A bill for an act

relating to education finance; authorizing the early repayment of maximum effort capital loans; amending Minnesota Statutes 2010, section 126C.69, subdivisions 12, 13.

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

Section 1. Minnesota Statutes 2010, section 126C.69, subdivision 12, is amended to read:

Subd. 12. **Contract; early repayment authorized.** (a) Each capital loan must be evidenced by a contract between the district and the state acting through the commissioner. The contract must obligate the state to reimburse the district, from the maximum effort school loan fund, for eligible capital expenses for construction of the facility for which the loan is granted, an amount computed as provided in subdivision 9. The commissioner must receive from the district a certified resolution of the board estimating the costs of construction and reciting that contracts for construction of the facilities for which the loan is granted have been awarded, that bonds of the district have been issued and sold in the amount necessary to pay all estimated costs of construction in excess of the amount of the loan, and that all work, when completed, meets or exceeds standards established in the State Building Code. The contract must obligate the district to repay the loan out of the excesses of its maximum effort debt service levy over its required debt service levy, including interest at a rate equal to the weighted average annual rate payable on Minnesota state school loan bonds issued or reissued for the project.

(b) The district must each year, as long as it is indebted to the state, levy for debt service (i) the amount of its maximum effort debt service levy or (ii) the amount of its required debt service levy, whichever is greater, except as the required debt service levy

may be reduced by a loan under section 126C.68. A school district may satisfy its loan obligations and make an early repayment of principal according to subdivision 13. The district shall remit payments to the commissioner according to section 126C.71.

(c) The commissioner shall supervise the collection of outstanding accounts due the fund and may, by notice to the proper county auditor, require the maximum levy to be made as required in this subdivision. Interest on capital loans must be paid on December 15 of the year after the year the loan is granted and annually in later years. By September 30, the commissioner shall notify the county auditor of each county containing taxable property situated within the district of the amount of the maximum effort debt service levy of the district for that year. The county auditor or auditors shall extend upon the tax rolls an ad valorem tax upon all taxable property within the district in the aggregate amount so certified.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 2. Minnesota Statutes 2010, section 126C.69, subdivision 13, is amended to read:

Subd. 13. **Loan forgiveness.** (a) A school district may on July 1 of any year repay the full outstanding principal on its capital loan and the liability of the district on the loan is satisfied and discharged and interest on the loan ceases.

(b) If any capital loan is not paid within 50 years after it is granted from maximum effort debt service levies in excess of required debt service levies, the liability of the district on the loan is satisfied and discharged and interest on the loan ceases.

EFFECTIVE DATE. This section is effective July 1, 2011.