

HOUSE RESEARCH

Bill Summary

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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.

School district operating referenda are also equalized using a first tier equalizing factor that has not been changed in more than 10 years. The result is that fewer districts are qualifying for referendum equalization aid.

This bill modifies the debt service equalization aid program to provide more state aid to school districts. The bill: (1) increases the first tier equalizing factor from \$3,200 to \$5,000 per pupil unit; (2) lowers the debt service tier amounts from 15 percent and 25 percent to 10 percent and 20 percent of tax capacity; and (3) indexes the debt service equalization program equalizing factor. 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 \$17 million per year.

The increase in the operating referendum equalizing factor will increase referendum equalization aid and decrease the referendum levy by about \$72 million per year.

Section

- 1** **Debt service equalization revenue.** Increases the amount of debt service equalization aid for school districts by lowering the debt service equalization tiers from 15 percent and 25 percent of adjusted net tax capacity to 10 percent and 20 percent of adjusted net tax capacity.
- 2** **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.
- 3** **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.
- 4** **Referendum market value equalizing factor adjustment.** Indexes the operating referendum equalizing factors to annually grow by the rate of growth in the statewide referendum market value per pupil unit.
- 5** **Referendum equalization levy.** Increases the equalizing factor for the first tier of the operating referendum levy from \$476,000 per pupil unit to \$650,000 per pupil unit.