

HOUSE RESEARCH

Bill Summary

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Subject: Decreasing Market Value School District Levies by Increasing the Equalizing Factor

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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 established in statute. 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 recalculates the equalizing factors for these programs and indexes the equalized factor based on 125 percent of the statewide average referendum market value tax base per pupil. For taxes payable in 2008, the statewide referendum market value pupil unit is about \$475,000 per pupil.

Section

- 1 Equity levy.** Changes the equity levy equalizing factor from a fixed amount of \$476,000 to the first tier equalizing factor, which is defined in section 4 as 125 percent of the state average referendum market value per pupil.
- 2 Transition levy.** Changes the transition levy equalizing factor from a fixed amount of \$476,000 to the first tier equalizing factor, which is defined in section 4 as 125 percent of

Section

the state average referendum market value per pupil.

- 3** **Referendum equalization levy.** Indexes the 1st and 2nd tier equalizing factors in the referendum levy/aid formula to 125 percent and 75 percent of the state average referendum market value per pupil, rather than fixed dollar amounts per pupil.
- 4** **State first and second tier equalizing factors.** Defines the mechanism for indexing the equalizing factors for levies based on referendum market value. Sets the first tier equalizing factor equal to 125 percent of the quotient derived by dividing the statewide referendum market value by the total number of resident marginal cost pupil units for the year preceding the year the levy is certified. Sets the second tier equalizing factor equal to 75 percent of the quotient derived by dividing the statewide referendum market value by the total number of resident marginal cost pupil units for the year preceding the year the levy is certified.
- 5** **Effective date.** Makes sections 1 to 4 effective for taxes payable in 2008.