

HOUSE RESEARCH

Bill Summary

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Authors: Murphy and others
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Overview

School districts must finance both ongoing capital needs, such as equipment purchases, repairs, maintenance, and major building construction projects. Major building projects are usually financed at the local level, often with the assistance of state paid debt service equalization aid. Districts borrow money through the sale of bonds and levy an annual tax to repay the money over a period of years. Smaller remodeling projects, equipment purchases, and ongoing capital needs are normally financed by capital revenue programs.

The debt service equalization aid program provides state aid to local school districts to help repay the locally-issued bonds 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 amounts that qualify for debt equalization are general debt service amounts for land acquisition, construction costs, and capital energy loans. Net debt is the sum of these amounts reduced by any excess balance that the district has in its debt redemption account. All debt incurred prior to July 1, 1992, will be included in the district's net debt. However, debt incurred after July 1, 1992, must be for facilities that

receive a positive review and comment from the Commissioner of Children, Children, Families and Learning;

are comparable in size and quality to facilities in other districts; districts;

have been reviewed by all neighboring school districts; and and

for facilities serving ninth through 12th graders, serve at least 66 pupils perper grade or are located in districts eligible for sparsity revenue.

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 \$39.56 per pupil unit.

- 1 Debt service equalization aid eligibility.** Removes the minimum secondary pupil count required for a school district in order to qualify for debt service equalization aid.