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State of Minnesota  
**HOUSE OF REPRESENTATIVES**  
NINETIETH SESSION

**H. F. No. 1963**

03/02/2017 Authored by Lohmer, Dettmer and Jurgens  
The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act  
1.2 relating to education finance; clarifying the use of school district bond proceeds;  
1.3 amending Minnesota Statutes 2016, sections 126C.10, subdivision 15; 126C.40,  
1.4 by adding a subdivision; 126C.55, subdivision 1; 475.58, subdivision 4.

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

1.6 Section 1. Minnesota Statutes 2016, section 126C.10, subdivision 15, is amended to read:

1.7 Subd. 15. **Uses of revenue.** (a) Except as otherwise prohibited by law, a district may  
1.8 spend general fund money for capital purposes.

1.9 (b) Notwithstanding paragraph (a), within five years of a school board's final decision  
1.10 to close a schoolhouse under section 123B.51, subdivision 5, the levy under subdivision  
1.11 13a must not be used to increase net instructional space unless approved by a majority of  
1.12 voters at a public referendum.

1.13 Sec. 2. Minnesota Statutes 2016, section 126C.40, is amended by adding a subdivision to  
1.14 read:

1.15 Subd. 7. **Referendum required after schoolhouse closure.** Notwithstanding subdivision  
1.16 1, within five years of a school board's final decision to close a schoolhouse under section  
1.17 123B.51, subdivision 5, the levy under this section must not be used to increase net  
1.18 instructional space unless approved by a majority of voters at a public referendum.

1.19 Sec. 3. Minnesota Statutes 2016, section 126C.55, subdivision 1, is amended to read:

1.20 Subdivision 1. **Definitions.** (a) For the purposes of this section, ~~the term~~ "debt obligation"  
1.21 means:

- 2.1 (1) a certificate of indebtedness issued under section 126C.52;
- 2.2 (2) a certificate of participation issued under section 126C.40, subdivision 6; or
- 2.3 (3) a general obligation bond.

2.4 (b) To be eligible for state payment under this section, a debt obligation for a project  
2.5 requiring review and comment under section 123B.71, subdivision 8, must only be spent  
2.6 on purposes wholly consistent with the information required under section 123B.71,  
2.7 subdivision 9, clause (4).

2.8 Sec. 4. Minnesota Statutes 2016, section 475.58, subdivision 4, is amended to read:

2.9 Subd. 4. **Proper use of bond proceeds.** (a) The proceeds of obligations issued after  
2.10 approval of the electors under this section may only be spent: (1) for the purposes stated in  
2.11 the ballot language; or (2) to pay, redeem, or defease obligations and interest, penalties,  
2.12 premiums, and costs of issuance of the obligations. The proceeds may not be spent for a  
2.13 different purpose or for an expansion of the original purpose without the approval by a  
2.14 majority of the electors voting on the question of changing or expanding the purpose of the  
2.15 obligations.

2.16 (b) In addition to the requirements under paragraph (a), the proceeds of obligations  
2.17 issued by a school district under this section for a project requiring review and comment  
2.18 under section 123B.71, subdivision 8, must only be spent on purposes wholly consistent  
2.19 with the information required under section 123B.71, subdivision 9, clause (4).

2.20 **EFFECTIVE DATE.** This section is effective July 1, 2017.