

HOUSE RESEARCH

Bill Summary

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Subject: Reducing School District Levies

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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 factors for levies calculated on adjusted net tax capacity (ANTC) are set at a whole variety of different levels and most of the equalizing factors have not been increased for more than a decade. 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 sets them equal to 125 percent of the statewide average ANTC per pupil. For taxes payable in 2008, the statewide average ANTC per pupil unit is about \$6,900 per pupil.

Section

- 1 Debt service equalization revenue.** Increases the state aid provided through the debt service equalization aid program by eliminating the debt service tiers and lowering the amount that must be paid entirely locally from 15 percent of a district's adjusted net tax capacity (ANTC) to 5 percent of the district's ANTC.
- 2 Equalized debt service levy.** Changes the equalizing factors for the debt service equalization aid program from \$3,200 for the first tier and \$8,000 for the second tier to 125

Section

percent of the state average ANTC per pupil.

- 3 Debt service equalization aid.** Removes language referencing the second tier of debt service equalization revenue since the tiers are combined in section 1.
- 4 State debt service equalizing factors.** Defines the mechanism for indexing the equalizing factors for certain levies based on ANTC. Sets the equalizing factor equal to 125 percent of the quotient derived by dividing the statewide ANTC by the total number of adjusted pupil units for the year preceding the year the levy is certified.
- 5 Health and safety levy.** Changes the health and safety levy equalizing factor from a fixed amount of \$2,935 to 125 percent of the state average ANTC per pupil.
- 6 Deferred maintenance levy.** Changes the deferred maintenance levy equalizing factor from a fixed amount of \$5,900 to 125 percent of the state average ANTC per pupil.
- 7 Operating capital levy.** Increases the operating capital equalizing factor from \$10,700 to the greater of \$22,222 or the statewide debt service equalizing factor, which is set in section 4 at 125 percent of the quotient derived from dividing the state total ANTC by the total number of adjusted pupil units for the year prior to the year the levy is certified.
- 8 Effective date.** Makes sections 1 to 7 effective for taxes payable in 2008.