



LOR DEEP DIVE & EDUCATION EQUALIZATION CREDIT

RESEARCH FUNDED BY SAFF AND MREA

PRESENTED BY DR. FRED NOLAN

OCTOBER 24, 2025, SAFF MEMBER MEETING

CURRENT LAW AND DISTRICTS' PRACTICE

- Local Optional Revenue (LOR) has been part of Minnesota's General Education Funding stream since 2015.
- 98% of school boards levy up to the authorized \$724 per pupil served—Adjusted Pupil Units (APU).
- The state share of LOR revenue, which comes as aid to the district, is based on the ratio of the Resident Pupil Units (RPUs) divided by the Referendum Market Value (RMV). The lower the ratio, the greater the aid.

CURRENT PROBLEMS / TRENDS

- LOR has lost 35%, or \$250 per APU, of its buying power compared to CPI inflation.
- There has been no Legislative action to increase LOR since its inception.
- The LOR tax burden is far from equal across the state to raise \$724 per APU. The tax rate on RMV ranges from a low of .022% to .46%. This is a difference of 21x from one extreme to the other.
- The state share of LOR, as with many aid supported levies, is evaporating. In one year, from Pay 25 to Pay 26, state aid dropped \$6m (14%).
- There is little Legislative interest in even maintaining the state share of these levy and aid revenues, in part because the district aid model is not transparent and not visible to taxpayers.

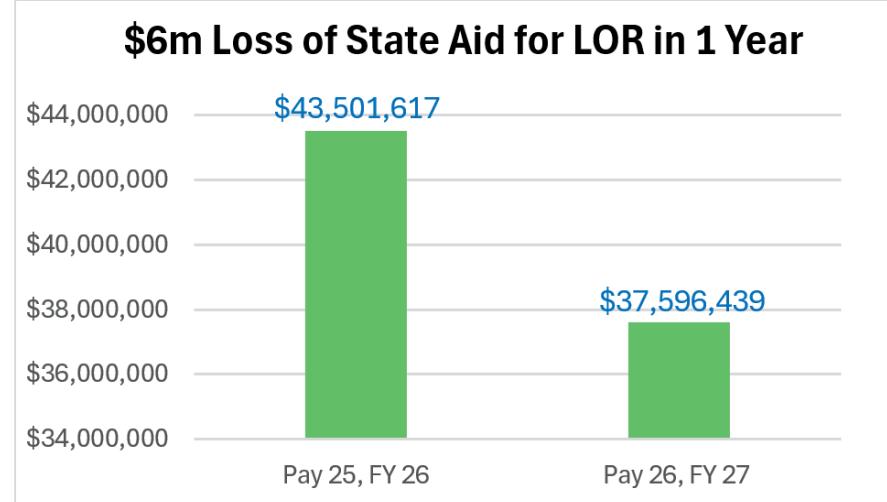
CONSIDER A DIFFERENT MODEL OF THE STATE SHARE

Education Equalization Credits (EEC) which show up on property owners Property Tax Statements and are based on property classifications and tax rates. This credit model has been very successful since 2016 both at the Legislature and across rural MN with the Ag2School "Agricultural and rural land credits" which are on every property tax statement.

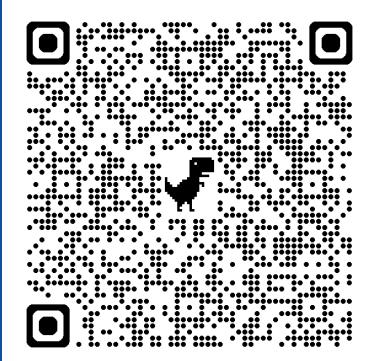
YOU ARE ENTERING A CONSTRUCTION ZONE: NUMBERS MAY CHANGE IN FUTURE ITERATIONS OF THIS WORK

Basic Components of the Education Equalization Credit (EEC) for LOR

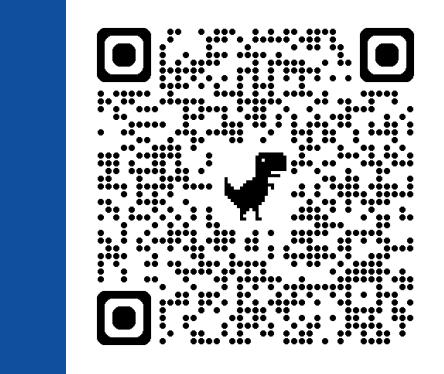
- Credits are targeted for Homesteads and C&I properties—the two biggest property classifications.
- Credits begin at a base tax rate of .06% and extend to .24% above which is 100% aid.
- Credits are 80% of LOR levies above .06% up to a lower limit of valuations for Homesteads and C&I.
- Credits phase out between the lower and upper limits for valuations of Homesteads and C&I.
- LOR is projected to grow at the rate of inflation, currently 3%, or \$22 per year per APU.
- The state share is to be inflation-proofed to maintain the state share of LOR.



PRESENTATION SLIDES
DELIVERED BY FRED NOLAN, PHD



FISCAL YEAR 1
THE TRANSITIONAL YEAR



FISCAL YEAR 2
AND POSSIBLE FUTURE YEARS

