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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 1147

02/23/2015 Authored by Norton

The bill was read for the first time and referred to the Committee on Education Innovation Policy

1.1 A bill for an act
1.2 relating to education finance; providing enhanced debt service equalization
1.3 for school districts in certain unique situations; amending Minnesota Statutes
1.4 2014, section 123B.535; repealing Minnesota Statutes 2014, sections 123A.44;
1.5 123A.441; 123A.442; 123A.443.

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

1.7 Section 1. Minnesota Statutes 2014, section 123B.535, is amended to read:

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

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

1.15 (1) the district was impacted by a natural disaster event or area occurring January
1.16 1, 2005, or later, as declared by the President of the United States of America, which is
1.17 eligible for Federal Emergency Management Agency payments;

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

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

1.22 (2) the district has consolidated after June 30, 2014, and its consolidation plan under
1.23 section 123A.48 includes building or remodeling school facilities; or

2.1 (3) the district has a debt service tax rate that, after equalization under section
 2.2 123B.53, exceeds 30 percent of its total adjusted net tax capacity.

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

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

2.10 Subd. 2. **Notification.** A district eligible for ~~natural-disaster~~ enhanced debt service
 2.11 ~~equalization~~ revenue under subdivision 1 must notify the commissioner of the amount of
 2.12 its intended ~~natural-disaster~~ enhanced debt service revenue calculated under subdivision 1
 2.13 for all bonds sold prior to the notification by July 1 of the calendar year the levy is certified.

2.14 Subd. 3. **Natural-disaster Enhanced debt service equalization revenue.** (a) The
 2.15 enhanced debt service equalization revenue of a district that qualifies under subdivision
 2.16 1, paragraph (a), clause (1) or (2), equals the greater of zero or the eligible debt service
 2.17 revenue, minus the greater of zero or the difference between:

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

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

2.21 (b) The enhanced debt service equalization revenue of a district that qualifies under
 2.22 subdivision 1, paragraph (a), clause (3), equals the greater of zero or the eligible debt
 2.23 service revenue, minus:

2.24 (1) the amount raised by a levy of 30 percent times the adjusted net tax capacity
 2.25 of the district; and

2.26 (2) the district's debt service aid under section 123B.53.

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

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

2.33 (2) 300 percent of the statewide adjusted net tax capacity equalizing factor.

2.34 Subd. 5. **Natural-disaster Enhanced debt service equalization aid.** A district's
 2.35 ~~natural-disaster~~ enhanced debt service equalization aid equals the difference between the

3.1 district's ~~natural-disaster~~ enhanced debt service equalization revenue and the district's
3.2 equalized ~~natural-disaster~~ enhanced debt service levy.

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

3.6 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2017 and
3.7 later.

3.8 Sec. 2. **REPEALER.**

3.9 Minnesota Statutes 2014, sections 123A.44; 123A.441; 123A.442; and 123A.443,
3.10 are repealed.

123A.44 CITATION.

Sections 123A.441 to 123A.446 may be cited as the "Cooperative Facilities Grant Act."

123A.441 POLICY AND PURPOSE.

Because of the rates of decline in school-aged population, population shifts and economic changes that the state has experienced in recent years and anticipates in future years, and because in some instances local districts have not, and will not be able to provide the required construction funds through local property taxes, the purpose of the cooperative facilities grant program is to provide an incentive to encourage cooperation in making available to all students those educational programs, services and facilities that are most efficiently and effectively provided by a cooperative effort of school districts. The policy and purpose of sections 123A.442 to 123A.446 is to use the credit of the state, to a limited degree, to provide grants to cooperating groups of districts to improve and expand the educational opportunities and facilities available to their students.

123A.442 APPROVAL AUTHORITY; APPLICATION FORMS.

Subdivision 1. **Approval by commissioner.** To the extent money is available, the commissioner may approve projects from applications submitted under section 123A.443. The grant money must be used only to acquire, construct, remodel or improve the building or site of a cooperative facility under contracts to be entered into within 15 months after the date on which each grant is awarded.

Subd. 2. **Cooperation and consolidation.** Districts that have not already consolidated and receive a cooperative facilities grant shall:

(1) submit a consolidation plan under section 123A.48 for approval by the Department of Education; and

(2) hold a referendum on the question of consolidation no later than four years after a grant is awarded under subdivision 1.

The districts are eligible for consolidation revenue under section 123A.485.

Subd. 3. **Consolidated districts.** A school district that has consolidated with another school district since July 1, 1980, is eligible for a cooperative facilities grant.

123A.443 GRANT APPLICATION PROCESS.

Subdivision 1. **Qualification.** Any group of districts or a consolidated district that meets the criteria required under subdivision 2 may apply for an incentive grant for construction of a new facility or for remodeling and improving an existing facility. A grant for new construction must not exceed the lesser of \$20,000,000, or 75 percent of the approved construction costs of a cooperative education facility. A grant for remodeling and improving an existing facility must not exceed the lesser of \$10,000,000, or 75 percent of the approved remodeling costs.

Subd. 2. **Review by commissioner.** (a) A group of districts or a consolidated district that submits an application for a grant must submit a proposal to the commissioner for review and comment under section 123B.71. The commissioner shall prepare a review and comment on the proposed facility by July 1 of an odd-numbered year, regardless of the amount of the capital expenditure required to acquire, construct, remodel or improve the facility. The commissioner shall not approve an application for an incentive grant for any facility unless the facility receives a favorable review and comment under section 123B.71 and the following criteria are met:

(1) the applicant is a consolidated district or a minimum of two or more districts that have entered into a joint powers agreement;

(2) for a group of districts, a joint powers board representing all participating districts is established under section 471.59 to govern the cooperative facility;

(3) for a group of districts, no more than one superintendent is employed by the joint powers board as a result of the cooperative facility agreement;

(4) a statement of need is submitted, that may include reasons why the current facilities are inadequate, unsafe, or inaccessible to persons with disabilities;

(5) an educational plan is prepared, that includes input from both community and professional staff;

(6) for a group of districts, a combined seniority list for all participating districts is developed by the joint powers board;

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(7) for a group of districts, an education program is developed that provides for more learning opportunities and course offerings, including the offering of advanced placement courses, for students than is currently available in any single member district;

(8) a plan is developed for providing instruction of any resident students in other districts when distance to the education facility makes attendance at the facility unreasonably difficult or impractical; and

(9) for a secondary facility, the joint powers board established under clause (2) discusses with technical colleges located in the area how vocational education space in the cooperative facility could be jointly used for secondary and postsecondary purposes.

(b) To the extent possible, the joint powers board is encouraged to provide for severance pay or for early retirement incentives under section 122A.48, for any teacher or administrator, as defined under section 122A.40, subdivision 1, who is placed on unrequested leave as a result of the cooperative facility agreement.

(c) For the purpose of paragraph (a), clause (6), each district must be considered to have started school each year on the same date.

(d) The districts may develop a plan that provides for the location of social service, health, and other programs serving pupils and community residents within the cooperative facility. The commissioner shall consider this plan when preparing a review and comment on the proposed facility.

(e) The districts must schedule and conduct a meeting on library services. The school districts, in cooperation with the regional public library system and its appropriate member libraries, must discuss the possibility of including jointly operated library services at the cooperative facility.

(f) The board of a district that has reorganized under section 123A.37 or 123A.48 and that is applying for a grant for remodeling or improving an existing facility may act in the place of a joint powers board to meet the criteria of this subdivision.

Subd. 3. Reorganizing districts. A district that is a member of a joint powers board established under subdivision 2 and that is planning to reorganize under section 123A.45, 123A.46, or 123A.48 must notify the joint powers board one year in advance of the effective date of the reorganization. Notwithstanding section 471.59 or any other law to the contrary, the board of a district that reorganizes under section 123A.45, 123A.46, or 123A.48 may appoint representatives to the joint powers board who will serve on the joint powers board for two years after the effective date of the reorganization if authorized in the agreement establishing the joint powers board to govern the cooperative facility. These representatives shall have the same powers as representatives of any other school district under the joint powers agreement.

Subd. 4. District procedures. A joint powers board of a district established under subdivision 2 or a school board of a reorganized district that intends to apply for a grant must adopt a resolution stating the proposed costs of the project, the purpose for which the costs are to be incurred, and an estimate of the dates when the facilities for which the grant is requested will be contracted for and completed. Applications for the state grants must be accompanied by (a) a copy of the resolution, (b) a certificate by the clerk and treasurer of the joint powers board showing the current outstanding indebtedness of each member district, and (c) a certificate by the county auditor of each county in which a portion of the joint powers district lies showing the information in the auditor's official records that is required to be used in computing the debt limit of the district under section 475.53, subdivision 4. The clerk's and treasurer's certificate must show, as to each outstanding bond issue of each member district, the amount originally issued, the purpose for which issued, the date of issue, the amount remaining unpaid as of the date of the resolution, and the interest rates and due dates and amounts of principal thereon. Applications and necessary data must be in the form prescribed by the commissioner. Applications must be received by the commissioner by September 1 of an odd-numbered year. When an application is received, the commissioner shall obtain from the commissioner of revenue, and from the Public Utilities Commission when required, the information in their official records that is required to be used in computing the debt limit of the joint powers district under section 475.53, subdivision 4.

Subd. 5. Award of grants. By November 1 of the odd-numbered year, the commissioner shall examine and consider all applications for grants, and if any district is found not qualified, the commissioner shall promptly notify that board.

A grant award is subject to verification by the district as specified in subdivision 8. A grant award for a new facility must not be made until the site of the facility has been determined. A grant award to remodel or improve an existing facility must not be made until the districts have reorganized. If the total amount of the approved applications exceeds the amount that is or can be made available, the commissioner shall first award grants to districts that will close at least one existing school building, and then, to the extent funds remain, allot the available amount equally

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between any other approved applicant districts. The commissioner shall promptly certify to each qualified district the amount, if any, of the grant awarded to it.

Subd. 6. **Collocation grant.** A group of districts that receives a grant for a new facility under subdivision 4 is also eligible to receive an additional grant in the amount of \$1,000,000. To receive the additional grant, the group of districts must develop a plan under subdivision 2, paragraph (d), that provides for the location of a significant number of noneducational student and community service programs within the cooperative facility.

Subd. 7. **Referendum; bond issue.** Within 180 days after being awarded a grant for a new facility under subdivision 5, the joint powers board must submit the question of authorizing the borrowing of funds for the facility to the voters of the joint powers district at a special election, which may be held in conjunction with the general election of the school board members of the member districts. The question submitted must state the total amount of funding needed from all sources. A majority of those voting in the affirmative on the question is sufficient to authorize the joint powers board to accept the grant and to issue the bonds on public sale according to chapter 475. The clerk of the joint powers board must certify the vote of the bond election to the commissioner. If the question is approved by the voters, the commissioner shall notify the approved applicant districts that the grant amount certified under subdivision 5 is available and appropriated for payment under this subdivision. If a majority of those voting on the question do not vote in the affirmative, the grant must be canceled.

Subd. 8. **Contract.** Each grant must be evidenced by a contract between the board and the state acting through the commissioner. The contract obligates the state to pay to the board an amount computed according to subdivision 5, and according to a schedule, and terms and conditions acceptable to the commissioner of management and budget.

Subd. 9. **Consolidation.** A group of districts that operates a cooperative facility that was acquired, constructed, remodeled, or improved under this section and implements consolidation proceedings according to section 123A.48, may propose a temporary school board structure in the petition or resolution required under section 123A.48, subdivision 2. The districts may propose the number of existing school board members of each district to become members of the board of the consolidated district and a method to gradually reduce the membership to six or seven. The proposal must be approved, disapproved, or modified by the commissioner. The election requirements of section 123A.48, subdivision 20, do not apply to a proposal approved by the state board. Elections conducted after the effective date of the consolidation are subject to the Minnesota Election Law.