



2018 Session Brief

School Board Renewal of an Operating Referendum

School Board Renewal of Existing Referendum

State policymakers should bring greater stability to Minnesota's education funding system by allowing locally elected school boards to renew an existing operating referendum. Permitting school boards to renew a referendum at the same level, after a public hearing, would save thousands of taxpayer dollars that school districts are required to spend informing the public and conducting the election at no additional cost to the State.

Public Supports Operating Referendum Renewal

Public opinion surveys conducted by the Morris Leatherman Company over the past seven years, have consistently shown 60 percent or more of Minnesotans support allowing locally-elected school boards to renew an existing school referendum. The support is broad with strong majorities of both Republicans and Democrats expressing support. Recent referendum renewal elections provide further evidence of public support. As the chart below demonstrates, over the last four years Minnesota school districts have placed 74 operating referendum renewals on the ballot. **All 74 have passed – often with overwhelming majorities.**

Operating Referendum Renewal Rates

Year	Approval
2014	18 of 18 approved
2015	22 of 22 approved
2016	14 of 14 approved
2017	20 of 20 approved

Background

Prior to the adoption of the *Minnesota Miracle* legislation in 1971, education was primarily funded through local property taxes with local school boards having significant flexibility in deciding how much to levy. Under the *Minnesota Miracle*, the State assumed a far greater responsibility for funding education to reduce the reliance on the property tax as a funding source for schools. At the same time, the *Minnesota Miracle* gave school districts the ability to levy, with voter approval, for additional revenue to cover general operating costs.

This referendum authority was broad with no limit on the amount that could be approved by the voters and no limit on the duration of the referendum. This system remained largely in place until the late 1980s and early 1990s when a series of restrictions were enacted. Legislation adopted in 1989 required school districts to specify on the ballot how long the referendum would be in effect. More significant changes were approved in 1991 including the introduction of referendum equalization, a cap on the amount school districts could raise through the operating referendum, a five-year limit on the duration of a referendum and requiring that referendum levies be applied to the market value of property in the school district rather than adjusted net tax capacity. The maximum duration of an approved referendum was increased to 10 years in 1994.

Approved by the AMSD Legislative Committee: January 26, 2018

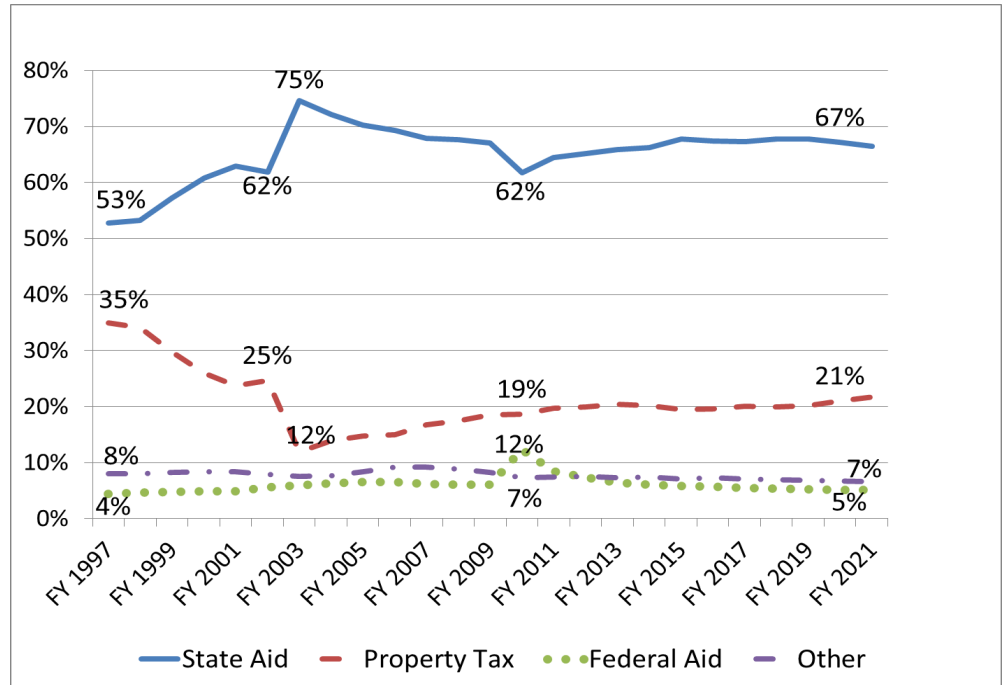
Since 1994, several adjustments have been made to the equalization formula, the referendum cap, and various election and ballot language requirements. However, the 10-year duration limit remains in effect. This limitation requires school districts to conduct an election to renew an existing referendum even if it is at the same level as the previously approved referendum and would not result in a tax increase.

Referendum Revenue Provides Critical Resources

Minnesota’s education funding system is based on a state and local partnership to provide the resources and opportunities our students need to graduate from high school ready for college or career. Local property taxes provide about 20% of the revenue for Minnesota school districts – a level that has been fairly constant for several years. As shown at right, the State provides about 2/3 of total school district revenue while just 5 percent comes from the federal government.

Over ninety percent of Minnesota school districts rely on revenue from an operating referendum to provide basic programming and services to their students. Metropolitan school districts are particularly dependent on revenue from operating referendums. Unlike some states, Minnesota’s education funding system does not account for regional variations in operating costs. As a result, metro school districts rely on voter-approved operating referendums to cover market-driven operating cost differentials. In fact, some metro districts receive more than 20 percent of their operating revenue from an operating referendum.

**PK-12 Education Revenue by Source
November 2017 Forecast**



Source: Minnesota Department of Education