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State of Minnesota

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HOUSE OF REPRESENTATIVES

EIGHTY-SEVENTH SESSION

H. F. No. 2967

03/26/2012 Authored by Holberg

The bill was read for the first time and referred to the Committee on Ways and Means

04/23/2012 Adoption of Report: Pass as Amended and Read Second Time

A bill for an act

relating to state government; updating the equalizing factors and threshold rates to reflect the changed adjusted net tax capacity tax base; updating human services appropriations for changes reflected in the February forecast; making certain education shift adjustments; regulating the fire safety account; establishing a certain community outreach grant; appropriating money; amending Minnesota Statutes 2010, sections 123B.53, subdivisions 4, 5; 123B.591, subdivision 3; 124D.20, subdivision 5; 124D.22, subdivision 3; 126C.10, subdivisions 13a, 35; 126C.41, subdivision 5; 126C.63, subdivision 8; 126C.69, subdivisions 2, 9; 297I.06, subdivision 1; 299F.012, subdivision 1, by adding a subdivision; Minnesota Statutes 2011 Supplement, sections 16A.152, subdivision 2; 123B.54; 123B.57, subdivision 4; 127A.45, subdivision 2; 297I.06, subdivision 3.

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

ARTICLE 1

EDUCATION FINANCE TECHNICAL UPDATES

Section 1. Minnesota Statutes 2010, 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~~ 15.74 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 ~~25~~ 26.24 percent times the adjusted net tax capacity of the district.

2.1 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

2.2 Sec. 2. Minnesota Statutes 2010, section 123B.53, subdivision 5, is amended to read:

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

2.6 (b) A district's first tier equalized debt service levy equals the district's first tier debt
2.7 service equalization revenue times the lesser of one or the ratio of:

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

2.11 (2) ~~\$3,200~~ \$3,049.

2.12 (c) A district's second tier equalized debt service levy equals the district's second tier
2.13 debt service equalization revenue times the lesser of one or the ratio of:

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

2.17 (2) ~~\$8,000~~ \$7,622.

2.18 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

2.19 Sec. 3. Minnesota Statutes 2011 Supplement, section 123B.54, is amended to read:

2.20 **123B.54 DEBT SERVICE APPROPRIATION.**

2.21 (a) ~~\$11,022,000 in fiscal year 2012, \$19,484,000 in fiscal year 2013, \$23,588,000~~

2.22 \$22,103,000 in fiscal year 2014, and \$23,967,000 \$24,219,000 in fiscal year 2015 and

2.23 later are appropriated from the general fund to the commissioner of education for payment
2.24 of debt service equalization aid under section 123B.53.

2.25 (b) The appropriations in paragraph (a) must be reduced by the amount of any
2.26 money specifically appropriated for the same purpose in any year from any state fund.

2.27 Sec. 4. Minnesota Statutes 2011 Supplement, section 123B.57, subdivision 4, is
2.28 amended to read:

2.29 Subd. 4. **Health and safety levy.** To receive health and safety revenue, a district
2.30 may levy an amount equal to the district's health and safety revenue as defined in
2.31 subdivision 3 multiplied by the lesser of one, or the ratio of the quotient derived by
2.32 dividing the adjusted net tax capacity of the district for the year preceding the year the

3.1 levy is certified by the adjusted marginal cost pupil units in the district for the school year
3.2 to which the levy is attributable, to ~~\$2,935~~ \$2,796.

3.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

3.4 Sec. 5. Minnesota Statutes 2010, section 123B.591, subdivision 3, is amended to read:

3.5 Subd. 3. **Deferred maintenance levy.** To obtain deferred maintenance revenue for
3.6 fiscal year 2008 and later, a district may levy an amount not more than the product of its
3.7 deferred maintenance revenue for the fiscal year times the lesser of one or the ratio of its
3.8 adjusted net tax capacity per adjusted marginal cost pupil unit to ~~\$5,900~~ \$5,621.

3.9 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

3.10 Sec. 6. Minnesota Statutes 2010, section 124D.20, subdivision 5, is amended to read:

3.11 Subd. 5. **Total community education levy.** To obtain total community education
3.12 revenue, a district may levy the amount raised by a maximum tax rate of ~~9~~ 9.94 percent
3.13 times the adjusted net tax capacity of the district. If the amount of the total community
3.14 education levy would exceed the total community education revenue, the total community
3.15 education levy shall be determined according to subdivision 6.

3.16 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

3.17 Sec. 7. Minnesota Statutes 2010, section 124D.22, subdivision 3, is amended to read:

3.18 Subd. 3. **School-age care levy.** To obtain school-age care revenue, a school
3.19 district may levy an amount equal to the district's school-age care revenue as defined
3.20 in subdivision 2 multiplied by the lesser of one, or the ratio of the quotient derived by
3.21 dividing the adjusted net tax capacity of the district for the year before the year the levy is
3.22 certified by the resident pupil units in the district for the school year to which the levy
3.23 is attributable, to ~~\$2,433~~ \$2,318.

3.24 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

3.25 Sec. 8. Minnesota Statutes 2010, section 126C.10, subdivision 13a, is amended to read:

3.26 Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal
3.27 year 2007 and later, a district may levy an amount not more than the product of its
3.28 operating capital revenue for the fiscal year times the lesser of one or the ratio of its
3.29 adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital

4.1 equalizing factor. The operating capital equalizing factor equals ~~\$22,222 for fiscal year~~
4.2 ~~2006, and \$10,700 for fiscal year 2007 and later~~ \$10,194.

4.3 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

4.4 Sec. 9. Minnesota Statutes 2010, section 126C.10, subdivision 35, is amended to read:

4.5 Subd. 35. **Alternative teacher compensation levy.** For fiscal year 2007 and later,
4.6 the alternative teacher compensation levy for a district receiving basic alternative teacher
4.7 compensation aid equals the product of (1) the difference between the district's alternative
4.8 teacher compensation revenue and the district's basic alternative teacher compensation
4.9 aid times (2) the lesser of one or the ratio of the district's adjusted net tax capacity per
4.10 adjusted pupil unit to ~~\$5,913~~ \$5,634.

4.11 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

4.12 Sec. 10. Minnesota Statutes 2010, section 126C.41, subdivision 5, is amended to read:

4.13 Subd. 5. **St. Paul severance levy.** The school board of Independent School District
4.14 No. 625, St. Paul, for the purpose of providing moneys for the payment of its severance
4.15 pay obligations under a plan approved by resolution of the district, in addition to all other
4.16 powers possessed by the school district and in addition to and in excess of any existing
4.17 limitation upon the amount it is otherwise authorized by law to levy as taxes, is authorized
4.18 to levy taxes annually not exceeding in any one year an amount equal to a net tax capacity
4.19 rate of ~~.34~~ .36 percent for taxes payable in 2002 and thereafter upon all taxable property
4.20 within the school district which taxes as levied shall be spread upon the tax rolls, and
4.21 all corrections thereof shall be held by the school district, and allocated therefor to be
4.22 disbursed and expended by the school district in payment of any public school severance
4.23 pay obligations and for no other purpose. Disbursements and expenditures previously
4.24 authorized on behalf of the school district for payment of severance pay obligations shall
4.25 not be deemed to constitute any part of the cost of the operation and maintenance of
4.26 the school district within the meaning of any statutory limitation of any school district
4.27 expenditures.

4.28 The amount of such severance pay allowable or to become payable in respect of
4.29 any such employment or to any such employee shall not exceed the amount permitted
4.30 by section 465.72.

4.31 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

4.32 Sec. 11. Minnesota Statutes 2010, section 126C.63, subdivision 8, is amended to read:

5.1 Subd. 8. **Maximum effort debt service levy.** (a) "Maximum effort debt service
5.2 levy" means the lesser of:

5.3 (1) a levy in whichever of the following amounts is applicable:

5.4 (i) in any district receiving a debt service loan for a debt service levy payable in
5.5 2002 and thereafter, or granted a capital loan after January 1, 2002, a levy in total dollar
5.6 amount computed at a rate of ~~32~~ 33.59 percent of adjusted net tax capacity for taxes
5.7 payable in 2002 and thereafter;

5.8 (ii) in any district receiving a debt service loan for a debt service levy payable in
5.9 2001 or earlier, or granted a capital loan before January 2, 2002, a levy in a total dollar
5.10 amount computed at a rate of ~~28~~ 29.39 percent of adjusted net tax capacity for taxes
5.11 payable in 2002 and thereafter; or

5.12 (2) a levy in any district for which a capital loan was approved prior to August
5.13 1, 1981, a levy in a total dollar amount equal to the sum of the amount of the required
5.14 debt service levy and an amount which when levied annually will in the opinion of the
5.15 commissioner be sufficient to retire the remaining interest and principal on any outstanding
5.16 loans from the state within 30 years of the original date when the capital loan was granted.

5.17 (b) The board in any district affected by the provisions of paragraph (a), clause
5.18 (2), may elect instead to determine the amount of its levy according to the provisions of
5.19 paragraph (a), clause (1). If a district's capital loan is not paid within 30 years because
5.20 it elects to determine the amount of its levy according to the provisions of paragraph
5.21 (a), clause (2), the liability of the district for the amount of the difference between the
5.22 amount it levied under paragraph (a), clause (2), and the amount it would have levied
5.23 under paragraph (a), clause (1), and for interest on the amount of that difference, must not
5.24 be satisfied and discharged pursuant to Minnesota Statutes 1988, or an earlier edition of
5.25 Minnesota Statutes if applicable, section 124.43, subdivision 4.

5.26 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

5.27 Sec. 12. Minnesota Statutes 2010, section 126C.69, subdivision 2, is amended to read:

5.28 Subd. 2. **Capital loans eligibility.** Beginning July 1, 1999, a district is not eligible
5.29 for a capital loan unless the district's estimated net debt tax rate as computed by the
5.30 commissioner after debt service equalization aid would be more than ~~40~~ 41.98 percent
5.31 of adjusted net tax capacity. The estimate must assume a 20-year maturity schedule for
5.32 new debt.

5.33 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

6.1 Sec. 13. Minnesota Statutes 2010, section 126C.69, subdivision 9, is amended to read:

6.2 Subd. 9. **Loan amount limits.** (a) A loan must not be recommended for approval
6.3 for a district exceeding an amount computed as follows:

6.4 (1) the amount requested by the district under subdivision 6;

6.5 (2) plus the aggregate principal amount of general obligation bonds of the district
6.6 outstanding on June 30 of the year following the year the application was received, not
6.7 exceeding the limitation on net debt of the district in section 475.53, subdivision 4, or ~~607~~
6.8 637 percent of its adjusted net tax capacity as most recently determined, whichever is less;

6.9 (3) less the maximum net debt permissible for the district on December 1 of the year
6.10 the application is received, under the limitation in section 475.53, subdivision 4, or ~~607~~
6.11 637 percent of its adjusted net tax capacity as most recently determined, whichever is less;

6.12 (4) less any amount by which the amount voted exceeds the total cost of the facilities
6.13 for which the loan is granted.

6.14 (b) The loan may be approved in an amount computed as provided in paragraph (a),
6.15 clauses (1) to (3), subject to later reduction according to paragraph (a), clause (4).

6.16 **EFFECTIVE DATE.** This section is effective for taxes payable in 2012 and later.

6.17 **ARTICLE 2**

6.18 **EDUCATION SHIFT ADJUSTMENT**

6.19 Section 1. Minnesota Statutes 2011 Supplement, section 16A.152, subdivision 2,
6.20 is amended to read:

6.21 Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general
6.22 fund revenues and expenditures, the commissioner of management and budget determines
6.23 that there will be a positive unrestricted budgetary general fund balance at the close of
6.24 the biennium, the commissioner of management and budget must allocate money to the
6.25 following accounts and purposes in priority order:

6.26 (1) the cash flow account established in subdivision 1 until that account reaches
6.27 \$350,000,000;

6.28 (2) the budget reserve account established in subdivision 1a until that account
6.29 reaches \$653,000,000;

6.30 (3) the amount necessary to increase the aid payment schedule for school district
6.31 aids and credits payments in section 127A.45 to not more than ~~90~~ 95 percent rounded
6.32 to the nearest tenth of a percent without exceeding the amount available and with any
6.33 remaining funds deposited in the budget reserve;

7.1 (4) the amount necessary to restore all or a portion of the net aid reductions under
7.2 section 127A.441 and to reduce the property tax revenue recognition shift under section
7.3 123B.75, subdivision 5, by the same amount;

7.4 (5) to the state airports fund, the amount necessary to restore the amount transferred
7.5 from the state airports fund under Laws 2008, chapter 363, article 11, section 3,
7.6 subdivision 5; and

7.7 (6) to the fire safety account in the special revenue fund, the amount necessary to
7.8 restore transfers from the account to the general fund made in Laws 2010.

7.9 (b) The amounts necessary to meet the requirements of this section are appropriated
7.10 from the general fund within two weeks after the forecast is released or, in the case of
7.11 transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations
7.12 schedules otherwise established in statute.

7.13 (c) The commissioner of management and budget shall certify the total dollar
7.14 amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of
7.15 education. The commissioner of education shall increase the aid payment percentage and
7.16 reduce the property tax shift percentage by these amounts and apply those reductions to
7.17 the current fiscal year and thereafter.

7.18 Sec. 2. Minnesota Statutes 2011 Supplement, section 127A.45, subdivision 2, is
7.19 amended to read:

7.20 Subd. 2. **Definitions.** (a) "Other district receipts" means payments by county
7.21 treasurers pursuant to section 276.10, apportionments from the school endowment fund
7.22 pursuant to section 127A.33, apportionments by the county auditor pursuant to section
7.23 127A.34, subdivision 2, and payments to school districts by the commissioner of revenue
7.24 pursuant to chapter 298.

7.25 (b) "Cumulative amount guaranteed" means the product of

7.26 (1) the cumulative disbursement percentage shown in subdivision 3; times

7.27 (2) the sum of

7.28 (i) the current year aid payment percentage of the estimated aid and credit
7.29 entitlements paid according to subdivision 13; plus

7.30 (ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus

7.31 (iii) the other district receipts.

7.32 (c) "Payment date" means the date on which state payments to districts are made
7.33 by the electronic funds transfer method. If a payment date falls on a Saturday, a Sunday,
7.34 or a weekday which is a legal holiday, the payment shall be made on the immediately
7.35 preceding business day. The commissioner may make payments on dates other than

8.1 those listed in subdivision 3, but only for portions of payments from any preceding
8.2 payment dates which could not be processed by the electronic funds transfer method due
8.3 to documented extenuating circumstances.

8.4 (d) The current year aid payment percentage equals 73 in fiscal year 2010 and 70 in
8.5 fiscal year 2011, ~~and 60~~ 64.3 in fiscal ~~years~~ year 2012 and 70.2 in fiscal year 2013 and later.

8.6 Sec. 3. **BALANCES CANCELED TO GENERAL FUND; PAYMENT**
8.7 **SCHEDULE ADJUSTED.**

8.8 Subdivision 1. **Balance canceled.** \$430,088,000 of the unobligated balance in the
8.9 budget reserve account created in Minnesota Statutes, section 16A.152, subdivision 1a, is
8.10 canceled to the general fund in fiscal year 2013.

8.11 Subd. 2. **Aid payment schedule adjusted.** If the commissioner of management and
8.12 budget determines that modifications in the aid payment schedule would reduce the need
8.13 for short-term borrowing, the commissioner of education may modify the aid payment
8.14 metering schedule under Minnesota Statutes, section 127A.45, subdivision 3, to reduce
8.15 the cumulative amounts paid during any payment period prior to June 30, 2013, provided
8.16 that the reduced cumulative dollar amount paid may not be below the statutory amounts
8.17 computed using an aid payment percentage of 64.3 for the current year aid payment
8.18 amount and the cumulative amount reduced must not exceed \$430,088,000.

8.19 Sec. 4. **K-12 SHIFT APPROPRIATIONS.**

8.20 The amounts sufficient to fully fund the K-12 aid entitlements under Laws 2011,
8.21 First Special Session chapter 11, adjusted to reflect the higher aid payment percentage
8.22 under section 1, are appropriated in fiscal year 2013 from the general fund to the
8.23 Department of Education.

8.24 **ARTICLE 3**

8.25 **FIRE SAFETY ACCOUNT**

8.26 Section 1. Minnesota Statutes 2011 Supplement, section 16A.152, subdivision 2,
8.27 is amended to read:

8.28 Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general
8.29 fund revenues and expenditures, the commissioner of management and budget determines
8.30 that there will be a positive unrestricted budgetary general fund balance at the close of
8.31 the biennium, the commissioner of management and budget must allocate money to the
8.32 following accounts and purposes in priority order:

9.1 (1) the cash flow account established in subdivision 1 until that account reaches
9.2 \$350,000,000;

9.3 (2) the budget reserve account established in subdivision 1a until that account
9.4 reaches \$653,000,000;

9.5 (3) the amount necessary to increase the aid payment schedule for school district
9.6 aids and credits payments in section 127A.45 to not more than 90 percent rounded to the
9.7 nearest tenth of a percent without exceeding the amount available and with any remaining
9.8 funds deposited in the budget reserve;

9.9 (4) the amount necessary to restore all or a portion of the net aid reductions under
9.10 section 127A.441 and to reduce the property tax revenue recognition shift under section
9.11 123B.75, subdivision 5, by the same amount; and

9.12 (5) to the state airports fund, the amount necessary to restore the amount transferred
9.13 from the state airports fund under Laws 2008, chapter 363, article 11, section 3,
9.14 subdivision 5; and

9.15 ~~(6) to the fire safety account in the special revenue fund, the amount necessary to~~
9.16 ~~restore transfers from the account to the general fund made in Laws 2010.~~

9.17 (b) The amounts necessary to meet the requirements of this section are appropriated
9.18 from the general fund within two weeks after the forecast is released or, in the case of
9.19 transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations
9.20 schedules otherwise established in statute.

9.21 (c) The commissioner of management and budget shall certify the total dollar
9.22 amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of
9.23 education. The commissioner of education shall increase the aid payment percentage and
9.24 reduce the property tax shift percentage by these amounts and apply those reductions to
9.25 the current fiscal year and thereafter.

9.26 Sec. 2. Minnesota Statutes 2010, section 297I.06, subdivision 1, is amended to read:

9.27 Subdivision 1. **Insurance policies surcharge.** (a) Except as otherwise provided in
9.28 subdivision 2, each licensed insurer engaged in writing policies of homeowner's insurance
9.29 authorized in section 60A.06, subdivision 1, clause (1)(c), or commercial fire policies or
9.30 commercial nonliability policies shall collect a surcharge as provided in this paragraph.
9.31 Through June 30, 2012, the surcharge is equal to 0.65 percent of the gross premiums
9.32 and assessments, less return premiums, on direct business received by the company, or
9.33 by its agents for it, for homeowner's insurance policies, commercial fire policies, and
9.34 commercial nonliability insurance policies in this state and beginning July 1, 2013, the
9.35 surcharge is reduced to 0.5 percent.

10.1 (b) The surcharge amount collected under paragraph (a) or subdivision 2, paragraph
10.2 (b), may not be considered premium for any other purpose. The surcharge amount
10.3 under paragraph (a) must be separately stated on either a billing or policy declaration or
10.4 document containing similar information sent to an insured.

10.5 (c) Amounts collected by the commissioner under this section must be deposited in
10.6 the fire safety account established pursuant to subdivision 3.

10.7 Sec. 3. Minnesota Statutes 2011 Supplement, section 297I.06, subdivision 3, is
10.8 amended to read:

10.9 Subd. 3. **Fire safety account, annual transfers, allocation.** A special account, to
10.10 be known as the fire safety account, is created in the state treasury. The account consists of
10.11 the proceeds under subdivisions 1 and 2. \$4,227,000 in fiscal year 2012, and \$4,228,000
10.12 in fiscal year 2013, and \$2,368,000 in each year thereafter is transferred from the fire
10.13 safety account in the special revenue fund to the general fund to offset the loss of revenue
10.14 caused by the repeal of the one-half of one percent tax on fire insurance premiums.

10.15 Sec. 4. Minnesota Statutes 2010, section 299F.012, subdivision 1, is amended to read:

10.16 Subdivision 1. **Authorized programs within department.** From the revenues
10.17 appropriated from the fire safety account, established under section 297I.06, subdivision
10.18 3, the commissioner of public safety may expend funds for the activities and programs
10.19 identified by the advisory committee established under subdivision 2 and recommended
10.20 to the commissioner of public safety, consistent with the distribution of funds under
10.21 subdivision 1a. The commissioner shall not expend funds without the recommendation
10.22 of the advisory committee established under subdivision 2. These funds are to be used
10.23 to provide resources needed for identified activities and programs of the Minnesota fire
10.24 service and to ensure the State Fire Marshal Division responsibilities are fulfilled.

10.25 Sec. 5. Minnesota Statutes 2010, section 299F.012, is amended by adding a subdivision
10.26 to read:

10.27 Subd. 1a. **Distribution of fire safety account.** (a) On June 30, 2013, any unallocated
10.28 balance in the fire safety account under section 297I.06, subdivision 3, is appropriated to
10.29 the commissioner of public safety to be allocated as follows: 45 percent of the unallocated
10.30 balance for the State Fire Marshal Division, and 55 percent to be distributed according to
10.31 the recommendations of the advisory committee under subdivision 2 for the Minnesota
10.32 Board of Firefighter Training and Education and for fire-related regional response team
10.33 programs and other fire service programs with potential for statewide impact.

APPENDIX
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