

## CHAPTER 126C

### EDUCATION FUNDING

126C.01	Definitions.	126C.40	Capital levies.
126C.05	Definition of pupil units.	126C.43	Levies; statutory obligations.
126C.10	General education revenue.	126C.457	Career and technical levy.
126C.13	General education levy and aid.	126C.46	Abatement levy.
126C.15	Basic skills revenue; compensatory education revenue.	126C.48	Levy procedure.
126C.17	Referendum revenue.	126C.63	Definitions.
126C.21	Deductions from general education aid.	126C.65	Fund established; division into accounts.

#### 126C.01 DEFINITIONS.

*[For text of subds 1 to 9, see M.S.2004]*

Subd. 11. **Net unreserved general fund balance.** “Net unreserved general fund balance” means the sum of the unreserved general fund balance and encumbrances, computed as of June 30 each year.

**History:** *1Sp2005 c 5 art 1 s 14*

#### 126C.05 DEFINITION OF PUPIL UNITS.

*[For text of subds 1 to 19, see M.S.2004]*

Subd. 20. **Project-based average daily membership.** (a) To receive general education revenue for a pupil enrolled in a public school with a project-based program, a school must meet the requirements in this paragraph. The school must:

(1) register with the commissioner as a project-based program by May 30 of the preceding fiscal year;

(2) provide a minimum teacher contact of no less than one hour per week per project-based credit for each pupil;

(3) maintain a record system that shows when each credit or portion thereof was reported for membership for each pupil; and

(4) report pupil membership consistent with paragraph (b).

(b) The commissioner must develop a formula for reporting pupil membership to compute average daily membership for each registered project-based school. Average daily membership for a pupil in a registered project-based program is the lesser of:

(1) 1.0; or

(2) the ratio of (i) the number of membership hours generated by project-based credits completed during the school year plus membership hours generated by credits completed in a seat-based setting to (ii) the annual required instructional hours at that grade level. Membership hours for a partially completed project-based credit must be prorated.

**History:** *1Sp2005 c 5 art 1 s 15*

#### 126C.10 GENERAL EDUCATION REVENUE.

Subdivision 1. **General education revenue.** For fiscal year 2006 and later, the general education revenue for each district equals the sum of the district’s basic revenue, extended time revenue, gifted and talented revenue, basic skills revenue, training and experience revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, equity revenue, alternative teacher compensation revenue, and transition revenue.

Subd. 2. **Basic revenue.** The basic revenue for each district equals the formula allowance times the adjusted marginal cost pupil units for the school year. The formula allowance for fiscal year 2005 is \$4,601. The formula allowance for fiscal year 2006 is \$4,783. The formula allowance for fiscal year 2007 and subsequent years is \$4,974.

*[For text of subd 2a, see M.S.2004]*

Subd. 2b. **Gifted and talented revenue.** Gifted and talented revenue for each district equals \$4 times the district's adjusted marginal cost pupil units for fiscal year 2006 and \$9 for fiscal year 2007 and later. A school district must reserve gifted and talented revenue and, consistent with section 120B.15, must spend the revenue only to:

- (1) identify gifted and talented students;
- (2) provide education programs for gifted and talented students; or
- (3) provide staff development to prepare teachers to best meet the unique needs of gifted and talented students.

*[For text of subds 3 to 8, see M.S.2004]*

Subd. 13. **Total operating capital revenue.** (a) Total operating capital revenue for a district equals the amount determined under paragraph (b) or (c), plus \$73 times the adjusted marginal cost pupil units for the school year. The revenue must be placed in a reserved account in the general fund and may only be used according to subdivision 14.

(b) Capital revenue for a district equals \$100 times the district's maintenance cost index times its adjusted marginal cost pupil units for the school year.

(c) The revenue for a district that operates a program under section 124D.128, is increased by an amount equal to \$30 times the number of marginal cost pupil units served at the site where the program is implemented.

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal year 2007 and later, a district may levy an amount not more than the product of its operating capital revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital equalizing factor. The operating capital equalizing factor equals \$22,222 for fiscal year 2006, and \$10,700 for fiscal year 2007 and later.

*[For text of subds 13b to 18, see M.S.2004]*

Subd. 24. **Equity revenue.** (a) A school district qualifies for equity revenue if:

(1) the school district's adjusted marginal cost pupil unit amount of basic revenue, supplemental revenue, transition revenue, and referendum revenue is less than the value of the school district at or immediately above the 95th percentile of school districts in its equity region for those revenue categories; and

(2) the school district's administrative offices are not located in a city of the first class on July 1, 1999.

(b) Equity revenue for a qualifying district that receives referendum revenue under section 126C.17, subdivision 4, equals the product of (1) the district's adjusted marginal cost pupil units for that year; times (2) the sum of (i) \$13, plus (ii) \$75, times the school district's equity index computed under subdivision 27.

(c) Equity revenue for a qualifying district that does not receive referendum revenue under section 126C.17, subdivision 4, equals the product of the district's adjusted marginal cost pupil units for that year times \$13.

(d) A school district's equity revenue is increased by the greater of zero or an amount equal to the district's resident marginal pupil units times the difference between ten percent of the statewide average amount of referendum revenue per resident marginal cost pupil unit for that year and the district's referendum revenue per resident marginal cost pupil unit. A school district's revenue under this paragraph must not exceed \$100,000 for that year.

(e) A school district's equity revenue for a school district located in the metro equity region equals the amount computed in paragraphs (b), (c), and (d) multiplied by 1.25.

(f) For fiscal year 2007 and later, notwithstanding paragraph (a), clause (2), a school district that has per pupil referendum revenue below the 95th percentile

qualifies for additional equity revenue equal to \$46 times its adjusted marginal cost pupil unit.

(g) A district that does not qualify for revenue under paragraph (f) qualifies for equity revenue equal to one-half of the per pupil allowance in paragraph (f) times its adjusted marginal cost pupil units.

*[For text of subds 25 to 30, see M.S.2004]*

**Subd. 31. Transition revenue.** (a) A district's transition allowance equals the greater of zero or the product of the ratio of the number of adjusted marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002 to the district's adjusted marginal cost pupil units for fiscal year 2004, times the difference between: (1) the lesser of the district's general education revenue per adjusted marginal cost pupil unit for fiscal year 2003 or the amount of general education revenue the district would have received per adjusted marginal cost pupil unit for fiscal year 2004 according to Minnesota Statutes 2002, and (2) the district's general education revenue for fiscal year 2004 excluding transition revenue divided by the number of adjusted marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002.

(b) A district's transition revenue for fiscal year 2006 and later equals the sum of (1) the product of the district's transition allowance times the district's adjusted marginal cost pupil units plus (2) the amount of referendum revenue under section 126C.17 and general education revenue, excluding transition revenue, for fiscal year 2004 attributable to pupils four or five years of age on September 1, 2003, enrolled in a prekindergarten program implemented by the district before July 1, 2003, and reported as kindergarten pupils under section 126C.05, subdivision 1, for fiscal year 2004, plus (3) the amount of compensatory education revenue under subdivision 3 for fiscal year 2005 attributable to pupils four years of age on September 1, 2003, enrolled in a prekindergarten program implemented by the district before July 1, 2003, and reported as kindergarten pupils under section 126C.05, subdivision 1, for fiscal year 2004 multiplied by .04.

*[For text of subds 32 and 33, see M.S.2004]*

**Subd. 34. Basic alternative teacher compensation aid.** (a) For fiscal year 2006, the basic alternative teacher compensation aid for a school district or an intermediate school district with a plan approved under section 122A.414, subdivision 2b, equals the alternative teacher compensation revenue under section 122A.415, subdivision 1. The basic alternative teacher compensation aid for a charter school with an approved plan under section 122A.414, subdivision 2b, equals \$260 times the number of pupils enrolled in the school on October 1 of the previous school year, or on October 1 of the current fiscal year for a charter school in the first year of operation.

(b) For fiscal year 2007 and later, the basic alternative teacher compensation aid for a school district with a plan approved under section 122A.414, subdivision 2b, equals 73.1 percent of the alternative teacher compensation revenue under section 122A.415, subdivision 1. The basic alternative teacher compensation aid for an intermediate school district or charter school with a plan approved under section 122A.414, subdivisions 2a and 2b, if the recipient is a charter school, equals \$260 times the number of pupils enrolled in the school on October 1 of the previous fiscal year, or on October 1 of the current fiscal year for a charter school in the first year of operation, times the ratio of the sum of the alternative teacher compensation aid and alternative teacher compensation levy for all participating school districts to the maximum alternative teacher compensation revenue for those districts under section 122A.415, subdivision 1.

(c) Notwithstanding paragraphs (a) and (b) and section 122A.415, subdivision 1, the state total basic alternative teacher compensation aid entitlement must not exceed \$19,329,000 for fiscal year 2006 and \$75,636,000 for fiscal year 2007 and later. The commissioner must limit the amount of alternative teacher compensation aid approved under section 122A.415 so as not to exceed these limits.

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

Subd. 36. **Alternative teacher compensation aid.** (a) For fiscal year 2007 and later, a district's alternative teacher compensation equalization aid equals the district's alternative teacher compensation revenue minus the district's basic alternative teacher compensation aid minus the district's alternative teacher compensation levy. If a district does not levy the entire amount permitted, the alternative teacher compensation equalization aid must be reduced in proportion to the actual amount levied.

(b) A district's alternative teacher compensation aid equals the sum of the district's basic alternative teacher compensation aid and the district's alternative teacher compensation equalization aid.

**History:** *1Sp2005 c 5 art 1 s 16-25*

**NOTE:** The amendment to subdivision 13a by Laws 2005, First Special Session chapter 5, article 1, section 20, is effective for revenue for fiscal year 2007. Laws 2005, First Special Session chapter 5, article 1, section 20, the effective date.

### 126C.13 GENERAL EDUCATION LEVY AND AID.

Subd. 4. **General education aid.** (a) For fiscal year 2006, a district's general education aid is the sum of the following amounts:

(1) general education revenue, excluding equity revenue, total operating capital, and transition revenue;

(2) operating capital aid according to section 126C.10, subdivision 13b;

(3) equity aid according to section 126C.10, subdivision 30;

(4) transition aid according to section 126C.10, subdivision 33;

(5) shared time aid according to section 126C.01, subdivision 7;

(6) referendum aid according to section 126C.17; and

(7) online learning aid according to section 124D.096.

(b) For fiscal year 2007 and later, a district's general education aid is the sum of the following amounts:

(1) general education revenue, excluding equity revenue, total operating capital revenue, alternative teacher compensation revenue, and transition revenue;

(2) operating capital aid under section 126C.10, subdivision 13b;

(3) equity aid under section 126C.10, subdivision 30;

(4) alternative teacher compensation aid under section 126C.10, subdivision 36;

(5) transition aid under section 126C.10, subdivision 33;

(6) shared time aid under section 126C.01, subdivision 7;

(7) referendum aid under section 126C.17; and

(8) online learning aid according to section 124D.096.

*[For text of subd 5, see M.S.2004]*

**History:** *1Sp2005 c 5 art 1 s 26*

### 126C.15 BASIC SKILLS REVENUE; COMPENSATORY EDUCATION REVENUE.

*[For text of subd 1, see M.S.2004]*

Subd. 2. **Building allocation.** (a) A district must allocate its compensatory revenue to each school building in the district where the children who have generated the revenue are served unless the school district has received permission under section 50 to allocate compensatory revenue according to student performance measures developed by the school board.

(b) Notwithstanding paragraph (a), a district may allocate up to five percent of the amount of compensatory revenue that the district receives to school sites according to a plan adopted by the school board.

(c) For the purposes of this section and section 126C.05, subdivision 3, "building" means education site as defined in section 123B.04, subdivision 1.

(d) If the pupil is served at a site other than one owned and operated by the district, the revenue shall be paid to the district and used for services for pupils who generate the revenue.

**Subd. 3. Recommendation.** A school site decision-making team, as defined in section 123B.04, subdivision 2, paragraph (a), or the instruction and curriculum advisory committee under section 120B.11, if the school has no school site decision team, shall recommend how the compensatory education revenue will be used to carry out the purpose of this section. A school district that has received permission under Laws 2005, First Special Session chapter 5, article 1, section 50, to allocate compensatory revenue according to school performance measures shall share its plan for the distribution of compensatory revenue with the school site decision team.

*[For text of subds 4 and 5, see M.S.2004]*

**History:** *1Sp2005 c 5 art 1 s 27,28*

## **126C.17 REFERENDUM REVENUE.**

*[For text of subd 1, see M.S.2004]*

**Subd. 2. Referendum allowance limit.** (a) Notwithstanding subdivision 1, for fiscal year 2007 and later, a district's referendum allowance must not exceed the greater of:

(1) the sum of: (i) a district's referendum allowance for fiscal year 1994 times 1.177 times the annual inflationary increase as calculated under paragraph (b) plus (ii) its referendum conversion allowance for fiscal year 2003, minus (iii) \$215;

(2) the greater of (i): 26 percent of the formula allowance or (ii) \$1,294 times the annual inflationary increase as calculated under paragraph (b); or

(3) for a newly reorganized district created after July 1, 2006, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its resident marginal cost pupil units for the year preceding reorganization.

(b) For purposes of this subdivision, for fiscal year 2005 and later, "inflationary increase" means one plus the percentage change in the Consumer Price Index for urban consumers, as prepared by the United States Bureau of Labor Standards, for the current fiscal year to fiscal year 2004. For fiscal years 2009 and later, for purposes of paragraph (a), clause (1), the inflationary increase equals the inflationary increase for fiscal year 2008 plus one-fourth of the percentage increase in the formula allowance for that year compared with the formula allowance for fiscal year 2008.

*[For text of subds 3 and 4, see M.S.2004]*

**Subd. 5. Referendum equalization revenue.** (a) For fiscal year 2003 and later, a district's referendum equalization revenue equals the sum of the first tier referendum equalization revenue and the second tier referendum equalization revenue.

(b) A district's first tier referendum equalization revenue equals the district's first tier referendum equalization allowance times the district's resident marginal cost pupil units for that year.

(c) For fiscal year 2006, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$500. For fiscal year 2007, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$600.

For fiscal year 2008 and later, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$700.

(d) A district's second tier referendum equalization revenue equals the district's second tier referendum equalization allowance times the district's resident marginal cost pupil units for that year.

(e) For fiscal year 2006, a district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 18.6 percent of the formula allowance, minus the district's first tier referendum equalization allowance. For fiscal year 2007 and later, a district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 26 percent of the formula allowance, minus the district's first tier referendum equalization allowance.

(f) Notwithstanding paragraph (e), the second tier referendum allowance for a district qualifying for secondary sparsity revenue under section 126C.10, subdivision 7, or elementary sparsity revenue under section 126C.10, subdivision 8, equals the district's referendum allowance under subdivision 1 minus the district's first tier referendum equalization allowance.

*[For text of subd 6, see M.S.2004]*

**Subd. 7. Referendum equalization aid.** (a) A district's referendum equalization aid equals the difference between its referendum equalization revenue and levy.

(b) If a district's actual levy for first or second tier referendum equalization revenue is less than its maximum levy limit for that tier, aid shall be proportionately reduced.

(c) Notwithstanding paragraph (a), the referendum equalization aid for a district, where the referendum equalization aid under paragraph (a) exceeds 90 percent of the referendum revenue, must not exceed 26 percent of the formula allowance times the district's resident marginal cost pupil units. A district's referendum levy is increased by the amount of any reduction in referendum aid under this paragraph.

*[For text of subds 7a and 8, see M.S.2004]*

**Subd. 9. Referendum revenue.** (a) The revenue authorized by section 126C.10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board or shall be called by the board upon written petition of qualified voters of the district. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under paragraph (g), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per resident marginal cost pupil unit. The ballot may state a schedule, determined by the board, of increased revenue per resident marginal cost pupil unit that differs from year to year over the number of years for which the increased revenue is authorized. The ballot may state that existing referendum levy authority is expiring. In this case, the ballot may also compare the proposed levy authority to the existing expiring levy authority, and express the proposed increase as the amount, if any, over the expiring referendum levy authority. The ballot must designate the specific number of years, not to exceed ten, for which the referendum authorization applies. The ballot, including a ballot on the question to revoke or reduce the increased revenue amount under paragraph (c), must abbreviate the term "per resident marginal cost pupil unit" as "per pupil." The notice required under section 275.60 may be modified to read, in cases of renewing existing levies:

**"BY VOTING "YES" ON THIS BALLOT QUESTION, YOU MAY BE VOTING FOR A PROPERTY TAX INCREASE."**

The ballot may contain a textual portion with the information required in this subdivision and a question stating substantially the following:

"Shall the increase in the revenue proposed by (petition to) the board of ....., School District No. ..., be approved?"

If approved, an amount equal to the approved revenue per resident marginal cost pupil unit times the resident marginal cost pupil units for the school year beginning in the year after the levy is certified shall be authorized for certification for the number of years approved, if applicable, or until revoked or reduced by the voters of the district at a subsequent referendum.

(b) The board must prepare and deliver by first class mail at least 15 days but no more than 30 days before the day of the referendum to each taxpayer a notice of the referendum and the proposed revenue increase. The board need not mail more than one notice to any taxpayer. For the purpose of giving mailed notice under this subdivision, owners must be those shown to be owners on the records of the county auditor or, in any county where tax statements are mailed by the county treasurer, on the records of the county treasurer. Every property owner whose name does not appear on the records of the county auditor or the county treasurer is deemed to have waived this mailed notice unless the owner has requested in writing that the county auditor or county treasurer, as the case may be, include the name on the records for this purpose. The notice must project the anticipated amount of tax increase in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the school district.

The notice for a referendum may state that an existing referendum levy is expiring and project the anticipated amount of increase over the existing referendum levy in the first year, if any, in annual dollars for typical residential homesteads, agricultural homesteads, apartments, and commercial-industrial property within the district.

The notice must include the following statement: "Passage of this referendum will result in an increase in your property taxes." However, in cases of renewing existing levies, the notice may include the following statement: "Passage of this referendum may result in an increase in your property taxes."

(c) A referendum on the question of revoking or reducing the increased revenue amount authorized pursuant to paragraph (a) may be called by the board and shall be called by the board upon the written petition of qualified voters of the district. A referendum to revoke or reduce the revenue amount must state the amount per resident marginal cost pupil unit by which the authority is to be reduced. Revenue authority approved by the voters of the district pursuant to paragraph (a) must be available to the school district at least once before it is subject to a referendum on its revocation or reduction for subsequent years. Only one revocation or reduction referendum may be held to revoke or reduce referendum revenue for any specific year and for years thereafter.

(d) A petition authorized by paragraph (a) or (c) is effective if signed by a number of qualified voters in excess of 15 percent of the registered voters of the district on the day the petition is filed with the board. A referendum invoked by petition must be held on the date specified in paragraph (a).

(e) The approval of 50 percent plus one of those voting on the question is required to pass a referendum authorized by this subdivision.

(f) At least 15 days before the day of the referendum, the district must submit a copy of the notice required under paragraph (b) to the commissioner and to the county auditor of each county in which the district is located. Within 15 days after the results of the referendum have been certified by the board, or in the case of a recount, the certification of the results of the recount by the canvassing board, the district must notify the commissioner of the results of the referendum.

*[For text of subds 10 and 11, see M.S.2004]*

**Subd. 13. Referendum conversion allowance.** A school district that received supplemental or transition revenue in fiscal year 2002 may convert its supplemental revenue conversion allowance and transition revenue conversion allowance to additional referendum allowance under subdivision 1 for fiscal year 2003 and thereafter. A majority of the school board must approve the conversion at a public meeting before November 1, 2001. For a district with other referendum authority, the referendum

conversion allowance approved by the board continues until the portion of the district's other referendum authority with the earliest expiration date after June 30, 2006, expires. For a district with no other referendum authority, the referendum conversion allowance approved by the board continues until June 30, 2012.

**History:** *1Sp2005 c 5 art 1 s 29-33*

**NOTE:** The amendments to subdivisions 2 and 7 by Laws 2005, First Special Session chapter 5, article 1, sections 29 and 31, respectively, are effective for revenue for fiscal year 2007. Laws 2005, First Special Session chapter 5, article 1, sections 29 and 31, the effective dates.

## **126C.21 DEDUCTIONS FROM GENERAL EDUCATION AID.**

*[For text of subds 1 to 3, see M.S.2004]*

Subd. 4. **Taconite deductions.** For districts that have revenue under sections 298.018; 298.225; 298.24 to 298.28, excluding 298.26 and 298.28, subdivision 4, paragraph (d); 298.34 to 298.39; 298.391 to 298.396; 298.405; and 477A.15, or any law imposing a tax upon severed mineral values; the general education aid must be reduced in the final adjustment payment by (1) the amount of the revenue recognized pursuant to those sections for the fiscal year to which the final adjustment is attributable, less (2) the amount that was calculated, pursuant to section 126C.48, subdivision 8, as a reduction of the levy attributable to the fiscal year to which the final adjustment is attributable. If the final adjustment of a district's general education aid for a fiscal year is a negative amount because of this subdivision, the next fiscal year's general education aid to that district must be reduced by this negative amount in the following manner: there must be withheld from each scheduled general education aid payment due the district in such fiscal year, 15 percent of the total negative amount, until the total negative amount has been withheld. The amount reduced from general education aid pursuant to this subdivision must reduce revenue in the fiscal year to which the final adjustment payment is attributable.

**History:** *1Sp2005 c 5 art 1 s 34*

## **126C.40 CAPITAL LEVIES.**

Subdivision 1. **To lease building or land.** (a) When an independent or a special school district or a group of independent or special school districts finds it economically advantageous to rent or lease a building or land for any instructional purposes or for school storage or furniture repair, and it determines that the operating capital revenue authorized under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the commissioner for permission to make an additional capital expenditure levy for this purpose. An application for permission to levy under this subdivision must contain financial justification for the proposed levy, the terms and conditions of the proposed lease, and a description of the space to be leased and its proposed use.

(b) The criteria for approval of applications to levy under this subdivision must include: the reasonableness of the price, the appropriateness of the space to the proposed activity, the feasibility of transporting pupils to the leased building or land, conformity of the lease to the laws and rules of the state of Minnesota, and the appropriateness of the proposed lease to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than the cost to the district of renting or leasing a building or land for approved purposes. The proceeds of this levy must not be used for custodial or other maintenance services. A district may not levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself.

(c) For agreements finalized after July 1, 1997, a district may not levy under this subdivision for the purpose of leasing: (1) a newly constructed building used primarily for regular kindergarten, elementary, or secondary instruction; or (2) a newly constructed building addition or additions used primarily for regular kindergarten, elementary, or secondary instruction that contains more than 20 percent of the square footage of the previously existing building.



(d) Notwithstanding paragraph (b), a district may levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself only if the amount is needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, and the levy meets the requirements of paragraph (c). A levy authorized for a district by the commissioner under this paragraph may be in the amount needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, provided that any agreement include a provision giving the school districts the right to terminate the agreement annually without penalty.

(e) The total levy under this subdivision for a district for any year must not exceed \$100 times the resident pupil units for the fiscal year to which the levy is attributable.

(f) For agreements for which a review and comment have been submitted to the Department of Education after April 1, 1998, the term "instructional purpose" as used in this subdivision excludes expenditures on stadiums.

(g) The commissioner of education may authorize a school district to exceed the limit in paragraph (e) if the school district petitions the commissioner for approval. The commissioner shall grant approval to a school district to exceed the limit in paragraph (e) for not more than five years if the district meets the following criteria:

(1) the school district has been experiencing pupil enrollment growth in the preceding five years;

(2) the purpose of the increased levy is in the long-term public interest;

(3) the purpose of the increased levy promotes colocation of government services; and

(4) the purpose of the increased levy is in the long-term interest of the district by avoiding over construction of school facilities.

(h) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with leases of administrative and classroom space for intermediate school district programs. This authority must not exceed \$25 times the adjusted marginal cost pupil units of the member districts. This authority is in addition to any other authority authorized under this section.

(i) In addition to the allowable capital levies in paragraph (a), a district that is a member of the "Technology and Information Education Systems" data processing joint board, that finds it economically advantageous to enter into a lease purchase agreement for a building for a group of school districts or special school districts for staff development purposes, may levy for its portion of lease costs attributed to the district within the total levy limit in paragraph (e).

*[For text of subs 2 to 6, see M.S.2004]*

**History:** 1Sp2005 c 5 art 1 s 35

**126C.42** Subdivision 1. [Repealed, 1Sp2005 c 5 art 1 s 55]

Subd. 4. [Repealed, 1Sp2005 c 5 art 1 s 55]

## **126C.43 LEVIES; STATUTORY OBLIGATIONS.**

*[For text of subd 1, see M.S.2004]*

**Subd. 2. Payment to unemployment insurance program trust fund by state and political subdivisions.** A district may levy the amount necessary (i) to pay the district's obligations under section 268.052, subdivision 1, and (ii) to pay for job placement services offered to employees who may become eligible for benefits pursuant to section 268.085 for the fiscal year the levy is certified.

**Subd. 3. Tax levy for judgment.** A district may levy the amount necessary to pay judgments against the district under section 123B.25 that became final after the date the district certified its proposed levy in the previous year. With the approval of the

commissioner, a district may spread this levy over a period not to exceed three years. Upon approval through the adoption of a resolution by each of an intermediate district's member school district boards, a member school district may include its proportionate share of the costs of a judgment against an intermediate school district that became final under section 123B.25 after the date that the earliest member school district certified its proposed levy in the previous year. With the approval of the commissioner, an intermediate school district member school district may spread this levy over a period not to exceed three years.

*[For text of subds 4 to 6, see M.S.2004]*

**History:** 1Sp2005 c 5 art 1 s 36,37

#### **126C.457 CAREER AND TECHNICAL LEVY.**

For taxes payable in 2006 and 2007, a school district may levy an amount equal to the greater of (1) \$10,000, or (2) the district's fiscal year 2001 entitlement for career and technical aid under Minnesota Statutes 2000, section 124D.453. The district must recognize the full amount of this levy as revenue for the fiscal year in which it is certified. Revenue received under this section must be reserved and used only for career and technical programs.

**History:** 1Sp2005 c 5 art 2 s 71

#### **126C.46 ABATEMENT LEVY.**

(a) Each year, a school district may levy an amount to replace the net revenue lost to abatements that have occurred under chapter 278, section 270C.86, 375.192, or otherwise. The maximum abatement levy is the sum of:

(1) the amount of the net revenue loss determined under section 127A.49, subdivision 2, that is not paid in state aid including any aid amounts not paid due to proration;

(2) the difference of (i) the amount of any abatements that have been reported by the county auditor for the first six months of the calendar year during which the abatement levy is certified that the district chooses to levy, (ii) less any amount actually levied under this clause that was certified in the previous calendar year for the first six months of the previous calendar year; and

(3) an amount equal to any interest paid on abatement refunds.

(b) A district may spread this levy over a period not to exceed two years. With the approval of the commissioner, a district may spread this levy over a period not to exceed three years.

By July 15, the county auditor shall separately report the abatements that have occurred during the first six calendar months of that year to the commissioner and each district located within the county.

**History:** 2005 c 151 art 2 s 17

#### **126C.48 LEVY PROCEDURE.**

*[For text of subd 1, see M.S.2004]*

Subd. 2. **Notice to commissioner; forms.** By October 7 of each year each district must notify the commissioner of the proposed levies in compliance with the levy limitations of this chapter and chapters 120B, 122A, 123A, 123B, 124D, 125A, 127A, and 136D. By January 7 of each year each district must notify the commissioner of the final levies certified. The commissioner shall prescribe the form of these notifications and may request any additional information necessary to compute certified levy amounts.

*[For text of subds 3 to 7, see M.S.2004]*

Subd. 8. **Tacnite payment and other reductions.** (1) Reductions in levies pursuant to subdivision 1 must be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts that have revenue pursuant to sections 298.018; 298.225; 298.24 to 298.28, except an amount distributed under sections 298.26; 298.28, subdivision 4, paragraphs (c), clause (ii), and (d); 298.34 to 298.39; 298.391 to 298.396; 298.405; 477A.15; and any law imposing a tax upon severed mineral values must reduce the levies authorized by this chapter and chapters 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by 95 percent of the previous year's revenue specified under this clause.

(3) The amount of any voter approved referendum, facilities down payment, and debt levies shall not be reduced by more than 50 percent under this subdivision. In administering this paragraph, the commissioner shall first reduce the nonvoter approved levies of a district; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved referendum levies authorized under section 126C.17; then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved facilities down payment levies authorized under section 123B.63 and then, if any payments, severed mineral value tax revenue or recognized revenue under paragraph (2) remains, the commissioner shall reduce any voter approved debt levies.

(4) Before computing the reduction pursuant to this subdivision of the health and safety levy authorized by sections 123B.57 and 126C.40, subdivision 5, the commissioner shall ascertain from each affected school district the amount it proposes to levy under each section or subdivision. The reduction shall be computed on the basis of the amount so ascertained.

(5) To the extent the levy reduction calculated under paragraph (2) exceeds the limitation in paragraph (3), an amount equal to the excess must be distributed from the school district's distribution under sections 298.225, 298.28, and 477A.15 in the following year to the cities and townships within the school district in the proportion that their taxable net tax capacity within the school district bears to the taxable net tax capacity of the school district for property taxes payable in the year prior to distribution. No city or township shall receive a distribution greater than its levy for taxes payable in the year prior to distribution. The commissioner of revenue shall certify the distributions of cities and towns under this paragraph to the county auditor by September 30 of the year preceding distribution. The county auditor shall reduce the proposed and final levies of cities and towns receiving distributions by the amount of their distribution. Distributions to the cities and towns shall be made at the times provided under section 298.27.

**History:** *1Sp2005 c 5 art 1 s 38,39*

## **126C.63 DEFINITIONS.**

*[For text of subds 1 to 4, see M.S.2004]*

Subd. 5. **Levy.** "Levy" means a district's net debt service levy after the reduction of debt service equalization aid under section 123B.53, subdivision 6. For taxes payable in 2003 and later, each district's maximum effort debt service levy for purposes of subdivision 8, must be reduced by an equal number of percentage points if the commissioner of finance determines that the levy reduction will not result in a payment from the general fund in the state treasury according to section 16A.641, as would be required under section 126C.72, subdivision 3. A district's levy that is adjusted under this section must not be reduced below 25 percent of the district's adjusted net tax capacity.

*[For text of subds 6 and 7, see M.S.2004]*

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

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

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

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

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

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

*[For text of subs 9 to 13, see M.S.2004]*

**History:** 1Sp2005 c 5 art 4 s 16,17

## **126C.65 FUND ESTABLISHED; DIVISION INTO ACCOUNTS.**

*[For text of subs 1 to 3, see M.S.2004]*

**Subd. 4. Loan repayment account.** A loan repayment account must be maintained. All principal and interest paid by districts on debt service loans and capital loans made under section 126C.68 or 126C.69 must be paid into the account. The state's cost of administering the Maximum Effort School Aid Law must be paid out of this account, to an amount not exceeding \$10,000 in any year. As soon as possible in each year after the committee has determined the ratio existing between the correct market value of all taxable property in each school district in the state and the "market value in money" of such property as recorded in accordance with section 270C.91, the commissioner of revenue shall prepare a list of all such ratios. The clerical costs of preparing the list must be paid as a cost of administration of the Maximum Effort School Aid Law. The Documents Division of the Department of Administration may publish and sell copies of the list. The sums required to pay the principal of and interest on all school loan bonds as provided in section 126C.72 must be transferred out of the loan repayment account to the state bond fund.

*[For text of subd 5, see M.S.2004]*

**History:** 2005 c 151 art 2 s 17