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State of Minnesota HOUSE OF REPRESENTATIVES

SECOND SPECIAL SESSION

H. F. No. 44

07/13/2020 Authored by Sundin The bill was read for the first time and referred to the Education Finance Division

1.1 A bill for an act
1.2 relating to education finance; providing enhanced debt service equalization aid
1.3 for consolidating school districts facing unique circumstances; clarifying allowed
1.4 uses of long-term facilities maintenance revenue and capital levies; increasing
1.5 lease levy authority for school districts that are members of cooperative units;
1.6 modifying referendum equalization levy; authorizing Independent School District
1.7 No. 709, Duluth, to transfer levy authority from the long-term facilities maintenance
1.8 revenue program to the debt redemption fund; requiring a report; amending
1.9 Minnesota Statutes 2018, sections 123B.535; 123B.595, subdivision 3; 126C.40,
1.10 subdivision 1; Minnesota Statutes 2019 Supplement, section 126C.17, subdivision
1.11 6.

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

1.13 Section 1. Minnesota Statutes 2018, section 123B.535, is amended to read:

1.14 123B.535 NATURAL DISASTER ENHANCED DEBT SERVICE
1.15 EQUALIZATION.

1.16 Subdivision 1. Definitions; eligibility. (a) For purposes of this section, the eligible
1.17 natural-disaster enhanced debt service revenue of a district is defined as the amount needed
1.18 to produce between five and six percent in excess of the amount needed to meet when due
1.19 the principal and interest payments on the obligations of the district issued under paragraphs
1.20 (b) and (c) that would otherwise qualify under section 123B.53 under the following
1.21 conditions:

1.22 (b) A district that has been negatively affected by a natural disaster qualifies for enhanced
1.23 debt service equalization under this section if:

2.1 (1) the district was impacted by a natural disaster event or area occurring January 1,
 2.2 2005, or later, as declared by the President of the United States of America, which is eligible
 2.3 for Federal Emergency Management Agency payments;

2.4 (2) the natural disaster caused \$500,000 or more in damages to school district buildings;
 2.5 and

2.6 (3) the repair and replacement costs are not covered by insurance payments or Federal
 2.7 Emergency Management Agency payments.

2.8 (c) A district that consolidates on or after July 1, 2021, with an approved consolidation
 2.9 plat and plan under section 123A.48, is eligible for enhanced debt service equalization under
 2.10 this section if that plan identifies construction projects that have received a positive review
 2.11 and comment.

2.12 ~~(b)~~ (d) For purposes of this section, the adjusted net tax capacity equalizing factor equals
 2.13 the quotient derived by dividing the total adjusted net tax capacity of all school districts in
 2.14 the state for the year before the year the levy is certified by the total number of adjusted
 2.15 pupil units in the state for the year prior to the year the levy is certified.

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

2.19 Subd. 2. **Notification.** A district eligible for ~~natural disaster~~ enhanced debt service
 2.20 equalization revenue under subdivision 1 must notify the commissioner of the amount of
 2.21 its intended ~~natural disaster~~ enhanced debt service revenue calculated under subdivision 1
 2.22 for all bonds sold prior to the notification by July 1 of the calendar year the levy is certified,
 2.23 or for a district newly consolidated as of July 1 of the calendar year, by September 30 of
 2.24 the calendar year the levy is certified.

2.25 Subd. 3. **Natural disaster Enhanced debt service equalization revenue.** The debt
 2.26 service equalization revenue of a district equals the greater of zero or the eligible debt service
 2.27 revenue, minus the greater of zero or the difference between:

2.28 (1) the amount raised by a levy of ten percent times the adjusted net tax capacity of the
 2.29 district; and

2.30 (2) the district's eligible debt service revenue under section 123B.53.

2.31 Subd. 4. **Equalized ~~natural disaster~~ enhanced debt service levy.** A district's equalized
 2.32 ~~natural disaster~~ enhanced debt service levy equals the district's ~~natural disaster~~ enhanced
 2.33 debt service equalization revenue times the lesser of one or the ratio of:

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

3.4 (2) 300 percent of the statewide adjusted net tax capacity equalizing factor.

3.5 Subd. 5. ~~Natural disaster~~ **Enhanced debt service equalization aid**. A district's ~~natural~~
 3.6 ~~disaster~~ enhanced debt service equalization aid equals the difference between the district's
 3.7 ~~natural disaster~~ enhanced debt service equalization revenue and the district's equalized
 3.8 ~~natural disaster~~ enhanced debt service levy.

3.9 Subd. 6. ~~Natural disaster~~ **Enhanced debt service equalization aid payment**
 3.10 **schedule.** Enhanced debt service equalization aid must be paid according to section 127A.45,
 3.11 subdivision 10.

3.12 **EFFECTIVE DATE.** This section is effective July 1, 2020.

3.13 Sec. 2. Minnesota Statutes 2018, section 123B.595, subdivision 3, is amended to read:

3.14 Subd. 3. **Intermediate districts and other cooperative units.** (a) Upon approval through
 3.15 the adoption of a resolution by each member district school board of an intermediate district
 3.16 or other cooperative ~~units~~ unit under section 123A.24, subdivision 2, or a joint powers
 3.17 district under section 471.59, and the approval of the commissioner of education, a school
 3.18 district may include in its authority under this section a proportionate share of the long-term
 3.19 maintenance costs of the intermediate district ~~or,~~ cooperative unit, or joint powers district.
 3.20 The cooperative unit or joint powers district may issue bonds to finance the project costs
 3.21 ~~or levy for the costs, using.~~ The cooperative unit or joint powers district may use long-term
 3.22 maintenance revenue transferred from member districts to:

3.23 (1) make debt service payments ~~or;~~

3.24 (2) pay project costs; or

3.25 (3) notwithstanding subdivision 11, clause (2), pay the portion of lease costs attributable
 3.26 to the amortized cost of long-term facilities maintenance projects completed for leased
 3.27 facilities by the landlord.

3.28 Authority under this subdivision is in addition to the authority for individual district projects
 3.29 under subdivision 1.

3.30 (b) The resolution adopted under paragraph (a) may specify which member districts will
 3.31 share the project costs under this subdivision, except that debt service payments for bonds

4.1 issued by a cooperative unit or joint powers district to finance long-term maintenance project
 4.2 costs must be the responsibility of all member districts.

4.3 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2021 and later.

4.4 Sec. 3. Minnesota Statutes 2019 Supplement, section 126C.17, subdivision 6, is amended
 4.5 to read:

4.6 Subd. 6. **Referendum equalization levy.** (a) A district's referendum equalization levy
 4.7 equals the sum of the first tier referendum equalization levy and the second tier referendum
 4.8 equalization levy.

4.9 (b) A district's first tier referendum equalization levy equals the district's first tier
 4.10 referendum equalization revenue times the lesser of (1) one ~~œ~~, (2) the ratio of the district's
 4.11 referendum market value per resident pupil unit to ~~\$567,000~~ \$650,000, or (3) the ratio of
 4.12 the district's referendum market value per adjusted pupil unit to \$650,000.

4.13 (c) A district's second tier referendum equalization levy equals the district's second tier
 4.14 referendum equalization revenue times the lesser of (1) one ~~œ~~, (2) the ratio of the district's
 4.15 referendum market value per resident pupil unit to ~~\$290,000~~ \$320,000, or (3) the ratio of
 4.16 the district's referendum market value per adjusted pupil unit to \$320,000.

4.17 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2022 and later.

4.18 Sec. 4. Minnesota Statutes 2018, section 126C.40, subdivision 1, is amended to read:

4.19 Subdivision 1. **To lease building or land.** (a) When an independent or a special school
 4.20 district or a group of independent or special school districts finds it economically
 4.21 advantageous to rent or lease a building or land for any instructional purposes or for school
 4.22 storage or furniture repair, and it determines that the operating capital revenue authorized
 4.23 under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the
 4.24 commissioner for permission to make an additional capital expenditure levy for this purpose.
 4.25 An application for permission to levy under this subdivision must contain financial
 4.26 justification for the proposed levy, the terms and conditions of the proposed lease, and a
 4.27 description of the space to be leased and its proposed use.

4.28 (b) The criteria for approval of applications to levy under this subdivision must include:
 4.29 the reasonableness of the price, the appropriateness of the space to the proposed activity,
 4.30 the feasibility of transporting pupils to the leased building or land, conformity of the lease
 4.31 to the laws and rules of the state of Minnesota, and the appropriateness of the proposed
 4.32 lease to the space needs and the financial condition of the district. The commissioner must

5.1 not authorize a levy under this subdivision in an amount greater than the cost to the district
5.2 of renting or leasing a building or land for approved purposes. The proceeds of this levy
5.3 must not be used for custodial or other maintenance services. A district may not levy under
5.4 this subdivision for the purpose of leasing or renting a district-owned building or site to
5.5 itself.

5.6 (c) For agreements finalized after July 1, 1997, a district may not levy under this
5.7 subdivision for the purpose of leasing: (1) a newly constructed building used primarily for
5.8 regular kindergarten, elementary, or secondary instruction; or (2) a newly constructed
5.9 building addition or additions used primarily for regular kindergarten, elementary, or
5.10 secondary instruction that contains more than 20 percent of the square footage of the
5.11 previously existing building.

5.12 (d) Notwithstanding paragraph (b), a district may levy under this subdivision for the
5.13 purpose of leasing or renting a district-owned building or site to itself only if the amount is
5.14 needed by the district to make payments required by a lease purchase agreement, installment
5.15 purchase agreement, or other deferred payments agreement authorized by law, and the levy
5.16 meets the requirements of paragraph (c). A levy authorized for a district by the commissioner
5.17 under this paragraph may be in the amount needed by the district to make payments required
5.18 by a lease purchase agreement, installment purchase agreement, or other deferred payments
5.19 agreement authorized by law, provided that any agreement include a provision giving the
5.20 school districts the right to terminate the agreement annually without penalty.

5.21 (e) The total levy under this subdivision for a district for any year must not exceed \$212
5.22 times the adjusted pupil units for the fiscal year to which the levy is attributable.

5.23 (f) For agreements for which a review and comment have been submitted to the
5.24 Department of Education after April 1, 1998, the term "instructional purpose" as used in
5.25 this subdivision excludes expenditures on stadiums.

5.26 (g) The commissioner of education may authorize a school district to exceed the limit
5.27 in paragraph (e) if the school district petitions the commissioner for approval. The
5.28 commissioner shall grant approval to a school district to exceed the limit in paragraph (e)
5.29 for not more than five years if the district meets the following criteria:

5.30 (1) the school district has been experiencing pupil enrollment growth in the preceding
5.31 five years;

5.32 (2) the purpose of the increased levy is in the long-term public interest;

5.33 (3) the purpose of the increased levy promotes collocation of government services; and

6.1 (4) the purpose of the increased levy is in the long-term interest of the district by avoiding
6.2 over construction of school facilities.

6.3 (h) A school district that is a member of an intermediate school district or other
6.4 cooperative unit under section 123A.24, subdivision 2, or a joint powers district under
6.5 section 471.59 may include in its authority under this section the costs associated with leases
6.6 of administrative and classroom space for ~~intermediate school district~~ programs of the
6.7 intermediate school district or other cooperative unit under section 123A.24, subdivision
6.8 2, or joint powers district under section 471.59. This authority must not exceed \$65 times
6.9 the adjusted pupil units of the member districts. This authority is in addition to any other
6.10 authority authorized under this section. The intermediate school district, other cooperative
6.11 unit, or joint powers district may specify which member districts will levy for lease costs
6.12 under this paragraph.

6.13 (i) In addition to the allowable capital levies in paragraph (a), for taxes payable in 2012
6.14 to 2023, a district that is a member of the "Technology and Information Education Systems"
6.15 data processing joint board, that finds it economically advantageous to enter into a lease
6.16 agreement to finance improvements to a building and land for a group of school districts
6.17 or special school districts for staff development purposes, may levy for its portion of lease
6.18 costs attributed to the district within the total levy limit in paragraph (e). The total levy
6.19 authority under this paragraph shall not exceed \$632,000.

6.20 (j) Notwithstanding paragraph (a), a district may levy under this subdivision for the
6.21 purpose of leasing administrative space if the district can demonstrate to the satisfaction of
6.22 the commissioner that the lease cost for the administrative space is no greater than the lease
6.23 cost for instructional space that the district would otherwise lease. The commissioner must
6.24 deny this levy authority unless the district passes a resolution stating its intent to lease
6.25 instructional space under this section if the commissioner does not grant authority under
6.26 this paragraph. The resolution must also certify that the lease cost for administrative space
6.27 under this paragraph is no greater than the lease cost for the district's proposed instructional
6.28 lease.

6.29 (k) Notwithstanding paragraph (a), a district may levy under this subdivision for the
6.30 district's proportionate share of lease expenditures for a district-owned building or site leased
6.31 to a cooperative unit under section 123A.24, subdivision 2, or a joint powers district under
6.32 section 471.59. The authority under this paragraph is for buildings leased for any instructional
6.33 purposes or for school storage.

6.34 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2021 and later.

7.1 **Sec. 5. SCHOOL BUILDING EFFICIENCIES; DULUTH SCHOOL DISTRICT.**

7.2 Subdivision 1. **Plan.** (a) Independent School District No. 709, Duluth, must develop a
7.3 plan to sell Historic Old Central High School to another party. The plan must document the
7.4 current operating costs of the facility, the expected maintenance costs for the facility over
7.5 the next 20 years, and describe the alternatives for the programs and staff currently located
7.6 at Historic Old Central High School.

7.7 (b) The plan must also document potential building projects, which may include:

7.8 (1) constructing or acquiring new administrative space;

7.9 (2) adding transportation maintenance and bus storage facilities;

7.10 (3) improving roads and infrastructure; and

7.11 (4) preparing sites for building or demolishing the Duluth Central High School facility
7.12 constructed in 1971.

7.13 (c) The plan must be submitted by the school board to the commissioner of education
7.14 after the hearing required in subdivision 2.

7.15 (d) The commissioner must examine the plan, and if the commissioner concludes that
7.16 the plan will yield financial, student, and staff efficiencies for the district, approve the plan.

7.17 Subd. 2. **Public hearing.** At least 30 days prior to submitting the projects listed in the
7.18 plan developed under subdivision 1 for review and comment, the school board must hold
7.19 a public hearing on the plan and the building projects. The school board must allow public
7.20 testimony on the proposal.

7.21 Subd. 3. **Review and comment.** The district must submit the projects included in the
7.22 plan to the commissioner of education for review and comment under Minnesota Statutes,
7.23 section 123B.71.

7.24 Subd. 4. **Bond authorization.** (a) Independent School District No. 709, Duluth, may
7.25 issue general obligation bonds in an amount not to exceed \$31,500,000 under this section
7.26 to finance the school facility plan approved by the district and the commissioner of education
7.27 under subdivision 1. The district must comply with Minnesota Statutes, chapter 475, except
7.28 Minnesota Statutes, sections 475.58 and 475.59. The authority to issue bonds under this
7.29 section is in addition to any other bonding authority granted to the district.

7.30 (b) At least 20 days before the issuance of bonds or the final certification of levies under
7.31 this section, the district must publish notice of the intended projects, the amount of the bonds
7.32 to be issued, and the total amount of the district's debt.

8.1 (c) The debt service required by the bonds issued is debt service revenue under Minnesota
8.2 Statutes, section 123B.53.

8.3 Subd. 5. **Long-term facilities maintenance revenue.** The commissioner of education
8.4 must ensure that the district's long-term facilities maintenance plan under Minnesota Statutes,
8.5 section 123B.595, reflects the savings outlined in the plan developed in subdivision 1.

8.6 Subd. 6. **Report.** On February 15 of each even-numbered year, Independent School
8.7 District No. 709, Duluth, must submit a report on the outcomes and efficiencies achieved
8.8 under this section to the commissioner of education and to the chairs and ranking minority
8.9 members of the legislative committees having jurisdiction over education finance.

8.10 **EFFECTIVE DATE.** This section is effective the day following final enactment.