

HOUSE RESEARCH

Bill Summary

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Authors: Lanning

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Analyst: Tim Strom

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Overview

Most school district building projects are financed through the sale of locally issued school bonds. These bonds are then repaid through the debt service levy. Beginning in fiscal year 1993, the legislature changed the debt service levy to an equalized aid and levy. The equalizing factors for the debt service equalization aid program are not indexed. As per pupil tax base has grown over time, the state share of the program has fallen substantially.

This bill modifies the debt service equalization aid program to provide more state aid to school districts. The bill increases the first tier equalizing factor from \$3,200 to \$5,000 per pupil unit and indexes the debt service equalization program equalizing factor for the future. Based on preliminary data for taxes payable in 2007, this bill would increase debt service equalization aid and correspondingly reduce debt service levies by about \$6 million per year.

Section

- 1 Equalized debt service levy.** Increases the first tier equalizing factor for the debt service equalization aid program from \$3,200 to \$5,000 per pupil unit and annually adjusts the first and second tier equalizing factors to keep pace with the statewide growth in tax base.
- 2 Net tax capacity equalizing factor adjustment.** Indexes the debt service equalization aid program equalizing factor to annually grow by the rate of growth in the statewide net tax capacity per pupil unit.