

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 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 lowers school district levies by about \$240 million and simplifies the school levy calculations by using the same equalizing factors for all the equalized school levies and setting them equal to 150 percent of the statewide average tax base per pupil. For taxes payable in 2008, the statewide average ANTC per pupil unit is about \$6,900 per pupil and the statewide average referendum market value is about \$472,000 per pupil.

Section

1 Equalized debt service levy. Changes the first and second tier equalizing factors for the

Section

debt service equalization aid program from \$3,200 and \$8,000 to 150 percent of the state average ANTC per pupil unit for both tiers.

- 2 **Health and safety levy.** Changes the health and safety levy equalizing factor from a fixed amount of \$2,935 to 150 percent of the state average ANTC per pupil.
- 3 **Deferred maintenance levy.** Changes the deferred maintenance levy equalizing factor from a fixed amount of \$5,900 to 150 percent of the state average ANTC per pupil.
- 4 **Early childhood family education levy.** Changes the way the early childhood family (ECFE) levy is calculated by basing the equalizing factor on 150 percent of the statewide ANTC equalizing factor, instead of on the tax rate that results from the statewide dollar target of \$22,135,000 set in statute.
- 5 **Total community education levy.** Changes the way the community education levy is equalized by exchanging a specified tax rate of .90 to an equalizing factor based on an 150 percent of the statewide ANTC equalizing factor.
- 6 **School-age care levy.** Changes the school-age care levy equalizing factor from a fixed amount of \$2,433 to 150 percent of the statewide average ANTC per pupil.
- 7 **Adjusted net tax capacity equalizing factor.** Defines the ANTC equalizing factor as the statewide average ANTC per pupil unit.
- 8 **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.
- 9 **Operating capital levy.** Changes the operating capital equalizing factor from \$10,700 to 150 percent of the statewide average ANTC per pupil unit.
- 10 **Equity levy.** Changes the equity levy equalizing factor from a fixed amount of \$476,000 to 150 percent of the statewide average referendum market value per pupil.
- 11 **Transition levy.** Changes the transition levy equalizing factor from a fixed amount of \$476,000 to 150 percent of the statewide average referendum market value per pupil.
- 12 **Alternative teacher compensation levy.** Changes the school-age care levy equalizing factor from a fixed amount of \$5,913 to 150 percent of the statewide average ANTC per pupil.
- 13 **Referendum equalization levy.** Changes both the 1st and 2nd tier equalizing factors in the referendum levy/aid formula from \$476,000 and \$270,000 to 150 percent of the state average referendum market value per pupil.
- 14 **Repealer.** Repeals:

- 124D.20, subdivision 6 - community education levy; districts off the formula (this provision is obsolete if section 5 is enacted).