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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 2743

03/06/2014 Authored by Hortman

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; revising debt service equalization, health and  
1.3 safety levy equalization, alternative facilities revenue equalization, and deferred  
1.4 maintenance revenue equalization; amending Minnesota Statutes 2012, sections  
1.5 123B.53, subdivision 4; 123B.59, subdivision 6, by adding subdivisions;  
1.6 Minnesota Statutes 2013 Supplement, sections 123B.53, subdivisions 1, 5;  
1.7 123B.57, subdivision 4; 123B.591, subdivision 3.

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

1.9 Section 1. Minnesota Statutes 2013 Supplement, section 123B.53, subdivision 1, is  
1.10 amended to read:

1.11 Subdivision 1. **Definitions.** (a) For purposes of this section, the eligible debt service  
1.12 revenue of a district is defined as follows:

1.13 (1) the amount needed to produce between five and six percent in excess of the  
1.14 amount needed to meet when due the principal and interest payments on the obligations  
1.15 of the district for eligible projects according to subdivision 2, including the amounts  
1.16 necessary for repayment of energy loans according to section 216C.37 or sections 298.292  
1.17 to 298.298, debt service loans and capital loans, lease purchase payments under section  
1.18 126C.40, subdivision 2, alternative facilities levies under section 123B.59, subdivision  
1.19 5, paragraph (a), minus

1.20 (2) the amount of debt service excess levy reduction for that school year calculated  
1.21 according to the procedure established by the commissioner.

1.22 (b) The obligations in this paragraph are excluded from eligible debt service revenue:

1.23 (1) obligations under section 123B.61;

1.24 (2) the part of debt service principal and interest paid from the taconite environmental  
1.25 protection fund or Douglas J. Johnson economic protection trust;

(3) obligations issued under Laws 1991, chapter 265, article 5, section 18, as amended by Laws 1992, chapter 499, article 5, section 24; and

(4) obligations under section 123B.62.; and

(5) obligations under section 123B.59 (alternative facilities).

(c) For purposes of this section, if a preexisting school district reorganized under sections 123A.35 to 123A.43, 123A.46, and 123A.48 is solely responsible for retirement of the preexisting district's bonded indebtedness, capital loans or debt service loans, debt service equalization aid must be computed separately for each of the preexisting districts.

(d) 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.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and later.

Sec. 2. Minnesota Statutes 2012, section 123B.53, subdivision 4, is amended to read:

Subd. 4. **Debt service equalization revenue.** (a) The debt service equalization revenue of a district equals the sum of the first tier debt service equalization revenue and the second tier debt service equalization revenue.

(b) The first tier debt service equalization revenue of a district equals the greater of zero or the eligible debt service revenue minus the amount raised by a levy of ~~15.74~~ ten percent times the adjusted net tax capacity of the district minus the second tier debt service equalization revenue of the district.

(c) The second tier debt service equalization revenue of a district equals the greater of zero or the eligible debt service revenue, ~~excluding alternative facilities levies under section 123B.59, subdivision 5,~~ minus the amount raised by a levy of ~~26.24~~ 30 percent times the adjusted net tax capacity of the district.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and later.

Sec. 3. Minnesota Statutes 2013 Supplement, section 123B.53, subdivision 5, is amended to read:

Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a district equals the sum of the first tier equalized debt service levy and the second tier equalized debt service levy.

(b) A district's first tier equalized debt service levy equals the district's first tier 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 third prior year adjusted pupil units ~~in the district for the school year ending in the year prior to the year the levy is certified~~; to

(2) ~~\$3,550~~ 125 percent of the state average adjusted net tax capacity per third prior year adjusted pupil unit.

(c) A district's second tier equalized debt service levy equals the district's second tier 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 third prior year adjusted pupil units ~~in the district for the school year ending in the year prior to the year the levy is certified~~; to

(2) ~~\$7,900~~ 300 percent of the state average adjusted net tax capacity per third prior year adjusted pupil unit.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and later.

Sec. 4. Minnesota Statutes 2013 Supplement, section 123B.57, subdivision 4, is amended to read:

Subd. 4. **Health and safety levy.** To receive health and safety revenue, a district may levy an amount equal to the district's health and safety revenue as defined in subdivision 3 multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the third prior year adjusted pupil units ~~in the district for the school year to which the levy is attributable~~, to ~~\$3,165~~ 125 percent of the state average adjusted net tax capacity per third prior year adjusted pupil unit.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and later.

Sec. 5. Minnesota Statutes 2012, section 123B.59, is amended by adding a subdivision to read:

Subd. 5a. **Alternative facilities equalization revenue.** A district's alternative facilities equalization revenue equals the sum of the district's debt service levy for bonds issued under subdivision 3 and the district's levy under subdivision 3a.

**EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and later.

Sec. 6. Minnesota Statutes 2012, section 123B.59, is amended by adding a subdivision to read:

4.1            Subd. 5b. **Alternative facilities equalization levy.** A district's alternative facilities  
4.2 equalization levy equals the product of the district's alternative facilities equalization  
4.3 revenue for the fiscal year times the lesser of one or the ratio of the district's adjusted net  
4.4 tax capacity per third prior year adjusted pupil unit to 125 percent of the state average  
4.5 adjusted net tax capacity per third prior year adjusted pupil unit.

4.6            **EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and later.

4.7            Sec. 7. Minnesota Statutes 2012, section 123B.59, subdivision 6, is amended to read:

4.8            Subd. 6. **Alternative facilities equalization aid.** A district's alternative facilities  
4.9 equalization aid is the greater of:

4.10            (a) the district's alternative facilities equalization revenue minus the district's  
4.11 alternative facilities equalization levy times the ratio of the actual amount levied to the  
4.12 permitted levy; or

4.13            (b) the amount equal to the district's annual debt service costs, provided that the  
4.14 amount does not exceed the amount certified to be levied for those purposes for taxes  
4.15 payable in 1997, or for a district that made a levy under subdivision 5, paragraph (b),  
4.16 the lesser of the district's annual levy amount, or one-sixth of the amount of levy that it  
4.17 certified for that purpose for taxes payable in 1998.

4.18            **EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and later.

4.19            Sec. 8. Minnesota Statutes 2013 Supplement, section 123B.591, subdivision 3, is  
4.20 amended to read:

4.21            Subd. 3. **Deferred maintenance levy.** To obtain deferred maintenance revenue, a  
4.22 district may levy an amount not more than the product of its deferred maintenance revenue  
4.23 for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per  
4.24 third prior year adjusted pupil unit to \$5,965 125 percent of the state average adjusted  
4.25 net tax capacity per third prior year adjusted pupil unit.

4.26            **EFFECTIVE DATE.** This section is effective for taxes payable in 2016 and later.