

A bill for an act

relating to taxation; taconite production taxation; modifying the distribution of the proceeds of the tax; reducing distributions to the taconite economic development fund; modifying the computation of the homestead credit; authorizing the issuance of bonds; appropriating money; amending Minnesota Statutes 2012, section 298.28, subdivisions 4, 6, 9a.

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

Section 1. Minnesota Statutes 2012, section 298.28, subdivision 4, is amended to read:

Subd. 4. **School districts.** (a) 23.15 cents per taxable ton, plus the increase provided in paragraph (d), less the amount that would have been computed under Minnesota Statutes 2008, section 126C.21, subdivision 4, for the current year for that district, must be allocated to qualifying school districts to be distributed, based upon the certification of the commissioner of revenue, under paragraphs (b), (c), and (f).

(b)(i) 3.43 cents per taxable ton must be distributed to the school districts in which the lands from which taconite was mined or quarried were located or within which the concentrate was produced. The distribution must be based on the apportionment formula prescribed in subdivision 2.

(ii) Four cents per taxable ton from each taconite facility must be distributed to each affected school district for deposit in a fund dedicated to building maintenance and repairs, as follows:

(1) proceeds from Keewatin Taconite or its successor are distributed to Independent School Districts Nos. 316, Coleraine, and 319, Nashwauk-Keewatin, or their successor districts;

(2) proceeds from the Hibbing Taconite Company or its successor are distributed to Independent School Districts Nos. 695, Chisholm, and 701, Hibbing, or their successor districts;

(3) proceeds from the Mittal Steel Company and Minntac or their successors are distributed to Independent School Districts Nos. 712, Mountain Iron-Buhl, 706, Virginia, 2711, Mesabi East, and 2154, Eveleth-Gilbert, or their successor districts;

(4) proceeds from the Northshore Mining Company or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 381, Lake Superior, or their successor districts; and

(5) proceeds from United Taconite or its successor are distributed to Independent School Districts Nos. 2142, St. Louis County, and 2154, Eveleth-Gilbert, or their successor districts.

Revenues that are required to be distributed to more than one district shall be apportioned according to the number of pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year.

(c)(i) 15.72 cents per taxable ton, less any amount distributed under paragraph (e), shall be distributed to a group of school districts comprised of those school districts which qualify as a tax relief area under section 273.134, paragraph (b), or in which there is a qualifying municipality as defined by section 273.134, paragraph (a), in direct proportion to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions.

(ii) Notwithstanding clause (i), each school district that receives a distribution under sections 298.018; 298.23 to 298.28, exclusive of any amount received under this clause; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values after reduction for any portion distributed to cities and towns under section 126C.48, subdivision 8, paragraph (5), that is less than the amount of its levy reduction under section 126C.48, subdivision 8, for the second year prior to the year of the distribution shall receive a distribution equal to the difference; the amount necessary to make this payment shall be derived from proportionate reductions in the initial distribution to other school districts under clause (i). If there are insufficient tax proceeds to make the distribution provided under this paragraph in any year, money must

be transferred from the taconite property tax relief account in subdivision 6, to the extent of the shortfall in the distribution.

(d) Any school district described in paragraph (c) where a levy increase pursuant to section 126C.17, subdivision 9, was authorized by referendum for taxes payable in 2001, shall receive a distribution of 21.3 cents per ton. Each district shall receive \$175 times the pupil units identified in section 126C.05, subdivision 1, enrolled in the second previous year or the 1983-1984 school year, whichever is greater, ~~less the product of 1.8 percent times the district's taxable net tax capacity in the second previous year.~~

If the total amount provided by paragraph (d) is insufficient to make the payments herein required then the entitlement of \$175 per pupil unit shall be reduced uniformly so as not to exceed the funds available. Any amounts received by a qualifying school district in any fiscal year pursuant to paragraph (d) shall not be applied to reduce general education aid which the district receives pursuant to section 126C.13 or the permissible levies of the district. Any amount remaining after the payments provided in this paragraph shall be paid to the commissioner of Iron Range resources and rehabilitation who shall deposit the same in the taconite environmental protection fund and the Douglas J. Johnson economic protection trust fund as provided in subdivision 11.

Each district receiving money according to this paragraph shall reserve the lesser of the amount received under this paragraph or \$25 times the number of pupil units served in the district. It may use the money for early childhood programs or for outcome-based learning programs that enhance the academic quality of the district's curriculum. The outcome-based learning programs must be approved by the commissioner of education.

(e) There shall be distributed to any school district the amount which the school district was entitled to receive under section 298.32 in 1975.

(f) Four cents per taxable ton must be distributed to qualifying school districts according to the distribution specified in paragraph (b), clause (ii), and two cents per taxable ton must be distributed according to the distribution specified in paragraph (c). These amounts are not subject to sections 126C.21, subdivision 4, and 126C.48, subdivision 8.

EFFECTIVE DATE. This section is effective beginning for the 2014 distribution.

Sec. 2. Minnesota Statutes 2012, section 298.28, subdivision 6, is amended to read:

Subd. 6. **Property tax relief.** (a) In ~~2002~~ 2014 and thereafter, ~~33.9~~ 35.3 cents per taxable ton, less any amount required to be distributed under paragraphs (b) and (c), or section 298.2961, subdivision 5, must be allocated to St. Louis County acting as the counties' fiscal agent, to be distributed as provided in sections 273.134 to 273.136.

(b) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a county other than the county in which the mining and the concentrating processes are conducted, .1875 cent per taxable ton of the tax imposed and collected from such taxpayer shall be paid to the county.

(c) If an electric power plant owned by and providing the primary source of power for a taxpayer mining and concentrating taconite is located in a school district other than a school district in which the mining and concentrating processes are conducted, .4541 cent per taxable ton of the tax imposed and collected from the taxpayer shall be paid to the school district.

EFFECTIVE DATE. This section is effective beginning for the 2014 distribution.

Sec. 3. Minnesota Statutes 2012, section 298.28, subdivision 9a, is amended to read:

Subd. 9a. **Taconite economic development fund.** (a) ~~30.1~~ 20.4 cents per ton for distributions in ~~2002~~ 2014 and thereafter must be paid to the taconite economic development fund. No distribution shall be made under this paragraph in ~~2004 or any~~ subsequent year in which total industry production falls below 30 million tons. Distribution shall only be made to a taconite producer's fund under section 298.227 if the producer timely pays its tax under section 298.24 by the dates provided under section 298.27, or pursuant to the due dates provided by an administrative agreement with the commissioner.

(b) An amount equal to 50 percent of the tax under section 298.24 for concentrate sold in the form of pellet chips and fines not exceeding 5/16 inch in size and not including crushed pellets shall be paid to the taconite economic development fund. The amount paid shall not exceed \$700,000 annually for all companies. If the initial amount to be paid to the fund exceeds this amount, each company's payment shall be prorated so the total does not exceed \$700,000.

EFFECTIVE DATE. This section is effective beginning for the 2014 distribution.

Sec. 4. **2013 DISTRIBUTION ONLY.**

For the 2013 distribution, a special fund is established to receive \$..... of the amount that otherwise would be distributed under Minnesota Statutes, section 298.28, subdivision 6, and this amount must be paid as follows:

(1) \$ to the city of Hibbing for improvements to the city's water supply system;
and

(2) \$ to the city of Mountain Iron for the cost of moving utilities required as a result of actions undertaken by United States Steel Corporation.

EFFECTIVE DATE. This section is effective for the 2013 distribution, all of which must be made in the August 2013 payment.

Sec. 5. **IRON RANGE RESOURCES AND REHABILITATION**
COMMISSIONER; BONDS AUTHORIZED.

Subdivision 1. Issuance; purpose. Notwithstanding any provision of Minnesota Statutes, chapter 298, to the contrary, the commissioner of Iron Range resources and rehabilitation may issue revenue bonds in a principal amount of \$..... in one or more series, and bonds to refund those bonds. The proceeds of the bonds must be used to make grants to school districts located in the taconite tax relief area defined in Minnesota Statutes, section 273.134, or the taconite assistance area defined in Minnesota Statutes, section 273.1341, to be used by the school districts to pay for building projects, energy efficiency, technology, infrastructure, health, safety, and maintenance improvements.

Subd. 2. Appropriation. There is annually appropriated from the distribution of taconite production tax revenues under Minnesota Statutes, section 298.28, prior to the calculation of the amount of the remainder under Minnesota Statutes, section 298.28, subdivision 11, an amount sufficient to pay when due the principal and interest on the bonds issued pursuant to subdivision 1. The appropriation under this section must not exceed an amount equal to ten cents per taxable ton.

(b) If in any year the amount available under paragraph (a) is insufficient to pay principal and interest due on the bonds in that year, an additional amount is appropriated from the Douglas J. Johnson fund to make up the deficiency.

(c) The appropriation under this subdivision terminates upon payment or maturity of the last of the bonds issued under this section.

Subd. 3. Credit enhancement. The bonds issued under this section are "debt obligations" and the commissioner of Iron Range resources and rehabilitation is a "district" for purposes of Minnesota Statutes, section 126C.55, provided that advances made under Minnesota Statutes, section 126C.55, subdivision 2, are not subject to Minnesota Statutes, section 126C.55, subdivisions 4 to 7.

EFFECTIVE DATE. This section is effective the day following final enactment and applies beginning with the 2014 distribution under Minnesota Statutes, section 298.28.