Overview

Minnesota's local school districts have generally financed the construction of new school buildings through the sale of bonds. The bonds are repaid with revenue raised from the local district's property tax receipts. The total amount of bonds issued by the district determines the yearly debt service that the district must pay; and the amount of bonds issued is, of course, directly related to the district's building needs.

The debt service equalization aid program provides state aid to local school districts to help repay the bonds issued to finance construction. The amount of a school district's debt service that the state will pay depends on two factors: the district's total amount of annual debt service and the district's taxable property tax base (net tax capacity) per pupil. Debt service equalization aid applies to yearly net debt service amounts in excess of 12 percent of a qualifying school district's tax capacity. For each additional percentage point of tax levy above 12 percent needed to pay the debt service, the state aid, when added to the local levy, will raise a guaranteed amount per pupil, which is $40.00 per pupil unit.

1 **Debt service equalization aid.** Increases the amount of debt service eligible for debt service equalization aid by lowering the initial local levy from 12 percent of adjusted net tax capacity to 10 percent of adjusted net tax capacity.

2 **Debt service equalization levy.** Increases the amount of debt service equalization aid by increasing the equalizing factor from $4,000 to $6,000 per pupil unit.

3 **Debt service appropriation.** Increases the fixed-standing appropriation for debt service equalization aid to match the additional aid provided under sections 1 and 2.

4 **Effective date.** Makes sections 1 to 3 effective the day following final enactment.