

CHAPTER 438—H. F. No. 2006

An act relating to the financial affairs of independent school districts having a population of more than 7,500 and less than 12,500 and an assessed valuation of more than \$2,750 per capita of population, exclusive of moneys and credits; providing for the issuance of bonds and placing such school districts upon the cash basis; and prescribing penalties for violations of its provisions.

Be it enacted by the Legislature of the State of Minnesota:

“Section 1. To be on cash basis.—That from and after January 1, 1934, no independent school district which in the year 1932 had a population exceeding 7,500 and less than 12,500 and an assessed valuation (exclusive of moneys and credits) of more than \$2,750 per capita of population and which accepts the provisions hereof in the manner hereinafter provided, shall draw any order or warrant on any fund until there is sufficient money in such fund to pay the same, together with all orders previously issued against said fund.

Sec. 2. Special census to determine.—That in determining the application of this law to any such school district, the population thereof shall be determined by any special census taken pursuant to the provisions of Laws 1921, Chapter 417, since the year 1930 and prior to the enactment of this statute; if no such special census has been taken, the population shall be determined by the last Federal census; if the report of the Director of the Census does not show the population of such school district, its population shall be considered as being that used by the county auditor of the county in which such school district is located as a basis for determining the per capita limitations of the levies of such school district for the year 1932. The valuation of such school district shall, for the purpose of this act, be the valuation of the property therein, exclusive of moneys and credits, used by the county auditor of such county as a basis for spreading the 1932 taxes of said district. Provided that nothing in this section shall preclude any such school district from hereafter taking a special census for the purpose of determining the amount of taxes that may be levied in any such district.

Sec. 3. Shall not incur indebtedness.—Whenever from and after January 1, 1934, the expenses and obligations incurred, chargeable to any particular fund of such district in any calendar year, are sufficient to absorb 85% of the entire amount of the tax levy for such fund payable in that year, including such amount as may remain in the fund from the levy of the prior year or years, no officer or board of such school district shall have power, and no

power shall exist, to create any additional indebtedness (save as the remaining 15% of said tax levy is collected) which shall be a charge against that particular fund or shall be in any manner a valid claim against such district, but such additional indebtedness attempted to be created shall be a personal claim against the officer or members of the board voting for or attempting to create the same.

Sec. 4. May issue certificates of indebtedness.—At any time after January 1, following the making of an annual tax levy the governing body of any such school district may, for the purpose of meeting the obligations of the ensuing year, by resolution issue and sell as many certificates of indebtedness as may be needed in anticipation of the collection of taxes so levied for any fund named in said tax levy for the purpose of raising money for any such fund. All certificates of indebtedness issued under the provisions of this Act shall be negotiable and shall be payable to order of the payee and shall have a definite due date. No certificate shall be issued for any of said separate funds exceeding 65% of the amount named in said tax levy for said fund as spread by the county auditor, and in no event exceeding the uncollected portion of said levy. No certificate shall be issued to become due and payable later than December 31 of the year succeeding the year in which said tax levy, certified to the county auditor as aforesaid, was made. Such certificate shall not be sold for less than par and accrued interest and shall not bear a greater rate of interest than six per cent per annum. Each certificate shall state upon its face for which funds proceeds of the certificate shall be used, the total amount of the certificates so issued against such fund, and the whole amount embraced in said tax levy for that particular purpose. They shall be numbered consecutively and be in denominations of \$25, or any multiple thereof, and may have interest coupons attached, and shall be otherwise of such terms and form and be made payable at such place as will best aid in their negotiations. Provided that if any such school district shall be unable for any reason to sell its certificates of indebtedness in sufficient amount to provide the necessary cash to meet its obligations, it may proceed by one of the following methods:

(1) Issuing its certificates of indebtedness in any denomination, but within the limitations as to total amounts herein contained, payable to the order of the creditor of such district in payment of the debt, claim or account of such creditor after the same has been allowed by the school board; or

(2) Issuing its negotiable certificates of indebtedness within the limitations herein contained, to the district treasurer, payable to his order, and depositing the same with him. Certificates so issued

shall be held by the treasurer until they may be sold and shall bear interest at six per cent per annum. The district may thereupon, so long as such certificates are on deposit with the treasurer, issue warrants upon the funds against which such certificates were issued, the total principal amount of such warrants not to exceed the total principal amount of the certificates so held by the treasurer. Such warrants shall bear interest at six per cent per annum from and after the date they are presented to the treasurer and stamped "Not paid for want of funds, but protected by certificates of indebtedness now held by me." Such certificates may be sold by the school board and the proceeds of such sale shall be used to take up such warrants in the order presented for payment. Interest upon such warrants shall stop upon the date they are called by the treasurer for payment. Such certificates of indebtedness so held by the treasurer shall be paid at the same time and in the same manner as if they had been issued to a purchaser thereof. All warrants attempted to be issued and all obligations or indebtedness attempted to be incurred under authority of this sub-section, in excess of the principal amount of the certificates of indebtedness so held by such treasurer shall be void.

Sec. 5. Certificates to be paid from tax levy.—The proceeds of the tax assessed and collected as aforesaid on account of said fund, and the faith and credit of such school district shall be irrevocably pledged for the redemption of the certificates so issued. Such certificates shall be paid from the moneys derived from the levy for the year against which such certificates were issued, or if there be not sufficient for such purpose, from other funds of the district. The money derived from the sale of said certificates shall be credited to such fund or funds for the calendar year immediately succeeding the making of such levy and shall not be used or spent except during such succeeding year. No certificates for any year shall be issued until all certificates for prior years have been paid, nor shall any certificate be extended; provided that money derived from the sale of the certificates for any one year may, if necessary, be used to redeem unpaid certificates issued in a prior year.

Sec. 6. Shall be on cash basis from January 1, 1934.—From and after January 1st, 1934, such district shall be deemed for all purposes to be on a cash basis and shall thereafter remain on a cash basis. All taxes levied in 1933 shall be considered as the tax revenues for the year 1934, and thereafter in any such school district taxes shall be levied as now provided by law, but for the succeeding year.

Sec. 7. May issue bonds to retire floating indebtedness.—If any such school district prior to January 1, 1933, has incurred by

proper authority a valid indebtedness, of whatsoever character, excluding bonds, in excess of its cash on hand (not specifically set aside for the retirement of bonds and interest thereon), such school district may for the purpose only of paying and discharging such valid indebtedness, of whatsoever character, (except bonds and interest accrued thereon) issue its bonds in the manner now provided by law, except that such bonds may be issued on a vote of the school board thereof without a vote of the electors; provided that if any moneys received from taxes levied in 1932 and payable in 1933, for any purposes other than payments on bonds and bond interest have been used prior to the issuance of bonds authorized by this act for the retirement of indebtedness existing on January 1, 1933, and interest thereon, such bond issue may include the amount of such payments for the purpose of reimbursing the funds from which such moneys were paid; provided further that the purchaser of such bonds shall not be charged with notice of invalidity of any indebtedness funded by such bonds, and bonds issued hereunder in the total amount of such indebtedness as determined by resolution of the school board of said district, in the hands of any purchaser, shall be valid obligations of the school district notwithstanding any claims of invalidity of any such indebtedness funded thereby.

Sec. 8. Tax levy to pay bonds.—The school board of any such district issuing bonds pursuant to the authority of this Act shall at the time of the issuance thereof by resolution provide for the levy of an annual and irrevocable tax to be levied each year until the principal and interest of said bonds are paid in full, in an amount sufficient to pay and discharge the principal and interest thereon at maturity. Such tax levies shall be within the per capita limitations now provided by law upon the tax levies of said district, and the county auditor at the time of spreading the annual tax levy of said district shall adjust the same so that the total levy, including any levy for said bonds, whether issued to the state or a private purchaser, shall be within the per capita limitations provided by law, plus any levies which may be authorized in excess of such limitations by the provisions of this Act.

Sec. 9. Same.—If any school district subject to this Act shall at the time of the adoption hereof have bonds outstanding, such bonds, or any bonds issued to refund the same, shall be retired by levies within the now existing per capita limitations applicable to the levies of such district, except that during the years 1933, 1934, 1935 and 1936 levies of \$75,000.00 each year may be made in excess of existing per capita limitations for the retirement of such bonded indebtedness.

Sec. 10. Sale of bonds.—Such bonds may be issued and sold to the State of Minnesota pursuant to existing laws at the time of the issuance thereof, except as herein modified, or to private purchasers, or to both, or exchanged for outstanding orders at par with accrued interest, provided such outstanding orders represent indebtedness authorized to be funded by such bonds. Such bonds may be issued bearing such rates of interest as may best lend to their negotiation, sale or exchange, not however, exceeding six per cent per annum. If such bonds be exchanged to holders of warrants, it shall not be necessary to publish notice of the sale or exchange of such bonds which are so exchanged.

Sec. 11. Shall prepare budgets.—The school board of such district shall, each year prior to the making of the tax levy for the ensuing year, prepare a budget of the expenditures of such district during the year in which such taxes will be collected, itemizing the purposes for which such moneys will be expended, and the amount of obligations that will be incurred for each such purpose during each quarter of such year. The clerk of such school district shall prepare and present at the first meeting of the board in each month a statement showing all expenditures made and obligations or indebtedness incurred for the preceding month and for the preceding portion of the fiscal year, the amount allotted by the budget for such month and the preceding portion of the fiscal year, the amount allotted by the budget for the remainder of the year, and the probable expenditures for the remainder of the fiscal year. If at any time during such year it appears that such district is incurring obligations at a rate or upon a scale which would make it probable, if such rate or scale of expenditure were to be continued, that the total expenditures for said year would exceed the available revenues for such year, after proper allowance for probable tax delinquencies, such statement required to be presented and kept by the clerk shall be conclusive evidence of the fact that such school district is exceeding the legal limit of obligations, and thereupon the power of such school district to incur further obligations or expenditures shall be limited and restricted to the extent necessary which will make certain that the said budget shall not be exceeded in such year.

Sec. 12. Contracts void.—Each contract attempted to be entered into, or indebtedness or pecuniary liability attempted to be incurred in violation of the provisions of this Act, shall be null and void in regard to any obligation thereby sought to be imposed upon the school district, and no claim therefor shall be allowed by the school board of said district; nor shall the clerk of such district or any other officer or employe issue or execute, nor shall the district treasurer pay, any warrant or certificate of indebted-

ness issued on account thereof. Each member of the school board and each other district officer or employe participating in or authorizing any violation of this Act shall be individually liable to the district or to any other person for any damage that is caused thereby. Every member of the school board present at a meeting of the board when any action is taken with reference to paying money or incurring indebtedness or entering into any contract, shall be deemed to have participated in and authorized the same, unless he shall have caused his dissent therefrom to be entered upon the minutes of the meeting.

Sec. 13. **Who may accept provisions of act.**—Any school district in the class specified in Section 1 of this act may accept the provisions hereof in either of the following ways:

- a. By adopting a resolution of the school board of such district accepting the provisions of this act, such resolution to be adopted by majority vote of the members of such Board.
- b. By majority vote of the electors of said school district voting on the question at an election called for that purpose.

If 25 or more of the electors of such school district petition the school board thereof to call a special election for the purpose of accepting the provisions of this Act, the school board shall call such a special election for that purpose, to be held not more than 30 days from the date of the presentation of such petition. The question to be submitted shall be: "Shall Independent School District No. accept the provisions of Laws 1933, Chapter., and go upon a cash basis?"

In either event the district must accept the provisions of this act prior to January 1, 1935. If such district shall not have accepted the provisions of this Act and shall not have sold the bonds herein provided for (if the sale of such bonds be necessary to the operation of this Act) prior to January 1, 1934, but shall have adopted the provisions of this act and sold such bonds prior to January 1, 1935, the operation of this Act shall be postponed for one year. In that event the indebtedness authorized to be funded hereunder shall be the valid indebtedness, excluding bonds in excess of the cash on hand (not specifically set aside for the retirement of bonds and interest thereon) incurred prior to January 1, 1934, and the provisions of this act regulating the affairs of such district shall not go into effect until after January 1, 1935, provided that the levies in excess of the per capita limitations authorized by Section 9 hereof shall only be made in the years therein specifically set forth.

Sec. 14. **Provisions separable.**—If any section, subsection, provision, clause or phrase hereof be found unconstitutional, such determination shall not affect the validity of the remaining provisions not clearly dependent thereon. Provided that if the funding of the indebtedness of such district existing on January 1, 1933, be necessary to the functioning of this law, and if any such school district shall find it impossible to sell the bonds herein provided for, for the purpose of funding such indebtedness prior to January 1, 1935, this Act shall not take effect therein."

Approved April 22, 1933.

CHAPTER 439—H. F. No. 1977

An act proposing an amendment to Section 1, Article 16 of the Constitution of the State of Minnesota relating to the Trunk Highway System and authorizing the Legislature to add new routes thereto.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. The following amendment to Article 16 of the Constitution of the State of Minnesota to take the place of Section 1 relating to taxation is hereby proposed to the people of the State of Minnesota for their approval or rejection, which amendment when adopted shall be known as amendment to Section 1 of said Article 16 authorizing the legislature to add new routes to the Trunk Highway System.

Sec. 2. Said Section 1 of Article 16 of the Constitution of the State of Minnesota is hereby amended by striking out the last paragraph of said Section 1, Article 16, which reads as follows:

And by inserting in lieu thereof the following words: "*The legislature shall have authority to add new routes to such trunk highway system. All new routes added to the trunk highway system by act of the legislature during the session of 1933, are hereby ratified and confirmed. Provided, however, that no such new routes shall be added after the adoption of this amendment, until and unless at least seventy-five (75) per cent of the total number of the miles of the routes embraced in the trunk highway system heretofore created and established either by Article 16 of the Constitution of the State of Minnesota or by the legislature under and pur-*