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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **2629**

03/03/2014 Authored by Metsa, Melin, Anzelc, Radinovich and Davnie
The bill was read for the first time and referred to the Committee on Education Finance
03/13/2014 Adoption of Report: Amended and re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to education finance; taxation; minerals; encouraging cooperatively
1.3 authorized secondary programs; expanding cooperation aid; imposing an excise
1.4 tax on royalties; allowing an income and corporate franchise tax credit; increasing
1.5 the taconite production tax rate; modifying the distribution of production taxes;
1.6 providing security for payment of certain school bonds; authorizing uses of the
1.7 Douglas J. Johnson economic protection trust fund; establishing a trust account
1.8 to finance school facilities on the Iron Range; authorizing the sale and issuance of
1.9 state bonds; appropriating money; amending Minnesota Statutes 2012, sections
1.10 123A.442, by adding a subdivision; 123A.485; 123A.64; 290.01, by adding a
1.11 subdivision; 290.06, by adding a subdivision; 290.62; 290.923, by adding a
1.12 subdivision; 298.28, subdivision 11, by adding a subdivision; Minnesota Statutes
1.13 2013 Supplement, sections 123B.53, subdivision 1; 126C.48, subdivision 8;
1.14 290.10, subdivision 1; 298.292, subdivision 2; Laws 2013, chapter 116, article 1,
1.15 section 58, subdivision 5; proposing coding for new law in Minnesota Statutes,
1.16 chapters 123A; 290; 298; repealing Minnesota Statutes 2012, section 290.923,
1.17 subdivision 1.

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

1.19 Section 1. Minnesota Statutes 2012, section 123A.442, is amended by adding a
1.20 subdivision to read:

1.21 Subd. 4. **Cooperatively operated secondary facilities.** A school district or
1.22 cooperative entity operating a cooperative secondary program that has been approved by
1.23 the commissioner under section 123A.482 is eligible for a cooperative facilities grant.

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

1.25 Sec. 2. **[123A.482] JOINT POWERS COOPERATIVE FACILITY.**

1.26 Subdivision 1. **Schools may be jointly operated.** Two or more school districts may
1.27 agree to jointly operate a secondary facility. The districts may choose to operate the
1.28 facility according to a joint powers agreement under section 123A.78 or 471.59.

2.1 Subd. 2. **Expanded program offerings.** A jointly operated secondary program
2.2 seeking funding under section 123A.485 must demonstrate to the commissioner's
2.3 satisfaction that the jointly operated program provides enhanced learning opportunities and
2.4 broader curriculum offerings to the students attending that program. The commissioner
2.5 must approve or disapprove a cooperative secondary program within 60 days of receipt of
2.6 an application.

2.7 Subd. 3. **Revenue.** An approved program that is jointly operated under this section
2.8 is eligible for aid under section 123A.485 and qualifies for a facilities grant under sections
2.9 123A.44 to 123A.446.

2.10 Subd. 4. **Duty to maintain elementary and secondary schools met.** A school
2.11 district operating a joint facility under this section meets the requirements of section
2.12 123A.64.

2.13 Subd. 5. **Estimated market value limit exclusion.** Bonds for a cooperative facility
2.14 operated under this section issued by a member school district are not subject to the net
2.15 debt limit under section 475.53, subdivision 4.

2.16 Subd. 6. **Allocation of levy authority for joint facility.** For purposes of determining
2.17 each member district's school levy, a jointly operated secondary program may allocate
2.18 program costs to each member district according to the joint powers agreement and each
2.19 member district may include those costs in its tax levy. The joint powers agreement may
2.20 choose to allocate costs on any basis adopted as part of the joint powers agreement.

2.21 Subd. 7. **Effect of consolidation.** The joint powers agreement may allow member
2.22 school districts that choose to consolidate to continue to certify levies separately based on
2.23 each component district's characteristics.

2.24 Subd. 8. **Bonds.** A joint powers district formed under this section may issue bonds
2.25 according to section 123A.78 or its member districts may issue bonds individually after
2.26 complying with this subdivision. The joint powers board must submit the project for
2.27 review and comment under section 123B.71. The joint powers board must hold a hearing
2.28 on the proposal. If the bonds are not issued under section 123A.78, each member district
2.29 of the joint powers district must submit the question of authorizing borrowing of funds for
2.30 the project to the voters of the district at a special election. The question submitted shall
2.31 state the total amount of funding needed from that district. The member district may issue
2.32 the bonds according to chapter 475 and certify the levy required by section 475.61 only if
2.33 a majority of those voting on the question in that district vote in the affirmative and only
2.34 after the board has adopted a resolution pledging the full faith and credit of that unit. The
2.35 resolution must irrevocably commit that unit to pay an agreed-upon share of any debt levy
2.36 shortages that, together with other funds available, would allow the member school board

3.1 to pay the principal and interest on the obligations. The clerk of the joint powers board
 3.2 must certify the vote of any bond elections to the commissioner.

3.3 Subd. 9. **Election.** A district entering into a joint powers agreement under this
 3.4 section may conduct a referendum seeking approval for a new facility. This election may
 3.5 be held separately or at the same time as a bond election under subdivision 8. If the
 3.6 election is held at the same time, the questions may be asked separately or as a conjunctive
 3.7 question. The question must be approved by a majority of those voting on the question.
 3.8 If asked separately and the question fails, a district may not proceed with the sale of
 3.9 bonds according to subdivision 8.

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

3.11 Sec. 3. Minnesota Statutes 2012, section 123A.485, is amended to read:

3.12 **123A.485 CONSOLIDATION TRANSITION REVENUE AID.**

3.13 Subdivision 1. **Eligibility and use.** A district that operates a cooperative facility
 3.14 under section 123A.482 or that has been reorganized after June 30, 1994, under section
 3.15 123A.48 is eligible for consolidation transition revenue. Revenue is equal to the sum of
 3.16 aid under subdivision 2 and levy under subdivision 3. Consolidation transition revenue
 3.17 aid may only be used according to this section. Revenue must be used for the following
 3.18 purposes and may be distributed among these purposes at the discretion of the district or
 3.19 the governing board of the cooperative facility:

- 3.20 (1) to offer early retirement incentives as provided by section 123A.48, subdivision
 3.21 23;
- 3.22 (2) to reduce operating debt as defined in section 123B.82;
- 3.23 (3) to enhance learning opportunities for students in the reorganized district; ~~and~~
- 3.24 (4) to repay building debt; or
- 3.25 (5) for other costs incurred in the reorganization.

3.26 Revenue received and utilized under clause (3) or ~~(4)~~ (5) may be expended for
 3.27 operating, facilities, and/or equipment.

3.28 Subd. 2. **Aid.** ~~(a)~~ Consolidation transition aid is equal to ~~\$200~~ \$300 times the
 3.29 number of ~~resident~~ adjusted pupil units in the ~~newly created~~ cooperative facility under
 3.30 section 123A.482 or the consolidated district ~~in the year of consolidation and \$100 times~~
 3.31 ~~the number of resident pupil units in the first year following the year of consolidation~~
 3.32 under section 123A.48. The number of pupil units used to calculate aid in either year
 3.33 ~~shall not exceed 1,000 for districts consolidating July 1, 1994, and 1,500 for districts~~

4.1 ~~consolidating July 1, 1995, and thereafter~~ A district may receive aid under this section for
 4.2 not more than five years except as provided in subdivision 4.

4.3 ~~(b) If the total appropriation for consolidation transition aid for any fiscal year, plus~~
 4.4 ~~any amount transferred under section 127A.41, subdivision 8, is insufficient to pay all~~
 4.5 ~~districts the full amount of aid earned, the department must first pay the districts in the first~~
 4.6 ~~year following the year of consolidation the full amount of aid earned and distribute any~~
 4.7 ~~remaining funds to the newly created districts in the first year of consolidation.~~

4.8 Subd. 3. **Levy.** If the aid available in subdivision 2 is insufficient to cover the costs
 4.9 of the district under section 123A.48, subdivision 23, the district may levy the difference
 4.10 over a period of time not to exceed three years.

4.11 Subd. 4. **New districts.** If a district enters into a cooperative secondary facilities
 4.12 program or consolidates with another district that has received aid under section 123A.39,
 4.13 subdivision 3, or 123A.485 for a combination or consolidation taking effect within
 4.14 six years of the effective date of the new consolidation or the start of the cooperative
 4.15 secondary facilities program, only the pupil units in the district or districts not previously
 4.16 cooperating or reorganized must be counted for aid purposes under subdivision 2. If
 4.17 two or more districts consolidate and all districts received aid under subdivision 2 for a
 4.18 consolidation taking effect within six years of the effective date of the new consolidation,
 4.19 only one quarter of the pupil units in the newly created district must be used to determine
 4.20 aid under subdivision 2.

4.21 **EFFECTIVE DATE.** This section is effective for state aid for fiscal year 2015
 4.22 and later.

4.23 Sec. 4. Minnesota Statutes 2012, section 123A.64, is amended to read:

4.24 **123A.64 DUTY TO MAINTAIN ELEMENTARY AND SECONDARY**
 4.25 **SCHOOLS.**

4.26 Each district must maintain classified elementary and secondary schools, grades 1
 4.27 through 12, unless the district is exempt according to section 123A.61 or 123A.62, has
 4.28 made an agreement with another district or districts as provided in sections 123A.30,
 4.29 123A.32, or sections 123A.35 to 123A.43, or 123A.17, subdivision 7, ~~or~~ has received a
 4.30 grant under sections 123A.441 to 123A.446, or has formed a cooperative under section
 4.31 123A.482. A district that has an agreement according to sections 123A.35 to 123A.43 or
 4.32 123A.32 must operate a school with the number of grades required by those sections. A
 4.33 district that has an agreement according to section 123A.30 or 123A.17, subdivision 7, or

5.1 has received a grant under sections 123A.441 to 123A.446 must operate a school for the
5.2 grades not included in the agreement, but not fewer than three grades.

5.3 Sec. 5. Minnesota Statutes 2013 Supplement, section 123B.53, subdivision 1, is
5.4 amended to read:

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

5.7 (1) the amount needed to produce between five and six percent in excess of the
5.8 amount needed to meet when due the principal and interest payments on the obligations
5.9 of the district for eligible projects according to subdivision 2, including the amounts
5.10 necessary for repayment of energy loans according to section 216C.37 or sections 298.292
5.11 to 298.298, debt service loans and capital loans, lease purchase payments under section
5.12 126C.40, subdivision 2, alternative facilities levies under section 123B.59, subdivision
5.13 5, paragraph (a), minus

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

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

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

5.18 (2) the part of debt service principal and interest paid from the taconite environmental
5.19 protection fund or Douglas J. Johnson economic protection trust, excluding both the
5.20 portion of taconite payments from the school construction and improvement trust account
5.21 under section 298.301, and any payments made from the Douglas J. Johnson economic
5.22 protection trust fund under section 298.292, subdivision 2, clause (6);

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

5.25 (4) obligations under section 123B.62.

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

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

5.33 Sec. 6. Minnesota Statutes 2013 Supplement, section 126C.48, subdivision 8, is
5.34 amended to read:

6.1 Subd. 8. **Taconite payment and other reductions.** (1) Reductions in levies
6.2 pursuant to subdivision 1 must be made prior to the reductions in clause (2).

6.3 (2) Notwithstanding any other law to the contrary, districts that have revenue
6.4 pursuant to sections 298.018; 298.225; 298.24 to 298.28, except an amount distributed
6.5 under sections 298.26; 298.28, subdivision 4, paragraphs (c), clause (ii), and (d); 298.34
6.6 to 298.39; 298.391 to 298.396; 298.405; 477A.15; and any law imposing a tax upon
6.7 severed mineral values must reduce the levies authorized by this chapter and chapters
6.8 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by 95 percent of the sum of the
6.9 previous year's revenue specified under this clause and the amount attributable to the same
6.10 production year distributed to the cities and townships within the school district under
6.11 section 298.28, subdivision 2, paragraph (c).

6.12 (3) The amount of any voter approved referendum, facilities down payment, and
6.13 debt levies shall not be reduced by more than 50 percent under this subdivision, except
6.14 that payments under sections 298.301 and 298.292, subdivision 2, clause (6), may reduce
6.15 the debt service levy by more than 50 percent. In administering this paragraph, the
6.16 commissioner shall first reduce the nonvoter approved levies of a district; then, if any
6.17 payments, severed mineral value tax revenue or recognized revenue under paragraph (2)
6.18 remains, the commissioner shall reduce any voter approved referendum levies authorized
6.19 under section 126C.17; then, if any payments, severed mineral value tax revenue or
6.20 recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter
6.21 approved facilities down payment levies authorized under section 123B.63 and then, if
6.22 any payments, severed mineral value tax revenue or recognized revenue under paragraph
6.23 (2) remains, the commissioner shall reduce any voter approved debt levies.

6.24 (4) Before computing the reduction pursuant to this subdivision of the health and
6.25 safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, the commissioner
6.26 shall ascertain from each affected school district the amount it proposes to levy under
6.27 each section or subdivision. The reduction shall be computed on the basis of the amount
6.28 so ascertained.

6.29 (5) To the extent the levy reduction calculated under paragraph (2) exceeds the
6.30 limitation in paragraph (3), an amount equal to the excess must be distributed from the
6.31 school district's distribution under sections 298.225, 298.28, and 477A.15 in the following
6.32 year to the cities and townships within the school district in the proportion that their
6.33 taxable net tax capacity within the school district bears to the taxable net tax capacity of
6.34 the school district for property taxes payable in the year prior to distribution. No city or
6.35 township shall receive a distribution greater than its levy for taxes payable in the year prior
6.36 to distribution. The commissioner of revenue shall certify the distributions of cities and

7.1 towns under this paragraph to the county auditor by September 30 of the year preceding
7.2 distribution. The county auditor shall reduce the proposed and final levies of cities and
7.3 towns receiving distributions by the amount of their distribution. Distributions to the cities
7.4 and towns shall be made at the times provided under section 298.27.

7.5 Sec. 7. Minnesota Statutes 2012, section 290.01, is amended by adding a subdivision
7.6 to read:

7.7 Subd. 33. **Royalty.** "Royalty" means the amount in money or value of property
7.8 received by any person having any right, title, or interest in any tract of land in this state
7.9 for permission to explore, mine, take out, and remove metals, minerals, or ore, as those
7.10 terms are used in chapter 298, but excluding "aggregate material" as defined in section
7.11 298.75, subdivision 1, paragraph (a), clause (1).

7.12 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
7.13 December 31, 2013.

7.14 Sec. 8. Minnesota Statutes 2012, section 290.06, is amended by adding a subdivision
7.15 to read:

7.16 Subd. 37. **Credit; royalty excise tax.** A credit is allowed against the taxes imposed
7.17 by this section, equal to the amount of the royalty excise tax paid under section 290.0923
7.18 for the taxable year.

7.19 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
7.20 December 31, 2013.

7.21 Sec. 9. **[290.0923] EXCISE TAX; MINERAL ROYALTIES.**

7.22 (a) In addition to the taxes otherwise imposed by this chapter, an excise tax equal
7.23 to 5.5 percent of the gross amount of royalties received or accrued during the taxable
7.24 year is imposed on individuals, trusts, estates, and corporations, subject to tax under
7.25 section 290.06.

7.26 (b) For royalties paid to a partnership, the tax is imposed on each partner in
7.27 proportion to the partner's distributive share of the income under section 704 of the
7.28 Internal Revenue Code. For royalties paid to an S corporation, the tax is imposed on
7.29 each shareholder in proportion to the shareholder's distributive share of income of the
7.30 corporation under section 1366 of the Internal Revenue Code.

7.31 **EFFECTIVE DATE.** This section is effective for royalties received or accrued in
7.32 taxable years beginning after December 31, 2013.

8.1 Sec. 10. Minnesota Statutes 2013 Supplement, section 290.10, subdivision 1, is
8.2 amended to read:

8.3 Subdivision 1. **Expenses, interest, and taxes.** In computing the net income of
8.4 a taxpayer no deduction shall in any case be allowed for expenses, interest and taxes
8.5 connected with or allocable against the production or receipt of all income not included in
8.6 the measure of the tax imposed by this chapter, except that for corporations engaged in the
8.7 business of mining or producing iron ore, the mining of which is subject to the occupation
8.8 tax imposed by section 298.01, subdivision 4, this shall not prevent the deduction of
8.9 expenses and other items to the extent that the expenses and other items are allowable
8.10 under this chapter and are not deductible, capitalizable, retainable in basis, or taken into
8.11 account by allowance or otherwise in computing the occupation tax and do not exceed the
8.12 amounts taken for federal income tax purposes for that year. Occupation taxes imposed
8.13 under chapter 298, royalty taxes imposed under ~~chapter 299~~ section 290.0923, or depletion
8.14 expenses may not be deducted under this subdivision.

8.15 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
8.16 December 31, 2013.

8.17 Sec. 11. Minnesota Statutes 2012, section 290.62, is amended to read:

8.18 **290.62 DISTRIBUTION OF REVENUES.**

8.19 (a) All revenues derived from the taxes, interest, penalties and charges under this
8.20 chapter shall, notwithstanding any other provisions of law except paragraph (b), be paid
8.21 into the state treasury and credited to the general fund, and be distributed as follows:

8.22 (1) There shall, notwithstanding any other provision of the law, be paid from this
8.23 general fund all refunds of taxes erroneously collected from taxpayers under this chapter
8.24 as provided herein;

8.25 (2) There is hereby appropriated to the persons entitled to payment herein, from
8.26 the fund or account in the state treasury to which the money was credited, an amount
8.27 sufficient to make the refund and payment.

8.28 (b) Notwithstanding paragraph (a), all of the revenues derived from the taxes, interest,
8.29 penalties, and charges imposed by section 290.0923, less the amount of any credits allowed
8.30 under section 290.06, subdivision 37, must be deposited in and credited to the Iron Range
8.31 school construction and improvement trust account established under section 298.301.

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

9.1 Sec. 12. Minnesota Statutes 2012, section 290.923, is amended by adding a subdivision
9.2 to read:

9.3 Subd. 12. **Royalty excise tax.** The provisions of this section apply to each person
9.4 paying royalties subject to taxation under section 290.0923 to require deducting and
9.5 withholding the tax under that section from the royalty payments. The commissioner shall
9.6 provide appropriate tables and forms for the withholding so that the amounts withheld
9.7 approximate the tax as closely as possible, reflecting the liability that applies under section
9.8 290.0923, less the amount of any credits allowed under section 290.06, subdivision 37.
9.9 The provisions of subdivision 9 apply only to the extent that the payee is an entity exempt
9.10 under section 290.05.

9.11 **EFFECTIVE DATE.** This section is effective July 1, 2014.

9.12 Sec. 13. Minnesota Statutes 2012, section 298.28, is amended by adding a subdivision
9.13 to read:

9.14 Subd. 9e. **School construction and improvement trust account.** (a) The following
9.15 amounts must be allocated to the Iron Range Resources and Rehabilitation Board to be
9.16 deposited in the Iron Range school construction and improvement trust account under
9.17 section 298.301:

9.18 (1) the amount derived from the increase in the rate attributable to the percentage
9.19 change in the implicit price deflator in section 298.24, subdivision 1, paragraph (b), for
9.20 concentrates produced in 2014 as compared to 2013, effective for the 2015 distribution,
9.21 and the amount derived from the increase in the rate attributable to the percentage change
9.22 in the implicit price deflator for concentrates produced in 2013 as compared to 2015,
9.23 effective for the 2016 distribution and thereafter;

9.24 (2) \$2,500,000 per year beginning with the 2015 distribution; and

9.25 (3) the amounts under paragraph (b).

9.26 (b) In each year subsequent to the year in which the following appropriations
9.27 terminate under their terms, an amount equal to the amount of the last year of the
9.28 terminating appropriation is appropriated from the same sources for use as provided
9.29 under paragraph (a), clause (3), to the Iron Range school construction and improvement
9.30 trust account:

9.31 (1) Laws 1996, chapter 412, article 5, section 21, subdivision 3, appropriation for
9.32 bonds of Independent School District No. 166, Cook County;

9.33 (2) Laws 1996, chapter 412, article 5, section 20, subdivision 2, appropriation for
9.34 bonds of Independent School District No. 696, Ely;

10.1 (3) Laws 1996, chapter 412, article 5, section 20, subdivision 2, appropriation for
10.2 bonds of Independent School District No. 706, Virginia:

10.3 (4) Laws 1996, chapter 412, article 5, section 20, subdivision 2, appropriation for
10.4 bonds of Independent School District No. 2154, Eveleth-Gilbert;

10.5 (5) Laws 1998, chapter 398, article 4, section 17, subdivision 2, appropriation for
10.6 bonds of Independent School District No. 712, Mountain Iron-Buhl; and

10.7 (6) Laws 2008, chapter 154, article 8, section 18, appropriation for bonds of
10.8 Independent School District No. 2711, Mesabi East.

10.9 **EFFECTIVE DATE.** This section is effective beginning with the distribution
10.10 in 2015.

10.11 Sec. 14. Minnesota Statutes 2012, section 298.28, subdivision 11, is amended to read:

10.12 Subd. 11. **Remainder.** (a) The proceeds of the tax imposed by section 298.24 which
10.13 remain after the distributions and payments in subdivisions 2 to 10a, as certified by the
10.14 commissioner of revenue, and paragraphs (b), (c), and (d) have been made, together with
10.15 interest earned on all money distributed under this section prior to distribution, shall be
10.16 divided between the taconite environmental protection fund created in section 298.223
10.17 and the Douglas J. Johnson economic protection trust fund created in section 298.292 as
10.18 follows: Two-thirds to the taconite environmental protection fund; \$2,500,000 to the Iron
10.19 Range school construction and improvement trust account; and ~~one-third~~ the remainder to
10.20 the Douglas J. Johnson economic protection trust fund. The proceeds shall be placed in
10.21 the respective special accounts.

10.22 (b) There shall be distributed to each city, town, and county the amount that it
10.23 received under section 294.26 in calendar year 1977; provided, however, that the amount
10.24 distributed in 1981 to the unorganized territory number 2 of Lake County and the town
10.25 of Beaver Bay based on the between-terminal trackage of Erie Mining Company will be
10.26 distributed in 1982 and subsequent years to the unorganized territory number 2 of Lake
10.27 County and the towns of Beaver Bay and Stony River based on the miles of track of Erie
10.28 Mining Company in each taxing district.

10.29 (c) There shall be distributed to the Iron Range Resources and Rehabilitation Board
10.30 the amounts it received in 1977 under section 298.22. The amount distributed under
10.31 this paragraph shall be expended within or for the benefit of the taconite assistance area
10.32 defined in section 273.1341.

10.33 (d) There shall be distributed to each school district 62 percent of the amount that it
10.34 received under section 294.26 in calendar year 1977.

11.1 **EFFECTIVE DATE.** This section is effective beginning with the distribution
11.2 in 2015.

11.3 Sec. 15. Minnesota Statutes 2013 Supplement, section 298.292, subdivision 2, is
11.4 amended to read:

11.5 Subd. 2. **Use of money.** Money in the Douglas J. Johnson economic protection trust
11.6 fund may be used for the following purposes:

11.7 (1) to provide loans, loan guarantees, interest buy-downs and other forms of
11.8 participation with private sources of financing, but a loan to a private enterprise shall be
11.9 for a principal amount not to exceed one-half of the cost of the project for which financing
11.10 is sought, and the rate of interest on a loan to a private enterprise shall be no less than the
11.11 lesser of eight percent or an interest rate three percentage points less than a full faith
11.12 and credit obligation of the United States government of comparable maturity, at the
11.13 time that the loan is approved;

11.14 (2) to fund reserve accounts established to secure the payment when due of the
11.15 principal of and interest on bonds issued pursuant to section 298.2211;

11.16 (3) to pay in periodic payments or in a lump-sum payment any or all of the interest
11.17 on bonds issued pursuant to chapter 474 for the purpose of constructing, converting,
11.18 or retrofitting heating facilities in connection with district heating systems or systems
11.19 utilizing alternative energy sources;

11.20 (4) to invest in a venture capital fund or enterprise that will provide capital to other
11.21 entities that are engaging in, or that will engage in, projects or programs that have the
11.22 purposes set forth in subdivision 1. No investments may be made in a venture capital fund
11.23 or enterprise unless at least two other unrelated investors make investments of at least
11.24 \$500,000 in the venture capital fund or enterprise, and the investment by the Douglas
11.25 J. Johnson economic protection trust fund may not exceed the amount of the largest
11.26 investment by an unrelated investor in the venture capital fund or enterprise. For purposes
11.27 of this subdivision, an "unrelated investor" is a person or entity that is not related to
11.28 the entity in which the investment is made or to any individual who owns more than 40
11.29 percent of the value of the entity, in any of the following relationships: spouse, parent,
11.30 child, sibling, employee, or owner of an interest in the entity that exceeds ten percent of
11.31 the value of all interests in it. For purposes of determining the limitations under this
11.32 clause, the amount of investments made by an investor other than the Douglas J. Johnson
11.33 economic protection trust fund is the sum of all investments made in the venture capital
11.34 fund or enterprise during the period beginning one year before the date of the investment
11.35 by the Douglas J. Johnson economic protection trust fund; and

12.1 (5) to purchase forest land in the taconite assistance area defined in section 273.1341
 12.2 to be held and managed as a public trust for the benefit of the area for the purposes
 12.3 authorized in section 298.22, subdivision 5a. Property purchased under this section may
 12.4 be sold by the commissioner upon approval by the board. The net proceeds must be
 12.5 deposited in the trust fund for the purposes and uses of this section; and

12.6 (6) to make payments to school districts or to pay bonds under appropriations of
 12.7 or allocations money from the Iron Range school construction and improvement trust
 12.8 account under section 298.301 if the amounts in that account are insufficient to pay the
 12.9 appropriations or allocations. Notwithstanding the restrictions in sections 298.293 and
 12.10 298.296, subdivision 2, or any other law to the contrary, the corpus of the fund may be
 12.11 used to make payments under this clause.

12.12 Money from the trust fund shall be expended only in or for the benefit of the taconite
 12.13 assistance area defined in section 273.1341.

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

12.15 Sec. 16. **[298.301] IRON RANGE SCHOOL CONSTRUCTION AND**
 12.16 **IMPROVEMENT TRUST ACCOUNT.**

12.17 Subdivision 1. **Account established.** The Iron Range school construction and
 12.18 improvement trust account is established to receive amounts deposited under sections
 12.19 290.62, paragraph (b), and 298.28, subdivision 9e. Amounts in the account must be used
 12.20 to finance school buildings, technology improvements, and other major construction and
 12.21 improvements for school districts located in the taconite tax relief area.

12.22 Subd. 2. **Distributions.** (a) Each year, beginning in calendar year 2015, the
 12.23 following amounts are distributed from the account established in subdivision 1 for
 12.24 reduction of the district's net debt service levy:

12.25 (1) for Independent School District No. 2711, Mesabi East, \$600,000 applied to debt
 12.26 service amounts currently incurred or future amounts for a period not to exceed ten years;

12.27 (2) for Independent School District No. 2142, St. Louis County, \$1,500,000 for a
 12.28 period not to exceed 15 years; and

12.29 (3) for Independent School District No. 706, Virginia, \$5,500,000 for a period
 12.30 not to exceed 20 years.

12.31 (b) The amounts in paragraph (a), clause (3), may be reallocated to the remaining
 12.32 districts approving bond issues if the voters of Independent School District No. 706,
 12.33 Virginia, fail to approve a bond election for a cooperative high school, according to the
 12.34 terms of the joint powers agreement entered into under section 123A.482.

13.1 Subd. 3. **Payment adjustment.** The commissioner of the Iron Range Resources
 13.2 and Rehabilitation Board, with the approval of the board, may adjust the payments to a
 13.3 district specified in subdivision 2 if the recipient district presents to the commissioner an
 13.4 initial bond repayment schedule or a revised bond replacement schedule that necessitates a
 13.5 different payment amount.

13.6 Subd. 4. **Additional projects.** To the extent that funds remain in the account after
 13.7 distribution under subdivision 2, the commissioner of the Iron Range Resources and
 13.8 Rehabilitation Board may enter into agreements with other districts eligible for revenue
 13.9 under section 298.28, subdivision 4, that have formed a joint powers cooperative under
 13.10 section 123A.482.

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

13.12 Sec. 17. Laws 2013, chapter 116, article 1, section 58, subdivision 5, is amended to read:

13.13 Subd. 5. **Consolidation transition.** For districts consolidating under Minnesota
 13.14 Statutes, section 123A.485:

13.15 \$ 472,000 2014

13.16 480,000

13.17 \$ 2015

13.18 The 2014 appropriation includes \$40,000 for 2013 and \$432,000 for 2014.

13.19 The 2015 appropriation includes \$68,000 for 2014 and ~~\$412,000~~ \$..... for 2015.

13.20 Sec. 18. **STATE BOND AUTHORIZATION.**

13.21 Subdivision 1. **Appropriation.** \$..... is appropriated from the bond proceeds
 13.22 fund to the commissioner of education for cooperative facilities grants under Minnesota
 13.23 Statutes, sections 123A.441 to 123A.446.

13.24 Subd. 2. **Bond proceeds fund.** To provide the money appropriated in subdivision
 13.25 1 from the bond proceeds fund, the commissioner of management and budget shall sell
 13.26 and issue bonds of the state in an amount up to \$..... in the manner, upon the terms, and
 13.27 with the effect prescribed by Minnesota Statutes, sections 16A.631 to 16A.675, and by the
 13.28 Minnesota Constitution, article XI, sections 4 to 7.

13.29 Sec. 19. **REPEALER.**

13.30 Minnesota Statutes 2012, section 290.923, subdivision 1, is repealed.

APPENDIX
Repealed Minnesota Statutes: H2629-1

290.923 TAX WITHHELD ON ROYALTIES UPON ORE.

Subdivision 1. **Definition.** In this section, "royalty" means the amount in money or value of property received by any person having any right, title, or interest in any tract of land in this state for permission to explore, mine, take out, and remove ore from the land.