

# HOUSE RESEARCH

## Bill Summary

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### Overview

Most of the major school district levies are equalized. This means that the aid and levy share is based on the district's relative amount of tax base per pupil. The higher the per pupil tax base, the lower the state aid, and the lower the district's tax base, the higher the state aid. The district's levy share is made by forming the ratio of the district's tax base per pupil unit to the equalizing factor for the program established in statute. The equalizing factor for levies calculated and spread on adjusted net tax capacity (ANTC) are set a whole variety of different levels and most of the equalizing factors have not been increased for more than a decade. The equalizing factor for levies calculated and spread on referendum market value has been fixed at \$476,000 for a number of years. During this period of time, the per pupil tax base has risen substantially. As a result, these school funding formulas have provided less state aid over time.

This bill increases the state equalization aid for both the debt service equalization aid program and the operating referendum and indexes the equalizing factor to account for growth in the tax base.

#### Section

- 1 Debt service equalization revenue.** Increases the state aid provided through the debt service equalization aid program by lowering the brackets for the debt service revenue tiers. Reduces the portion that must be paid entirely locally from 15 percent to ten percent of the district adjusted net tax capacity (ANTC), makes the first tier the amount between ten and 20 percent of ANTC, and sets the second tier equal to any amount in excess of 20 percent of the district's ANTC.
- 2 Equalized debt service levy.** Changes the first and second tier equalizing factors for the debt service equalization aid program from \$3,200 and \$8,000 to 75 percent and 120 percent of the state average ANTC per pupil unit, respectively. These percentages translate to \$5,380 and \$8,606 dollar per pupil unit for taxes payable in 2010.

- 3 **Adjusted net tax capacity equalizing factor.** Defines the ANTC equalizing factor as the statewide average ANTC per pupil unit. For taxes payable in 2010, the statewide ANTC per pupil unit equals \$7,172.
- 4 **Referendum market value equalizing factor.** Defines the referendum market value equalizing factor as the ratio of the statewide referendum market value to the total number of resident marginal cost pupil units for that year. For taxes payable in 2010, the statewide referendum market value per pupil unit equals \$511,360.
- 5 **Referendum equalization levy.** Changes both the first and second tier equalizing factors in the referendum levy/aid formula from \$476,000 and \$270,000 to 140 percent (\$716,000) and 58 (\$296,600) percent of the state average referendum market value per pupil, respectively.