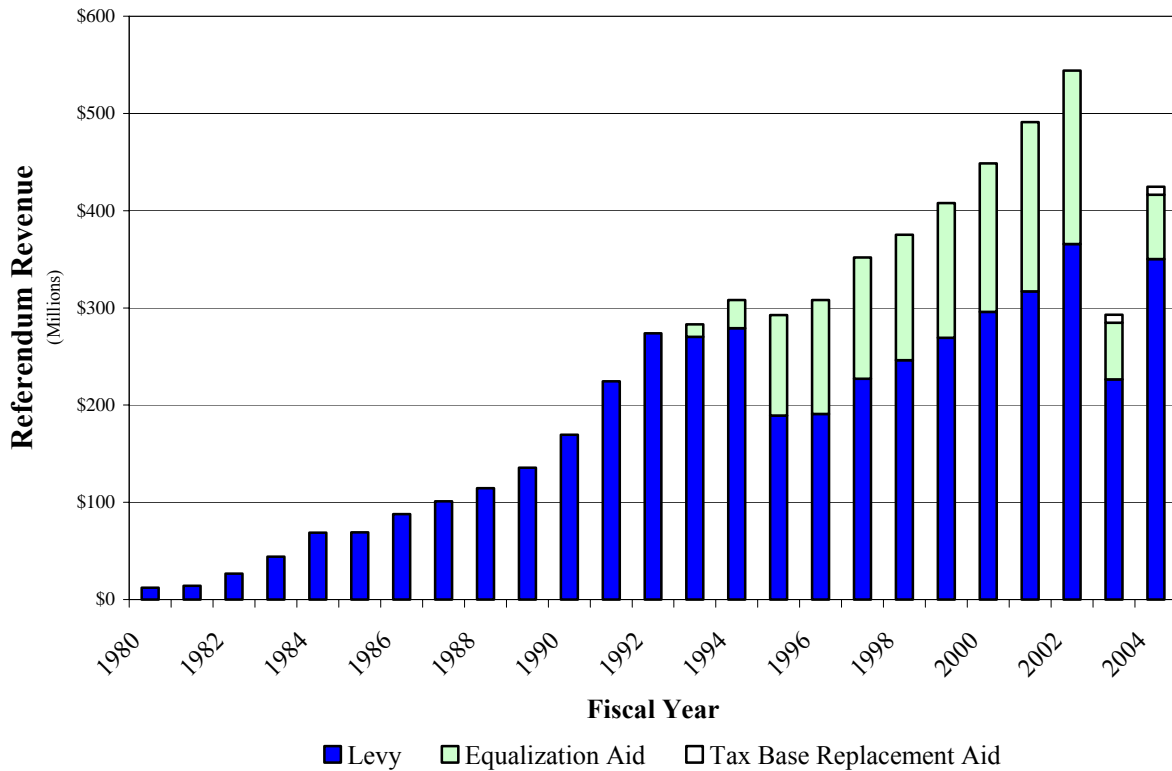


Figure 2: Referendum Revenue



Subsequent to the significant reduction in referendums that followed the \$415 conversion, a record 197 districts presented voters with 207 referendum questions during calendar year 2001, and 135 districts had at least one success. In calendar year 2002, there were 106 attempts to pass operating referendums, and 60 were successful. As a result, the percentage of Minnesota school districts with referendum revenue has again increased over 80 percent.

Fiscal year 1993 was when the state started paying equalization aid to school districts based on their property wealth. Figure 2 shows total referendum revenue, including the mix of referendum aid, levy and tax base replacement aid (started in fiscal year 2003) since 1980. Referendum revenue was \$283.1 million in fiscal year 1993, and reached \$544.1 million in fiscal year 2002. The 2001 legislative change, converting \$415 of referendum revenue into basic formula revenue, reduced that amount to \$293.0 million, but within a year, following the new elections in calendar year 2001, fiscal year 2004 referendum revenue will be approximately \$424.4 million.

Table 1 shows the number and percent of districts that made referendum levies and the amount of revenue raised by those levies, and the amount of referendum equalization aid and tax base replacement aid paid by the state. In addition, the table shows the percentage increase each year of referendum revenue on a total basis and on a per student basis (using students in Average Daily Membership as the student count). Referendum revenue decreased in fiscal years 1995

and 2001, one-time occurrences as a result of a portion of referendum revenue being offset by a concurrent, equal, increase in the basic general education formula (see 1993 and 2001 legislative changes summary).

**Table 1  
Referendum History**

Fiscal Year	Districts	Percent	Referendum	Referendum	Tax Base	Total	Student	Referendum		
	with	With	Levy	Equalization Aid	Replacement Aid	Referendum Revenue	Headcount (ADM)	per Student	Percent Increase	Percent Increase
1980	95	21.8%	12,342,000		0	0	12,342,000	772,101	16	
1981	107	24.6%	14,260,000		0	0	14,260,000	751,373	19	18.7%
1982	132	30.3%	26,715,000		0	0	26,715,000	729,105	37	93.1%
1983	163	37.5%	43,944,000		0	0	43,944,000	710,972	62	68.7%
1984	185	42.5%	68,855,000		0	0	68,855,000	700,167	98	59.1%
1985	187	43.0%	69,225,000		0	0	69,225,000	695,777	99	1.2%
1986	205	47.1%	87,753,757		0	0	87,753,757	699,191	126	26.1%
1987	220	50.6%	100,919,363		0	0	100,919,363	708,446	142	13.5%
1988	229	52.6%	114,507,030		0	0	114,507,030	716,125	160	12.2%
1989	239	54.9%	135,681,183		0	0	135,681,183	723,598	188	17.3%
1990	261	60.0%	169,411,411		0	0	169,411,411	733,338	231	23.2%
1991	282	65.3%	224,338,168		0	0	224,338,168	750,865	299	29.3%
1992	290	68.1%	273,748,762		0	0	273,748,762	767,786	357	19.3%
1993	269	65.0%	270,184,212	12,918,322		0	283,102,534	785,072	361	1.1%
1994	273	69.1%	279,241,355	28,785,011		0	308,026,366	799,285	385	6.9%
1995	269	70.4%	189,185,762	103,378,573		0	292,564,334	812,582	360	-6.6%
1996	272	74.5%	190,804,864	117,264,015		0	308,068,879	827,588	372	3.4%
1997	278	77.7%	227,161,847	124,524,294		0	351,686,140	840,377	418	12.4%
1998	281	79.6%	246,209,274	128,962,249		0	375,171,523	849,270	442	5.6%
1999	280	80.0%	269,275,308	138,501,125		0	407,776,433	845,971	482	9.1%
2000	284	81.8%	295,987,019	152,568,508		0	448,555,527	839,234	534	10.9%
2001	299	86.7%	317,047,156	173,852,334		0	490,899,489	836,931	587	9.7%
2002	306	89.2%	365,672,596	178,433,137		0	544,105,732	836,875	650	10.8%
2003	268	78.1%	226,600,062	58,047,977	8,347,239		292,995,278	833,618	351	-45.9%
2004	285	83.1%	350,083,326	66,298,041	8,040,837		424,422,204	828,336	512	45.8%

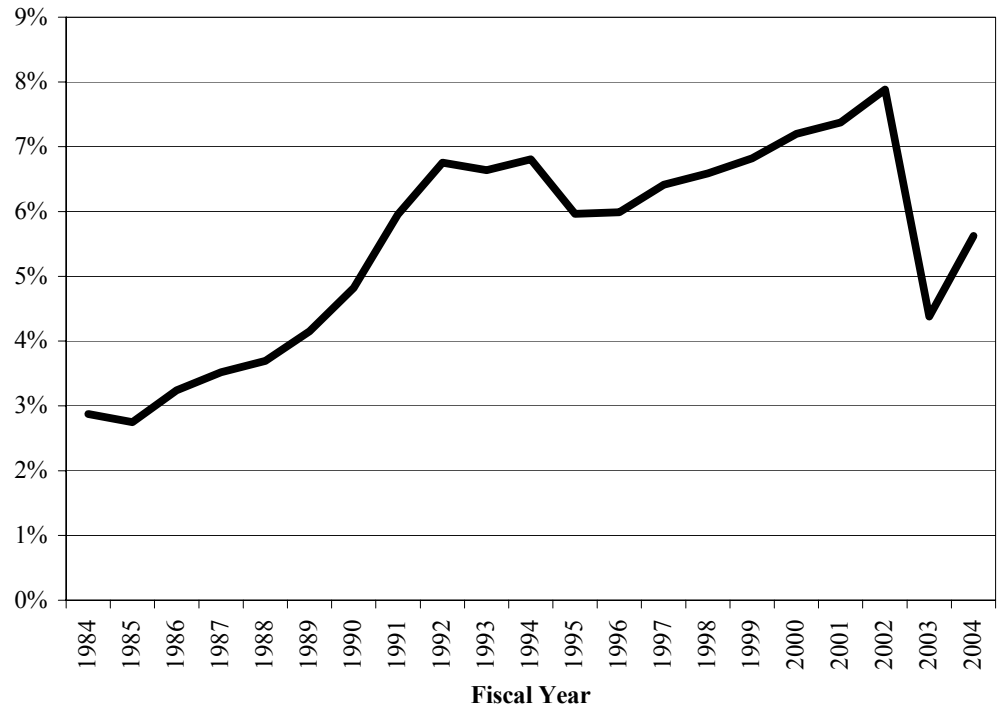
### The Operating Levy Referendum as a Percent of Total Revenue Is Growing

Until the \$415 referendum offset in fiscal year 2003, referendum revenue had grown relatively steadily to be a larger part of overall education revenue, although the rate of growth fell considerably during the 1990s. As shown in Table 2 and Figure 3, during fiscal year 1984, referendum revenue made up 2.9 percent of total education revenue, and by fiscal year 1992, had increased to equal 6.8 percent of total education revenue. That rate grew slowly through the late 1990s and into 2002, when referendum revenue as a percent of total education revenue increased to its highest level, 7.9 percent. With the \$415 referendum offset in fiscal year 2003, the percentage dropped to 4.4 percent, but the new elections in calendar year 2001 and 2002 have increased the percentage sharply to 5.6 percent for fiscal year 2004.

**Table 2**  
Referendum Revenue  
As a percent  
Of Total Revenue

1984	2.9%
1985	2.7%
1986	3.2%
1987	3.5%
1988	3.7%
1989	4.2%
1990	4.8%
1991	6.0%
1992	6.8%
1993	6.6%
1994	6.8%
1995	6.0%
1996	6.0%
1997	6.4%
1998	6.6%
1999	6.8%
2000	7.2%
2001	7.4%
2002	7.9%
2003	4.4%
2004	5.6%

**Figure 3: Referendum Revenue as a Percent of Total Education Revenue**



Note: Total education revenue includes all state appropriations for education finance and tax relief aids as well as funding for the Department of Children, Families and Learning, the Perpich Center for Arts Education, the Minnesota State Academies for the Deaf and Blind, property tax levies, dedicated funds and tax shift adjustments. Federal funds and local fees are not included.

## A History of Legislative Changes to the Operating Levy Referendum

Between 1971 and 1988, no significant changes were made to the operating levy referendum. Beginning in 1989, many changes were made, primarily in an effort to restrain the unlimited nature of the referendum levy and to equalize access to referendum revenue among districts with disparate tax base wealth per pupil unit. The 2001 legislative session marked the most significant changes in recent years to the program. The changes are summarized below in reverse chronological order.

### 2002

Referendum equalization aid is limited to 18.2 percent of the basic formula amount for school districts with more than 90 percent of their referendum revenue coming from equalization aid. This provision prevents extremely low property value districts that don't otherwise have a cap on their referendum amount from passing large referendums that are then paid entirely or almost entirely by the state. [\*M.S. 126C.17, subd. 7 \(2002 Laws, Ch. 374, Art. 4, Sec. 7\)\*](#)

### 2001

Agriculture land (but not an agriculture homestead including a house, a garage and one acre of land) and seasonal recreational property are excluded from referendum market value and payment of operating referendum levies. [\*M.S. 126C.01, subd. 3 \(2001 Laws, First Special Session, Ch. 5, Art. 2, Sec. 8\)\*](#)

Each school district's referendum allowance is reduced by \$415 per pupil (in conjunction with a \$415 increase in the basic formula allowance). A district's referendum allowance, after the \$415 subtraction, cannot be less than \$0. The \$415 represents the amount that, up until this year, had been equalized by the state. [\*M.S. 126C.17, subd. 1 \(2001 Laws, First Special Session, Ch. 5, Art. 2, Sec. 12\)\*](#)

The limit on how much operating referendum a district may have is changed. The new limit is the greater of (1) 18.2 percent of the basic formula amount, or; (2) the district's 1994 referendum amount per pupil multiplied by 1.162, plus the amount of 2002 supplement and transition revenue per pupil that was converted to referendum revenue, minus the \$415 reduction in the referendum revenue per pupil, or; (3) the sum of all the member districts' referendum authority in the year prior to the creation of a newly reorganized district. [\*M.S. 126C.17, subd. 2 \(2001 Laws, First Special Session, Ch. 5, Art. 2, Sec. 13\)\*](#)

A new two-tier method for calculating referendum equalization aid is created. The first tier is calculated on any referendum amounts up to \$126 per pupil, with the second tier calculated on referendum amounts above \$126 per pupil, up to 18.2 percent of the basic formula amount, unless the district qualifies for operating sparsity revenue, in which case the second tier is calculated on any amount above \$126 per pupil. [\*M.S. 126C.17, subd. 5, subd. 7, and subd. 8 \(2001 Laws, First Special Session, Ch. 5, Art. 2, Sec. 14, Sec. 16 and Sec. 18\)\*](#)

The equalizing factors for calculating a district's referendum levy are set, with the first tier equalizing factor at \$476,000 of market value per pupil and the second tier equalizing factor at \$270,000. [\*M.S. 126C.17, subd. 6 \(2001 Laws, First Special Session, Ch. 5, Art. 2, Sec. 15\)\*](#)

Referendum tax base replacement aid is created. Any district with a referendum greater than \$415 before the conversion qualifies for aid based on the amount of levy previously paid by

agriculture land and seasonal recreational properties. *M.S. 126C.17, subd. 7a (2001 Laws, First Special Session, Ch. 5, Art. 2, Sec. 17)*

A school board may, for fiscal year 2003 only, add to the district's referendum allowance the district's 2002 supplement and transition revenue amounts (which are repealed elsewhere) without voter approval. The added amounts must be renewed by the voters at a later date. *M.S. 126C.17, subd. 13 (2001 Laws, First Special Session, Ch. 5, Art. 2, Sec. 19)*

### **1999**

Charter schools' general education aid includes the state referendum equalization aid for a pupil, based on how much referendum equalization aid the pupil generates in the pupil's resident district. *M.S. 124D.11, subd. 1 (1999 Laws, Ch. 241, Art. 1, Sec. 2)*

The equalized portion of an operating levy referendum is increased from the first \$350 per pupil of referendum revenue to the first \$415 per pupil of operating referendum revenue. *M.S. 126C.17, subd. 5 (1999 Laws, Ch. 241, Art. 1, Sec. 43)*

School districts must transfer referendum equalization aid generated by a resident student to an alternative attendance program if a resident student is being served in that alternative attendance program. *M.S. 127A.47, subd. 7 (1999 Laws, Ch. 241, Art. 1, Sec. 49)*

### **1998**

The operating levy referendum election date is modified to allow for elections on a date other than the Election Day in November, in order to tie operating referendums to a bond election that is for a complimentary purpose. *M.S. 124A.03, subd. 2b (1998 Laws, Ch. 398, Art. 1, Sec. 24)*

### **1997**

Clarifies that the referendum cap for newly reorganized districts is the sum of the districts' referendum authority for the prior year, if that sum is greater than the regular cap. *M.S. 124A.03, subd. 1c (1997 Laws, First Special Session, Ch. 4, Art. 1, Sec. 33)*

A referendum still assessed on net tax capacity has a fixed equalizing factor of \$10,000. *M.S. 124A.03, subd. 1g (1997 Laws, First Special Session, Ch. 4, Art. 1, Sec. 34)*

### **1996**

A referendum election ballot question may propose variable levels of referendum revenue per pupil unit during the years of the referendum. This would allow for increases (or decreases) in the referendum amount after the first year. *M.S. 124A.03, subd. 2 (1996 Laws, Ch. 412, Art. 1, Sec. 15)*

The commissioner is granted limited authority to allow districts to hold a referendum election on a date other than the November general election date if that referendum is held in conjunction with a bond election and the proceeds of the referendum would finance the operation of the facility to be funded by the bond issue. *M.S. 124A.03, subd. 2b (1996 Laws, Ch. 412, Art. 1, Sec. 16)*

The referendum reduction initially passed in 1993 is made permanent. It no longer will be recalculated each year nor will it apply to new referendum authority. *M.S. 124A.03, subd. 3c (1996 Laws, Ch. 412, Art. 1, Sec. 17)*



**1995**

A referendum election may be held in the first or second calendar year prior to the year in which it is payable. *M.S. 124A.03, subd. 3 (Special Session Laws 1995, Ch. 3, Art. 1, Sec. 23)*

Market value referendum levies will be equalized based on the market value of the school district rather than net tax capacity. *M.S. 124A.03, subd. 1g (Special Session Laws 1995, Ch. 3, Art. 1, Sec. 21)*

Capital expenditure facilities and equipment revenue is moved to an operating capital account in the general fund. One effect of this change is to allow referendum revenue to be used for capital purposes. *M.S. 124A.22, subd. 10 (Special Session Laws 1995, Ch. 3, Art. 1, Sec. 35)*

**1994**

The sunset date for referendum revenue is moved from 1997 to July 1, 2000 for most districts. In the interim period, if a referendum is authorized on market value for ten or fewer years, a referendum is valid for the number of years approved even though it may be in effect beyond 2000. *M.S. 124A.0311 (Laws 1994, Ch. 647, Art. 1, Sec. 15 and 20)*

The maximum duration of newly approved referenda is ten years, an increase from the five years in previous law. *M.S. 124A.03, subd. 2 (Laws 1994, Ch. 647, Art. 1, Sec. 17)*

School boards may convert referendum amounts from adjusted net tax capacity to market value in parts over time. A process is established for this conversion, including an incentive (the duration of a referendum before reauthorization may be longer) when districts convert before July 1, 1997. *M.S. 124A.0311, subd. 2 (Laws 1994, Ch. 647, Art. 1, Sec. 20)*

Districts with referenda expiring before taxes payable in 1998 may propose a new referendum, partially levied on adjusted net tax capacity and partially on market value. The full levy must be converted to market value by 2001. *M.S. 124A.0311, subd. 3 (Laws 1994, Ch. 647, Art. 1, Sec. 20)*

Market value is redefined for any property having a class rate below one percent. For that property, market value is defined as 100 times the tax capacity. *M.S. 124A.02, subd. 3b and M.S. 124A.03, subd. 2a (Laws 1994, Ch. 647, Art. 1, Sec. 13 and 18)*

**1993**

Referendum equalization aid is increased from 50 percent of the equalizing factor to 100 percent for the first \$315 per pupil unit, effective for 1994-95 school year revenue. *M.S. 124A.03, subd. 1f, 1g (Laws 1993, Ch. 224, Art. 1, Sec. 8, 9)*

The referendum levy is no longer to be counted in the allocation of HACA (homestead and agricultural credit aid). HACA that had been allocated to the referendum levy is used to fund the increased level of referendum equalization. This results in about \$55 million of HACA being shifted to referendum equalization aid, effective for taxes payable in 1994. *M.S. 273.1398, subd. 2a (Laws 1993, Ch. 224, Art. 1, Sec. 29)*

District referendum revenue is reduced by all or a portion of the \$100 per pupil unit increase in the general education formula. The full reduction does not apply to the referendum revenue if the district has supplemental revenue (the reduction is applied first to supplemental revenue) or the district meets a certain group of criteria (low tax capacity per pupil unit, low fund balance, no supplemental revenue and a referendum tax rate greater than 10 percent). Referendum revenue may also be reduced by up to 25 percent of increases in training and

experience and compensatory revenue, effective for 1994-95 school year revenue. *M.S. 124A.03, subd. 3b (Laws 1993, Ch. 224, Art. 1, Sec. 10)*

The referendum revenue allowance limit is reduced from \$915 per pupil unit to \$787.50 per pupil unit (25 percent of the basic general education formula allowance) unless the district had a higher limit in payable 1993 or is eligible for sparsity revenue, effective for referenda passed fall 1993. *M.S. 124A.03, subd. 1c (Laws 1993, Ch. 224, Art. 1, Sec. 7)*

All referendum levies are set to expire on July 1, 1997 (after payable calendar year 1997 taxes). To continue a referendum, a vote must be held in November 1997. Referendum levies that are renewed would be spread on market value rather than on the adjusted net tax capacity (ANTC) of property and have a five-year limit. *(Laws 1993, Ch. 224, Art. 1, Sec. 37)*.

### **1992**

The referendum revenue allowance limit is reduced from \$1067.50 per pupil unit to \$915 per pupil unit (30 percent of the basic general education formula allowance) unless a district had a higher limit in previous years or is eligible for sparsity revenue, effective for referenda passed fall 1992. *M.S. 124A.03, subd. 1c (Laws 1992, Ch. 499, Art. 1, Sec. 11)*

A referendum election may be held only during the calendar year before the new levy first becomes payable, effective fall 1992. *M.S. 124A.03, subd. 2 (Laws 1992, Ch. 499, Art. 1, Sec. 12)*

A district in statutory operating debt may apply to and receive approval from the commissioner of education to hold a referendum on a date other than the November Election Day, effective April 30, 1992. *M.S. 124A.03, subd. 2b (Laws 1992, Ch. 499, Art. 1, Sec. 14)*

### **1991**

The first \$305 per pupil unit (ten percent of the general education formula allowance) is equalized at a rate of 50 percent of the equalizing factor. This equalization is phased in over three years, effective beginning with 1992-93 school year revenue. *M.S. 124A.03, subd. 1f, 1g, 1h (Laws 1991, Ch. 265, Art. 1, Sec. 10)*

The referendum amount determination is changed from a percent of tax capacity to a dollar per pupil unit, effective for referenda passed fall 1991. *M.S. 124A.03, subd. 2 (Laws 1991, Ch. 265, Art. 1, Sec. 10)*

The duration of the referendum is limited to five years, effective for referenda passed fall 1991. *M.S. 124A.03, subd. 2 (Laws 1991, Ch. 265, Art. 1, Sec. 10)*

The referendum revenue allowance is limited to the lesser of \$1,067.50 per pupil unit (35 percent of the basic general education formula allowance) or the amount the district levied in the previous year. Districts eligible for sparsity revenue are exempt from the limit, effective for referenda passed fall 1991. *M.S. 124A.03, subd. 1c (Laws 1991, Ch. 265, Art. 1, Sec. 10)*

Districts are allowed to have referendum elections on dates other than the November election date if the election is held by mail ballot, effective November 1, 1991. *M.S. 124A.03, subd. 2 (Laws 1991, Ch. 291, Art. 1, Sec. 5)*

Any new referendum levies must be applied to the market value of property in the school district rather than adjusted net tax capacity, effective for referenda approved after November 1, 1992. *M.S. 124A.03, subd. 2a (Laws 1991, Ch. 291, Art. 1, Sec. 6)*

New referendum levies that would begin in payable 1992 are limited to a maximum of \$10 million as approved by the Commissioner of Education. *(Laws 1991, Ch. 265, Art. 1, Sec. 29)*

**1989**

Districts are limited to one referendum vote per year on the November general election day.

*M.S. 124A.03, subd 2. (Laws 1989, Ch. 329, Art. 1, Sec. 4)*

Districts are required to mail notices about the tax impact of the proposed referendum levy to the taxpayers in the district. *M.S. 124A.03, subd. 2 (First Special Session Laws 1989, Ch. 1, Art. 9, Sec. 5)*

Districts are required to specify on the ballot the number of years for which a referendum levy could be in effect. *M.S. 124A.03, subd. 2 (First Special Session Laws 1989, Ch. 1, Art. 9, Sec. 5)*

**1973-1988**

In 1973, an amendment prohibited districts from holding more than one referendum election per year (*Laws 1973, Ch. 683, Sec. 18*). In 1977, the referendum law was amended to permit ballot language specifying the years of duration of the levy, and requiring that the ballot disclose the amount of referendum levy in mills and the total to be raised in the first year in dollars (*Laws 1977, Ch. 447, Art. 1, Sec. 19*).

In 1982, the referendum revocation provisions were amended to allow for an election to reduce as well as revoke a referendum levy (*Laws 1982, Ch. 548, Art 1, Sec.12*). Also enacted in 1982, for elections affecting taxes payable in 1983 only districts were allowed to hold two referendum levy elections per year (*Laws 1982, Ch. 548, Art. 1, Sec. 12*). In 1983, this one-time provision was made permanent (*Laws 1983, Ch. 314, Art. 7, Sec. 34*).

*For additional information on this or any other K-12 education topic, please contact Greg Crowe in the House of Representatives' Fiscal Analysis Department at 651-296-7176, or via e-mail at [Greg.Crowe@House.MN](mailto:Greg.Crowe@House.MN).*