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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 3224

02/10/2022 Authored by Huot; Youakim; Lippert; Hanson, J., and Bernardy
The bill was read for the first time and referred to the Committee on Education Finance
03/14/2022 Adoption of Report: Re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to education finance; increasing long-term facilities maintenance revenue;
1.3 increasing local optional revenue; providing enhanced debt service equalization
1.4 aid for consolidating school districts; reducing school district property taxes;
1.5 increasing equalization aids for school formulas; appropriating money; amending
1.6 Minnesota Statutes 2020, sections 123B.53, subdivisions 4, 5, 6; 123B.535;
1.7 123B.595, subdivisions 1, 2, 3, 7, 8; 126C.17, subdivisions 5, 6, 7; 126C.40,
1.8 subdivision 1; Minnesota Statutes 2021 Supplement, section 126C.10, subdivision
1.9 2e.

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

1.11 Section 1. Minnesota Statutes 2020, section 123B.53, subdivision 4, is amended to read:

1.12 Subd. 4. Debt service equalization revenue. (a) The debt service equalization revenue
1.13 of a district equals the sum of the first tier debt service equalization revenue and the second
1.14 tier debt service equalization revenue.

1.15 (b) The first tier debt service equalization revenue of a district equals the greater of zero
1.16 or lesser of the district's eligible debt service revenue minus the amount raised by a levy of
1.17 15.74 or ten percent times the adjusted net tax capacity of the district minus the second tier
1.18 debt service equalization revenue of the district.

1.19 (c) The second tier debt service equalization revenue of a district equals the greater of
1.20 zero or the eligible debt service revenue, minus the amount raised by a levy of 26.24 percent
1.21 times the adjusted net tax capacity of the district district's first tier of debt service equalization
1.22 revenue.

1.23 (d) Notwithstanding paragraphs (b) and (c), for a district with a capital loan under sections
1.24 126C.60 to 126C.72, the first tier debt equalization revenue equals zero, and the second tier
1.25 debt equalization revenue equals the portion of the district's eligible debt service levy under

2.1 subdivision 2 in excess of the district's maximum effort debt service levy under section
2.2 126C.63, subdivision 8.

2.3 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

2.4 Sec. 2. Minnesota Statutes 2020, section 123B.53, subdivision 5, is amended to read:

2.5 Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a district
2.6 equals the sum of the first tier ~~equalized~~ debt service levy and the second tier equalized debt
2.7 service levy.

2.8 (b) A district's first tier ~~equalized~~ debt service levy equals the district's first tier debt
2.9 service equalization revenue ~~times the lesser of one or the ratio of:~~

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

2.13 ~~(2) \$3,400 in fiscal year 2016, \$4,430 in fiscal year 2017, and the greater of \$4,430 or~~
2.14 ~~55.33 percent of the initial equalizing factor in fiscal year 2018 and later.~~

2.15 (c) A district's second tier equalized debt service levy equals the district's second tier
2.16 debt service equalization revenue times the lesser of one or the ratio of:

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

2.20 (2) ~~\$8,000 in fiscal years 2016 and 2017, and the greater of \$8,000 or 100 percent of~~
2.21 ~~the initial equalizing factor in fiscal year 2018 and later.~~

2.22 (d) For the purposes of this subdivision, the initial equalizing factor equals the quotient
2.23 derived by dividing the total adjusted net tax capacity of all school districts in the state for
2.24 the year before the year the levy is certified by the total number of adjusted pupil units in
2.25 all school districts in the state in the year before the year the levy is certified.

2.26 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

2.27 Sec. 3. Minnesota Statutes 2020, section 123B.53, subdivision 6, is amended to read:

2.28 Subd. 6. **Debt service equalization aid.** ~~(a)~~ A district's debt service equalization aid is
2.29 ~~the sum of the district's first tier debt service equalization aid and the district's second tier~~
2.30 ~~debt service equalization aid.~~

3.1 ~~(b) A district's first tier debt service equalization aid equals the difference between the~~
 3.2 ~~district's first tier debt service equalization revenue and the district's first tier equalized debt~~
 3.3 ~~service levy.~~

3.4 ~~(c) A district's second tier debt service equalization aid equals the difference between~~
 3.5 ~~the district's second tier debt service equalization revenue and the district's second tier~~
 3.6 ~~equalized debt service levy.~~

3.7 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

3.8 Sec. 4. Minnesota Statutes 2020, section 123B.535, is amended to read:

3.9 **123B.535 NATURAL DISASTER ENHANCED DEBT SERVICE**
 3.10 **EQUALIZATION.**

3.11 Subdivision 1. **Definitions; eligibility.** (a) For purposes of this section, the eligible
 3.12 ~~natural disaster~~ enhanced debt service revenue of a district is defined as the amount needed
 3.13 to produce between five and six percent in excess of the amount needed to meet when due
 3.14 the principal and interest payments on the obligations of the district issued under paragraphs
 3.15 (b) and (c) that would otherwise qualify under section 123B.53 ~~under the following~~
 3.16 ~~conditions.~~

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

3.19 (1) the district was impacted by a natural disaster event or area occurring January 1,
 3.20 2005, or later, as declared by the President of the United States of America, which is eligible
 3.21 for Federal Emergency Management Agency payments;

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

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

3.26 (c) A district that consolidates on or after July 1, 2022, with an approved consolidation
 3.27 plat and plan under section 123A.48, is eligible for enhanced debt service equalization under
 3.28 this section if that plan identifies construction projects that have received a positive review
 3.29 and comment.

3.30 ~~(b)~~ (d) For purposes of this section, the adjusted net tax capacity equalizing factor equals
 3.31 the quotient derived by dividing the total adjusted net tax capacity of all school districts in

4.1 the state for the year before the year the levy is certified by the total number of adjusted
 4.2 pupil units in the state for the year prior to the year the levy is certified.

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

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

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

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

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

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

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

4.24 (2) 300 percent of the statewide adjusted net tax capacity equalizing factor.

4.25 Subd. 5. **Natural disaster Enhanced debt service equalization aid.** A district's ~~natural~~
 4.26 ~~disaster~~ enhanced debt service equalization aid equals the difference between the district's
 4.27 ~~natural disaster~~ enhanced debt service equalization revenue and the district's equalized
 4.28 ~~natural disaster~~ enhanced debt service levy.

4.29 Subd. 6. **Natural disaster Enhanced debt service equalization aid payment**
 4.30 **schedule.** Enhanced debt service equalization aid must be paid according to section 127A.45,
 4.31 subdivision 10.

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

5.1 Sec. 5. Minnesota Statutes 2020, section 123B.595, subdivision 1, is amended to read:

5.2 Subdivision 1. **Long-term facilities maintenance revenue.** ~~(a) For fiscal year 2017~~
 5.3 ~~only, long-term facilities maintenance revenue equals the greater of (1) the sum of (i) \$193~~
 5.4 ~~times the district's adjusted pupil units times the lesser of one or the ratio of the district's~~
 5.5 ~~average building age to 35 years, plus the cost approved by the commissioner for indoor~~
 5.6 ~~air quality, fire alarm and suppression, and asbestos abatement projects under section~~
 5.7 ~~123B.57, subdivision 6, with an estimated cost of \$100,000 or more per site, plus (ii) for a~~
 5.8 ~~school district with an approved voluntary prekindergarten program under section 124D.151,~~
 5.9 ~~the cost approved by the commissioner for remodeling existing instructional space to~~
 5.10 ~~accommodate prekindergarten instruction, or (2) the sum of (i) the amount the district would~~
 5.11 ~~have qualified for under Minnesota Statutes 2014, section 123B.57, Minnesota Statutes~~
 5.12 ~~2014, section 123B.59, and Minnesota Statutes 2014, section 123B.591, and (ii) for a school~~
 5.13 ~~district with an approved voluntary prekindergarten program under section 124D.151, the~~
 5.14 ~~cost approved by the commissioner for remodeling existing instructional space to~~
 5.15 ~~accommodate prekindergarten instruction.~~

5.16 ~~(b) For fiscal year 2018 only, long-term facilities maintenance revenue equals the greater~~
 5.17 ~~of (1) the sum of (i) \$292 times the district's adjusted pupil units times the lesser of one or~~
 5.18 ~~the ratio of the district's average building age to 35 years, plus (ii) the cost approved by the~~
 5.19 ~~commissioner for indoor air quality, fire alarm and suppression, and asbestos abatement~~
 5.20 ~~projects under section 123B.57, subdivision 6, with an estimated cost of \$100,000 or more~~
 5.21 ~~per site, plus (iii) for a school district with an approved voluntary prekindergarten program~~
 5.22 ~~under section 124D.151, the cost approved by the commissioner for remodeling existing~~
 5.23 ~~instructional space to accommodate prekindergarten instruction, or (2) the sum of (i) the~~
 5.24 ~~amount the district would have qualified for under Minnesota Statutes 2014, section 123B.57,~~
 5.25 ~~Minnesota Statutes 2014, section 123B.59, and Minnesota Statutes 2014, section 123B.591,~~
 5.26 ~~and (ii) for a school district with an approved voluntary prekindergarten program under~~
 5.27 ~~section 124D.151, the cost approved by the commissioner for remodeling existing~~
 5.28 ~~instructional space to accommodate prekindergarten instruction.~~

5.29 (a) A school district's long-term facilities maintenance allowance equals \$380 for fiscal
 5.30 year 2022, \$500 for fiscal year 2023, and for fiscal years 2024 and later, \$500 times the
 5.31 inflationary factor established in paragraph (b).

5.32 (b) The long-term facilities maintenance inflationary factor equals one plus the percentage
 5.33 change in the Consumer Price Index for urban consumers, as prepared by the United States
 5.34 Bureau of Labor Statistics, for the current fiscal year to fiscal year 2023.

6.1 (c) ~~For fiscal year 2019 and later,~~ Long-term facilities maintenance revenue equals the
 6.2 greater of (1) the sum of (i) ~~\$380~~ the long-term facilities maintenance allowance times the
 6.3 district's adjusted pupil units times the lesser of one or the ratio of the district's average
 6.4 building age to 35 years, plus (ii) the cost approved by the commissioner for indoor air
 6.5 quality, fire alarm and suppression, and asbestos abatement projects under section 123B.57,
 6.6 subdivision 6, with an estimated cost of \$100,000 or more per site, plus (iii) for a school
 6.7 district with an approved voluntary prekindergarten program under section 124D.151, the
 6.8 cost approved by the commissioner for remodeling existing instructional space to
 6.9 accommodate prekindergarten instruction, or (2) the sum of (i) the amount the district would
 6.10 have qualified for under Minnesota Statutes 2014, section 123B.57, Minnesota Statutes
 6.11 2014, section 123B.59, and Minnesota Statutes 2014, section 123B.591, and (ii) for a school
 6.12 district with an approved voluntary prekindergarten program under section 124D.151, the
 6.13 cost approved by the commissioner for remodeling existing instructional space to
 6.14 accommodate prekindergarten instruction.

6.15 (d) Notwithstanding paragraphs (a), (b), and (c), a school district that qualified for
 6.16 eligibility under Minnesota Statutes 2014, section 123B.59, subdivision 1, paragraph (a),
 6.17 for fiscal year 2010 remains eligible for funding under this section as a district that would
 6.18 have qualified for eligibility under Minnesota Statutes 2014, section 123B.59, subdivision
 6.19 1, paragraph (a), for fiscal year 2017 and later.

6.20 Sec. 6. Minnesota Statutes 2020, section 123B.595, subdivision 2, is amended to read:

6.21 Subd. 2. **Long-term facilities maintenance revenue for a charter school.** ~~(a) For fiscal~~
 6.22 ~~year 2017 only, long-term facilities maintenance revenue for a charter school equals \$34~~
 6.23 ~~times the adjusted pupil units.~~

6.24 ~~(b) For fiscal year 2018 only, long-term facilities maintenance revenue for a charter~~
 6.25 ~~school equals \$85 times the adjusted pupil units.~~

6.26 ~~(c) For fiscal year 2019 and later,~~ (a) A school's long-term facilities maintenance revenue
 6.27 ~~for a charter school allowance~~ equals \$132 for fiscal year 2022, \$174 for fiscal year 2023,
 6.28 and for fiscal year 2024 and later, \$174 times the inflationary factor established in subdivision
 6.29 1, paragraph (b).

6.30 (b) A charter school's long-term facilities maintenance revenue equals its long-term
 6.31 facilities allowance for that year times the its adjusted pupil units for that year.

7.1 Sec. 7. Minnesota Statutes 2020, section 123B.595, subdivision 3, is amended to read:

7.2 Subd. 3. **Intermediate districts and other cooperative units.** (a) Upon approval through
 7.3 the adoption of a resolution by each member district school board of an intermediate district
 7.4 or other cooperative units ~~unit~~ under section 123A.24, subdivision 2, or a joint powers
 7.5 district under section 471.59, and the approval of the commissioner of education, a school
 7.6 district may include in its authority under this section a proportionate share of the long-term
 7.7 maintenance costs of the intermediate district ~~or~~ cooperative unit, or joint powers district.
 7.8 The cooperative unit or joint powers district may issue bonds to finance the project costs
 7.9 or levy for the costs; using long-term maintenance revenue transferred from member districts
 7.10 to make debt service payments or pay project costs or, for leased facilities, pay the portion
 7.11 of lease costs attributable to the amortized cost of long-term facilities maintenance projects
 7.12 completed by the landlord. Authority under this subdivision is in addition to the authority
 7.13 for individual district projects under subdivision 1.

7.14 (b) The resolution adopted under paragraph (a) may specify which member districts will
 7.15 share the project costs under this subdivision, except that debt service payments for bonds
 7.16 issued by a cooperative unit or joint powers district to finance long-term facilities
 7.17 maintenance project costs must be the responsibility of all member districts.

7.18 Sec. 8. Minnesota Statutes 2020, section 123B.595, subdivision 7, is amended to read:

7.19 Subd. 7. **Long-term facilities maintenance equalization revenue.** ~~(a) For fiscal year~~
 7.20 ~~2017 only, a district's long-term facilities maintenance equalization revenue equals the lesser~~
 7.21 ~~of (1) \$193 times the adjusted pupil units or (2) the district's revenue under subdivision 1.~~

7.22 ~~(b) For fiscal year 2018 only, a district's long-term facilities maintenance equalization~~
 7.23 ~~revenue equals the lesser of (1) \$292 times the adjusted pupil units or (2) the district's~~
 7.24 ~~revenue under subdivision 1.~~

7.25 ~~(c) For fiscal year 2019 and later, (a)~~ A district's long-term facilities maintenance
 7.26 equalization revenue equals the lesser of (1) ~~\$380~~ the long-term facilities maintenance
 7.27 allowance for that year times the adjusted pupil units for that year or (2) the district's revenue
 7.28 under subdivision 1.

7.29 ~~(d)~~ (b) Notwithstanding ~~paragraphs~~ paragraph (a) ~~to (c)~~, a district's long-term facilities
 7.30 maintenance equalization revenue must not be less than the lesser of the district's long-term
 7.31 facilities maintenance revenue or the amount of aid the district received for fiscal year 2015
 7.32 under section 123B.59, subdivision 6.

8.1 Sec. 9. Minnesota Statutes 2020, section 123B.595, subdivision 8, is amended to read:

8.2 Subd. 8. **Long-term facilities maintenance equalized levy.** (a) ~~For fiscal year 2017~~
8.3 ~~and later,~~ A district's long-term facilities maintenance equalized levy equals the district's
8.4 long-term facilities maintenance equalization revenue minus the greater of:

8.5 (1) the lesser of the district's long-term facilities maintenance equalization revenue or
8.6 the amount of aid the district received for fiscal year 2015 under Minnesota Statutes 2014,
8.7 section 123B.59, subdivision 6; or

8.8 (2) the district's long-term facilities maintenance equalization revenue times the greater
8.9 of (i) zero or (ii) one minus the ratio of its adjusted net tax capacity per adjusted pupil unit
8.10 in the year preceding the year the levy is certified to ~~123~~ 125 percent of the state average
8.11 adjusted net tax capacity per adjusted pupil unit for all school districts in the year preceding
8.12 the year the levy is certified.

8.13 (b) For purposes of this subdivision, "adjusted net tax capacity" means the value described
8.14 in section 126C.01, subdivision 2, paragraph (b).

8.15 Sec. 10. Minnesota Statutes 2021 Supplement, section 126C.10, subdivision 2e, is amended
8.16 to read:

8.17 Subd. 2e. **Local optional revenue.** (a) ~~For fiscal year 2021 and later,~~ A school district's
8.18 local optional revenue for a school district allowance equals the sum of the district's first
8.19 tier local optional revenue and second tier local optional revenue. A district's first tier local
8.20 optional revenue equals \$300 \$724 for fiscal year 2022, \$825 for fiscal year 2023, and for
8.21 fiscal year 2024 and later, \$825 times the ratio of the general education basic formula
8.22 allowance for that year to \$6,863.

8.23 (b) A school district's local optional revenue equals the local optional revenue allowance
8.24 for that year times the adjusted pupil units of the district for that school year. A district's
8.25 second tier local optional revenue equals \$424 times the adjusted pupil units of the district
8.26 for that school year.

8.27 (b) ~~For fiscal year 2021 and later,~~ a district's local optional levy equals the sum of the
8.28 first tier local optional levy and the second tier local optional levy.

8.29 (c) A district's ~~first tier~~ local optional levy equals the district's ~~first tier~~ local optional
8.30 revenue times the lesser of one or the ratio of the district's referendum market value per
8.31 resident pupil unit to ~~\$880,000~~ 150 percent of the local optional revenue equalizing factor
8.32 defined in paragraph (d).

9.1 ~~(d) For fiscal year 2022, a district's second tier local optional levy equals the district's~~
 9.2 ~~second tier local optional revenue times the lesser of one or the ratio of the district's~~
 9.3 ~~referendum market value per resident pupil unit to \$510,000. For fiscal year 2023, a district's~~
 9.4 ~~second tier local optional levy equals the district's second tier local optional revenue times~~
 9.5 ~~the lesser of one or the ratio of the district's referendum market value per resident pupil unit~~
 9.6 ~~to \$548,842. For fiscal year 2024 and later, a district's second tier local optional levy equals~~
 9.7 ~~the district's second tier local optional revenue times the lesser of one or the ratio of the~~
 9.8 ~~district's referendum market value per resident pupil unit to \$510,000.~~

9.9 (d) A district's local optional revenue equalizing factor equals the quotient derived by
 9.10 dividing the referendum market value of all school districts in the state for the year before
 9.11 the year the levy is certified by the total number of resident pupil units in all school districts
 9.12 in the state in the year before the year the levy is certified.

9.13 (e) The local optional levy must be spread on referendum market value. A district may
 9.14 levy less than the permitted amount.

9.15 (f) A district's local optional aid equals its local optional revenue minus its local optional
 9.16 levy. If a district's actual levy for ~~first or second tier~~ local optional revenue is less than its
 9.17 maximum levy limit ~~for that tier~~, its aid must be proportionately reduced.

9.18 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2023 and later.

9.19 Sec. 11. Minnesota Statutes 2020, section 126C.17, subdivision 5, is amended to read:

9.20 Subd. 5. **Referendum equalization revenue.** ~~(a)~~ A district's referendum equalization
 9.21 revenue equals the ~~sum of the first tier~~ product of the district's referendum equalization
 9.22 revenue allowance under subdivision 1 and the ~~second tier referendum equalization revenue~~
 9.23 district's adjusted pupil units for that year.

9.24 ~~(b) A district's first tier referendum equalization revenue equals the district's first tier~~
 9.25 ~~referendum equalization allowance times the district's adjusted pupil units for that year.~~

9.26 ~~(c) A district's first tier referendum equalization allowance equals the lesser of the~~
 9.27 ~~district's referendum allowance under subdivision 1 or \$460.~~

9.28 ~~(d) A district's second tier referendum equalization revenue equals the district's second~~
 9.29 ~~tier referendum equalization allowance times the district's adjusted pupil units for that year.~~

9.30 ~~(e) A district's second tier referendum equalization allowance equals the lesser of the~~
 9.31 ~~district's referendum allowance under subdivision 1 or 25 percent of the formula allowance,~~
 9.32 ~~minus the sum of \$300 and the district's first tier referendum equalization allowance.~~

10.1 ~~(f) Notwithstanding paragraph (e), the second tier referendum allowance for a district~~
 10.2 ~~qualifying for secondary sparsity revenue under section 126C.10, subdivision 7, or elementary~~
 10.3 ~~sparsity revenue under section 126C.10, subdivision 8, equals the district's referendum~~
 10.4 ~~allowance under subdivision 1 minus the district's first tier referendum equalization~~
 10.5 ~~allowance.~~

10.6 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

10.7 Sec. 12. Minnesota Statutes 2020, section 126C.17, subdivision 6, is amended to read:

10.8 Subd. 6. **Referendum equalization levy.** (a) A district's referendum equalization levy
 10.9 equals ~~the sum of the first tier referendum equalization levy and the second tier referendum~~
 10.10 ~~equalization levy.~~

10.11 ~~(b) A district's first tier referendum equalization levy equals the district's first tier~~
 10.12 ~~referendum equalization revenue times the lesser of one or the ratio of the district's~~
 10.13 ~~referendum market value per resident pupil unit to \$567,000~~ 125 percent of the operating
 10.14 referendum market value equalizing factor.

10.15 ~~(c) A district's second tier referendum equalization levy equals the district's second tier~~
 10.16 ~~referendum equalization revenue times the lesser of one or the ratio of the district's~~
 10.17 ~~referendum market value per resident pupil unit to \$290,000.~~

10.18 (b) A district's operating referendum market value equalizing factor equals the quotient
 10.19 derived by dividing the referendum market value of all school districts in the state for the
 10.20 year before the year the levy is certified by the total number of resident pupil units in all
 10.21 school districts in the state in the year before the year the levy is certified.

10.22 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

10.23 Sec. 13. Minnesota Statutes 2020, section 126C.17, subdivision 7, is amended to read:

10.24 Subd. 7. **Referendum equalization aid.** (a) A district's referendum equalization aid
 10.25 equals the difference between its referendum equalization revenue and levy.

10.26 (b) If a district's actual levy for ~~first or second tier~~ referendum equalization revenue is
 10.27 less than its maximum levy limit ~~for that tier~~, aid shall be proportionately reduced.

10.28 (c) Notwithstanding paragraph (a), the referendum equalization aid for a district must
 10.29 not exceed: (1) 25 percent of the formula allowance ~~minus \$300~~; times (2) the district's
 10.30 adjusted pupil units. A district's referendum levy is increased by the amount of any reduction
 10.31 in referendum aid under this paragraph.

11.1 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

11.2 Sec. 14. Minnesota Statutes 2020, section 126C.40, subdivision 1, is amended to read:

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

11.12 (b) The criteria for approval of applications to levy under this subdivision must include:
11.13 the reasonableness of the price, the appropriateness of the space to the proposed activity,
11.14 the feasibility of transporting pupils to the leased building or land, conformity of the lease
11.15 to the laws and rules of the state of Minnesota, and the appropriateness of the proposed
11.16 lease to the space needs and the financial condition of the district. The commissioner must
11.17 not authorize a levy under this subdivision in an amount greater than the cost to the district
11.18 of renting or leasing a building or land for approved purposes. The proceeds of this levy
11.19 must not be used for custodial or other maintenance services. A district may not levy under
11.20 this subdivision for the purpose of leasing or renting a district-owned building or site to
11.21 itself.

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

11.28 (d) Notwithstanding paragraph (b), a district may levy under this subdivision for the
11.29 purpose of leasing or renting a district-owned building or site to itself only if the amount is
11.30 needed by the district to make payments required by a lease purchase agreement, installment
11.31 purchase agreement, or other deferred payments agreement authorized by law, and the levy
11.32 meets the requirements of paragraph (c). A levy authorized for a district by the commissioner
11.33 under this paragraph may be in the amount needed by the district to make payments required
11.34 by a lease purchase agreement, installment purchase agreement, or other deferred payments

12.1 agreement authorized by law, provided that any agreement include a provision giving the
12.2 school districts the right to terminate the agreement annually without penalty.

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

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

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

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

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

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

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

12.18 (h) A school district that is a member of an intermediate school district or other
12.19 cooperative unit under section 123A.24, subdivision 2, or a joint powers district under
12.20 section 471.59 may include in its authority under this section the costs associated with leases
12.21 of administrative and classroom space for ~~intermediate school district~~ programs of the
12.22 intermediate school district or other cooperative unit under section 123A.24, subdivision
12.23 2, or joint powers district under section 471.59. This authority must not exceed \$65 times
12.24 the adjusted pupil units of the member districts. This authority is in addition to any other
12.25 authority authorized under this section. The intermediate school district, other cooperative
12.26 unit, or joint powers district may specify which member districts will levy for lease costs
12.27 under this paragraph.

12.28 (i) ~~In addition to the allowable capital levies in paragraph (a), for taxes payable in 2012~~
12.29 ~~to 2023, a district that is a member of the "Technology and Information Education Systems"~~
12.30 ~~data processing joint board, that finds it economically advantageous to enter into a lease~~
12.31 ~~agreement to finance improvements to a building and land for a group of school districts~~
12.32 ~~or special school districts for staff development purposes, may levy for its portion of lease~~

13.1 ~~costs attributed to the district within the total levy limit in paragraph (e). The total levy~~
 13.2 ~~authority under this paragraph shall not exceed \$632,000.~~

13.3 ~~(j)~~ (i) Notwithstanding paragraph (a), a district may levy under this subdivision for the
 13.4 purpose of leasing administrative space if the district can demonstrate to the satisfaction of
 13.5 the commissioner that the lease cost for the administrative space is no greater than the lease
 13.6 cost for instructional space that the district would otherwise lease. The commissioner must
 13.7 deny this levy authority unless the district passes a resolution stating its intent to lease
 13.8 instructional space under this section if the commissioner does not grant authority under
 13.9 this paragraph. The resolution must also certify that the lease cost for administrative space
 13.10 under this paragraph is no greater than the lease cost for the district's proposed instructional
 13.11 lease.

13.12 (j) Notwithstanding paragraph (a), a district may include in its levy under this subdivision
 13.13 the district's proportionate share of deferred maintenance expenditures for a district-owned
 13.14 building or site leased to a cooperative unit under section 123A.24, subdivision 2, or a joint
 13.15 powers district under section 471.59 for any instructional purposes or for school storage.

13.16 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

13.17 Sec. 15. **APPROPRIATIONS.**

13.18 (a) \$..... in fiscal year 2023 is appropriated from the general fund to the Department of
 13.19 Education for additional local optional revenue.

13.20 (b) \$..... in fiscal year 2023 is appropriated from the general fund to the Department of
 13.21 Education for additional long-term facilities maintenance aid.