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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 1396

02/06/2023 Authored by Hemmingsen-Jaeger, Brand, Keeler, Hudson, Cha and others
The bill was read for the first time and referred to the Committee on Education Finance
02/27/2023 Adoption of Report: Re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to education finance; increasing equalization aid for the debt service
1.3 equalization program; decreasing property tax levies; appropriating money;
1.4 amending Minnesota Statutes 2022, section 123B.53, subdivisions 4, 5, 6.

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

1.6 Section 1. Minnesota Statutes 2022, section 123B.53, subdivision 4, is amended to read:

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

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

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

1.18 (d) Notwithstanding paragraphs (b) and (c), for a district with a capital loan under sections
1.19 126C.60 to 126C.72, the first tier debt equalization revenue equals zero, and the second tier
1.20 debt equalization revenue equals the portion of the district's eligible debt service levy under
1.21 subdivision 2 in excess of the district's maximum effort debt service levy under section
1.22 126C.63, subdivision 8.

2.1 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

2.2 Sec. 2. Minnesota Statutes 2022, section 123B.53, subdivision 5, is amended to read:

2.3 Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a district
2.4 equals the sum of the first tier ~~equalized~~ debt service levy and the second tier equalized debt
2.5 service levy.

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

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

2.11 ~~(2) \$3,400 in fiscal year 2016, \$4,430 in fiscal year 2017, and the greater of \$4,430 or~~
2.12 ~~55.33 percent of the initial equalizing factor in fiscal year 2018 and later.~~

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

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

2.18 (2) ~~\$8,000 in fiscal years 2016 and 2017, and the greater of \$8,000 or 100 percent of~~
2.19 ~~the initial equalizing factor in fiscal year 2018 and later.~~

2.20 (d) For the purposes of this subdivision, the initial equalizing factor equals the quotient
2.21 derived by dividing the total adjusted net tax capacity of all school districts in the state for
2.22 the year before the year the levy is certified by the total number of adjusted pupil units in
2.23 all school districts in the state in the year before the year the levy is certified.

2.24 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

2.25 Sec. 3. Minnesota Statutes 2022, section 123B.53, subdivision 6, is amended to read:

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

2.29 (b) A district's first tier debt service equalization aid equals the difference between the
2.30 district's first tier debt service equalization revenue and the district's first tier equalized debt
2.31 service levy.

3.1 (e) A district's ~~second tier~~ debt service equalization aid equals the difference between
 3.2 the district's second tier debt service equalization revenue and the district's second tier
 3.3 equalized debt service levy.

3.4 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

3.5 Sec. 4. **APPROPRIATIONS.**

3.6 \$..... in fiscal year 2025 is appropriated from the general fund to the Department of
 3.7 Education for additional debt service equalization aid required under this act.