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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. 2698

03/04/2014 Authored by Sundin, Davids and Faust
The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act
1.2 relating to education finance; providing debt service equalization for debt
1.3 incurred as the result of a natural disaster; amending Minnesota Statutes 2012,
1.4 section 127A.49, subdivisions 2, 3; Minnesota Statutes 2013 Supplement,
1.5 sections 123B.53, subdivision 1; 123B.54; proposing coding for new law in
1.6 Minnesota Statutes, chapter 123B.

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

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

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

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

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

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

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

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

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

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

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

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

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

2.12 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2016
 2.13 and later.

2.14 **Sec. 2. [123B.535] NATURAL DISASTER DEBT SERVICE EQUALIZATION.**

2.15 **Subdivision 1. Definitions.** (a) For purposes of this section, the eligible natural
 2.16 disaster debt service revenue of a district is defined as the amount needed to produce
 2.17 between five and six percent in excess of the amount needed to meet when due the
 2.18 principal and interest payments on the obligations of the district repayment of repair and
 2.19 replacement costs under the following conditions:

2.20 (1) the district was impacted by a natural disaster event or area occurring January
 2.21 1, 2005, or later, as declared by the President of the United States of America, which is
 2.22 eligible for Federal Emergency Management Agency payments;

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

2.25 (3) the repair and replacement costs are not covered by insurance payments or
 2.26 Federal Emergency Management Agency payments.

2.27 (b) For purposes of this section, the adjusted net tax capacity equalizing factor
 2.28 equals the quotient derived by dividing the total adjusted net tax capacity of all school
 2.29 districts in the state for the year before the year the levy is certified by the total number of
 2.30 adjusted pupil units in the state for the current school year.

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

2.34 **Subd. 2. Notification.** A district eligible for natural disaster debt service
 2.35 equalization revenue under subdivision 1 must notify the commissioner of the amount of

3.1 its intended natural disaster debt service revenue calculated under subdivision 1 for all
 3.2 bonds sold prior to the notification by July 1 of the calendar year the levy is certified.

3.3 Subd. 3. **Natural disaster debt service equalization revenue.** The debt service
 3.4 equalization revenue of a district equals the greater of zero or the eligible debt service
 3.5 revenue, minus the greater of zero or the difference between:

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

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

3.9 Subd. 4. **Equalized natural disaster debt service levy.** A district's equalized
 3.10 natural disaster debt service levy equals the district's natural disaster debt service
 3.11 equalization revenue times the lesser of one or the ratio of:

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

3.15 (2) 300 percent of the statewide adjusted net tax capacity equalizing factor.

3.16 Subd. 5. **Natural disaster debt service equalization aid.** A district's natural
 3.17 disaster debt service equalization aid equals the difference between the district's natural
 3.18 disaster debt service equalization revenue and the district's equalized natural disaster
 3.19 debt service levy.

3.20 Subd. 6. **Natural disaster debt service equalization aid payment schedule.** Debt
 3.21 service equalization aid must be paid according to section 127A.45, subdivision 10.

3.22 **EFFECTIVE DATE.** This section is effective for levies certified for taxable year
 3.23 2015 and revenue for fiscal year 2016 and later.

3.24 Sec. 3. Minnesota Statutes 2013 Supplement, section 123B.54, is amended to read:

3.25 **123B.54 DEBT SERVICE APPROPRIATION.**

3.26 (a) The amount necessary to make debt service equalization aid payments under
 3.27 ~~section~~ sections 123B.53 and 123B.535 is annually appropriated from the general fund to
 3.28 the commissioner of education.

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

3.31 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2016
 3.32 and later.

3.33 Sec. 4. Minnesota Statutes 2012, section 127A.49, subdivision 2, is amended to read:

4.1 Subd. 2. **Abatements.** Whenever by virtue of chapter 278, sections 270C.86,
4.2 375.192, or otherwise, the net tax capacity or referendum market value of any district for
4.3 any taxable year is changed after the taxes for that year have been spread by the county
4.4 auditor and the local tax rate as determined by the county auditor based upon the original
4.5 net tax capacity is applied upon the changed net tax capacities, the county auditor shall,
4.6 prior to February 1 of each year, certify to the commissioner of education the amount of
4.7 any resulting net revenue loss that accrued to the district during the preceding year. Each
4.8 year, the commissioner shall pay an abatement adjustment to the district in an amount
4.9 calculated according to the provisions of this subdivision. This amount shall be deducted
4.10 from the amount of the levy authorized by section 126C.46. The amount of the abatement
4.11 adjustment must be the product of:

4.12 (1) the net revenue loss as certified by the county auditor, times

4.13 (2) the ratio of:

4.14 (i) the sum of the amounts of the district's certified levy in the third preceding year
4.15 according to the following:

4.16 (A) section 123B.57, if the district received health and safety aid according to that
4.17 section for the second preceding year;

4.18 (B) section 124D.20, if the district received aid for community education programs
4.19 according to that section for the second preceding year;

4.20 (C) section 124D.135, subdivision 3, if the district received early childhood family
4.21 education aid according to section 124D.135 for the second preceding year;

4.22 (D) section 126C.17, subdivision 6, if the district received referendum equalization
4.23 aid according to that section for the second preceding year;

4.24 (E) section 126C.10, subdivision 13a, if the district received operating capital aid
4.25 according to section 126C.10, subdivision 13b, in the second preceding year;

4.26 (F) section 126C.10, subdivision 29, if the district received equity aid according to
4.27 section 126C.10, subdivision 30, in the second preceding year;

4.28 (G) section 126C.10, subdivision 32, if the district received transition aid according
4.29 to section 126C.10, subdivision 33, in the second preceding year;

4.30 (H) section 123B.53, subdivision 5, if the district received debt service equalization
4.31 aid according to section 123B.53, subdivision 6, in the second preceding year;

4.32 (I) section 123B.535, subdivision 4, if the district received natural disaster debt
4.33 service equalization aid according to section 123B.535, subdivision 5, in the second
4.34 preceding year;

4.35 (H) (J) section 124D.22, subdivision 3, if the district received school-age care aid
4.36 according to section 124D.22, subdivision 4, in the second preceding year;

5.1 ~~(J)~~ (K) section 123B.591, subdivision 3, if the district received deferred maintenance
5.2 aid according to section 123B.591, subdivision 4, in the second preceding year; and

5.3 ~~(K)~~ (L) section 126C.10, subdivision 35, if the district received alternative teacher
5.4 compensation equalization aid according to section 126C.10, subdivision 36, paragraph
5.5 (a), in the second preceding year; to

5.6 (ii) the total amount of the district's certified levy in the third preceding December,
5.7 plus or minus auditor's adjustments.

5.8 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2016
5.9 and later.

5.10 Sec. 5. Minnesota Statutes 2012, section 127A.49, subdivision 3, is amended to read:

5.11 Subd. 3. **Excess tax increment.** (a) If a return of excess tax increment is made to a
5.12 district pursuant to sections 469.176, subdivision 2, and 469.177, subdivision 9, or upon
5.13 decertification of a tax increment district, the school district's aid and levy limitations
5.14 must be adjusted for the fiscal year in which the excess tax increment is paid under the
5.15 provisions of this subdivision.

5.16 (b) An amount must be subtracted from the district's aid for the current fiscal year
5.17 equal to the product of:

5.18 (1) the amount of the payment of excess tax increment to the district, times

5.19 (2) the ratio of:

5.20 (i) the sum of the amounts of the district's certified levy for the fiscal year in which
5.21 the excess tax increment is paid according to the following:

5.22 (A) section 123B.57, if the district received health and safety aid according to that
5.23 section for the second preceding year;

5.24 (B) section 124D.20, if the district received aid for community education programs
5.25 according to that section for the second preceding year;

5.26 (C) section 124D.135, subdivision 3, if the district received early childhood family
5.27 education aid according to section 124D.135 for the second preceding year;

5.28 (D) section 126C.17, subdivision 6, if the district received referendum equalization
5.29 aid according to that section for the second preceding year;

5.30 (E) section 126C.10, subdivision 13a, if the district received operating capital aid
5.31 according to section 126C.10, subdivision 13b, in the second preceding year;

5.32 (F) section 126C.10, subdivision 29, if the district received equity aid according to
5.33 section 126C.10, subdivision 30, in the second preceding year;

5.34 (G) section 126C.10, subdivision 32, if the district received transition aid according
5.35 to section 126C.10, subdivision 33, in the second preceding year;

6.1 (H) section 123B.53, subdivision 5, if the district received debt service equalization
6.2 aid according to section 123B.53, subdivision 6, in the second preceding year;

6.3 (I) section 123B.535, subdivision 4, if the district received natural disaster debt
6.4 service equalization aid according to section 123B.535, subdivision 5, in the second
6.5 preceding year;

6.6 ~~(J)~~ (J) section 124D.22, subdivision 3, if the district received school-age care aid
6.7 according to section 124D.22, subdivision 4, in the second preceding year;

6.8 ~~(K)~~ (K) section 123B.591, subdivision 3, if the district received deferred maintenance
6.9 aid according to section 123B.591, subdivision 4, in the second preceding year; and

6.10 ~~(L)~~ (L) section 126C.10, subdivision 35, if the district received alternative teacher
6.11 compensation equalization aid according to section 126C.10, subdivision 36, paragraph
6.12 (a), in the second preceding year; to

6.13 (ii) the total amount of the district's certified levy for the fiscal year, plus or minus
6.14 auditor's adjustments.

6.15 (c) An amount must be subtracted from the school district's levy limitation for the
6.16 next levy certified equal to the difference between:

6.17 (1) the amount of the distribution of excess increment; and

6.18 (2) the amount subtracted from aid pursuant to clause (a).

6.19 If the aid and levy reductions required by this subdivision cannot be made to the aid
6.20 for the fiscal year specified or to the levy specified, the reductions must be made from
6.21 aid for subsequent fiscal years, and from subsequent levies. The school district must use
6.22 the payment of excess tax increment to replace the aid and levy revenue reduced under
6.23 this subdivision.

6.24 (d) This subdivision applies only to the total amount of excess increments received
6.25 by a district for a calendar year that exceeds \$25,000.

6.26 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2016
6.27 and later.