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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH  
SESSION

HOUSE FILE No. **1868**

March 8, 2007

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The bill was read for the first time and referred to the Committee on Finance

1.1 A bill for an act  
1.2 relating to education finance; indexing equalizing factors for the debt service  
1.3 and referendum equalization aid programs; amending Minnesota Statutes 2006,  
1.4 sections 123B.53, subdivisions 4, 5; 126C.01, by adding subdivisions; 126C.17,  
1.5 subdivision 6.

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

1.7 Section 1. Minnesota Statutes 2006, section 123B.53, subdivision 4, is amended to read:

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

1.11 (b) The first tier debt service equalization revenue of a district equals the greater  
1.12 of zero or the eligible debt service revenue minus the amount raised by a levy of ~~15~~ ten  
1.13 percent 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  
1.16 of zero or the eligible debt service revenue, excluding alternative facilities levies under  
1.17 section 123B.59, subdivision 5, minus the amount raised by a levy of ~~25~~ 20 percent times  
1.18 the adjusted net tax capacity of the district.

1.19 Sec. 2. Minnesota Statutes 2006, 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  
1.21 district equals the sum of the first tier equalized debt service levy and the second tier  
1.22 equalized debt service levy.

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

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

2.4 (2) ~~\$3,200~~ 75 percent of the statewide adjusted net tax capacity equalizing factor.

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

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

2.10 (2) ~~\$8,000~~ 120 percent of the statewide adjusted net tax capacity equalizing factor.

2.11 Sec. 3. Minnesota Statutes 2006, section 126C.01, is amended by adding a subdivision  
 2.12 to read:

2.13 Subd. 2a. **Adjusted net tax capacity equalizing factor.** The adjusted net tax  
 2.14 capacity equalizing factor equals the quotient derived by dividing the total adjusted net  
 2.15 tax capacity of all school districts in the state for the year before the year the levy is  
 2.16 certified by the total number of adjusted marginal cost pupil units in the state for the  
 2.17 current school year.

2.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

2.19 Sec. 4. Minnesota Statutes 2006, section 126C.01, is amended by adding a subdivision  
 2.20 to read:

2.21 Subd. 3a. **Referendum market value equalizing factor.** The referendum market  
 2.22 value equalizing factor equals the quotient derived by dividing the total referendum market  
 2.23 value of all school districts in the state for the year before the year the levy is certified by  
 2.24 the total number of resident marginal cost pupil units in the state for the current school year.

2.25 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.

2.26 Sec. 5. Minnesota Statutes 2006, section 126C.17, subdivision 6, is amended to read:

2.27 Subd. 6. **Referendum equalization levy.** (a) ~~For fiscal year 2003 and later,~~  
 2.28 A district's referendum equalization levy equals the sum of the first tier referendum  
 2.29 equalization levy and the second tier referendum equalization levy.

2.30 (b) A district's first tier referendum equalization levy equals the district's first tier  
 2.31 referendum equalization revenue times the lesser of one or the ratio of the district's

3.1 referendum market value per resident marginal cost pupil unit to ~~\$476,000~~ 140 percent of  
3.2 the referendum market value equalizing factor.

3.3 (c) A district's second tier referendum equalization levy equals the district's second  
3.4 tier referendum equalization revenue times the lesser of one or the ratio of the district's  
3.5 referendum market value per resident marginal cost pupil unit to ~~\$270,000~~ 58 percent of  
3.6 the referendum market value equalizing factor.

3.7 **EFFECTIVE DATE.** This section is effective for taxes payable in 2008.