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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 2299

02/25/2014 Authored by Ward, J.A.; Lien; Johnson, S.; Isaacson and Selcer  
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; increasing the building lease levy for independent  
1.3 school districts and intermediate school districts; amending Minnesota Statutes  
1.4 2013 Supplement, section 126C.40, subdivision 1.

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

1.6 Section 1. Minnesota Statutes 2013 Supplement, section 126C.40, subdivision 1, is  
1.7 amended to read:

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

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

2.1 A district may not levy under this subdivision for the purpose of leasing or renting a  
2.2 district-owned building or site to 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  
2.5 for 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  
2.11 is needed by the district to make payments required by a lease purchase agreement,  
2.12 installment purchase agreement, or other deferred payments agreement authorized by law,  
2.13 and the levy meets the requirements of paragraph (c). A levy authorized for a district by  
2.14 the commissioner under this paragraph may be in the amount needed by the district to  
2.15 make payments required by a lease purchase agreement, installment purchase agreement,  
2.16 or other deferred payments agreement authorized by law, provided that any agreement  
2.17 include a provision giving the school districts the right to terminate the agreement  
2.18 annually without penalty.

2.19 (e) The total levy under this subdivision for a district for any year must not exceed  
2.20 ~~\$162~~ \$212 times the adjusted pupil units for the fiscal year to which 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  
2.25 limit 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  
2.29 preceding 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 colocation of government services; and

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

2.34 (h) A school district that is a member of an intermediate school district may include  
2.35 in its authority under this section the costs associated with leases of administrative and  
2.36 classroom space for intermediate school district programs. This authority must not exceed

3.1 ~~\$46~~ \$65 times the adjusted pupil units of the member districts. This authority is in addition  
3.2 to any other authority authorized under this section.

3.3 (i) In addition to the allowable capital levies in paragraph (a), for taxes payable in  
3.4 2012 to 2023, a district that is a member of the "Technology and Information Education  
3.5 Systems" data processing joint board, that finds it economically advantageous to enter into  
3.6 a lease agreement to finance improvements to a building and land for a group of school  
3.7 districts or special school districts for staff development purposes, may levy for its portion  
3.8 of lease costs attributed to the district within the total levy limit in paragraph (e). The total  
3.9 levy authority under this paragraph shall not exceed \$632,000.

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

3.19 **EFFECTIVE DATE.** This section is effective for taxes payable in 2015 and later.