

State of Minnesota

H. F. No. **4263**

~~in making available to all students those educational programs, services and facilities that are most efficiently and effectively provided by a~~ supports facility needs for isolated small school districts and cooperative effort facility needs of school districts.

(b) The policy and purpose of sections 123A.442 to ~~123A.445~~ 123A.447 is to use state appropriations and the credit of the state, to a limited degree, to provide grants to cooperating groups of districts and isolated small school districts to improve and expand the educational opportunities and facilities available to their students.

Sec. 3. Minnesota Statutes 2020, section 123A.442, is amended to read:

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 or isolated small school district 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~~ A cooperating district that ~~has not already consolidated and receive~~ receives 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. 2a. **Isolated small school districts.** (a) "Isolated small school district" means a district:

(1) that qualifies for operating sparsity revenue under section 126C.10;

(2) that serves fewer than 500 pupils in average daily membership; and

(3) where at least 50 percent of the estimated market value of all taxable property for the second prior year is classified as class 2 under section 273.13, subdivision 23.

(b) An isolated small school district may submit an application to the commissioner for a facilities grant. The application must:

(1) demonstrate to the commissioner's satisfaction that the small school has facility needs; and

(2) document the characteristics that prevent the district from funding the total proposed building costs through the debt service equalization aid program.

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

Sec. 4. Minnesota Statutes 2020, section 123A.443, is amended to read:

123A.443 GRANT APPLICATION PROCESS.

Subdivision 1. **Qualification.** Any group of districts or a consolidated district that meets the criteria required under subdivision 2 or isolated small school under section 123A.442, subdivision 2a, 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~~ the 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~~ qualifying district or group of districts 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 an isolated small school or 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;

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

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

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

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

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

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

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

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

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

4.29 Subd. 3. **Reorganizing districts.** A district that is a member of a joint powers board
4.30 established under subdivision 2 and that is planning to reorganize under section 123A.45,
4.31 123A.46, or 123A.48 must notify the joint powers board one year in advance of the effective
4.32 date of the reorganization. Notwithstanding section 471.59 or any other law to the contrary,
4.33 the board of a district that reorganizes under section 123A.45, 123A.46, or 123A.48 may

5.1 appoint representatives to the joint powers board who will serve on the joint powers board
5.2 for two years after the effective date of the reorganization if authorized in the agreement
5.3 establishing the joint powers board to govern the cooperative facility. These representatives
5.4 shall have the same powers as representatives of any other school district under the joint
5.5 powers agreement.

5.6 Subd. 4. **District procedures.** A joint powers board of a district established under
5.7 subdivision 2 ~~or~~ a school board of a reorganized district, or the school board of an isolated
5.8 small school district that intends to apply for a grant must adopt a resolution stating the
5.9 proposed costs of the project, the purpose for which the costs are to be incurred, and an
5.10 estimate of the dates when the facilities for which the grant is requested will be contracted
5.11 for and completed. Applications for the state grants must be accompanied by ~~(a)~~ (1) a copy
5.12 of the resolution, ~~(b)~~ (2) a certificate by the clerk and treasurer of the joint powers board or
5.13 school board showing the current outstanding indebtedness of each member district, and
5.14 ~~(c)~~ (3) a certificate by the county auditor of each county in which a portion of the joint
5.15 powers district lies showing the information in the auditor's official records that is required
5.16 to be used in computing the debt limit of the district under section 475.53, subdivision 4.
5.17 The clerk's and treasurer's certificate must show, as to each outstanding bond issue of each
5.18 member district or isolated small school district, the amount originally issued, the purpose
5.19 for which issued, the date of issue, the amount remaining unpaid as of the date of the
5.20 resolution, and the interest rates and due dates and amounts of principal thereon. Applications
5.21 and necessary data must be in the form prescribed by the commissioner. Applications must
5.22 be received by the commissioner by September 1 of an odd-numbered year. When an
5.23 application is received, the commissioner shall obtain from the commissioner of revenue,
5.24 and from the Public Utilities Commission when required, the information in their official
5.25 records that is required to be used in computing the debt limit of the joint powers district
5.26 under section 475.53, subdivision 4.

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

5.30 (b) A grant award is subject to verification by the district as specified in subdivision 8.
5.31 A grant award for a new facility must not be made until the site of the facility has been
5.32 determined. For a group of cooperating school districts, a grant award to remodel or improve
5.33 an existing facility must not be made until the cooperating districts have reorganized. If the
5.34 total amount of the approved applications exceeds the amount that is or can be made
5.35 available, the commissioner shall first award grants to cooperating or consolidating school

districts that will close at least one existing school building, and then, to the extent funds remain, allot the available amount equally 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 or board of the isolated small school district must submit the question of authorizing the borrowing of funds for the facility to the voters of the joint powers district or isolated small school 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 or school board to accept the grant and to issue the bonds on public sale according to chapter 475. The clerk of the joint powers board or school district 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.

Sec. 5. [123A.447] SMALL SCHOOLS AND COOPERATING FACILITIES GRANT FUNDS; ACCOUNT CREATED.

Subdivision 1. Fund created. A small schools and cooperating school district facilities account is created in the special revenue fund. The state aid received under subdivision 2 and any state bond proceeds received under subdivision 3 must be deposited in this account.

Subd. 2. Annual replacement aid. Beginning in fiscal year 2024, \$2,000,000 is annually appropriated from the general fund to the small schools and cooperating school district facilities account in the special revenue fund.

Subd. 3. State bond authorization. To provide money for the grant program, the commissioner of management and budget shall deposit in the small schools and cooperating school district facilities account the proceeds of any bonds issued and sold by the state specifically designated for that purpose.

Subd. 4. Grants made; appropriation. On July 1 of each year, the balance in the small schools and cooperating facilities grant account in the special revenue fund is appropriated to the commissioner of education for small schools and cooperating school district facilities grants. On June 30 of each year, any money appropriated under this section but not yet distributed to a school district cancels to the small schools and cooperating facilities grant account in the special revenue fund.

Sec. 6. Minnesota Statutes 2020, section 123B.53, subdivision 1, is amended to read:

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

(1) the amount needed to produce between five and six percent in excess of the amount needed to meet when due the principal and interest payments on the obligations of the district for eligible projects according to subdivision 2, excluding the amounts listed in paragraph (b), minus

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

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

(1) obligations under section 123B.61;

(2) the part of debt service principal and interest paid from the taconite environmental protection fund or Douglas J. Johnson economic protection trust, excluding the portion of taconite payments from the Iron Range school consolidation and cooperatively operated school account under section 298.28, subdivision 7a;

(3) obligations for long-term facilities maintenance under section 123B.595;

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

(5) obligations equalized under section 123B.535.

(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 or capital 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.

(e) For purposes of this section, the "net tax capacity eligible debt service revenue" of a district means the total eligible debt service revenue of a district excluding any amount needed to meet the principal and interest payment obligations of the district for projects approved after June 30, 2025.

(f) For purposes of this section, "referendum market value eligible debt service revenue" equals the difference between total eligible debt service revenue and net tax capacity eligible debt service revenue.

(g) For purposes of this section, "referendum market value debt service levy" equals the district's total eligible debt service revenue less the sum of its:

(1) net tax capacity debt service levy under section 123B.55, paragraph (b);

(2) net tax capacity debt service equalization aid; and

(3) actual referendum market value debt service equalization aid.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2026.

Sec. 7. Minnesota Statutes 2020, section 123B.53, subdivision 4, is amended to read:

Subd. 4. **Net tax capacity debt service equalization revenue.** (a) The net tax capacity debt service equalization revenue of a district equals the sum of the first tier net tax capacity

9.1 debt service equalization revenue and the second tier net tax capacity debt service
9.2 equalization revenue.

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

9.7 (c) The second tier net tax capacity debt service equalization revenue of a district equals
9.8 the greater of zero or the eligible net tax capacity debt service revenue, minus the amount
9.9 raised by a levy of 26.24 percent times the adjusted net tax capacity of the district.

9.10 (d) Notwithstanding paragraphs (b) and (c), for a district with a capital loan under sections
9.11 126C.60 to 126C.72, the first tier net tax capacity debt equalization revenue equals zero,
9.12 and the second tier net tax capacity debt equalization revenue equals the portion of the
9.13 district's eligible debt service levy under subdivision 2 in excess of the district's maximum
9.14 effort debt service levy under section 126C.63, subdivision 8.

9.15 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2026.

9.16 Sec. 8. Minnesota Statutes 2020, section 123B.53, subdivision 5, is amended to read:

9.17 Subd. 5. **Equalized net tax capacity debt service levy.** (a) The equalized net tax capacity
9.18 debt service levy of a district equals the sum of the first tier equalized net tax capacity debt
9.19 service levy and the second tier equalized net tax capacity debt service levy.

9.20 (b) A district's first tier equalized net tax capacity debt service levy equals the district's
9.21 first tier net tax capacity debt service equalization revenue times the lesser of one or the
9.22 ratio of:

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

9.26 (2) ~~\$3,400 in fiscal year 2016, \$4,430 in fiscal year 2017, and~~ the greater of \$4,430 or
9.27 55.33 percent of the initial equalizing factor in fiscal year 2018 and later.

9.28 (c) A district's second tier equalized net tax capacity debt service levy equals the district's
9.29 second tier net tax capacity debt service equalization revenue times the lesser of one or the
9.30 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 adjusted pupil units in the district for the school year ending in the year prior to the year the levy is certified; to

(2) ~~\$8,000 in fiscal years 2016 and 2017, and~~ the greater of \$8,000 or 100 percent of the initial equalizing factor in fiscal year 2018 and later.

(d) For the purposes of this subdivision, the initial equalizing factor equals the quotient derived by dividing the total adjusted net tax capacity of all school districts in the state for the year before the year the levy is certified by the total number of adjusted pupil units in all school districts in the state in the year before the year the levy is certified.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2026.

Sec. 9. Minnesota Statutes 2020, section 123B.53, subdivision 6, is amended to read:

Subd. 6. **Net tax capacity debt service equalization aid.** (a) A district's net tax capacity debt service equalization aid is the sum of the district's first tier net tax capacity debt service equalization aid and the district's second tier net tax capacity debt service equalization aid.

(b) A district's first tier net tax capacity debt service equalization aid equals the difference between the district's first tier net tax capacity debt service equalization revenue and the district's first tier equalized net tax capacity debt service levy.

(c) A district's second tier net tax capacity debt service equalization aid equals the difference between the district's second tier net tax capacity debt service equalization revenue and the district's second tier equalized net tax capacity debt service levy.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2026.

Sec. 10. Minnesota Statutes 2020, section 123B.53, is amended by adding a subdivision to read:

Subd. 8. **Initial referendum market value debt service equalization revenue.** The initial referendum market value debt service equalization revenue of a district equals the greater of zero or the total eligible debt service revenue minus the amount raised by a levy of 0.1574 percent times the referendum market value of the district.

EFFECTIVE DATE. This section is effective beginning with taxes payable in 2026.

11.1 Sec. 11. Minnesota Statutes 2020, section 123B.53, is amended by adding a subdivision
11.2 to read:

11.3 Subd. 9. **Equalized initial referendum market value debt service levy.** The equalized
11.4 initial referendum market value debt service levy of a district equals the district's initial
11.5 referendum market value debt service equalization revenue times the lesser of one or the
11.6 ratio of:

11.7 (1) the quotient derived by dividing the referendum market value of the district for the
11.8 year before the year the levy is certified by the adjusted pupil units in the district for the
11.9 school year ending in the year before the year the levy is certified; to

11.10 (2) the quotient derived by dividing the total statewide referendum market value of all
11.11 school districts in the state for the year before the year the levy is certified by the total
11.12 number of adjusted pupil units in all school districts in the state in the year before the year
11.13 the levy is certified.

11.14 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2026.

11.15 Sec. 12. Minnesota Statutes 2020, section 123B.53, is amended by adding a subdivision
11.16 to read:

11.17 Subd. 10. **Initial referendum market value debt service equalization aid.** A district's
11.18 initial referendum market value debt service equalization aid equals the difference between
11.19 the district's initial referendum market value debt service equalization revenue and the
11.20 district's equalized referendum market value debt service levy.

11.21 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2026.

11.22 Sec. 13. Minnesota Statutes 2020, section 123B.53, is amended by adding a subdivision
11.23 to read:

11.24 Subd. 11. **Actual referendum market value aid.** A district's actual referendum market
11.25 value debt service aid equals the district's initial referendum market value debt service
11.26 equalization aid less its net tax capacity debt service equalization aid, provided that the aid
11.27 may not be less than zero or greater than (1) one minus the ratio specified in subdivision 9,
11.28 times (2) the district's market value debt service revenue.

11.29 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2026.

12.1 Sec. 14. Minnesota Statutes 2020, section 123B.55, is amended to read:

12.2 **123B.55 DEBT SERVICE LEVY.**

12.3 (a) A district may levy the amounts necessary to make payments for bonds issued and
12.4 for interest on them, including the bonds and interest on them, issued as authorized by
12.5 Minnesota Statutes 1974, section 275.125, subdivision 3, clause (7)(C); and the amounts
12.6 necessary for repayment of debt service loans and capital loans, minus the amount of debt
12.7 service equalization revenue of the district.

12.8 (b) Levies under this section for bonds authorized before July 1, 2025, must be levied
12.9 against the net tax capacity of the district, as defined under section 273.13, subdivision 21b.

12.10 (c) Levies under this section for bonds authorized after June 30, 2025, must be levied
12.11 against the referendum market value of the district, as defined under section 126C.01,
12.12 subdivision 3.

12.13 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2026.

12.14 Sec. 15. Minnesota Statutes 2020, section 126C.01, subdivision 3, is amended to read:

12.15 Subd. 3. **Referendum market value.** "Referendum market value" means the market
12.16 value of all taxable property, excluding property classified as class 2, or 4c(4), or 4c(12)
12.17 under section 273.13. The portion of class 2a property consisting of the house, garage, and
12.18 surrounding one acre of land of an agricultural homestead is included in referendum market
12.19 value. For the purposes of this subdivision, in the case of class 1a, 1b, or 2a property, "market
12.20 value" means the value prior to the exclusion under section 273.13, subdivision 35. The
12.21 referendum market value of class 4c(12) property under section 273.13 is equal to 0.25
12.22 times taxable market value. The referendum market value of class 3a property under section
12.23 273.13 that is not in the first tier of market value as defined in section 273.13, subdivision
12.24 24, is 1.25 times taxable market value. Any class of property, or any portion of a class of
12.25 property, that is included in the definition of referendum market value and that has a
12.26 classification rate of less than one percent under section 273.13 shall have a referendum
12.27 market value equal to its market value times its classification rate, multiplied by 100.

12.28 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2026.

12.29 Sec. 16. Minnesota Statutes 2020, section 275.61, is amended to read:

12.30 **275.61 VOTER-APPROVED LEVY; MARKET VALUE.**

12.31 Subdivision 1. **Market value.** (a) For local governmental subdivisions other than school
12.32 districts, any levy approved by the voters at a general or special election shall be levied

13.1 against the referendum market value of all taxable property within the governmental
13.2 subdivision, as defined in section 126C.01, subdivision 3. Any levy amount subject to the
13.3 requirements of this section shall be certified separately to the county auditor under section
13.4 275.07.

13.5 (b) The ballot shall state the maximum amount of the increased levy as a percentage of
13.6 market value and the amount that will be raised by the new referendum tax rate in the first
13.7 year it is to be levied.

13.8 (c) This subdivision does not apply to tax levies for the payment of debt obligations that
13.9 are approved by the voters after June 30, 2008, and before July 1, 2025.

13.10 **EFFECTIVE DATE.** This section is effective July 1, 2025.