

**SENATE  
STATE OF MINNESOTA  
SPECIAL SESSION**

**S.F. No. 40**

(SENATE AUTHORS: RARICK)

DATE  
06/12/2020

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Introduction and first reading  
Referred to Rules and Administration

OFFICIAL STATUS

1.1 A bill for an act  
1.2 relating to education finance; providing enhanced debt service equalization aid  
1.3 for consolidating school districts facing unique circumstances; amending Minnesota  
1.4 Statutes 2018, section 123B.535.

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

1.6 Section 1. Minnesota Statutes 2018, section 123B.535, is amended to read:

1.7 **123B.535 NATURAL DISASTER ENHANCED DEBT SERVICE**  
1.8 **EQUALIZATION.**

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

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

1.17 (1) the district was impacted by a natural disaster event or area occurring January 1,  
1.18 2005, or later, as declared by the President of the United States of America, which is eligible  
1.19 for Federal Emergency Management Agency payments;

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

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

(c) A district that consolidates on or after July 1, 2021, with an approved consolidation plat and plan under section 123A.48, is eligible for enhanced debt service equalization under this section if that plan identifies construction projects that have received a positive review and comment.

~~(b)~~ (d) For purposes of this section, the adjusted net tax capacity equalizing factor equals the quotient derived by dividing the total adjusted net tax capacity of all school districts in the state for the year before the year the levy is certified by the total number of adjusted pupil units in the state for the year prior to the year the levy is certified.

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

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

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

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

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

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

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

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

3.1 Subd. 5. ~~Natural disaster~~ **Enhanced debt service equalization aid.** A district's ~~natural~~  
3.2 ~~disaster~~ enhanced debt service equalization aid equals the difference between the district's  
3.3 ~~natural disaster~~ enhanced debt service equalization revenue and the district's equalized  
3.4 ~~natural disaster~~ enhanced debt service levy.

3.5 Subd. 6. ~~Natural disaster~~ **Enhanced debt service equalization aid payment**  
3.6 **schedule.** Enhanced debt service equalization aid must be paid according to section 127A.45,  
3.7 subdivision 10.

3.8 **EFFECTIVE DATE.** This section is effective July 1, 2020.