

SENATE
STATE OF MINNESOTA
NINETIETH SESSION

S.F. No. 3805

(SENATE AUTHORS: JOHNSON and Eichorn)

DATE
03/26/2018

D-PG
6983 Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to property taxation; providing a school building bond agricultural property

1.3 tax credit; providing that school district bonded debt authorizations approved after

1.4 June 30, 2021, be levied against referendum market value; modifying the debt

1.5 service equalization aid program; appropriating money; amending Minnesota

1.6 Statutes 2016, sections 123A.44; 123A.441; 123A.442; 123A.443; 123A.446;

1.7 123B.53, subdivisions 1, 4, 5, 6, by adding subdivisions; 123B.55; 126C.01,

1.8 subdivision 3; 127A.45, subdivisions 10, 13; 273.1392; 273.1393; 275.065,

1.9 subdivision 3; 275.07, subdivision 2; 275.08, subdivision 1b; 275.61; 276.04,

1.10 subdivision 2; proposing coding for new law in Minnesota Statutes, chapter 273.

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

1.12 **ARTICLE 1**

1.13 **SCHOOL BUILDING BOND AGRICULTURAL CREDIT**

1.14 Section 1. Minnesota Statutes 2016, section 127A.45, subdivision 10, is amended to read:

1.15 Subd. 10. **Payments to school nonoperating funds.** Each fiscal year state general fund

1.16 payments for a district nonoperating fund must be made at the current year aid payment

1.17 percentage of the estimated entitlement during the fiscal year of the entitlement. This amount

1.18 shall be paid in ~~12~~ six equal monthly installments beginning in July. The amount of the

1.19 actual entitlement, after adjustment for actual data, minus the payments made during the

1.20 fiscal year of the entitlement must be paid prior to October 31 of the following school year.

1.21 The commissioner may make advance payments of debt service equalization aid and

1.22 state-paid tax credits for a district's debt service fund earlier than would occur under the

1.23 preceding schedule if the district submits evidence showing a serious cash flow problem in

1.24 the fund. The commissioner may make earlier payments during the year and, if necessary,

1.25 increase the percent of the entitlement paid to reduce the cash flow problem.

2.1 **EFFECTIVE DATE.** This section is effective beginning with fiscal year 2019.

2.2 Sec. 2. Minnesota Statutes 2016, section 127A.45, subdivision 13, is amended to read:

2.3 Subd. 13. **Aid payment percentage.** Except as provided in subdivisions 10, 11, 12, 12a,
 2.4 and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A,
 2.5 120B, 121A, 122A, 123A, 123B, 124D, 124E, 125A, 125B, 126C, 134, and section 273.1392,
 2.6 shall be paid at the current year aid payment percentage of the estimated entitlement during
 2.7 the fiscal year of the entitlement. For the purposes of this subdivision, a district's estimated
 2.8 entitlement for special education aid under section 125A.76 for fiscal year 2014 and later
 2.9 equals 97.4 percent of the district's entitlement for the current fiscal year. The final adjustment
 2.10 payment, according to subdivision 9, must be the amount of the actual entitlement, after
 2.11 adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

2.12 **EFFECTIVE DATE.** This section is effective beginning with fiscal year 2019.

2.13 Sec. 3. **[273.1387] SCHOOL BUILDING BOND AGRICULTURAL CREDIT.**

2.14 Subdivision 1. **Eligibility.** All class 2a, 2b, and 2c property under section 273.13,
 2.15 subdivision 23, other than property consisting of the house, garage, and immediately
 2.16 surrounding one acre of land of an agricultural homestead, is eligible to receive the credit
 2.17 under this section.

2.18 Subd. 2. **Credit amount.** For each qualifying property, the school building bond
 2.19 agricultural credit is equal to 50 percent of the property's eligible net tax capacity multiplied
 2.20 by the school debt tax rate determined under section 275.08, subdivision 1b.

2.21 Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions
 2.22 allowed under this section within the county for each taxes payable year and shall certify
 2.23 that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted
 2.24 under section 275.29. Any prior year adjustments shall also be certified on the abstracts of
 2.25 tax lists. The commissioner shall review the certifications for accuracy and may make such
 2.26 changes as are deemed necessary or return the certification to the county auditor for
 2.27 correction. The credit under this section must be used to reduce the school district net tax
 2.28 capacity-based property tax as provided in section 273.1393.

2.29 Subd. 4. **Payment.** The commissioner of revenue shall certify the total of the tax
 2.30 reductions granted under this section for each taxes payable year within each school district
 2.31 to the commissioner of education, who shall pay the reimbursement amounts to each school
 2.32 district as provided in section 273.1392.

3.1 Subd. 5. **Appropriation.** An amount sufficient to make the payments required by this
 3.2 section is annually appropriated from the general fund to the commissioner of education.

3.3 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

3.4 Sec. 4. Minnesota Statutes 2016, section 273.1392, is amended to read:

3.5 **273.1392 PAYMENT; SCHOOL DISTRICTS.**

3.6 The amounts of bovine tuberculosis credit reimbursements under section 273.113;
 3.7 conservation tax credits under section 273.119; disaster or emergency reimbursement under
 3.8 sections 273.1231 to 273.1235; ~~homestead and~~ agricultural credits under ~~section~~ sections
 3.9 273.1384 and 273.1387; aids and credits under section 273.1398; enterprise zone property
 3.10 credit payments under section 469.171; and metropolitan agricultural preserve reduction
 3.11 under section 473H.10 for school districts, shall be certified to the Department of Education
 3.12 by the Department of Revenue. The amounts so certified shall be paid according to section
 3.13 127A.45, subdivisions 9, 10, and 13.

3.14 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

3.15 Sec. 5. Minnesota Statutes 2016, section 273.1393, is amended to read:

3.16 **273.1393 COMPUTATION OF NET PROPERTY TAXES.**

3.17 Notwithstanding any other provisions to the contrary, "net" property taxes are determined
 3.18 by subtracting the credits in the order listed from the gross tax:

3.19 (1) disaster credit as provided in sections 273.1231 to 273.1235;

3.20 (2) powerline credit as provided in section 273.42;

3.21 (3) agricultural preserves credit as provided in section 473H.10;

3.22 (4) enterprise zone credit as provided in section 469.171;

3.23 (5) disparity reduction credit;

3.24 (6) conservation tax credit as provided in section 273.119;

3.25 (7) the school bond credit as provided in section 273.1387;

3.26 ~~(7)~~ (8) agricultural credit as provided in section 273.1384;

3.27 ~~(8)~~ (9) taconite homestead credit as provided in section 273.135;

3.28 ~~(9)~~ (10) supplemental homestead credit as provided in section 273.1391; and

3.29 ~~(10)~~ (11) the bovine tuberculosis zone credit, as provided in section 273.113.

4.1 The combination of all property tax credits must not exceed the gross tax amount.

4.2 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

4.3 Sec. 6. Minnesota Statutes 2016, section 275.065, subdivision 3, is amended to read:

4.4 Subd. 3. **Notice of proposed property taxes.** (a) The county auditor shall prepare and
4.5 the county treasurer shall deliver after November 10 and on or before November 24 each
4.6 year, by first class mail to each taxpayer at the address listed on the county's current year's
4.7 assessment roll, a notice of proposed property taxes. Upon written request by the taxpayer,
4.8 the treasurer may send the notice in electronic form or by electronic mail instead of on paper
4.9 or by ordinary mail.

4.10 (b) The commissioner of revenue shall prescribe the form of the notice.

4.11 (c) The notice must inform taxpayers that it contains the amount of property taxes each
4.12 taxing authority proposes to collect for taxes payable the following year. In the case of a
4.13 town, or in the case of the state general tax, the final tax amount will be its proposed tax.
4.14 The notice must clearly state for each city that has a population over 500, county, school
4.15 district, regional library authority established under section 134.201, and metropolitan taxing
4.16 districts as defined in paragraph (i), the time and place of a meeting for each taxing authority
4.17 in which the budget and levy will be discussed and public input allowed, prior to the final
4.18 budget and levy determination. The taxing authorities must provide the county auditor with
4.19 the information to be included in the notice on or before the time it certifies its proposed
4.20 levy under subdivision 1. The public must be allowed to speak at that meeting, which must
4.21 occur after November 24 and must not be held before 6:00 p.m. It must provide a telephone
4.22 number for the taxing authority that taxpayers may call if they have questions related to the
4.23 notice and an address where comments will be received by mail, except that no notice
4.24 required under this section shall be interpreted as requiring the printing of a personal
4.25 telephone number or address as the contact information for a taxing authority. If a taxing
4.26 authority does not maintain public offices where telephone calls can be received by the
4.27 authority, the authority may inform the county of the lack of a public telephone number and
4.28 the county shall not list a telephone number for that taxing authority.

4.29 (d) The notice must state for each parcel:

4.30 (1) the market value of the property as determined under section 273.11, and used for
4.31 computing property taxes payable in the following year and for taxes payable in the current
4.32 year as each appears in the records of the county assessor on November 1 of the current
4.33 year; and, in the case of residential property, whether the property is classified as homestead

5.1 or nonhomestead. The notice must clearly inform taxpayers of the years to which the market
5.2 values apply and that the values are final values;

5.3 (2) the items listed below, shown separately by county, city or town, and state general
5.4 tax, agricultural homestead credit under section 273.1384, school building bond agricultural
5.5 credit under section 273.1387, voter approved school levy, other local school levy, and the
5.6 sum of the special taxing districts, and as a total of all taxing authorities:

5.7 (i) the actual tax for taxes payable in the current year; and

5.8 (ii) the proposed tax amount.

5.9 If the county levy under clause (2) includes an amount for a lake improvement district
5.10 as defined under sections 103B.501 to 103B.581, the amount attributable for that purpose
5.11 must be separately stated from the remaining county levy amount.

5.12 In the case of a town or the state general tax, the final tax shall also be its proposed tax
5.13 unless the town changes its levy at a special town meeting under section 365.52. If a school
5.14 district has certified under section 126C.17, subdivision 9, that a referendum will be held
5.15 in the school district at the November general election, the county auditor must note next
5.16 to the school district's proposed amount that a referendum is pending and that, if approved
5.17 by the voters, the tax amount may be higher than shown on the notice. In the case of the
5.18 city of Minneapolis, the levy for Minneapolis Park and Recreation shall be listed separately
5.19 from the remaining amount of the city's levy. In the case of the city of St. Paul, the levy for
5.20 the St. Paul Library Agency must be listed separately from the remaining amount of the
5.21 city's levy. In the case of Ramsey County, any amount levied under section 134.07 may be
5.22 listed separately from the remaining amount of the county's levy. In the case of a parcel
5.23 where tax increment or the fiscal disparities areawide tax under chapter 276A or 473F
5.24 applies, the proposed tax levy on the captured value or the proposed tax levy on the tax
5.25 capacity subject to the areawide tax must each be stated separately and not included in the
5.26 sum of the special taxing districts; and

5.27 (3) the increase or decrease between the total taxes payable in the current year and the
5.28 total proposed taxes, expressed as a percentage.

5.29 For purposes of this section, the amount of the tax on homesteads qualifying under the
5.30 senior citizens' property tax deferral program under chapter 290B is the total amount of
5.31 property tax before subtraction of the deferred property tax amount.

5.32 (e) The notice must clearly state that the proposed or final taxes do not include the
5.33 following:

6.1 (1) special assessments;

6.2 (2) levies approved by the voters after the date the proposed taxes are certified, including
6.3 bond referenda and school district levy referenda;

6.4 (3) a levy limit increase approved by the voters by the first Tuesday after the first Monday
6.5 in November of the levy year as provided under section 275.73;

6.6 (4) amounts necessary to pay cleanup or other costs due to a natural disaster occurring
6.7 after the date the proposed taxes are certified;

6.8 (5) amounts necessary to pay tort judgments against the taxing authority that become
6.9 final after the date the proposed taxes are certified; and

6.10 (6) the contamination tax imposed on properties which received market value reductions
6.11 for contamination.

6.12 (f) Except as provided in subdivision 7, failure of the county auditor to prepare or the
6.13 county treasurer to deliver the notice as required in this section does not invalidate the
6.14 proposed or final tax levy or the taxes payable pursuant to the tax levy.

6.15 (g) If the notice the taxpayer receives under this section lists the property as
6.16 nonhomestead, and satisfactory documentation is provided to the county assessor by the
6.17 applicable deadline, and the property qualifies for the homestead classification in that
6.18 assessment year, the assessor shall reclassify the property to homestead for taxes payable
6.19 in the following year.

6.20 (h) In the case of class 4 residential property used as a residence for lease or rental
6.21 periods of 30 days or more, the taxpayer must either:

6.22 (1) mail or deliver a copy of the notice of proposed property taxes to each tenant, renter,
6.23 or lessee; or

6.24 (2) post a copy of the notice in a conspicuous place on the premises of the property.

6.25 The notice must be mailed or posted by the taxpayer by November 27 or within three
6.26 days of receipt of the notice, whichever is later. A taxpayer may notify the county treasurer
6.27 of the address of the taxpayer, agent, caretaker, or manager of the premises to which the
6.28 notice must be mailed in order to fulfill the requirements of this paragraph.

6.29 (i) For purposes of this subdivision and subdivision 6, "metropolitan special taxing
6.30 districts" means the following taxing districts in the seven-county metropolitan area that
6.31 levy a property tax for any of the specified purposes listed below:

7.1 (1) Metropolitan Council under section 473.132, 473.167, 473.249, 473.325, 473.446,
7.2 473.521, 473.547, or 473.834;

7.3 (2) Metropolitan Airports Commission under section 473.667, 473.671, or 473.672; and

7.4 (3) Metropolitan Mosquito Control Commission under section 473.711.

7.5 For purposes of this section, any levies made by the regional rail authorities in the county
7.6 of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington under chapter 398A
7.7 shall be included with the appropriate county's levy.

7.8 (j) The governing body of a county, city, or school district may, with the consent of the
7.9 county board, include supplemental information with the statement of proposed property
7.10 taxes about the impact of state aid increases or decreases on property tax increases or
7.11 decreases and on the level of services provided in the affected jurisdiction. This supplemental
7.12 information may include information for the following year, the current year, and for as
7.13 many consecutive preceding years as deemed appropriate by the governing body of the
7.14 county, city, or school district. It may include only information regarding:

7.15 (1) the impact of inflation as measured by the implicit price deflator for state and local
7.16 government purchases;

7.17 (2) population growth and decline;

7.18 (3) state or federal government action; and

7.19 (4) other financial factors that affect the level of property taxation and local services
7.20 that the governing body of the county, city, or school district may deem appropriate to
7.21 include.

7.22 The information may be presented using tables, written narrative, and graphic
7.23 representations and may contain instruction toward further sources of information or
7.24 opportunity for comment.

7.25 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

7.26 Sec. 7. Minnesota Statutes 2016, section 275.07, subdivision 2, is amended to read:

7.27 Subd. 2. **School district in more than one county levies; special requirements.** (a) In
7.28 school districts lying in more than one county, the clerk shall certify the tax levied to the
7.29 auditor of the county in which the administrative offices of the school district are located.

7.30 (b) The district must identify the portion of the school district levy that is levied for debt
7.31 service at the time the levy is certified under this section. For the purposes of this paragraph,

8.1 "levied for debt service" means levies authorized under sections 123B.53, 123B.535, and
8.2 123B.55, as adjusted by sections 126C.46 and 126C.48, net of any debt excess levy reductions
8.3 under section 475.61, subdivision 4, excluding debt service amounts necessary for repayment
8.4 of other postemployment benefits under section 475.52, subdivision 6.

8.5 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

8.6 Sec. 8. Minnesota Statutes 2016, section 275.08, subdivision 1b, is amended to read:

8.7 Subd. 1b. **Computation of tax rates.** (a) The amounts certified to be levied against net
8.8 tax capacity under section 275.07 by an individual local government unit shall be divided
8.9 by the total net tax capacity of all taxable properties within the local government unit's
8.10 taxing jurisdiction. The resulting ratio, the local government's local tax rate, multiplied by
8.11 each property's net tax capacity shall be each property's net tax capacity tax for that local
8.12 government unit before reduction by any credits.

8.13 (b) The auditor must also determine the school debt tax rate for each school district equal
8.14 to (1) the school debt service levy certified under section 275.07, subdivision 2, divided by
8.15 (2) the total net tax capacity of all taxable property within the district.

8.16 (c) Any amount certified to the county auditor to be levied against market value shall
8.17 be divided by the total referendum market value of all taxable properties within the taxing
8.18 district. The resulting ratio, the taxing district's new referendum tax rate, multiplied by each
8.19 property's referendum market value shall be each property's new referendum tax before
8.20 reduction by any credits. For the purposes of this subdivision, "referendum market value"
8.21 means the market value as defined in section 126C.01, subdivision 3.

8.22 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

8.23 Sec. 9. Minnesota Statutes 2016, section 276.04, subdivision 2, is amended to read:

8.24 Subd. 2. **Contents of tax statements.** (a) The treasurer shall provide for the printing of
8.25 the tax statements. The commissioner of revenue shall prescribe the form of the property
8.26 tax statement and its contents. The tax statement must not state or imply that property tax
8.27 credits are paid by the state of Minnesota. The statement must contain a tabulated statement
8.28 of the dollar amount due to each taxing authority and the amount of the state tax from the
8.29 parcel of real property for which a particular tax statement is prepared. The dollar amounts
8.30 attributable to the county, the state tax, the voter approved school tax, the other local school
8.31 tax, the township or municipality, and the total of the metropolitan special taxing districts
8.32 as defined in section 275.065, subdivision 3, paragraph (i), must be separately stated. The

9.1 amounts due all other special taxing districts, if any, may be aggregated except that any
9.2 levies made by the regional rail authorities in the county of Anoka, Carver, Dakota, Hennepin,
9.3 Ramsey, Scott, or Washington under chapter 398A shall be listed on a separate line directly
9.4 under the appropriate county's levy. If the county levy under this paragraph includes an
9.5 amount for a lake improvement district as defined under sections 103B.501 to 103B.581,
9.6 the amount attributable for that purpose must be separately stated from the remaining county
9.7 levy amount. In the case of Ramsey County, if the county levy under this paragraph includes
9.8 an amount for public library service under section 134.07, the amount attributable for that
9.9 purpose may be separated from the remaining county levy amount. The amount of the tax
9.10 on homesteads qualifying under the senior citizens' property tax deferral program under
9.11 chapter 290B is the total amount of property tax before subtraction of the deferred property
9.12 tax amount. The amount of the tax on contamination value imposed under sections 270.91
9.13 to 270.98, if any, must also be separately stated. The dollar amounts, including the dollar
9.14 amount of any special assessments, may be rounded to the nearest even whole dollar. For
9.15 purposes of this section whole odd-numbered dollars may be adjusted to the next higher
9.16 even-numbered dollar. The amount of market value excluded under section 273.11,
9.17 subdivision 16, if any, must also be listed on the tax statement.

9.18 (b) The property tax statements for manufactured homes and sectional structures taxed
9.19 as personal property shall contain the same information that is required on the tax statements
9.20 for real property.

9.21 (c) Real and personal property tax statements must contain the following information
9.22 in the order given in this paragraph. The information must contain the current year tax
9.23 information in the right column with the corresponding information for the previous year
9.24 in a column on the left:

9.25 (1) the property's estimated market value under section 273.11, subdivision 1;

9.26 (2) the property's homestead market value exclusion under section 273.13, subdivision
9.27 35;

9.28 (3) the property's taxable market value under section 272.03, subdivision 15;

9.29 (4) the property's gross tax, before credits;

9.30 (5) for ~~homestead~~ agricultural properties, the ~~credit~~ credits under ~~section~~ sections
9.31 273.1384 and 273.1387;

9.32 (6) any credits received under sections 273.119; 273.1234 or 273.1235; 273.135;
9.33 273.1391; 273.1398, subdivision 4; 469.171; and 473H.10, except that the amount of credit

10.1 received under section 273.135 must be separately stated and identified as "taconite tax
10.2 relief"; and

10.3 (7) the net tax payable in the manner required in paragraph (a).

10.4 (d) If the county uses envelopes for mailing property tax statements and if the county
10.5 agrees, a taxing district may include a notice with the property tax statement notifying
10.6 taxpayers when the taxing district will begin its budget deliberations for the current year,
10.7 and encouraging taxpayers to attend the hearings. If the county allows notices to be included
10.8 in the envelope containing the property tax statement, and if more than one taxing district
10.9 relative to a given property decides to include a notice with the tax statement, the county
10.10 treasurer or auditor must coordinate the process and may combine the information on a
10.11 single announcement.

10.12 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2018.

10.13 **ARTICLE 2**

10.14 **SCHOOL DEBT LEVIES AFTER JUNE 30, 2021**

10.15 Section 1. Minnesota Statutes 2016, section 123A.44, is amended to read:

10.16 **123A.44 CITATION.**

10.17 Sections 123A.441 to 123A.446 may be cited as the "Small Schools and Cooperative
10.18 Facilities Grant Act."

10.19 Sec. 2. Minnesota Statutes 2016, section 123A.441, is amended to read:

10.20 **123A.441 POLICY AND PURPOSE.**

10.21 ~~Because of the rates of decline in school-aged population, population shifts and economic~~
10.22 ~~changes that the state has experienced in recent years and anticipates in future years, and~~
10.23 ~~because in some instances local districts have not, and will~~ (a) The purpose of the Small
10.24 Schools and Cooperative Facilities Grant Act is to encourage and reward efficient use of
10.25 school facilities and provide state assistance to school districts that may not be able to
10.26 provide the required construction funds through local property taxes, the purpose of the
10.27 cooperative facilities. This grant program is to provide an incentive to encourage cooperation
10.28 in making available to all students those educational programs, services and facilities that
10.29 are most efficiently and effectively provided by a supports facility needs for small isolated
10.30 school districts and cooperative effort facility needs of school districts.

11.1 (b) The policy and purpose of sections 123A.442 to 123A.446 is to use state
 11.2 appropriations and the credit of the state, to a limited degree, to provide grants to cooperating
 11.3 groups of districts and isolated small school districts to improve and expand the educational
 11.4 opportunities and facilities available to their students.

11.5 Sec. 3. Minnesota Statutes 2016, section 123A.442, is amended to read:

11.6 **123A.442 APPROVAL AUTHORITY; APPLICATION FORMS.**

11.7 Subdivision 1. **Approval by commissioner.** To the extent money is available, the
 11.8 commissioner may approve projects from applications submitted under section 123A.443.
 11.9 The grant money must be used only to acquire, construct, remodel or improve the building
 11.10 or site of a cooperative facility or isolated small school under contracts to be entered into
 11.11 within 15 months after the date on which each grant is awarded.

11.12 Subd. 2. **Cooperation and consolidation.** ~~Districts that have~~ A cooperating district that
 11.13 has not already consolidated and receive receives a cooperative facilities grant shall:

11.14 (1) submit a consolidation plan under section 123A.48 for approval by the Department
 11.15 of Education; and

11.16 (2) hold a referendum on the question of consolidation no later than four years after a
 11.17 grant is awarded under subdivision 1.

11.18 The districts are eligible for consolidation revenue under section 123A.485.

11.19 Subd. 2a. **Isolated small school districts.** An isolated small school district may submit
 11.20 an application to the commissioner for a facilities grant. The application must:

11.21 (1) demonstrate to the commissioner's satisfaction that the small school is isolated; and

11.22 (2) document the tax base characteristics that prevent the district from funding the total
 11.23 building costs through the debt service equalization aid program.

11.24 Subd. 3. **Consolidated districts.** A school district that has consolidated with another
 11.25 school district since July 1, 1980, is eligible for a small schools and cooperative facilities
 11.26 grant.

11.27 Sec. 4. Minnesota Statutes 2016, section 123A.443, is amended to read:

11.28 **123A.443 GRANT APPLICATION PROCESS.**

11.29 Subdivision 1. **Qualification.** Any group of districts or a consolidated district that meets
 11.30 the criteria required under subdivision 2 or isolated small school under section 123A.442,

12.1 subdivision 2a, may apply for an incentive grant for construction of a new facility or for
12.2 remodeling and improving an existing facility. A grant for new construction must not exceed
12.3 the lesser of \$20,000,000, or 75 percent of the approved construction costs of ~~a cooperative~~
12.4 the education facility. A grant for remodeling and improving an existing facility must not
12.5 exceed the lesser of \$10,000,000, or 75 percent of the approved remodeling costs.

12.6 Subd. 2. **Review by commissioner.** (a) A ~~group of districts or a consolidated~~ qualifying
12.7 district or group of districts that submits an application for a grant must submit a proposal
12.8 to the commissioner for review and comment under section 123B.71. The commissioner
12.9 shall prepare a review and comment on the proposed facility by July 1 of an odd-numbered
12.10 year, regardless of the amount of the capital expenditure required to acquire, construct,
12.11 remodel or improve the facility. The commissioner shall not approve an application for an
12.12 incentive grant for any facility unless the facility receives a favorable review and comment
12.13 under section 123B.71 and the following criteria are met:

12.14 (1) the applicant is an isolated small school or is a consolidated district or a minimum
12.15 of two or more districts that have entered into a joint powers agreement;

12.16 (2) for a group of districts, a joint powers board representing all participating districts
12.17 is established under section 471.59 to govern the cooperative facility;

12.18 (3) for a group of districts, no more than one superintendent is employed by the joint
12.19 powers board as a result of the cooperative facility agreement;

12.20 (4) a statement of need is submitted, that may include reasons why the current facilities
12.21 are inadequate, unsafe, or inaccessible to persons with disabilities;

12.22 (5) an educational plan is prepared, that includes input from both community and
12.23 professional staff;

12.24 (6) for a group of districts, a combined seniority list for all participating districts is
12.25 developed by the joint powers board;

12.26 (7) for a group of districts, an education program is developed that provides for more
12.27 learning opportunities and course offerings, including the offering of advanced placement
12.28 courses, for students than is currently available in any single member district;

12.29 (8) a plan is developed for providing instruction of any resident students in other districts
12.30 when distance to the education facility makes attendance at the facility unreasonably difficult
12.31 or impractical; and

13.1 (9) for a secondary facility, the joint powers board established under clause (2) discusses
13.2 with technical colleges located in the area how vocational education space in the cooperative
13.3 facility could be jointly used for secondary and postsecondary purposes.

13.4 (b) To the extent possible, the joint powers board is encouraged to provide for severance
13.5 pay or for early retirement incentives under section 122A.48, for any teacher or administrator,
13.6 as defined under section 122A.40, subdivision 1, who is placed on unrequested leave as a
13.7 result of the cooperative facility agreement.

13.8 (c) For the purpose of paragraph (a), clause (6), each district must be considered to have
13.9 started school each year on the same date.

13.10 (d) The districts may develop a plan that provides for the location of social service,
13.11 health, and other programs serving pupils and community residents within the cooperative
13.12 facility. The commissioner shall consider this plan when preparing a review and comment
13.13 on the proposed facility.

13.14 (e) The districts must schedule and conduct a meeting on library services. The school
13.15 districts, in cooperation with the regional public library system and its appropriate member
13.16 libraries, must discuss the possibility of including jointly operated library services at the
13.17 cooperative facility.

13.18 (f) The board of a district that has reorganized under section 123A.37 or 123A.48 and
13.19 that is applying for a grant for remodeling or improving an existing facility may act in the
13.20 place of a joint powers board to meet the criteria of this subdivision.

13.21 Subd. 3. **Reorganizing districts.** A district that is a member of a joint powers board
13.22 established under subdivision 2 and that is planning to reorganize under section 123A.45,
13.23 123A.46, or 123A.48 must notify the joint powers board one year in advance of the effective
13.24 date of the reorganization. Notwithstanding section 471.59 or any other law to the contrary,
13.25 the board of a district that reorganizes under section 123A.45, 123A.46, or 123A.48 may
13.26 appoint representatives to the joint powers board who will serve on the joint powers board
13.27 for two years after the effective date of the reorganization if authorized in the agreement
13.28 establishing the joint powers board to govern the cooperative facility. These representatives
13.29 shall have the same powers as representatives of any other school district under the joint
13.30 powers agreement.

13.31 Subd. 4. **District procedures.** A joint powers board of a district established under
13.32 subdivision 2 ~~or~~ a school board of a reorganized district, or the school board of an isolated
13.33 small school district that intends to apply for a grant must adopt a resolution stating the
13.34 proposed costs of the project, the purpose for which the costs are to be incurred, and an

14.1 estimate of the dates when the facilities for which the grant is requested will be contracted
14.2 for and completed. Applications for the state grants must be accompanied by ~~(a)~~ (1) a copy
14.3 of the resolution, ~~(b)~~ (2) a certificate by the clerk and treasurer of the joint powers board or
14.4 school board showing the current outstanding indebtedness of each member district, and
14.5 ~~(c)~~ (3) a certificate by the county auditor of each county in which a portion of the joint
14.6 powers district lies showing the information in the auditor's official records that is required
14.7 to be used in computing the debt limit of the district under section 475.53, subdivision 4.
14.8 The clerk's and treasurer's certificate must show, as to each outstanding bond issue of each
14.9 member district or isolated small school district, the amount originally issued, the purpose
14.10 for which issued, the date of issue, the amount remaining unpaid as of the date of the
14.11 resolution, and the interest rates and due dates and amounts of principal thereon. Applications
14.12 and necessary data must be in the form prescribed by the commissioner. Applications must
14.13 be received by the commissioner by September 1 of an odd-numbered year. When an
14.14 application is received, the commissioner shall obtain from the commissioner of revenue,
14.15 and from the Public Utilities Commission when required, the information in their official
14.16 records that is required to be used in computing the debt limit of the joint powers district
14.17 under section 475.53, subdivision 4.

14.18 Subd. 5. **Award of grants.** (a) By November 1 of the odd-numbered year, the
14.19 commissioner shall examine and consider all applications for grants, and if any district is
14.20 found not qualified, the commissioner shall promptly notify that board.

14.21 (b) A grant award is subject to verification by the district as specified in subdivision 8.
14.22 A grant award for a new facility must not be made until the site of the facility has been
14.23 determined. For a group of cooperating school districts, a grant award to remodel or improve
14.24 an existing facility must not be made until the cooperating districts have reorganized. If the
14.25 total amount of the approved applications exceeds the amount that is or can be made
14.26 available, the commissioner shall first award grants to cooperating or consolidating school
14.27 districts that will close at least one existing school building, and then, to the extent funds
14.28 remain, allot the available amount equally between any other approved applicant districts.
14.29 The commissioner shall promptly certify to each qualified district the amount, if any, of the
14.30 grant awarded to it.

14.31 Subd. 6. **Collocation grant.** A group of districts that receives a grant for a new facility
14.32 under subdivision 4 is also eligible to receive an additional grant in the amount of \$1,000,000.
14.33 To receive the additional grant, the group of districts must develop a plan under subdivision
14.34 2, paragraph (d), that provides for the location of a significant number of noneducational
14.35 student and community service programs within the cooperative facility.

15.1 Subd. 7. **Referendum; bond issue.** Within 180 days after being awarded a grant for a
 15.2 new facility under subdivision 5, the joint powers board or board of the isolated small school
 15.3 district must submit the question of authorizing the borrowing of funds for the facility to
 15.4 the voters of the joint powers district or isolated small school district at a special election,
 15.5 which may be held in conjunction with the general election of the school board members
 15.6 of the member districts. The question submitted must state the total amount of funding
 15.7 needed from all sources. A majority of those voting in the affirmative on the question is
 15.8 sufficient to authorize the joint powers board or school board to accept the grant and to
 15.9 issue the bonds on public sale according to chapter 475. The clerk of the joint powers board
 15.10 or school district must certify the vote of the bond election to the commissioner. If the
 15.11 question is approved by the voters, the commissioner shall notify the approved applicant
 15.12 districts that the grant amount certified under subdivision 5 is available and appropriated
 15.13 for payment under this subdivision. If a majority of those voting on the question do not vote
 15.14 in the affirmative, the grant must be canceled.

15.15 Subd. 8. **Contract.** Each grant must be evidenced by a contract between the board and
 15.16 the state acting through the commissioner. The contract obligates the state to pay to the
 15.17 board an amount computed according to subdivision 5, and according to a schedule, and
 15.18 terms and conditions acceptable to the commissioner of management and budget.

15.19 Subd. 9. **Consolidation.** A group of districts that operates a cooperative facility that was
 15.20 acquired, constructed, remodeled, or improved under this section and implements
 15.21 consolidation proceedings according to section 123A.48, may propose a temporary school
 15.22 board structure in the petition or resolution required under section 123A.48, subdivision 2.
 15.23 The districts may propose the number of existing school board members of each district to
 15.24 become members of the board of the consolidated district and a method to gradually reduce
 15.25 the membership to six or seven. The proposal must be approved, disapproved, or modified
 15.26 by the commissioner. The election requirements of section 123A.48, subdivision 20, do not
 15.27 apply to a proposal approved by the state board. Elections conducted after the effective date
 15.28 of the consolidation are subject to the Minnesota Election Law.

15.29 Sec. 5. Minnesota Statutes 2016, section 123A.446, is amended to read:

15.30 **123A.446 STATE BOND AUTHORIZATION SMALL SCHOOLS AND**
 15.31 **COOPERATING FACILITIES GRANT FUNDS; ACCOUNT CREATED.**

15.32 Subdivision 1. **Fund created.** A small schools and cooperating school district facilities
 15.33 account is created in the special revenue fund. The state aid received under subdivision 2
 15.34 and any state bond proceeds received under subdivision 3 must be deposited in this account.

16.1 Subd. 2. **Annual replacement aid.** Beginning in fiscal year 2020, \$2,000,000 is annually
 16.2 appropriated from the general fund to the small schools and cooperating school district
 16.3 facilities account in the special revenue fund.

16.4 Subd. 3. **State bond authorization.** To provide money for the cooperative secondary
 16.5 facilities grant program, the commissioner of management and budget, upon the request of
 16.6 the commissioner of education, shall issue and sell shall deposit in the small schools and
 16.7 cooperating school district facilities account the proceeds of any bonds of issued and sold
 16.8 by the state up to the amount of \$14,000,000 in the manner, upon the terms and with the
 16.9 effect prescribed by sections 16A.631 to 16A.675 and the Minnesota Constitution, article
 16.10 XI, sections 4 to 7 specifically designated for that purpose.

16.11 Subd. 4. **Grants made; appropriation.** On July 1 of each year, the balance in the small
 16.12 schools and cooperating facilities grant account in the special revenue fund is appropriated
 16.13 to the commissioner of education for small schools and cooperating school district facilities
 16.14 grants. On June 30 of each year, any money appropriated under this section but not yet
 16.15 distributed to a school district cancels to the small schools and cooperating facilities grant
 16.16 account in the special revenue fund.

16.17 Sec. 6. Minnesota Statutes 2016, section 123B.53, subdivision 1, is amended to read:

16.18 Subdivision 1. **Definitions.** (a) For purposes of this section, the total eligible debt service
 16.19 revenue of a district is defined as follows:

16.20 (1) the amount needed to produce between five and six percent in excess of the amount
 16.21 needed to meet when due the principal and interest payments on the obligations of the district
 16.22 for eligible projects according to subdivision 2, including the amounts necessary for
 16.23 repayment of debt service loans, capital loans, and lease purchase payments under section
 16.24 126C.40, subdivision 2, excluding long-term facilities maintenance levies under section
 16.25 123B.595, minus

16.26 (2) the amount of debt service excess levy reduction for that school year calculated
 16.27 according to the procedure established by the commissioner.

16.28 (b) The obligations in this paragraph are excluded from eligible debt service revenue:

16.29 (1) obligations under section 123B.61;

16.30 (2) the part of debt service principal and interest paid from the taconite environmental
 16.31 protection fund or Douglas J. Johnson economic protection trust, excluding the portion of
 16.32 taconite payments from the Iron Range school consolidation and cooperatively operated
 16.33 school account under section 298.28, subdivision 7a;

17.1 (3) obligations issued under Laws 1991, chapter 265, article 5, section 18, as amended
17.2 by Laws 1992, chapter 499, article 5, section 24;

17.3 (4) obligations under section 123B.62; and

17.4 (5) obligations equalized under section 123B.535.

17.5 (c) For purposes of this section, if a preexisting school district reorganized under sections
17.6 123A.35 to 123A.43, 123A.46, and 123A.48 is solely responsible for retirement of the
17.7 preexisting district's bonded indebtedness, capital loans or debt service loans, debt service
17.8 equalization aid must be computed separately for each of the preexisting districts.

17.9 (d) For purposes of this section, the adjusted net tax capacity determined according to
17.10 sections 127A.48 and 273.1325 shall be adjusted to include the tax capacity of property
17.11 generally exempted from ad valorem taxes under section 272.02, subdivision 64.

17.12 (e) For purposes of this section, the "net tax capacity eligible debt service revenue" of
17.13 a district is defined as the total eligible debt service revenue of a district excluding any
17.14 amount needed to meet the principal and interest payments obligations of the district for
17.15 projects approved after June 30, 2021.

17.16 (f) For purposes of this section, "referendum market value eligible debt service revenue"
17.17 is the difference between total eligible debt service revenue and net tax capacity eligible
17.18 debt service revenue.

17.19 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2022.

17.20 Sec. 7. Minnesota Statutes 2016, section 123B.53, subdivision 4, is amended to read:

17.21 Subd. 4. **Net tax capacity debt service equalization revenue.** (a) The net tax capacity
17.22 debt service equalization revenue of a district equals the sum of the first tier net tax capacity
17.23 debt service equalization revenue and the second tier net tax capacity debt service
17.24 equalization revenue.

17.25 (b) The first tier net tax capacity debt service equalization revenue of a district equals
17.26 the greater of zero or the eligible net tax capacity debt service revenue minus the amount
17.27 raised by a levy of 15.74 percent times the adjusted net tax capacity of the district minus
17.28 the second tier net tax capacity debt service equalization revenue of the district.

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

17.32 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2022.

18.1 Sec. 8. Minnesota Statutes 2016, section 123B.53, subdivision 5, is amended to read:

18.2 Subd. 5. **Equalized net tax capacity debt service levy.** (a) The equalized net tax capacity
18.3 debt service levy of a district equals the sum of the first tier equalized net tax capacity debt
18.4 service levy and the second tier equalized net tax capacity debt service levy.

18.5 (b) A district's first tier equalized net tax capacity debt service levy equals the district's
18.6 first tier net tax capacity debt service equalization revenue times the lesser of one or the
18.7 ratio of:

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

18.11 (2) ~~\$3,400 in fiscal year 2016~~, \$4,430 in fiscal year 2017; and the greater of \$4,430 or
18.12 55.33 percent of the initial equalizing factor in fiscal year 2018 and later.

18.13 (c) A district's second tier equalized net tax capacity debt service levy equals the district's
18.14 second tier net tax capacity debt service equalization revenue times the lesser of one or the
18.15 ratio of:

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

18.19 (2) \$8,000 in fiscal years 2016 and 2017, and the greater of \$8,000 or 100 percent of
18.20 the initial equalizing factor in fiscal year 2018 and later.

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

18.25 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2022.

18.26 Sec. 9. Minnesota Statutes 2016, section 123B.53, subdivision 6, is amended to read:

18.27 Subd. 6. **Net tax capacity debt service equalization aid.** (a) A district's net tax capacity
18.28 debt service equalization aid is the sum of the district's first tier net tax capacity debt service
18.29 equalization aid and the district's second tier net tax capacity debt service equalization aid.

18.30 (b) A district's first tier net tax capacity debt service equalization aid equals the difference
18.31 between the district's first tier net tax capacity debt service equalization revenue and the
18.32 district's first tier equalized net tax capacity debt service levy.

19.1 (c) A district's second tier net tax capacity debt service equalization aid equals the
 19.2 difference between the district's second tier net tax capacity debt service equalization revenue
 19.3 and the district's second tier equalized net tax capacity debt service levy.

19.4 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2022.

19.5 Sec. 10. Minnesota Statutes 2016, section 123B.53, is amended by adding a subdivision
 19.6 to read:

19.7 **Subd. 8. Initial referendum market value debt service equalization revenue.** The
 19.8 initial referendum market value debt service equalization revenue of a district equals the
 19.9 greater of zero or the total eligible debt service revenue minus the amount raised by a levy
 19.10 of 0.1574 percent times the referendum market value of the district.

19.11 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

19.12 Sec. 11. Minnesota Statutes 2016, section 123B.53, is amended by adding a subdivision
 19.13 to read:

19.14 **Subd. 9. Equalized initial referendum market value debt service levy.** The equalized
 19.15 initial referendum market value debt service levy of a district equals the district's first tier
 19.16 referendum market value debt service equalization revenue times the lesser of one or the
 19.17 ratio of:

19.18 (1) the quotient derived by dividing the referendum market value of the district for the
 19.19 year before the year the levy is certified by the adjusted pupil units in the district for the
 19.20 school year ending in the year before the year the levy is certified; to

19.21 (2) \$1,131,246.

19.22 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

19.23 Sec. 12. Minnesota Statutes 2016, section 123B.53, is amended by adding a subdivision
 19.24 to read:

19.25 **Subd. 10. Initial referendum market value debt service equalization aid.** A district's
 19.26 initial referendum market value debt service equalization aid equals the difference between
 19.27 the district's referendum market value debt service equalization revenue and the district's
 19.28 equalized referendum market value debt service levy.

19.29 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2022.

20.1 Sec. 13. Minnesota Statutes 2016, section 123B.53, is amended by adding a subdivision
20.2 to read:

20.3 Subd. 11. **Actual referendum market value aid.** A district's actual referendum market
20.4 value debt service aid equals the district's initial referendum market value debt service aid
20.5 less its net tax capacity debt service equalization aid, provided that the aid may not be less
20.6 than zero or greater than (1) one minus the ratio specified in subdivision 9, times (2) the
20.7 district's market value debt service revenue.

20.8 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2022.

20.9 Sec. 14. Minnesota Statutes 2016, section 123B.55, is amended to read:

20.10 **123B.55 DEBT SERVICE LEVY.**

20.11 (a) A district may levy the amounts necessary to make payments for bonds issued and
20.12 for interest on them, including the bonds and interest on them, issued as authorized by
20.13 Minnesota Statutes 1974, section 275.125, subdivision 3, clause (7)(C); and the amounts
20.14 necessary for repayment of debt service loans and capital loans, minus the amount of debt
20.15 service equalization revenue of the district.

20.16 (b) Levies under this section for bonds authorized before July 1, 2021, must be levied
20.17 against the net tax capacity of the district, as defined under section 273.13, subdivision 21b.
20.18 Levies under this section for bonds authorized after June 30, 2021, must be levied against
20.19 the referendum market value of the district, as defined under section 126C.01, subdivision
20.20 3.

20.21 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2022.

20.22 Sec. 15. Minnesota Statutes 2016, section 126C.01, subdivision 3, is amended to read:

20.23 Subd. 3. **Referendum market value.** "Referendum market value" means the market
20.24 value of all taxable property, excluding property classified as class 2~~;~~ or 4c(4), or 4e(12)
20.25 under section 273.13. The portion of class 2a property consisting of the house, garage, and
20.26 surrounding one acre of land of an agricultural homestead is included in referendum market
20.27 value. For the purposes of this subdivision, in the case of class 1a, 1b, or 2a property, "market
20.28 value" means the value prior to the exclusion under section 273.13, subdivision 35. The
20.29 referendum market value of class 4c(12) property under section 273.13 is equal to 0.25
20.30 times taxable market value. The referendum market value of class 3a property under section
20.31 273.13 that is not in the first tier of market value as defined in section 273.13, subdivision
20.32 24, is 1.25 times taxable market value. Any class of property, or any portion of a class of

21.1 property, that is included in the definition of referendum market value and that has a
21.2 classification rate of less than one percent under section 273.13 shall have a referendum
21.3 market value equal to its market value times its classification rate, multiplied by 100.

21.4 **EFFECTIVE DATE.** This section is effective for taxes payable in 2022 and thereafter.

21.5 Sec. 16. Minnesota Statutes 2016, section 275.61, is amended to read:

21.6 **275.61 VOTER-APPROVED LEVY; MARKET VALUE.**

21.7 Subdivision 1. **Market value.** (a) For local governmental subdivisions other than school
21.8 districts, any levy approved by the voters at a general or special election shall be levied
21.9 against the referendum market value of all taxable property within the governmental
21.10 subdivision, as defined in section 126C.01, subdivision 3. Any levy amount subject to the
21.11 requirements of this section shall be certified separately to the county auditor under section
21.12 275.07.

21.13 (b) The ballot shall state the maximum amount of the increased levy as a percentage of
21.14 market value and the amount that will be raised by the new referendum tax rate in the first
21.15 year it is to be levied.

21.16 (c) This subdivision does not apply to tax levies for the payment of debt obligations that
21.17 are approved by the voters after June 30, 2008, and before July 1, 2021.

21.18 **EFFECTIVE DATE.** This section is effective July 1, 2021.

APPENDIX
Article locations in SF3805-0

ARTICLE 1 SCHOOL BUILDING BOND AGRICULTURAL CREDIT..... Page.Ln 1.12
ARTICLE 2 SCHOOL DEBT LEVIES AFTER JUNE 30, 2021..... Page.Ln 10.13