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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 3654

02/23/2026 Authored by Greene; Rehrauer; Myers; Lee, K.; Pérez-Vega and others
The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act
1.2 relating to education finance; renaming the local optional revenue program;
1.3 increasing the program's funding; appropriating money; amending Minnesota
1.4 Statutes 2024, sections 126C.10, subdivision 2e; 126C.17, subdivisions 7a, 7b;
1.5 Minnesota Statutes 2025 Supplement, section 124E.20, subdivision 1.

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

1.7 Section 1. Minnesota Statutes 2025 Supplement, section 124E.20, subdivision 1, is amended
1.8 to read:

1.9 Subdivision 1. Revenue calculation. (a) General education revenue must be paid to a
1.10 charter school as though it were a district. The general education revenue for each adjusted
1.11 pupil unit is the state average general education revenue per pupil unit, plus the referendum
1.12 equalization aid allowance and ~~first tier~~ local ~~optional~~ education aid allowance in the pupil's
1.13 district of residence, minus an amount equal to the product of the formula allowance
1.14 according to section 126C.10, subdivision 2, times .0466, calculated without declining
1.15 enrollment revenue, local ~~optional~~ education revenue, basic skills revenue, extended time
1.16 revenue, pension adjustment revenue, transition revenue, and transportation sparsity revenue,
1.17 plus declining enrollment revenue, basic skills revenue, pension adjustment revenue, and
1.18 transition revenue as though the school were a school district.

1.19 (b) For a charter school operating an extended day, extended week, or summer program,
1.20 the general education revenue in paragraph (a) is increased by an amount equal to 25 percent
1.21 of the statewide average extended time revenue per adjusted pupil unit.

1.22 (c) Notwithstanding paragraph (a), the general education revenue for an eligible special
1.23 education charter school as defined in section 124E.21, subdivision 2, equals the sum of

2.1 the amount determined under paragraph (a) and the school's unreimbursed cost as defined  
 2.2 in section 124E.21, subdivision 2, for educating students not eligible for special education  
 2.3 services.

2.4 (d) A charter school's general education revenue under paragraphs (a) to (c) is increased  
 2.5 by \$132 times the adjusted pupil units for that fiscal year.

2.6 **EFFECTIVE DATE.** This section is effective for fiscal year 2027 and later.

2.7 Sec. 2. Minnesota Statutes 2024, section 126C.10, subdivision 2e, is amended to read:

2.8 Subd. 2e. **Local ~~optional~~ education revenue.** (a) For purposes of this subdivision:

2.9 (1) "regional average wage" means the average wage for each of Minnesota's economic  
 2.10 development regions for the most recent three years computed by the Minnesota Department  
 2.11 of Employment and Economic Development; and

2.12 (2) "statewide average wage" means the statewide average wage for the most recent  
 2.13 three years computed by the Minnesota Department of Employment and Economic  
 2.14 Development.

2.15 (b) A school district's region is the economic development region where the school  
 2.16 district's administrative offices are located.

2.17 (c) A school district's geographical cost education index equals the greater of one or:

2.18 (1) the sum of 0.23; and

2.19 (2) 0.77 times the ratio of the regional average wage to the statewide average wage.

2.20 (d) The local education allowance equals \$979 for fiscal year 2027. The regional  
 2.21 education allowance for fiscal year 2028 and later equals the local education allowance for  
 2.22 the previous year times the ratio of the general education basic formula allowance for the  
 2.23 current year to the general education basic formula allowance for the previous year.

2.24 (e) Local ~~optional~~ education revenue for a school district equals the sum of the district's  
 2.25 first tier local optional revenue and second tier local optional revenue. A district's first tier  
 2.26 local optional revenue equals \$300 times product of:

2.27 (1) the local education allowance for that year;

2.28 (2) the school district's geographic cost index for that year; and

2.29 (3) the adjusted pupil units of the district for that school year. A district's second tier  
 2.30 local optional revenue equals \$424 times the adjusted pupil units of the district for that  
 2.31 school year.

3.1 ~~(b) A district's local optional levy equals the sum of the first tier local optional levy and~~  
 3.2 ~~the second tier local optional levy.~~

3.3 ~~(e) (f) A district's first tier local optional education levy equals the district's first tier~~  
 3.4 ~~local optional education revenue times the lesser of one or the ratio of the district's~~  
 3.5 ~~referendum market value per resident pupil unit to \$880,000 \$......~~

3.6 ~~(d) For fiscal year 2023, a district's second tier local optional levy equals the district's~~  
 3.7 ~~second tier local optional revenue times the lesser of one or the ratio of the district's~~  
 3.8 ~~referendum market value per resident pupil unit to \$548,842. For fiscal year 2024, a district's~~  
 3.9 ~~second tier local optional levy equals the district's second tier local optional revenue times~~  
 3.10 ~~the lesser of one or the ratio of the district's referendum market value per resident pupil unit~~  
 3.11 ~~to \$510,000. For fiscal year 2025, a district's second tier local optional levy equals the~~  
 3.12 ~~district's second tier local optional revenue times the lesser of one or the ratio of the district's~~  
 3.13 ~~referendum market value per resident pupil unit to \$626,450. For fiscal year 2026, a district's~~  
 3.14 ~~second tier local optional levy equals the district's second tier local optional revenue times~~  
 3.15 ~~the lesser of one or the ratio of the district's referendum market value per resident pupil unit~~  
 3.16 ~~to \$642,038. For fiscal year 2027 and later, a district's second tier local optional levy equals~~  
 3.17 ~~the district's second tier local optional revenue times the lesser of one or the ratio of the~~  
 3.18 ~~district's referendum market value per resident pupil unit to \$671,345.~~

3.19 ~~(e) (g) The local optional education levy must be spread on referendum market value.~~  
 3.20 ~~A district may levy less than the permitted amount.~~

3.21 ~~(f) (h) A district's local optional education aid equals its local optional education revenue~~  
 3.22 ~~minus its local optional education levy. If a district's actual levy for first or second tier local~~  
 3.23 ~~optional education revenue is less than its maximum levy limit for that tier, its aid must be~~  
 3.24 ~~proportionately reduced.~~

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

3.26 Sec. 3. Minnesota Statutes 2024, section 126C.17, subdivision 7a, is amended to read:

3.27 Subd. 7a. **Referendum tax base replacement aid.** (a) For fiscal year 2026, for each  
 3.28 school district that had a referendum allowance for fiscal year 2002 exceeding \$415, for  
 3.29 each separately authorized referendum levy, the commissioner of revenue, in consultation  
 3.30 with the commissioner of education, shall certify the amount of the referendum levy in taxes  
 3.31 payable year 2001 attributable to the portion of the referendum allowance exceeding \$415  
 3.32 levied against property classified as class 2, noncommercial 4c(1), or 4c(4), under section  
 3.33 273.13, excluding the portion of the tax paid by the portion of class 2a property consisting

4.1 of the house, garage, and surrounding one acre of land. The resulting amount must be used  
 4.2 to reduce the district's referendum levy or first tier local optional levy amount otherwise  
 4.3 determined, and must be paid to the district each year that the referendum or first tier local  
 4.4 optional authority remains in effect, is renewed, or new referendum authority is approved.  
 4.5 The aid payable under this subdivision must be subtracted from the district's referendum  
 4.6 equalization aid under subdivision 7. The referendum equalization aid and the first tier local  
 4.7 optional aid after the subtraction must not be less than zero.

4.8 (b) For fiscal year 2027 and later, a school district's referendum tax base replacement  
 4.9 aid equals its referendum tax base replacement aid for fiscal year 2026 per adjusted pupil  
 4.10 unit for fiscal year 2026 times its adjusted pupil units for the current school year.

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

4.12 Sec. 4. Minnesota Statutes 2024, section 126C.17, subdivision 7b, is amended to read:

4.13 Subd. 7b. **Referendum aid guarantee.** ~~(a) Notwithstanding subdivision 7, the sum of~~  
 4.14 ~~a district's referendum equalization aid and local optional aid under section 126C.10,~~  
 4.15 ~~subdivision 2e, for fiscal year 2015 must not be less than the sum of the referendum~~  
 4.16 ~~equalization aid the district would have received for fiscal year 2015 under Minnesota~~  
 4.17 ~~Statutes 2012, section 126C.17, subdivision 7, and the adjustment the district would have~~  
 4.18 ~~received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a),~~  
 4.19 ~~(b), and (c).~~

4.20 ~~(b)~~ (a) Notwithstanding subdivision 7, for fiscal year 2026, the sum of referendum  
 4.21 equalization aid and local optional aid under section 126C.10, subdivision 2e, ~~for fiscal year~~  
 4.22 ~~2016 and later,~~ for a district qualifying for additional aid under paragraph (a) for fiscal year  
 4.23 2015, must not be less than the product of (1) the sum of the district's referendum equalization  
 4.24 aid and local optional aid under section 126C.10, subdivision 2e, for fiscal year 2015, times  
 4.25 (2) the lesser of one or the ratio of the sum of the district's referendum revenue and local  
 4.26 optional revenue for that school year to the sum of the district's referendum revenue and  
 4.27 local optional revenue for fiscal year 2015, times (3) the lesser of one or the ratio of the  
 4.28 district's referendum market value used for fiscal year 2015 referendum equalization  
 4.29 calculations to the district's referendum market value used for that year's referendum  
 4.30 equalization calculations.

4.31 (b) For fiscal year 2027 and later, a district's referendum aid guarantee equals its  
 4.32 referendum aid guarantee for fiscal year 2026 divided by its adjusted pupil units for 2026  
 4.33 multiplied by its adjusted pupil units for the current fiscal year.

5.1 **EFFECTIVE DATE.** This section is effective for fiscal year 2027 and later.

5.2 Sec. 5. **APPROPRIATIONS; GENERAL EDUCATION AID.**

5.3 Subdivision 1. **Department of Education.** The sum indicated in this section is  
5.4 appropriated from the general fund to the Department of Education in the fiscal year  
5.5 designated.

5.6 Subd. 2. **Local education aid.** For additional general education aid under Minnesota  
5.7 Statutes, section 126C.19:

5.8 \$ ..... .. 2027

5.9 Sec. 6. **REVISOR INSTRUCTION.**

5.10 The revisor of statutes must substitute the term "local education revenue," "local education  
5.11 aid," and "local education levy" for "local optional revenue," "local optional aid," and "local  
5.12 optional levy" wherever the terms appear in Minnesota Statutes. The revisor may also make  
5.13 grammatical changes related to the change in terms.