

HOUSE RESEARCH

Bill Summary

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Subject: Equity Revenue Increased

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Overview

Beginning in FY 00, a new component called equity revenue was added to the general education formula. Equity revenue is based on the sum of a district's basic formula allowance, transition revenue, sparsity revenue and referendum revenue. A school district located in a city of the first class is excluded from equity revenue. The state is divided into two equity regions-the 7-county metro area, and Greater Minnesota. Under current law, a school district's equity revenue is limited to \$10 per pupil unit for a district without a referendum. A district that has passed an operating referendum is entitled to up to an additional \$30 per pupil unit based on the district's equity index. The equity index is based on the gap between the district's general education revenue and the general education revenue of the district at the 90th percentile. H.F. 3 provides a higher amount of equity revenue to all districts by raising the maximum equity revenue from \$40 to \$100 per pupil unit, eliminates the split between metro and nonmetro districts and removes the lower equity amount for districts that have not passed a referendum. H.F. 3 has an annual cost of roughly \$35 million.

Section

- 1 **Equity revenue.** Increases the measurement used for equity revenue from the gap between the 5th to 90th percentile to the gap between the 5th to 95th percentile. Sets the minimum revenue amount for qualifying districts at \$25 per pupil unit and provides districts with up to an additional \$75 per pupil unit depending on their equity index number. Removes the lower revenue amount for districts that have not passed an operating referendum.
- 2 **Statewide equity gap.** Eliminates the metro/nonmetro split in the calculation of equity revenue (districts located in the metro area have higher general education revenue than Greater Minnesota).
- 3 **District equity index.** Adjusts each district's equity index to reflect the statewide equity gap.
- 4 **Appropriation.** Appropriates a blank sum of money for district equity revenue.
- 5 **Effective date.** Makes sections 1 to 5 effective for revenue for FY 02 and later.

