

**SENATE
STATE OF MINNESOTA
NINETY-THIRD SESSION**

S.F. No. 2391

(SENATE AUTHORS: FARNSWORTH and Hauschild)

DATE
03/02/2023

D-PG
1268 Introduction and first reading
Referred to Education Finance
See HF2497

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to education finance; modifying the building lease levy for geographically
1.3 isolated school districts; amending Minnesota Statutes 2022, section 126C.40,
1.4 subdivision 1.

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

1.6 Section 1. Minnesota Statutes 2022, section 126C.40, subdivision 1, is amended to read:

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

1.16 (b) The criteria for approval of applications to levy under this subdivision must include:
1.17 the reasonableness of the price, the appropriateness of the space to the proposed activity,
1.18 the feasibility of transporting pupils to the leased building or land, conformity of the lease
1.19 to the laws and rules of the state of Minnesota, and the appropriateness of the proposed
1.20 lease to the space needs and the financial condition of the district. The commissioner must
1.21 not authorize a levy under this subdivision in an amount greater than the cost to the district
1.22 of renting or leasing a building or land for approved purposes. The proceeds of this levy
1.23 must not be used for custodial or other maintenance services. A district may not levy under

2.1 this subdivision for the purpose of leasing or renting a district-owned building or site to
2.2 itself.

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

2.9 (d) Notwithstanding paragraph (b), a district may levy under this subdivision for the
2.10 purpose of leasing or renting a district-owned building or site to itself only if the amount is
2.11 needed by the district to make payments required by a lease purchase agreement, installment
2.12 purchase agreement, or other deferred payments agreement authorized by law, and the levy
2.13 meets the requirements of paragraph (c). A levy authorized for a district by the commissioner
2.14 under this paragraph may be in the amount needed by the district to make payments required
2.15 by a lease purchase agreement, installment purchase agreement, or other deferred payments
2.16 agreement authorized by law, provided that any agreement include a provision giving the
2.17 school districts the right to terminate the agreement annually without penalty.

2.18 (e) Except as provided in paragraph (j), the total levy under this subdivision for a district
2.19 for any year must not exceed \$212 times the adjusted pupil units for the fiscal year to which
2.20 the levy is attributable.

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

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

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

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

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

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

3.1 (h) A school district that is a member of an intermediate school district may include in
 3.2 its authority under this section the costs associated with leases of administrative and
 3.3 classroom space for intermediate school district programs. This authority must not exceed
 3.4 \$65 times the adjusted pupil units of the member districts. This authority is in addition to
 3.5 any other authority authorized under this section.

3.6 ~~(i) In addition to the allowable capital levies in paragraph (a), for taxes payable in 2012~~
 3.7 ~~to 2023, a district that is a member of the "Technology and Information Education Systems"~~
 3.8 ~~data processing joint board, that finds it economically advantageous to enter into a lease~~
 3.9 ~~agreement to finance improvements to a building and land for a group of school districts~~
 3.10 ~~or special school districts for staff development purposes, may levy for its portion of lease~~
 3.11 ~~costs attributed to the district within the total levy limit in paragraph (e). The total levy~~
 3.12 ~~authority under this paragraph shall not exceed \$632,000.~~

3.13 ~~(i)~~ (i) Notwithstanding paragraph (a), a district may levy under this subdivision for the
 3.14 purpose of leasing administrative space if the district can demonstrate to the satisfaction of
 3.15 the commissioner that the lease cost for the administrative space is no greater than the lease
 3.16 cost for instructional space that the district would otherwise lease. The commissioner must
 3.17 deny this levy authority unless the district passes a resolution stating its intent to lease
 3.18 instructional space under this section if the commissioner does not grant authority under
 3.19 this paragraph. The resolution must also certify that the lease cost for administrative space
 3.20 under this paragraph is no greater than the lease cost for the district's proposed instructional
 3.21 lease.

3.22 (j) A school district with more than two high schools that qualifies for secondary sparsity
 3.23 revenue under section 126C.10, subdivision 7, annually may levy not more than \$650 times
 3.24 the adjusted pupil units for the fiscal year to which the levy is attributable for the purposes
 3.25 of this subdivision.

3.26 **EFFECTIVE DATE.** This section is effective for taxes payable in 2024 and later.

3.27 **Sec. 2. LEASE LEVY PROCEEDS; CHERRY AND SOUTH RIDGE SCHOOLS.**

3.28 Independent School District No. 2142, St. Louis County, may exercise the additional
 3.29 lease authority under section 1 only after the school board adopts a written resolution
 3.30 specifying that proceeds of the annual building lease levy in excess of \$212 per pupil unit
 3.31 must be used to support projects at the Cherry and South Ridge Schools.

3.32 **EFFECTIVE DATE.** This section is effective for taxes payable in 2024 and later.