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State of Minnesota  
HOUSE OF REPRESENTATIVES  
NINETIETH SESSION

H. F. No. 3971

03/19/2018 Authored by McDonald and Nash  
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 and the operating referendum revenue  
1.4 program; appropriating money; amending Minnesota Statutes 2016, sections  
1.5 123B.53, subdivisions 4, 5; 126C.17, subdivision 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~~ 19  
1.17 percent times the adjusted net tax capacity of the district.

1.18 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2020 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~~ 70 percent of the initial equalizing factor in fiscal year ~~2018~~ 2020 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~~ 2020 and later.

2.15 (d) 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 2020 and later.

2.20 Sec. 3. Minnesota Statutes 2016, section 126C.17, subdivision 6, is amended to read:

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

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

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

2.30 (d) A district's third tier referendum equalization levy equals the district's third tier  
2.31 referendum equalization revenue times the lesser of one or the ratio of the district's  
2.32 referendum market value per resident pupil unit to ~~\$290,000~~ \$350,000.

3.1 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2020 and later.