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State of Minnesota
HOUSE OF REPRESENTATIVES
NINETIETH SESSION

H. F. No. 1381

02/16/2017 Authored by McDonald, Quam, Marquart, Daniels, Bennett and others
The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act
1.2 relating to education finance; enhancing equalization aid; increasing state aid for
1.3 the debt service equalization aid program; modifying the calculation of referendum
1.4 equalization revenue, aid, and levy; appropriating money; amending Minnesota
1.5 Statutes 2016, sections 123B.53, subdivisions 4, 5, 6; 126C.17, subdivisions 5, 6.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2016, section 123B.53, subdivision 4, is amended to read:

1.8 Subd. 4. **Debt service equalization revenue.** ~~(a) The debt service equalization revenue~~
1.9 ~~of a district equals the sum of the first tier debt service equalization revenue and the second~~
1.10 ~~tier debt service equalization revenue.~~

1.11 ~~(b) The first tier debt service equalization revenue of a district equals the greater of zero~~
1.12 ~~or the eligible debt service revenue minus the amount raised by a levy of 15.74~~ 12.5 percent
1.13 ~~times the adjusted net tax capacity of the district minus the second tier debt service~~
1.14 ~~equalization revenue of the district.~~

1.15 ~~(c) The second tier debt service equalization revenue of a district equals the greater of~~
1.16 ~~zero or the eligible debt service revenue, minus the amount raised by a levy of 26.24 percent~~
1.17 ~~times the adjusted net tax capacity of the district.~~

1.18 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2019 and later.

1.19 Sec. 2. Minnesota Statutes 2016, section 123B.53, subdivision 5, is amended to read:

1.20 Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a district
1.21 equals ~~the sum of the first tier equalized debt service levy and the second tier equalized debt~~
1.22 ~~service levy.~~

2.1 ~~(b) A district's first tier equalized debt service levy equals the district's first tier debt~~
 2.2 ~~service equalization revenue times the lesser of one or the ratio of:~~

2.3 ~~(1) the quotient derived by dividing the adjusted net tax capacity of the district for the~~
 2.4 ~~year before the year the levy is certified by the adjusted pupil units in the district for the~~
 2.5 ~~school year ending in the year prior to the year the levy is certified; to~~

2.6 ~~(2) \$3,400 in fiscal year 2016, \$4,430 in fiscal year 2017, and the greater of \$4,430 or~~
 2.7 ~~55.33 100 percent of the initial equalizing factor in fiscal year 2018 2019 and later.~~

2.8 ~~(c) A district's second tier equalized debt service levy equals the district's second tier~~
 2.9 ~~debt service equalization revenue times the lesser of one or the ratio of:~~

2.10 ~~(1) the quotient derived by dividing the adjusted net tax capacity of the district for the~~
 2.11 ~~year before the year the levy is certified by the adjusted pupil units in the district for the~~
 2.12 ~~school year ending in the year prior to the year the levy is certified; to~~

2.13 ~~(2) \$8,000 in fiscal years 2016 and 2017, and the greater of \$8,000 or 100 percent of~~
 2.14 ~~the initial equalizing factor in fiscal year 2018 and later.~~

2.15 ~~(d)~~ (b) For the purposes of this subdivision, the initial equalizing factor equals the quotient
 2.16 derived by dividing the total adjusted net tax capacity of all school districts in the state for
 2.17 the year before the year the levy is certified by the total number of adjusted pupil units in
 2.18 all school districts in the state in the year before the year the levy is certified.

2.19 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2019 and later.

2.20 Sec. 3. Minnesota Statutes 2016, section 123B.53, subdivision 6, is amended to read:

2.21 Subd. 6. **Debt service equalization aid.** ~~(a) A district's debt service equalization aid is~~
 2.22 ~~the sum of the district's first tier debt service equalization aid and the district's second tier~~
 2.23 ~~debt service equalization aid.~~

2.24 ~~(b) A district's first tier debt service equalization aid equals the difference between the~~
 2.25 ~~district's first tier debt service equalization revenue and the district's first tier equalized debt~~
 2.26 ~~service levy.~~

2.27 ~~(c) A district's second tier debt service equalization aid equals the difference between~~
 2.28 ~~the district's second tier debt service equalization revenue and the district's second tier~~
 2.29 ~~equalized debt service levy.~~

2.30 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2019 and later.

3.1 Sec. 4. Minnesota Statutes 2016, section 126C.17, subdivision 5, is amended to read:

3.2 Subd. 5. **Referendum equalization revenue.** (a) A district's referendum equalization
3.3 revenue equals the sum of the first tier referendum equalization revenue and the second tier
3.4 referendum equalization revenue, and the third tier referendum equalization revenue.

3.5 (b) A district's first tier referendum equalization revenue equals the district's first tier
3.6 referendum equalization allowance times the district's adjusted pupil units for that year.

3.7 (c) A district's first tier referendum equalization allowance equals the lesser of the
3.8 district's referendum allowance under subdivision 1 or \$300.

3.9 (d) A district's second tier referendum equalization revenue equals the district's second
3.10 tier referendum equalization allowance times the district's adjusted pupil units for that year.

3.11 (e) A district's second tier referendum equalization allowance equals the lesser of the
3.12 district's referendum allowance under subdivision 1 or ~~\$760~~ \$1,000, minus the district's
3.13 first tier referendum equalization allowance.

3.14 (f) A district's third tier referendum equalization revenue equals the district's third tier
3.15 referendum equalization allowance times the district's adjusted pupil units for that year.

3.16 (g) A district's third tier referendum equalization allowance equals the lesser of the
3.17 district's referendum allowance under subdivision 1 or 25 percent of the formula allowance,
3.18 minus the sum of the district's first tier referendum equalization allowance and second tier
3.19 referendum equalization allowance.

3.20 (h) Notwithstanding paragraph (g), the third tier referendum allowance for a district
3.21 qualifying for secondary sparsity revenue under section 126C.10, subdivision 7, or elementary
3.22 sparsity revenue under section 126C.10, subdivision 8, equals the district's referendum
3.23 allowance under subdivision 1 minus the sum of the district's first tier referendum
3.24 equalization allowance and second tier referendum equalization allowance.

3.25 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2019 and later.

3.26 Sec. 5. Minnesota Statutes 2016, section 126C.17, subdivision 6, is amended to read:

3.27 Subd. 6. **Referendum equalization levy.** (a) A district's referendum equalization levy
3.28 equals the sum of the first tier referendum equalization levy, the second tier referendum
3.29 equalization levy, and the third tier referendum equalization levy.

3.30 (b) A district's first tier referendum equalization levy equals the district's first tier
3.31 referendum equalization revenue times the lesser of one or the ratio of the district's
3.32 referendum market value per resident pupil unit to \$880,000.

4.1 (c) A district's second tier referendum equalization levy equals the district's second tier
4.2 referendum equalization revenue times the lesser of one or the ratio of the district's
4.3 referendum market value per resident pupil unit to ~~\$510,000~~ \$640,000.

4.4 (d) A district's third tier referendum equalization levy equals the district's third tier
4.5 referendum equalization revenue times the lesser of one or the ratio of the district's
4.6 referendum market value per resident pupil unit to ~~\$290,000~~ \$400,000.

4.7 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2019 and later.