

MEMORANDUM

To: School District Superintendents
School Business Managers

From: Tom Melcher, School Finance Director

Date: July 8, 2013

Subject: FY 2015 Referendum Revenue, Location Equity Revenue and Equity Revenue Spreadsheet

Following up on my memorandum of June 13, 2013, regarding [Implementation of Tax Bill Provisions Relating to Board-Approved Referendum Revenue and Location Equity Revenue](#), this memorandum is to announce the availability on the MDE website of a new FY 2015 Referendum Revenue, Location Equity Revenue and Equity Revenue Spreadsheet. [See the FY 2015 Referendum Revenue, Location Equity Revenue and Equity Revenue Spreadsheet.](#)

The spreadsheet includes the following:

Report #1 Tab:

- Each school district's estimated initial referendum allowance per Adjust Pupil Unit (APU) for FY 2015, based on the conversion of existing referendum allowances per Resident Marginal Cost Pupil Unit (RMCPU) and existing alternative attendance adjustments;
- The Location Equity Allowance for each district;
- The estimated maximum additional referendum allowance that a school board can approve for FY 2015, based on the difference between \$300 and the district's estimated net referendum allowance per APU after the reduction for location equity; and
- The "new election gap" for seven districts where a portion of the increase from a new election would not result in new revenue to the district because it would increase the location equity subtraction.

Report #2 Tab:

- Each school district's Referendum Market Value (RMV), resident pupil units used under old and new law for referendum equalization calculations, RMV / PU under old and new law, and state share of referendum revenue by equalization tier under old and new law.
- Note that under new law, the state share of location equity revenue is the same as the state share of Tier 2 referendum revenue.

Report #3 Tab:

- Each school district's old law referendum and referendum options adjustment revenue, aid and levy compared with new law referendum and options and location equity revenue. (in total and per pupil unit).

Report #4 Tab:

- Impact of rejecting location equity revenue on each school district's referendum, location equity and equity revenue and levy, and the amount of room available under the cap if the district accepts versus rejects location equity revenue.

Four Options Tab:

- This tab summarizes the impact of school board decisions on (1) accepting or rejecting location equity revenue and (2) adopting a board resolution calling for an increase in the district's net referendum, allowance after the location equity subtraction up to \$300 per APU on the district's revenue, aid and levy.
- To change the district displayed on this tab, go to the Simulation tab and enter the district number in cell A1, then read in the district's inputs by holding down the Ctrl key and simultaneously hitting the "A" key.

Simulation Tab:

- This tab provides a detailed model for simulating the impact of various school board and voter decisions on FY 2015 referendum, location equity and equity revenue, aid and levies for individual school districts, including:
 - a. Adoption of a board resolution opting out of location equity revenue;
 - b. Adoption of a board resolution increasing referendum revenue (for districts with a net referendum allowance below \$300 after the reduction for location equity);
 - c. Adoption of a board resolution converting existing referendum authority from voter-approved to board-approved.
 - d. Passage of a voter-approved referendum increase for FY 2015.
 - 1) *Instructions for using the simulation are as follows:* Enter district number in cell A1, then read in the district's inputs by holding down the Ctrl key and simultaneously hitting the "A" key.
 - 2) Modify the default inputs that appear in the colored range (rows 11-25).
 - 3) The spreadsheet will automatically recalculate the referendum, location equity and equity revenue, aid and levies based on the changes input into the colored range.
- *Details and factors to consider in making a decision with regard to these inputs include the following:*

Row 11: Referendum allowance added or renewed by new elections.

Enter the allowance per new law APU the district intends to put on the November 2013 ballot in cell D11. A district must adopt a school board resolution by August 23, 2013 and

submit it to the county auditor and to MDE by August 23, 2013 to hold a referendum on general election day in November. For amounts greater than a renewal, a district must also have adopted a resolution before June 30, 2013 to increase revenue for FY 2015. Further details on timelines for operating referendum elections will be posted on the MSBA and MDE websites.

Row 12 (line 8): Location equity allowance.

This amount is preset to the location equity allowance that the district is eligible for (\$424 for districts with any area in the Seven-County Metro Area; \$212 for districts outside of the metro area with more than 2,000 adjusted ADM in FY 2012; or \$0 for all other districts).

Districts opting out of location equity revenue should replace the preset allowance with a zero. To opt out of location equity revenue, a district must adopt a board resolution to opt out by August 31 and submit it to MDE.

School districts considering opting out of location equity revenue should exercise great caution for the following reasons:

- For most districts, opting out of location equity revenue will result in a loss of equity revenue (and total revenue) because referendum revenue will be higher.
- Opting out of location equity revenue will result in a loss of state equalization aid for districts with Referendum Market Value (RMV) per RPU below \$510,000 and a referendum allowance before the location equity subtraction exceeding \$760 per APU.
- Opting out of location equity revenue will result in less room under the referendum cap.

Row 13 (line 11): Referendum increase from board action.

This amount is preset to zero because a school must adopt a board resolution to increase its referendum allowance.

- A district is eligible to add an additional new referendum allowance by board resolution if the district's estimated net referendum allowance per APU after the reduction for location equity is less than \$300.
- Eligible districts adding an additional new referendum allowance by board resolution should replace the zero with the amount in the board resolution, not to exceed \$300.
- To add an additional new referendum allowance by board action, the district school board must adopt a board resolution and submit it to MDE before the September 30 deadline for proposed levy certification. If possible, the district should submit the board resolution to MDE before September 1 so that MDE can include the additional allowance in the Levy Limitation and Certification Report to be issued on September 8.
- For eligible districts, adding an additional new referendum allowance by board action will always increase the district's maximum revenue and levy limitation, and will increase state equalization aid for districts with RMV/RPU below \$880,000.
- A district that adds an additional new referendum allowance by board action may elect to levy less than the maximum amount of the new allowance, either at the time the levy

is proposed in September, or when the final levy is certified. However, the final levy cannot exceed the proposed levy, except under very limited circumstances, such as a successful election in November.

- Row 53 of the spreadsheet (line 13) shows the estimated maximum amount that the district can add to the referendum allowance by board action.

Row 14 (line 12) Referendum conversion from voter-approved to board-approved

- This amount is preset to zero because a school must adopt a board resolution to permanently convert an existing referendum allowance from voter-approved to board-approved.
- A district is eligible to convert up to \$300 per APU of its voter-approved referendum allowance to board-approved, but the total board approved allowance cannot exceed \$300, so the amount that may be converted is reduced dollar for dollar by the amount of the new additional board-approved referendum allowance, if any.
- Converting an existing referendum allowance from voter-approved to board approved does not change the district's total revenue, aid or levy. But it does change the truth in taxation category on levy reports from voter approved to other, and may shorten or lengthen the duration of the levy.
- To convert an existing voter approved referendum allowance to board approved, the district school board must adopt a board resolution and submit it to MDE before the September 30 deadline for proposed levy certification. If possible, the district should submit the board resolution to MDE before September 1 so that MDE can include the additional allowance in the Levy Limitation and Certification Report to be issued on September 8. The resolution must state the amount to be converted (not to exceed \$300) and the duration of the converted levy (not to exceed 5 years).
- Amounts converted from voter approved to board approved may be renewed by board resolution in five-year increments.

Rows 16 – 18 (lines 3, 5, 19) and **Rows 22 – 23** (lines 85, 86) Pupil Units.

- These estimates of RMCPU (old law), APU (old and new law), and RPU (old and new law) for FY 2015 were calculated by MDE based on ADM projections submitted by the district on the EDRS ADM projection system prior to June 26, 2013. New law pupil unit estimates assume that the district will fully participate in all-day kindergarten and are adjusted to reflect the new pupil unit weights enacted in 2013. For details of the pupil unit estimates, see the Pupil Units tab of the spreadsheet.
- If a district has more up-to date estimates of pupil units, those estimates may be inserted in these lines. If inserting new estimates, do so for both columns C and D. To calculate new pupil units based on more up-to date ADM estimates, go to the Pupil Units tab, and enter the new ADM estimates on rows 7 – 21. The computed pupil units on rows 21, 24, and 35 will need to be hand entered into the appropriate lines of the Simulation worksheet.

Row 20 (line 18) Referendum market value (RMV)

- This is the 2012 RMV as certified by the Department of Revenue in June. These are the final amounts that will be used to calculate your payable 2014 levies in September.

Row 21 (line 2) Referendum allowance, old law

- This is the district's referendum allowance for FY 2015 under old law, based on MDE's records. If a district has a referendum expiring after FY 2014, it is not included here.

Row 24 (line 13) Sparsity revenue

- This is the estimated FY 2015 sparsity revenue for eligible districts, based on MDE estimates using February 2013 forecast data. If a district has a more up-to-date estimate, that estimate may be inserted in this line.

Row 25 (Line 42) Potential tax base replacement aid (TBRA)

- This is the estimated FY 2015 TBRA, based on MDE estimates using February 2013 forecast data. (If a district has a more up-to-date estimate, that estimate may be inserted in this line).

The **calculations section** of the spreadsheet follows the inputs section, beginning on Row 28. Lines are numbers sequentially beginning with line 1.

A **summary** showing the total referendum, location equity and equity revenue, aid and levy begins on Row 224 (Line 108).

Levy burdens are summarized beginning on Row 250, (Line 122).

Pupil Units Tab

- This tab provides a worksheet that districts can use to update their pupil unit estimates by entering updated ADM data.
- Changes made here do not automatically update the Simulation tab, but may be entered manually in the inputs section of the simulation tab.

Questions concerning referendum, location equity and equity calculations should be directed to [Bob Porter](#) (651)582-8851, or [Terri Yetter](#) (651)582-8868.