

CHAPTER 126C

EDUCATION FUNDING

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126C.01 DEFINITIONS.

Subdivision 1. **Applicability.** For the purposes of this chapter, the terms defined in section 120A.05 have the same meanings. For the purpose of this chapter, the following terms have the meanings given them.

Subd. 2. **Adjusted net tax capacity.** "Adjusted net tax capacity" means the net tax capacity of the taxable property of the district as adjusted by the commissioner of revenue under section 127A.48. The adjusted net tax capacity for any given calendar year must be used to compute levy limitations for levies certified in the succeeding calendar year and aid for the school year beginning in the second succeeding calendar year.

Subd. 3. **Referendum market value.** "Referendum market value" means the market value of all taxable property, except that any class of property, or any portion of a class of property, with a class rate of less than one percent under section 273.13 shall have a referendum market value equal to its net tax capacity multiplied by 100.

Subd. 4. **Equalizing factor.** "Equalizing factor" means the ratio, rounded to the nearest dollar, of the formula allowance to the general education tax rate for the corresponding year.

Subd. 5. **Levy use.** A levy "for use in a particular school year," "attributable to a particular school year," or "recognized as revenue in a particular school year," means the levy certified in the calendar year ending in the school year preceding that particular school year, and payable in the calendar year in which that school year begins.

Subd. 6. **Shared time average daily membership.** The average daily membership of a pupil enrolled on a shared time basis equals the ratio of the total minutes for which the pupil is enrolled and the minimum minutes required during the year for a regularly enrolled public school pupil.

Subd. 7. **Shared time aid.** Aid for shared time pupils must equal the formula allowance times the full-time equivalent resident pupil units for shared time pupils. Aid for shared time pupils is in addition to any other aid to which the district is otherwise entitled. Shared time average daily membership may not be used in the computation of pupil units under section 126C.05, subdivision 1, for any purpose other than the computation of shared time aid pursuant to subdivisions 6 to 8 and section 126C.19, subdivisions 1 to 3.

Subd. 8. **Shared time pupils.** "Shared time pupils" means those pupils who attend public school programs for part of the regular school day and who otherwise fulfill the requirements of section 120A.22 by attendance at a nonpublic school.

Subd. 9. **Training and experience index.** "Training and experience index" means a measure of a district's teacher training and experience relative to the education and experience of teachers in the state. The measure must be determined pursuant to section 126C.11.

Subd. 10. **Average salary for beginning teachers.** "Average salary for beginning teachers" means the average salary for all teachers in the state who are in their first year of teaching and who have no additional credits or degrees above a bachelor's degree. At least biennially, the department must recompute this average using complete new data.

Subd. 11. **Net unappropriated operating fund balance.** "Net unappropriated operating fund balance" means the sum of the fund balances in the general, food service, and community service funds minus the balances reserved for statutory operating debt reduction, bus purchase, severance pay, taconite, reemployment insurance, maintenance levy reduction, operating capital, disabled access, health and safety, and encumbrances, computed as of June 30 each year.

History: 1981 c 358 art 1 s 20,21,25,26; 1Sp1981 c 2 s 5; 3Sp1981 c 2 art 2 s 4,5,6, art 4 s 4; 1982 c 548 art 1 s 3,4,8; art 7 s 5; 1983 c 314 art 1 s 1,2,4,5,9,22; 1984 c 463 art 1 s 3,4,5; 1Sp1985 c 12 art 1 s 9-13; 1Sp1985 c 14 art 4 s 23,24; 1Sp1986 c 1 art 9 s 15,16; 1Sp1986 c 3 art 1 s 18; 1987 c 268 art 6 s 5; art 7 s 12,13; 1987 c 398 art 1 s 4-7; 1988 c 486 s 46-48; 1988 c 719 art 5 s 4,5,84; 1989 c 209 art 2 s 1; 1989 c 329 art 13 s 20; 1Sp1989 c 1 art 2 s 11; 1991 c 265 art 1 s 8,9; 1994 c 488 s 8; 1994 c 647 art 1 s 13,14; 1Sp1995 c 3 art 13 s 6; 1996 c 412 art 1 s 13; 1998 c 397 art 7 s 125-131,164; art 11 s 3

NOTE Subdivisions 9 and 10 (formerly section 124A.02, subdivisions 23 and 24) are repealed effective June 30, 2001. Laws 1992, chapter 499, article 7, section 31, as amended by Laws 1998, chapter 398, article 1, section 39

PUPIL COUNTS

126C.05 DEFINITION OF PUPIL UNITS.

Subdivision 1. **Pupil unit.** Pupil units for each Minnesota resident pupil in average daily membership enrolled in the district of residence, in another district under sections 123A.05 to 123A.08, 124D.03, 124D.06, 124D.07, 124D.08, or 124D.68; in a charter school under section 124D.10; or for whom the resident district pays tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65, shall be counted according to this subdivision.

(a) A prekindergarten pupil with a disability who is enrolled in a program approved by the commissioner and has an individual education plan is counted as the ratio of the number of hours of assessment and education service to 825 with a minimum of 0.28, but not more than one.

(b) A prekindergarten pupil who is assessed but determined not to be handicapped is counted as the ratio of the number of hours of assessment service to 825.

(c) A kindergarten pupil with a disability who is enrolled in a program approved by the commissioner is counted as the ratio of the number of hours of assessment and education services required in the fiscal year by the pupil's individual education program plan to 875, but not more than one.

(d) A kindergarten pupil who is not included in paragraph (c) is counted as .53 of a pupil unit for fiscal year 1995 and thereafter.

(e) A pupil who is in any of grades 1 to 6 is counted as 1.06 pupil units for fiscal year 1995 and thereafter.

(f) A pupil who is in any of grades 7 to 12 is counted as 1.3 pupil units.

(g) A pupil who is in the post-secondary enrollment options program is counted as 1.3 pupil units.

Subd. 2. **Foreign exchange pupils.** Notwithstanding section 124D.02, subdivision 3, or any other law to the contrary, a foreign exchange pupil enrolled in a district under a cultural exchange program may be counted as a resident pupil for the purposes of this chapter and chapters 120B, 122A, 123A, 123B, 124D, 125A, and 127A, even if the pupil has graduated from high school or the equivalent

Subd. 3. **Compensation revenue pupil units.** Compensation revenue pupil units for fiscal year 1998 and thereafter must be computed according to this subdivision

(a) The compensation revenue concentration percentage for each building in a district equals the product of 100 times the ratio of:

(1) the sum of the number of pupils enrolled in the building eligible to receive free lunch plus one-half of the pupils eligible to receive reduced priced lunch on October 1 of the previous fiscal year; to

(2) the number of pupils enrolled in the building on October 1 of the previous fiscal year.

(b) The compensation revenue pupil weighting factor for a building equals the lesser of one or the quotient obtained by dividing the building's compensation revenue concentration percentage by 80.0.

(c) The compensation revenue pupil units for a building equals the product of:

(1) the sum of the number of pupils enrolled in the building eligible to receive free lunch and one-half of the pupils eligible to receive reduced priced lunch on October 1 of the previous fiscal year; times

(2) the compensation revenue pupil weighting factor for the building; times

(3) .60.

The percentages in this subdivision must be based on the count of individual pupils and not on a building average or minimum

Subd. 4. **AFDC pupil counts.** AFDC pupil counts and average daily membership for subdivisions 1b and 3 shall be determined according to this subdivision:

(a) For districts where the number of pupils from families receiving aid to families with dependent children has increased over the preceding year for each of the two previous years, the number of pupils enrolled in the district from families receiving aid to families with dependent children shall be those counted on October 1 of the previous school year. The average daily membership used shall be from the previous school year.

(b) For districts that do not meet the requirement of paragraph (a), the number of pupils enrolled in the district from families receiving aid to families with dependent children shall be the average number of pupils on October 1 of the second previous school year and October 1 of the previous school year. The average daily membership used shall be the average number enrolled in the previous school year and the second previous school year.

(c) Notwithstanding paragraphs (a) and (b), for charter schools in the first three years of operation, the number of pupils enrolled from families receiving AFDC shall be those counted on October 1 of the current school year. The average daily membership used shall be from the current school year.

Subd. 5. **Adjusted pupil units.** Adjusted pupil units for a district means the sum of:

(1) the number of resident pupil units, according to subdivision 1g, plus

(2) shared time pupil units, according to section 126C.01, subdivision 6, plus

(3) pupil units according to subdivision 1 for pupils attending the district for which general education aid adjustments are made according to section 127A.47, subdivision 7; minus

(4) pupil units according to subdivision 1 for resident pupils attending other districts for which general education aid adjustments are made according to section 127A.47, subdivision 7.

Subd. 6. **Resident pupil units.** Resident pupil units for a district means the number of pupil units according to subdivision 1 residing in the district.

Subd. 7. **Pupil units served.** Pupil units served for a district means the number of pupil units according to subdivision 1 enrolled in the district.

Subd. 8. **Average daily membership.** Membership for pupils in grades kindergarten through 12 and for prekindergarten pupils with disabilities shall mean the number of pupils on the current roll of the school, counted from the date of entry until withdrawal. The date of withdrawal shall mean the day the pupil permanently leaves the school or the date it is officially known that the pupil has left or has been legally excused. However, a pupil, regardless of age, who has been absent from school for 15 consecutive school days during the regular school year or for five consecutive school days during summer school or intersession classes of flexible school year programs without receiving instruction in the home or hospital shall be dropped from the roll and classified as withdrawn. Nothing in this section shall be construed as waiving the compulsory attendance provisions cited in section 120A.22. Average daily membership equals the sum for all pupils of the number of days of the school year each pupil is enrolled in the district's schools divided by the number of days the schools are in session. Days of summer school or intersession classes of flexible school year programs are only included in the computation of membership for pupils with a disability not appropriately served primarily in the regular classroom.

Subd. 9. **Transitional year pupils.** Notwithstanding subdivision 8, pupils granted transitional year status shall continue to be counted as members on the current roll of the school for the remainder of the school year. For purposes of computing average daily membership, transitional year pupils must be considered to be enrolled every day school is in session for the remainder of the school year.

Subd. 10. **National guard pupils.** Notwithstanding subdivision 8, pupils enrolled in the Minnesota National Guard program shall be construed to be in attendance, for purposes of computing average daily membership, during any period of the regular school year, but not to include summer school, during which the pupil is attending military active duty training pursuant to that program. During that period of military active duty training, the pupil shall earn all aid for the district of residence or attendance which would be otherwise earned by the pupil's presence.

Subd. 11. Notwithstanding subdivision 8, in cases when school is in session but pupils are prevented from attending for more than 15 consecutive school days during the regular school year or five consecutive school days during summer school or intersession classes of flexible school year programs, because of epidemic, calamity, weather, fuel shortage, or other justifiable cause, the commissioner, upon application, may allow the district to continue to count these pupils in average daily membership. A lawful employees' strike is not a justifiable cause for purposes of this subdivision.

Subd. 12. **Average daily membership, pupils age 21 or over.** The average daily membership for pupils age 21 or over is equal to the ratio of the number of yearly hours that the pupil is in membership to the number of instructional hours in the district's regular school year. A pupil enrolled in the graduation incentives program under section 124D.68, subdivision 2, paragraph (b), for more than the number of instructional hours in the district's regular school year may be counted as more than one pupil in average daily membership.

Subd. 13. **PSEO pupils.** The average daily membership for a pupil participating in the post-secondary enrollment options program equals the lesser of

- (a) 1.00, or
- (b) the greater of
 - (1) .12, or

- (2) the ratio of (i) the sum of the number of instructional hours the pupil is enrolled in the secondary school during quarters, trimesters, or semesters during which the pupil participates in PSEO, and hours enrolled in the secondary school during the remainder of the school year, to (ii) the actual number of instructional days in the school year times the length of day in the school.

Subd. 14. **Computing pupil units for a prior year.** In computing pupil units for a prior year, the number of pupil units shall be adjusted to reflect any change for the current year in relative weightings by grade level or category of special assistance, any change in measurement from average daily attendance to average daily membership and any change in school district boundaries, but not for the addition for the first time in the current year of a specified category of special assistance as provided in subdivision 1, clause (4).

Subd. 15 **Learning year pupil units.** (a) When a pupil is enrolled in a learning year program under section 124D.128, an area learning center under sections 123A.05 and 123A.06, an alternative program approved by the commissioner, or a contract alternative program under section 124D.68, subdivision 3, paragraph (d), or subdivision 3a, for more than 1,020 hours in a school year for a secondary student, more than 935 hours in a school year for an elementary student, or more than 425 hours in a school year for a kindergarten student without a disability, that pupil may be counted as more than one pupil in average daily membership. The amount in excess of one pupil must be determined by the ratio of the number of hours of instruction provided to that pupil in excess of: (i) the greater of 1,020 hours or the number of hours required for a full-time secondary pupil in the district to 1,020 for a secondary pupil; (ii) the greater of 935 hours or the number of hours required for a full-time elementary pupil in the district to 935 for an elementary pupil in grades 1 through 6; and (iii) the greater of 425 hours or the number of hours required for a full-time kindergarten student without a disability in the district to 425 for a kindergarten student without a disability. Hours that occur after the close of the instructional year in June shall be attributable to the following fiscal year. A kindergarten student must not be counted as more than 1.2 pupils in average daily membership under this subdivision.

(b)(i) To receive general education revenue for a pupil in an alternative program that has an independent study component, a district must meet the requirements in this paragraph. The district must develop, with the pupil, a continual learning plan for the pupil. A district must allow a minor pupil's parent or guardian to participate in developing the plan, if the parent or guardian wants to participate. The plan must identify the learning experiences and expected outcomes needed for satisfactory credit for the year and for graduation. The plan must be updated each year. Each school district that has a state-approved public alternative program must reserve revenue in an amount equal to at least 90 percent of the district average general education revenue per pupil unit less compensatory revenue per pupil unit times the number of pupil units generated by students attending a state-approved public alternative program. The amount of reserved revenue available under this subdivision may only be spent for program costs associated with the state-approved public alternative program. Compensatory revenue must be allocated according to section 126C.15, subdivision 2.

(ii) General education revenue for a pupil in an approved alternative program without an independent study component must be prorated for a pupil participating for less than a full year, or its equivalent. Each school district that has a state-approved public alternative program must reserve revenue in an amount equal to at least 90 percent of the district average general education revenue per pupil unit less compensatory revenue per pupil unit times the number of pupil units generated by students attending a state-approved public alternative program. The amount of reserved revenue available under this subdivision may only be spent for program costs associated with the state-approved public alternative program. Compensatory revenue must be allocated according to section 126C.15, subdivision 2.

(iii) General education revenue for a pupil in an approved alternative program that has an independent study component must be paid for each hour of teacher contact time and each hour of independent study time completed toward a credit or graduation standards necessary for graduation. Average daily membership for a pupil shall equal the number of hours of teacher contact time and independent study time divided by 1,020.

(iv) For an alternative program having an independent study component, the commissioner shall require a description of the courses in the program, the kinds of independent study involved, the expected learning outcomes of the courses, and the means of measuring student performance against the expected outcomes.

Subd. 16. **Free and reduced priced lunches.** The commissioner shall determine the number of children eligible to receive either a free or reduced priced lunch on October 1 each year. Children enrolled in a building on October 1 and determined to be eligible to receive free or reduced price lunch by January 15 of the following year shall be counted as eligible on October 1 for purposes of subdivision 3. The commissioner may use federal definitions for these purposes and may adjust these definitions as appropriate. The commissioner may adopt reporting guidelines to assure accuracy of data counts and eligibility. Districts shall use any guidelines adopted by the commissioner.

Subd. 17. **LEP pupil units.** (a) Limited English proficiency pupil units for fiscal year 1998 and thereafter shall be determined according to this subdivision.

(b) The limited English proficiency concentration percentage for a district equals the product of 100 times the ratio of:

(1) the number of pupils of limited English proficiency enrolled in the district during the current fiscal year; to

(2) the number of pupils in average daily membership enrolled in the district.

(c) The limited English proficiency pupil units for each pupil enrolled in a program for pupils of limited English proficiency in accordance with sections 124D.58 to 124D.64 equals the lesser of one or the quotient obtained by dividing the limited English proficiency concentration percentage for the pupil's district of enrollment by 11.5.

(d) Limited English proficiency pupil units shall be counted by the district of enrollment.

(e) Notwithstanding paragraph (d), for the purposes of this subdivision, pupils enrolled in a cooperative or intermediate school district shall be counted by the district of residence.

History: *Ex1959 c 71 art 5 s 17; Ex1961 c 77 s 1; 1969 c 736 s 1; 1969 c 1085 s 3; 1971 c 829 s 1; Ex1971 c 31 art 20 s 2; 1973 c 683 s 4; 1974 c 521 s 18-20; 1975 c 432 s 21,22; 1976 c 2 s 59; 1976 c 271 s 42,43; 1977 c 447 art 1 s 4-6; 1978 c 764 s 40-43; 1979 c 50 s 13; 1979 c 334 art 1 s 5; 1981 c 358 art 1 s 13-16; 1982 c 548 art 3 s 6; 1983 c 314 art 3 s 2; 1985 c 248 s 69; 1Sp1985 c 12 art 1 s 5,6; 1986 c 444; 1Sp1986 c 1 art 9 s 2; 1987 c 398 art 1 s 2; art 3 s 16; 1988 c 486 s 24,25; 1988 c 718 art 3 s 2; art 6 s 6; 1989 c 209 art 2 s 1; 1990 c 562 art 1 s 1; 1991 c 130 s 37; 1991 c 265 art 1 s 4-7; art 3 s 38; art 9 s 42; 1992 c 499 art 12 s 29; 1993 c 224 art 1 s 2; art 9 s 28,29; art 13 s 35; 1994 c 647 art 1 s 6; art 9 s 7; 1995 c 212 art 4 s 64; 1Sp1995 c 3 art 1 s 8-11; art 14 s 4; 1996 c 412 art 1 s 7,8; art 4 s 6; art 14 s 2; 1997 c 1 s 3; 1997 c 162 art 2 s 15; 1Sp1997 c 4 art 1 s 12-14; art 2 s 3; 1998 c 397 art 7 s 21-28,164; art 11 s 3; 1998 c 398 art 1 s 6-8; art 2 s 24*

NOTE Subdivision 15, as added by Laws 1996, chapter 412, article 1, section 8, is repealed effective July 1, 1999. Laws 1996, chapter 412, article 1, section 35

126C.06 AFDC (MFIP-S) PUPIL COUNT; CERTIFICATION.

Each year by March 1, the department of human services shall certify to the department of children, families, and learning, for each district, the number of pupils from families receiving aid to families with dependent children who were enrolled in a public school on October 1 of the preceding year.

History: *1984 c 463 art 1 s 1; 1984 c 654 art 5 s 58; 1Sp1995 c 3 art 16 s 13; 1998 c 397 art 7 s 29,164*

GENERAL EDUCATION REVENUE

126C.10 GENERAL EDUCATION REVENUE.

Subdivision 1. **General education revenue.** For fiscal year 1999 and thereafter, the general education revenue for each district equals the sum of the district's basic revenue, basic skills revenue, training and experience revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, graduation standards implementation revenue, transition revenue, and supplemental revenue.

Subd. 2. **Basic revenue.** The basic revenue for each district equals the formula allowance times the resident pupil units for the school year. The formula allowance for fiscal year 1997 is \$3,505. The formula allowance for fiscal year 1998 is \$3,581 and the formula allowance for fiscal year 1999 and fiscal year 2000 is \$3,530. The formula allowance for fiscal year 2001 and subsequent fiscal years is \$3,597.

Subd. 3. **Compensatory education revenue.** The compensatory education revenue for each building in the district equals the formula allowance times the compensation revenue pupil units computed according to section 126C.05, subdivision 3. Revenue shall be paid to the district and must be allocated according to section 126C.15, subdivision 2.

Subd. 4. **Basic skills revenue.** For fiscal year 1999 and thereafter, a school district's basic skills revenue equals the sum of:

- (1) compensatory revenue under subdivision 3; plus
- (2) limited English proficiency revenue according to section 124D.65, subdivision 5; plus
- (3) \$190 times the limited English proficiency pupil units according to section 126C.05, subdivision 17; plus
- (4) the lesser of: (i) \$22.50 times the number of adjusted pupil units in kindergarten to grade 8; or (ii) the amount of district money provided to match basic skills revenue for the purposes described in section 126C.15.

Subd. 5. **Training and experience revenue.** The training and experience revenue for each district equals the greater of zero or the result of the following computation:

- (1) subtract .8 from the training and experience index;
- (2) multiply the result in clause (1) by the product of \$660 times the resident pupil units for the school year

Subd. 6. **Definitions.** The definitions in this subdivision apply only to subdivisions 7 and 8.

(a) "High school" means a secondary school that has pupils enrolled in at least the 10th, 11th, and 12th grades. If there is no secondary school in the district that has pupils enrolled in at least the 10th, 11th, and 12th grades, and the school is at least 19 miles from the next nearest school, the commissioner must designate one school in the district as a high school for the purposes of this section.

(b) "Secondary average daily membership" means, for a district that has only one high school, the average daily membership of resident pupils in grades 7 through 12. For a district that has more than one high school, "secondary average daily membership" for each high school means the product of the average daily membership of resident pupils in grades 7 through 12 in the high school, times the ratio of six to the number of grades in the high school.

(c) "Attendance area" means the total surface area of the district, in square miles, divided by the number of high schools in the district. For a district that does not operate a high school and is less than 19 miles from the nearest operating high school, the attendance area equals zero.

(d) "Isolation index" for a high school means the square root of 55 percent of the attendance area plus the distance in miles, according to the usually traveled routes, between the high school and the nearest high school. For a district in which there is located land defined in section 84A.01, 84A.20, or 84A.31, the distance in miles is the sum of:

- (1) the square root of one-half of the attendance area; and
- (2) the distance from the border of the district to the nearest high school.

(e) "Qualifying high school" means a high school that has an isolation index greater than 23 and that has secondary average daily membership of less than 400.

(f) "Qualifying elementary school" means an elementary school that is located 19 miles or more from the nearest elementary school or from the nearest elementary school within the district and, in either case, has an elementary average daily membership of an average of 20 or fewer per grade.

(g) "Elementary average daily membership" means, for a district that has only one elementary school, the average daily membership of resident pupils in kindergarten through grade 6. For a district that has more than one elementary school, "average daily membership" for each school means the average daily membership of kindergarten through grade 6 multiplied by the ratio of seven to the number of grades in the elementary school. For a building in a district where the nearest elementary school is at least 65 miles distant, pupils served must be used to determine average daily membership.

Subd. 7. **Secondary sparsity revenue.** (a) A district's secondary sparsity revenue for a school year equals the sum of the results of the following calculation for each qualifying high school in the district:

- (1) the formula allowance for the school year, multiplied by

- (2) the secondary average daily membership of the high school, multiplied by
- (3) the quotient obtained by dividing 400 minus the secondary average daily membership by 400 plus the secondary daily membership, multiplied by
- (4) the lesser of 1.5 or the quotient obtained by dividing the isolation index minus 23 by ten.

(b) A newly formed district that is the result of districts combining under the cooperation and combination program or consolidating under section 123A.48 must receive secondary sparsity revenue equal to the greater of: (1) the amount calculated under paragraph (a) for the combined district; or (2) the sum of the amounts of secondary sparsity revenue the former districts had in the year prior to consolidation, increased for any subsequent changes in the secondary sparsity formula.

Subd. 8. Elementary sparsity revenue. A district's elementary sparsity revenue equals the sum of the following amounts for each qualifying elementary school in the district:

- (1) the formula allowance for the year, multiplied by
- (2) the elementary average daily membership of the school, multiplied by
- (3) the quotient obtained by dividing 140 minus the elementary average daily membership by 140 plus the average daily membership.

Subd. 9. Supplemental revenue. (a) A district's supplemental revenue allowance for fiscal year 1994 and later fiscal years equals the district's supplemental revenue for fiscal year 1993 divided by the district's 1992-1993 resident pupil units.

(b) A district's supplemental revenue allowance is reduced for fiscal year 1995 and later according to subdivision 12.

(c) A district's supplemental revenue equals the supplemental revenue allowance, if any, times its resident pupil units for that year.

(d) A district may cancel its supplemental revenue by notifying the commissioner of education prior to June 30, 1994. A district that is reorganizing under section 122A.35, 123A.46, or 123A.48 may cancel its supplemental revenue by notifying the commissioner of children, families, and learning before July 1 of the year of the reorganization. If a district cancels its supplemental revenue according to this paragraph, its supplemental revenue allowance for fiscal year 1993 for purposes of subdivision 12 and section 124A.03, subdivision 3b, equals zero.

Subd. 10. Supplemental levy. To obtain supplemental revenue, a district may levy an amount not more than the product of its supplemental revenue for the school year times the lesser of one or the ratio of its adjusted net tax capacity per resident pupil unit to \$10,000.

Subd. 11. Supplemental aid. A district's supplemental aid equals its supplemental revenue minus its supplemental levy times the ratio of the actual amount levied to the permitted levy.

Subd. 12. Supplemental revenue reduction. A district's supplemental revenue allowance is reduced by the sum of:

- (1) the sum of one-fourth of the difference of:
 - (i) the sum of the district's training and experience revenue and compensatory revenue per actual pupil unit for fiscal year 1996, and
 - (ii) the sum of district's training and experience revenue and compensatory revenue per actual pupil unit for fiscal year 1994; and
- (2) \$100.

A district's supplemental revenue allowance may not be less than zero

Subd. 13. Total operating capital revenue. (a) For fiscal year 1999 and thereafter, total operating capital revenue for a district equals the amount determined under paragraph (b) or (c), plus \$68 times the resident 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) For fiscal years 1999 and later, capital revenue for a district equals \$100 times the district's maintenance cost index times its resident pupil units for the school year.

(c) For 1996 and later fiscal years, the previous formula revenue for a district equals \$128 times its resident pupil units for the school year.

(d) For fiscal years 1998 and later, 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 resident pupil units at the site where the program is implemented.

Subd. 14. Uses of total operating capital revenue. Total operating capital revenue may be used only for the following purposes:

- (1) to acquire land for school purposes;
- (2) to acquire or construct buildings for school purposes;
- (3) to rent or lease buildings, including the costs of building repair or improvement that are part of a lease agreement;
- (4) to improve and repair school sites and buildings, and equip or reequip school buildings with permanent attached fixtures;
- (5) for a surplus school building that is used substantially for a public nonschool purpose;
- (6) to eliminate barriers or increase access to school buildings by individuals with a disability;
- (7) to bring school buildings into compliance with the Uniform Fire Code adopted according to chapter 299F;
- (8) to remove asbestos from school buildings, encapsulate asbestos, or make asbestos-related repairs;
- (9) to clean up and dispose of polychlorinated biphenyls found in school buildings;
- (10) to clean up, remove, dispose of, and make repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01;
- (11) for energy audits for school buildings and to modify buildings if the audit indicates the cost of the modification can be recovered within ten years;
- (12) to improve buildings that are leased according to section 123B.51, subdivision 4;
- (13) to pay special assessments levied against school property but not to pay assessments for service charges;
- (14) to pay principal and interest on state loans for energy conservation according to section 216C.37 or loans made under the Northeast Minnesota Economic Protection Trust Fund Act according to sections 298.292 to 298.298;
- (15) to purchase or lease interactive telecommunications equipment;
- (16) by board resolution, to transfer money into the debt redemption fund to: (i) pay the amounts needed to meet, when due, principal and interest payments on certain obligations issued according to chapter 475; or (ii) pay principal and interest on debt service loans or capital loans according to section 126C.70;
- (17) to pay capital expenditure equipment-related assessments of any entity formed under a cooperative agreement between two or more districts;
- (18) to purchase or lease computers and related materials, copying machines, telecommunications equipment, and other noninstructional equipment;
- (19) to purchase or lease assistive technology or equipment for instructional programs;
- (20) to purchase textbooks;
- (21) to purchase new and replacement library books;
- (22) to purchase vehicles;
- (23) to purchase or lease telecommunications equipment, computers, and related equipment for integrated information management systems for:
 - (i) managing and reporting learner outcome information for all students under a results-oriented graduation rule;
 - (ii) managing student assessment, services, and achievement information required for students with individual education plans; and
 - (iii) other classroom information management needs; and
- (24) to pay personnel costs directly related to the acquisition, operation, and maintenance of telecommunications systems, computers, related equipment, and network and applications software.

Subd. 15. **Uses of revenue.** Except as otherwise prohibited by law, a district may spend general fund money for capital purposes.

Subd. 16. **Maintenance cost index.** (a) A district's maintenance cost index is equal to the ratio of:

- (1) the total weighted square footage for all eligible district-owned facilities; and
- (2) the total unweighted square footage of these facilities.

(b) The department shall determine a district's maintenance cost index annually. Eligible district-owned facilities must include only instructional or administrative square footage owned by the district. The commissioner may adjust the age of a building or addition for major renovation projects.

(c) The square footage weighting factor for each original building or addition equals the lesser of:

- (1) one plus the ratio of the age in years to 100; or
- (2) 1.5.

(d) The weighted square footage for each original building or addition equals the product of the unweighted square footage times the square footage weighting factor.

Subd. 17. **Transportation sparsity definitions.** The definitions in this subdivision apply to subdivisions 18 and 19.

(a) "Sparsity index" for a district means the greater of .2 or the ratio of the square mile area of the district to the resident pupil units of the district.

(b) "Density index" for a district means the ratio of the square mile area of the district to the resident pupil units of the district. However, the density index for a district cannot be greater than .2 or less than .005.

(c) "Fiscal year 1996 base allowance" for a district means the result of the following computation:

(1) sum the following amounts:

(i) the fiscal year 1996 regular transportation revenue for the district according to Minnesota Statutes 1996, section 124.225, subdivision 7d, paragraph (a), excluding the revenue attributable nonpublic school pupils and to pupils with disabilities receiving special transportation services; plus

(ii) the fiscal year 1996 nonregular transportation revenue for the district according to Minnesota Statutes 1996, section 124.225, subdivision 7d, paragraph (b), excluding the revenue for desegregation transportation according to Minnesota Statutes 1996, section 124.225, subdivision 1, paragraph (c), clause (4), and the revenue attributable to nonpublic school pupils and to pupils with disabilities receiving special transportation services or board and lodging; plus

(iii) the fiscal year 1996 excess transportation levy for the district according to Minnesota Statutes 1996, section 124.226, subdivision 5, excluding the levy attributable to nonpublic school pupils; plus

(iv) the fiscal year 1996 late activity bus levy for the district according to Minnesota Statutes 1996, section 124.226, subdivision 9, excluding the levy attributable to nonpublic school pupils; plus

(v) an amount equal to one-third of the fiscal year 1996 bus depreciation for the district according to Minnesota Statutes 1996, section 124.225, subdivision 1, paragraph (b), clauses (2), (3), and (4).

(2) divide the result in clause (1) by the district's 1995-1996 fund balance pupil units.

Subd. 18. **Transportation sparsity revenue allowance.** (a) A district's transportation sparsity allowance equals the greater of zero or the result of the following computation:

(i) Multiply the formula allowance according to subdivision 2, by .1469.

(ii) Multiply the result in clause (i) by the district's sparsity index raised to the 26/100 power.

(iii) Multiply the result in clause (ii) by the district's density index raised to the 13/100 power.

(iv) Multiply the formula allowance according to subdivision 2, by .0485.

(v) Subtract the result in clause (iv) from the result in clause (iii).

(b) Transportation sparsity revenue is equal to the transportation sparsity allowance times the resident pupil units.

Subd. 19. **Transition allowance.** (a) A district's transportation transition allowance for fiscal year 1998 and later equals the result of the following:

(1) if the result in subdivision 18, paragraph (a), clause (iii), for fiscal year 1998 is less than the fiscal year 1996 base allowance, the transportation transition allowance equals the fiscal year 1996 base allowance minus the result in subdivision 18, paragraph (a), clause (iii); or

(2) if the result in subdivision 18, paragraph (a), clause (iii), for fiscal year 1998 and later is greater than or equal to the fiscal year 1996 base allowance, the transportation transition allowance equals zero.

(b) A district's compensatory transition allowance equals the greater of zero or the difference between:

(1) the amount of compensatory revenue the district would have received under subdivision 3 for fiscal year 1998 computed using a basic formula allowance of \$3,281; and

(2) the amount the district receives under subdivision 3, divided by

(3) the district's actual pupil units for fiscal year 1998.

(c) A district's cooperation transition allowance for fiscal year 2001 and later equals the greater of zero or the difference between.

(1) \$25,000; and

(2) \$67 times the district's resident pupil units for fiscal year 2001.

(d) A district's transition allowance for fiscal year 1999 is equal to the sum of its transportation transition allowance and its compensatory transition allowance. A district's transition allowance for fiscal year 2000 and thereafter is equal to the sum of its transportation transition allowance, its compensatory transition allowance, and its cooperation transition allowance.

Subd. 20. **Transition revenue adjustment.** A district's transition revenue adjustment equals the district's transition allowance times the resident pupil units for the school year.

Subd. 21. **Transition levy adjustment.** A district's general education levy shall be adjusted by an amount equal to the district's transition revenue times the lesser of 1 or the ratio of its adjusted net tax capacity per resident pupil unit to \$10,000.

Subd. 22. **Transition aid adjustment.** A district's transition aid adjustment is the difference between the transition revenue and the transition levy.

History: 1987 c 398 art 1 s 11; 1988 c 486 s 58-60; 1988 c 718 art 1 s 1-3; 1989 c 329 art 1 s 5-12; 1990 c 375 s 3; 1990 c 562 art 8 s 28; 1991 c 130 s 37; 1991 c 265 art 1 s 12-19; 1992 c 499 art 6 s 20; art 12 s 13,14,29; 1993 c 224 art 1 s 12-17; 1993 c 374 s 2; 1994 c 647 art 1 s 21-24; 1995 c 212 art 4 s 64; 1Sp1995 c 3 art 1 s 25-44; art 13 s 7; art 16 s 13; 1996 c 412 art 1 s 23-25; art 9 s 6; 1997 c 1 s 4; 1997 c 2 s 6; 1Sp1997 c 4 art 1 s 36-45; art 4 s 22,23; 1998 c 299 s 30; 1998 c 397 art 7 s 145-151,164; art 11 s 3; art 12 s 3-5; 1998 c 398 art 1 s 28-31; art 4 s 8; 1Sp1998 c 3 s 17

NOTE Subdivisions 2, 3, 5, 9, and 12 (formerly section 124A 22, subdivisions 2, 3, 4, 8, and 9), are repealed effective June 30, 2001. Laws 1992, chapter 499, article 7, section 31, as amended by Laws 1998, chapter 398, article 1, section 39

126C.11 TRAINING AND EXPERIENCE INDEX.

The training and experience index for fiscal year 1999 and later must be constructed in the following manner:

(a) The department must construct a matrix that classifies teachers by the extent of training received in accredited institutions of higher education and by the years of experience that districts take into account in determining teacher salaries.

(b) The average salary for each cell of the matrix must be computed as follows using data from fiscal year 1997:

(1) For each district, multiply the salary paid to full-time equivalent teachers with that combination of training and experience according to the district's teacher salary schedule by the number of resident pupil units in that district.

(2) Add the amounts computed in clause (1) for all districts in the state and divide the resulting sum by the total number of resident pupil units in all districts in the state that employ teachers.

(c) For each cell in the matrix, compute the ratio of the average salary in that cell to the average salary for all teachers in the state during fiscal year 1997.

(d) The index for each district that employs teachers equals the sum of: (i) for teachers employed in that district during fiscal year 1997 and the current fiscal year, the ratios for each teacher computed using data for fiscal year 1997; and (ii) for teachers employed in that district during the current fiscal year but not during fiscal year 1997, the ratio for teachers who are in their first year of teaching and who have no additional credits or degrees above a bachelor's degree divided by the number of teachers in that district. The index for a district that employs no teachers is zero.

History: 1983 c 314 art 1 s 10; 1991 c 265 art 1 s 11; 1993 c 224 art 1 s 11; 1Sp1997 c 4 art 1 s 35; 1998 c 397 art 7 s 144,164; art 11 s 3

NOTE This section (formerly section 124A.04) is repealed effective June 30, 2001. Laws 1992, chapter 499, article 7, section 31, as amended by Laws 1998, chapter 398, article 1, section 39

126C.12 LEARNING AND DEVELOPMENT REVENUE AMOUNT AND USE.

Subdivision 1. Revenue. Of a district's general education revenue an amount equal to the sum of the number of elementary fund balance pupils in average daily membership defined in section 126C.05, subdivision 5, and one-half of the number of kindergarten fund balance pupils in average daily membership as defined in section 126C.05, subdivision 5, times .06 for fiscal year 1995 and thereafter times the formula allowance must be reserved according to this section.

Subd. 2. Instructor defined. Primary instructor means a public employee licensed by the board of teaching whose duties are full-time instruction, excluding a teacher for whom categorical aids are received pursuant to sections 125A.76 and 125A.77. Except as provided in section 122A.68, subdivision 6, instructor does not include supervisory and support personnel, except school social workers as defined in section 122A.15. An instructor whose duties are less than full-time instruction must be included as an equivalent only for the number of hours of instruction in grades kindergarten through 6.

Subd. 3. Instruction contact time. Instruction may be provided by a primary instructor, by a team of instructors, or by teacher resident supervised by a primary instructor. The district must maximize instructor to learner average instructional contact time.

Subd. 4. Revenue use. (a) Revenue must be used according to either paragraph (b) or (c).

(b) Revenue must be used to reduce and maintain the district's instructor to learner ratios in kindergarten through grade 6 to a level of 1 to 17 on average. The district must prioritize the use of the revenue to attain this level initially in kindergarten and grade 1 and then through the subsequent grades as revenue is available.

(c) The revenue may be used to prepare and use an individualized learning plan for each learner. A district must not increase the district wide instructor-to-learner ratios in other grades as a result of reducing instructor-to-learner ratios in kindergarten through grade 6. Revenue may not be used to provide instructor preparation time or to provide the district's share of revenue required under section 124D.67. A district may use a portion of the revenue reserved under this section to employ up to the same number of full-time equivalent education assistants or aides as the district employed during the 1992-1993 school year under Minnesota Statutes 1992, section 124.331, subdivision 2.

Subd. 5. Additional revenue use. If the board of a district determines that the district has achieved and is maintaining the instructor-to-learner ratios specified in subdivision 4 and is using individualized learning plans, the board may use the revenue to purchase material and services or provide staff development needed for reduced instructor-to-learner ratios. If additional revenue remains, the district must use the revenue to improve program offer-

ings, including programs provided through interactive television, throughout the district or other general education purposes.

History: 1993 c 224 art 1 s 18; 1993 c 374 s 3; 1994 c 647 art 1 s 25; art 7 s 2; art 8 s 12,13; 1Sp1995 c 3 art 1 s 45; art 13 s 8; 1997 c 7 art 1 s 66; 1Sp1997 c 4 art 11 s 3; 1998 c 397 art 7 s 152,153,164; art 11 s 3.

126C.13 GENERAL EDUCATION LEVY AND AID.

Subdivision 1. General education tax rate. The commissioner must establish the general education tax rate by July 1 of each year for levies payable in the following year. The general education tax capacity rate must be a rate, rounded up to the nearest hundredth of a percent, that, when applied to the adjusted net tax capacity for all districts, raises the amount specified in this subdivision. The general education tax rate must be the rate that raises \$1,385,500,000 for fiscal year 1999, \$1,325,500,000 for fiscal year 2000, and \$1,387,100,000 for fiscal year 2001, and later fiscal years. The general education tax rate may not be changed due to changes or corrections made to a district's adjusted net tax capacity after the tax rate has been established. If the levy target for fiscal year 1999 or fiscal year 2000 is changed by another law enacted during the 1997 or 1998 session, the commissioner shall reduce the general education levy target in this section by the amount of the reduction in the enacted law.

Subd. 2. General education levy. To obtain general education revenue, excluding transition revenue and supplemental revenue, a district may levy an amount not to exceed the general education tax rate times the adjusted net tax capacity of the district for the preceding year. If the amount of the general education levy would exceed the general education revenue, excluding supplemental revenue, the general education levy must be determined according to subdivision 3.

Subd. 3. General education levy; districts off the formula. If the amount of the general education levy for a district exceeds the district's general education revenue, excluding transition revenue and supplemental revenue, the amount of the general education levy must be limited to the following:

- (1) the district's general education revenue, excluding transition revenue and supplemental revenue; plus
- (2) the amount of the aid reduction for the same school year according to section 126C.14; minus
- (3) payments made for the same school year according to section 126C.21, subdivision 3.

For purposes of statutory cross-reference, a levy made according to this subdivision shall be construed to be the levy made according to subdivision 2.

Subd. 4. General education aid. A district's general education aid is the sum of the following amounts:

- (1) the product of (i) the difference between the general education revenue, excluding transition revenue and supplemental revenue, and the general education levy, times (ii) the ratio of the actual amount levied to the permitted levy;
- (2) transition aid according to section 126C.10, subdivision 22;
- (3) supplemental aid according to section 127A.49;
- (4) shared time aid according to section 126C.01, subdivision 7; and
- (5) referendum aid according to section 126C.17.

Subd. 5. Uses of revenue. Except as provided in sections 126C.10, subdivision 14; 126C.12; and 126C.15, general education revenue may be used during the regular school year and the summer for general and special school purposes

History: 1987 c 398 art 1 s 12; 1988 c 486 s 61-64; 1988 c 718 art 1 s 4-6; 1988 c 719 art 5 s 84; 1989 c 329 art 1 s 13; art 13 s 20; 1Sp1989 c 1 art 2 s 11; art 6 s 7; art 9 s 6; 1990 c 562 art 1 s 4; 1991 c 265 art 1 s 20-22; 1992 c 499 art 1 s 15; art 12 s 15,16; 1992 c 511 art 4 s 1; 1993 c 224 art 1 s 19,20; 1994 c 647 art 1 s 26; 1Sp1995 c 3 art 1 s 46,47; 1996 c 412 art 1 s 26; 1Sp1997 c 4 art 1 s 46-49; 1998 c 397 art 7 s 154-156,164; art 11 s 3; art 12 s 6

NOTE Subdivisions 1, 2, 3, 4, and 5 (formerly section 124A 23, subdivisions 1, 2, 3, 4, and 5), are repealed effective June 30, 2001. Laws 1992, chapter 499, article 7, section 31, as amended by Laws 1998, chapter 398, article 1, section 39.

126C.14 GENERAL EDUCATION LEVY EQUITY.

If a district's general education levy is determined according to section 126C.13, subdivision 3, an amount must be deducted from state aid authorized in this chapter and chapters 120B, 122A, 123A, 123B, 124B, 124D, 125A, and 127A, receivable for the same school year, and from other state payments receivable for the same school year authorized in chapter 273. The aid in section 124D.111 must not be reduced.

The amount of the deduction equals the difference between:

(1) the general education tax rate, according to section 126C.13, times the district's adjusted net tax capacity used to determine the general education aid for the same school year; and

(2) the district's general education revenue, excluding transition revenue and supplemental revenue, for the same school year, according to section 126C.10.

History: 1987 c 398 art 1 s 13; 1988 c 486 s 65; 1988 c 718 art 1 s 7; 1988 c 719 art 5 s 84; 1989 c 209 art 2 s 9; 1989 c 222 s 29; 1989 c 329 art 13 s 20; 1Sp1989 c 1 art 2 s 11; 1991 c 130 s 22; 1991 c 265 art 1 s 23; 1992 c 499 art 12 s 17; 1993 c 224 art 1 s 21; 1Sp1995 c 3 art 1 s 48; 1998 c 397 art 7 s 164; art 11 s 3

NOTE This section (formerly section 124A 24) is repealed effective June 30, 2001. Laws 1992, chapter 499, article 7, section 31, as amended by Laws 1998, chapter 398, article 1, section 39

126C.15 COMPENSATORY EDUCATION REVENUE.

Subdivision 1. **Use of the revenue.** The compensatory education revenue under section 126C.10, subdivision 3, and the portion of the transition revenue adjustment under section 126C.10, subdivision 20, attributable to the compensatory transition allowance under section 126C.10, subdivision 19, paragraph (b), must be used to meet the educational needs of pupils who enroll under-prepared to learn and whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age. Any of the following may be provided to meet these learners' needs:

(1) direct instructional services under the assurance of mastery program according to section 124D.66;

(2) remedial instruction in reading, language arts, mathematics, other content areas, or study skills to improve the achievement level of these learners;

(3) additional teachers and teacher aides to provide more individualized instruction to these learners through individual tutoring, lower instructor-to-learner ratios, or team teaching;

(4) a longer school day or week during the regular school year or through a summer program that may be offered directly by the site or under a performance-based contract with a community-based organization;

(5) comprehensive and ongoing staff development consistent with district and site plans according to section 122A.60, for teachers, teacher aides, principals, and other personnel to improve their ability to identify the needs of these learners and provide appropriate remediation, intervention, accommodations, or modifications;

(6) instructional materials and technology appropriate for meeting the individual needs of these learners;

(7) programs to reduce truancy, encourage completion of high school, enhance self-concept, provide health services, provide nutrition services, provide a safe and secure learning environment, provide coordination for pupils receiving services from other governmental agencies, provide psychological services to determine the level of social, emotional, cognitive, and intellectual development, and provide counseling services, guidance services, and social work services;

(8) bilingual programs, bicultural programs, and programs for learners of limited English proficiency;

(9) all day kindergarten;

(10) extended school day and extended school year programs;

(11) substantial parent involvement in developing and implementing remedial education or intervention plans for a learner, including learning contracts between the school, the learner, and the parent that establish achievement goals and responsibilities of the learner and the learner's parent or guardian; and

(12) other methods to increase achievement, as needed.

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.

(b) Notwithstanding paragraph (a), for fiscal years 1999 and 2000, upon approval by the commissioner, a district may allocate up to five percent of the amount of compensatory revenue that the district would have received under section 126C.10, subdivision 3, for fiscal year 1998 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 3, 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 revenue will be used to carry out the purpose of this section.

Subd. 4. **Separate accounts.** Each district that receives compensatory education revenue shall maintain separate accounts to identify expenditures for salaries and programs related to basic skills revenue.

Subd. 5. **Annual expenditure report.** Each year a district that receives compensatory education revenue must submit a report identifying the expenditures it incurred to meet the needs of eligible learners under subdivision 1. The report must conform to uniform financial and reporting standards established for this purpose.

History: 1987 c 398 art 1 s 17; 1988 c 718 art 1 s 9,10; 1989 c 329 art 3 s 19; 1994 c 647 art 1 s 28; 1996 c 412 art 1 s 27; 1Sp1997 c 4 art 1 s 51; 1998 c 397 art 7 s 157,164; art 11 s 3; 1998 c 398 art 1 s 34,35; 1Sp1998 c 3 s 18

NOTE This section (formerly section 124A 28) is repealed effective June 30, 2001. Laws 1992, chapter 499, article 7, section 31, as amended by Laws 1998, chapter 398, article 1, section 39

126C.16 REFERENDUM AND DESEGREGATION REVENUE CONVERSION.

Subdivision 1. **Revenue conversion.** Except as provided under subdivision 3, the referendum authority under section 126C.17 and the levy authority under section 124.912, subdivisions 2 and 3, of a district must be converted by the department according to this section.

Subd. 2. **Rate adjustment.** The department must adjust a district's referendum authority for a referendum approved before July 1, 1991, excluding authority based on a dollar amount, and the levy authority under section 124.912, subdivisions 2 and 3, by multiplying the sum of the rates authorized by a district under section 126C.17 and the rates in section 124.912, subdivisions 2 and 3, by the ratio determined under subdivision 2 for the assessment year for which the revenue is attributable. The adjusted rates for assessment year 1993 apply to later years for which the revenue is authorized.

Subd. 3. **Per pupil revenue conversion.** (a) The department must convert each district's referendum revenue authority for fiscal year 2002 and later years to an allowance per pupil unit as follows: the revenue allowance equals the amount determined by dividing the district's maximum revenue under section 126C.17, for fiscal year 2001 by the district's 2000-2001 resident pupil units. A district's maximum revenue for all later years for which the revenue is authorized equals the revenue allowance times the district's resident pupil units for that year.

(b) The referendum allowance reduction must be applied first to the authority with the earliest expiration date.

History: 1991 c 130 s 37; 1992 c 499 art 1 s 10; art 12 s 29; 1993 c 224 art 15 s 1; 1994 c 647 art 1 s 15; 1996 c 412 art 1 s 14; 1998 c 397 art 7 s 132-134,164; art 11 s 3

126C.17 REFERENDUM REVENUE.

Subdivision 1. **Referendum allowance.** A district's referendum revenue allowance equals the referendum revenue authority for that year divided by its resident pupil units for that school year.

Subd. 2. **Referendum allowance limit.** Notwithstanding subdivision 1, a district's referendum allowance must not exceed the greater of:

- (1) the district's referendum allowance for fiscal year 1994;
- (2) 25 percent of the formula allowance minus \$300 for fiscal year 1997 and later; or
- (3) for a newly reorganized district created after July 1, 1994, the sum of the referendum revenue authority for the reorganizing districts for the fiscal year preceding the reorganization, divided by the sum of the resident pupil units of the reorganizing districts for the fiscal year preceding the reorganization.

Subd. 3. **Sparsity exception.** A district that qualifies for sparsity revenue under section 126C.10 is not subject to a referendum allowance limit.

Subd. 4. **Total referendum revenue.** The total referendum revenue for each district equals the district's referendum allowance times the resident pupil units for the school year.

Subd. 5. **Referendum equalization revenue.** A district's referendum equalization revenue equals \$350 times the district's resident pupil units for that year.

Referendum equalization revenue must not exceed a district's total referendum revenue for that year.

Subd. 6. **Referendum equalization levy.** (a) For fiscal year 1999 and thereafter, a district's referendum equalization levy for a referendum levied against the referendum market value of all taxable property as defined in section 126C.01, subdivision 3, equals the district's referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$476,000.

(b) For fiscal year 1999 and thereafter, a district's referendum equalization levy for a referendum levied against the net tax capacity of all taxable property equals the district's referendum equalization revenue times the lesser of one or the ratio of the district's adjusted net tax capacity per resident pupil unit to \$10,000.

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 referendum equalization revenue is less than its maximum levy limit, aid shall be proportionately reduced.

Subd. 8. **Unequalized referendum levy.** Each year, a district may levy an amount equal to the difference between its total referendum revenue according to subdivision 5 and its equalized referendum aid and levy according to subdivisions 6 and 7.

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 pupil unit, the estimated referendum tax rate as a percentage of market value in the first year it is to be levied, and that the revenue must be used to finance school operations. The ballot may state a schedule, determined by the board, of increased revenue per resident pupil units that differs from year to year over the number of years for which the increased revenue is authorized. If the ballot contains a schedule showing different amounts, it must also indicate the estimated referendum tax rate as a percent of market value for the amount specified for the first year and for the maximum amount specified in the schedule. 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 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 pupil unit times the resident 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 and annual percentage 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 and annual percentage 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 levy amount must be based upon the dollar amount, local tax rate, or amount per resident pupil unit, that was stated to be the basis for the initial authorization. Revenue approved by the voters of the district pursuant to paragraph (a) must be received 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.

(g) Except for a referendum held under subdivision 11, any referendum under this section held on a day other than the first Tuesday after the first Monday in November must be conducted by mail in accordance with section 204B.46. Notwithstanding paragraph (b) to

the contrary, in the case of a referendum conducted by mail under this paragraph, the notice required by paragraph (b) must be prepared and delivered by first class mail at least 20 days before the referendum.

Subd. 10. School referendum levy; market value. Notwithstanding the provisions of subdivision 9, a school referendum levy approved after November 1, 1992, for taxes payable in 1993 and thereafter, must be levied against the referendum market value of all taxable property as defined in section 126C.01, subdivision 3. Any referendum levy amount subject to the requirements of this subdivision must be certified separately to the county auditor under section 275.07.

All other provisions of subdivision 9 that do not conflict with this subdivision apply to referendum levies under this subdivision.

Subd. 11 Referendum date. In addition to the referenda allowed in subdivision 9, clause (a), the commissioner may authorize a referendum for a different day.

(a) The commissioner may grant authority to a district to hold a referendum on a different day if the district is in statutory operating debt and has an approved plan or has received an extension from the department to file a plan to eliminate the statutory operating debt.

(b) The commissioner may grant authority for a district to hold a referendum on a different day if: (1) the district will conduct a bond election under chapter 475 on that same day; and (2) the proceeds of the referendum will provide only additional operating revenue complementing the purpose for which bonding authority is sought. The commissioner may only grant authority under this paragraph if the district demonstrates to the commissioner's satisfaction that the district's ability to operate the new facility or achieve efficiencies with the purchases connected to the proceeds of the bond sale will be significantly affected if the operating referendum is not conducted until the November general election. Authority under this paragraph expires November 30, 1998.

(c) The commissioner must approve, deny, or modify each district's request for a referendum levy on a different day within 60 days of receiving the request from a district.

Subd. 12. Referendum allowance reduction. For fiscal year 1998 and later, a district's referendum allowance for referendum authority under subdivision 2 is reduced as provided in this subdivision.

(a) For referendum revenue authority approved before June 1, 1996, and effective for fiscal year 1997, the reduction equals the amount of the reduction computed for fiscal year 1997 under subdivision 3b.

(b) For referendum revenue authority approved before June 1, 1996, and effective beginning in fiscal year 1998, the reduction equals the amount of the reduction computed for fiscal year 1998 under subdivision 3b.

(c) For referendum revenue authority approved after May 31, 1996, there is no reduction.

(d) For districts with more than one referendum authority, the reduction must be computed separately for each authority. The reduction must be applied first to authorities levied against tax capacity, and then to authorities levied against referendum market value. For districts with more than one authority levied against net tax capacity or against referendum market value, the referendum allowance reduction must be applied first to the authority with the earliest expiration date.

(e) When referendum authority approved before June 1, 1996, expires, the referendum allowance reduction for a district shall be decreased by the amount of the decrease in the district's total referendum allowance under subdivision 2. For districts with more than one referendum authority remaining after the expiration, the amount of any remaining allowance reduction shall be reallocated among the remaining referendum authority approved before June 1, 1996, according to paragraph (d).

(f) For a newly reorganized district created after July 1, 1996, the referendum revenue reduction equals the lesser of the amount calculated for the combined district, or the sum of the amounts by which each of the reorganizing district's supplemental revenue reduction ex-

ceeds its respective supplemental revenue allowances calculated for the year preceding the year of reorganization.

History: *Ex 1971 c 31 art 20 s 8; 1973 c 683 s 18,19; 1974 c 521 s 29-31; 1975 c 432 s 74-81; 1976 c 2 s 97; 1976 c 134 s 78; 1976 c 271 s 80-90; 1977 c 307 s 29; 1977 c 423 art 3 s 12; 1977 c 447 art 1 s 19,20; art 2 s 8; art 4 s 5; art 5 s 12; art 6 s 8-10; art 7 s 26; 1978 c 764 s 103-111; 1979 c 303 art 2 s 22, 1979 c 334 art 1 s 14-24; art 2 s 13; art 4 s 4; art 6 s 23; 1980 c 509 s 112; 1980 c 607 art 7 s 9, 1980 c 609 art 1 s 9-13; art 2 s 3,4; art 4 s 15-18,22; art 5 s 19; 1981 c 224 s 38; 1981 c 356 s 248; 1981 c 358 art 1 s 31-42,48; art 4 s 10; art 6 s 32,33; 3Sp1981 c 2 art 2 s 10; art 4 s 7, 1982 c 548 art 1 s 12-14; art 2 s 4-6; art 3 s 26; art 6 s 19-22; art 7 s 6; 1983 c 216 art 1 s 45; 1983 c 314 art 1 s 18-21,22; art 2 s 3-6; art 3 s 13-15; art 4 s 6; art 6 s 24-29; art 7 s 34; 1983 c 323 s 2-4; 1984 c 463 art 1 s 11; art 2 s 6,7; art 4 s 5,6; art 5 s 36; art 6 s 6-11; art 7 s 20; 1984 c 502 art 7 s 7-9; 1984 c 583 s 32; 1985 c 248 s 33; 1Sp1985 c 12 art 1 s 14-16; 1Sp1986 c 1 art 9 s 17; 1987 c 398 art 1 s 8; 1988 c 486 s 49; 1988 c 719 art 5 s 84; 1989 c 329 art 1 s 4; 1Sp1989 c 1 art 2 s 11; art 9 s 5; 1990 c 562 art 1 s 3; 1991 c 265 art 1 s 10; 1991 c 291 art 1 s 5,6; 1992 c 499 art 1 s 11-14; 1992 c 603 s 13; 1993 c 44 s 1; 1993 c 224 art 1 s 7-10; 1993 c 374 s 1; 1994 c 647 art 1 s 16-19; 1Sp1995 c 3 art 1 s 20-23; art 16 s 13; 1996 c 412 art 1 s 15-18; 1996 c 471 art 3 s 2; 1Sp1997 c 4 art 1 s 33,34; 1998 c 389 art 2 s 6; 1998 c 397 art 7 s 135-137,164; art 11 s 3; 1998 c 398 art 1 s 24,25*

NOTE. Subdivisions 1, 2, 3, 4, 5, 6, 7, and 8 (formerly section 124A 03, subdivisions 1b, 1c, 1d, 1e, 1f, 1g, 1h, and 1i), are repealed effective June 30, 2001. Laws 1992, chapter 499, article 7, section 31, as amended by Laws 1998, chapter 398, article 1, section 39.

NOTE. The amendment to subdivision 5 by Laws 1998, chapter 389, article 2, section 6, is effective for revenue for fiscal year 2000. Laws 1998, chapter 389, article 2, section 23.

126C.18 REFERENDUM AUTHORITY.

Subdivision 1. **Expiration.** Unless scheduled to expire sooner, a referendum levy authorized under section 126C.17 expires July 1, 2000. This subdivision does not apply to a referendum levy that is authorized for ten or fewer years and that is levied against the referendum market value of all taxable property located within the school district.

Subd. 2. **Conversion to market value.** (a) By June 1 of each year, a board may, by resolution of a majority of its board, convert any remaining portion of its referendum authority under section 126C.17, subdivision 9, that is authorized to be levied against net tax capacity to referendum authority that is authorized to be levied against the referendum market value of all taxable property located within the district. At the option of the board, any remaining portion of its referendum authority may be converted in two or more parts at separate times. The referendum authority may be converted from net tax capacity to referendum market value according to a schedule adopted by resolution of the board for years before taxes payable in 2001, provided that, for taxes payable in 2001 and later, the full amount of the referendum authority is levied against referendum market value. The board must notify the commissioner of the amount of referendum authority that has been converted from net tax capacity to referendum market value, if any, by June 15, of each year. The maximum length of a referendum converted under this paragraph is ten years.

(b) For referendum levy amounts converted between June 1, 1997, and June 1, 1998, all other conditions of this subdivision apply except that the maximum length of the referendum is limited to seven years.

(c) For referendum levy amounts converted between June 1, 1998, and June 1, 1999, all other conditions of this subdivision apply except that the maximum length of the referendum is limited to six years.

(d) For referendum levy amounts converted between June 1, 1999, and June 1, 2000, all other conditions of this subdivision apply except that the maximum length of the referendum is limited to five years.

Subd. 3. **Alternative conversion.** A district that has a referendum that is levied against net tax capacity that expires before taxes payable in 1998 may convert its referendum authority according to this subdivision. In the payable year before the year of expiration, the board may authorize a referendum under section 126C.17. Notwithstanding any other law to the

contrary, the district may propose, and if approved by its electors, have its referendum authority reauthorized in part on tax capacity and in part on referendum market value according to a schedule adopted by resolution of the board for years before taxes payable in 2001, provided that, for taxes payable in 2001 and later, the full amount of referendum authority is levied against referendum market value. If the full amount of the referendum is reauthorized on referendum market value prior to taxes payable in 1998, the referendum may extend for ten years. If the referendum becomes fully reauthorized on referendum market value for a later year, the referendum must not extend for more than the maximum number of years allowed under subdivision 2.

Subd. 4. Referendum. The board must prepare and publish in the official legal newspaper of the district a notice of the public meeting on the district's intent to convert any portion of its referendum levy to market value not less than 30 days before the scheduled date of the meeting. The resolution converting a portion of the district's referendum levy to referendum market value becomes final unless within 30 days after the meeting where the resolution was adopted a petition requesting an election 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. If a petition is filed, then the board resolution has no effect and the amount of referendum revenue authority specified in the resolution cancels for taxes payable in the following year and thereafter. The board must schedule a referendum under section 126C.17, subdivision 9.

History: 1994 c 647 art 1 s 20; 1Sp1995 c 3 art 1 s 24; art 16 s 13; 1996 c 412 art 1 s 19,20; 1998 c 397 art 7 s 138-140,164; art 11 s 3

126C.19 SHARED TIME AID.

Subdivision 1. To resident district. Aid for shared time pupils must be paid to the district of the pupil's residence. If a pupil attends shared time classes in another district, the resident district must pay to the district of attendance an amount of tuition equal to the ratio in section 126C.01, subdivision 6, times the amount of tuition that would be charged and paid for a nonresident public school pupil in a similar circumstance. The district of residence is not obligated for tuition except by previous agreement.

Subd. 2. Exception. Notwithstanding subdivision 1, the resident district of a shared time pupil attending shared time classes in another district may grant the district of attendance, upon its request, permission to claim the pupil as a resident for state aid purposes. In this case, state aid must be paid to the district of attendance and, upon agreement, the district of attendance may bill the resident district for any unreimbursed education costs, but not for unreimbursed transportation costs. The agreement may, however, provide for the resident district to pay the cost of any of the particular transportation categories specified in section 123B.92, subdivision 1, and in this case, aid for those categories must be paid to the district of residence rather than to the district of attendance.

Subd. 3. Section 123B.44 services. Minutes of enrollment in a public school during which a nonpublic school pupil receives services pursuant to section 123B.44 must not be used in the computation of shared time aid.

Subd. 4. Location of services. (a) Public school programs that provide instruction in core curriculum may be provided to shared time pupils only at a public school building. Public school programs, excluding programs that provide instruction in core curriculum, may be provided to shared time pupils at a public school building, a neutral site, the nonpublic school, or any other suitable location. Guidance and counseling and diagnostic and health services required under sections 125A.03 to 125A.24 and 125A.65 may be provided at a nonpublic school building. As used in this subdivision, "diagnostic services" means speech, hearing, vision, psychological, medical and dental diagnostic services and "health services" means physician, nursing or optometric services provided to pupils in the field of physical and mental health.

(b) For those children with a disability under sections 125A.03 to 125A.24 who attend nonpublic school at their parent's choice, a school district may provide special instruction and services at the nonpublic school building, a public school, or at a neutral site other than a nonpublic school as defined in section 123B.41, subdivision 13. The school district shall de-

termine the location at which to provide services on a student-by-student basis, consistent with federal law.

History: 1981 c 358 art 1 s 26; 1983 c 314 art 1 s 5,22; 1988 c 486 s 51,52; 1991 c 265 art 3 s 38; 1998 c 397 art 7 s 142,164; art 11 s 3; 1998 c 398 art 2 s 29

126C.20 ANNUAL FOUNDATION OR GENERAL EDUCATION AID APPROPRIATION.

There is annually appropriated from the general fund to the department the amount necessary for general education aid. This amount must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

History: 1961 c 562 s 14; 1969 c 399 s 15,16; 1973 c 492 s 7; 1975 c 432 s 20; 1977 c 447 art 1 s 3; art 2 s 1; 1979 c 334 art 6 s 19; 1981 c 358 art 7 s 23-26; 1982 c 548, art 7 s 4; 1983 c 314 art 1 s 22; art 7 s 22; 1987 c 398 art 1 s 9; 1988 c 486 s 50; 1Sp1995 c 3 art 16 s 13; 1998 c 397 art 7 s 141,164

126C.21 DEDUCTIONS FROM GENERAL EDUCATION AID.

Subdivision 1. **Permanent school fund.** The amount of money received by a district as income from the permanent school fund for any year must be deducted from the general education aid earned by the district for the same year or from aid earned from other state sources.

Subd. 2. **Minimum.** The amount payable to any district from state sources for any one year may not be reduced below the amount payable as apportionment of the school endowment fund pursuant to sections 127A.32 to 127A.34.

Subd. 3. **County apportionment deduction.** Each year the amount of money apportioned to a district for that year pursuant to section 127A.34, subdivision 2, excluding any district where the general education levy is determined according to section 126C.13, subdivision 3, must be deducted from the general education aid earned by that district for the same year or from aid earned from other state sources.

Subd. 4. **Taconite deductions.** (1) Notwithstanding any provisions of any other law to the contrary, the adjusted net tax capacity used in calculating general education aid may include only that property that is currently taxable in the district.

(2) For districts that received payments under sections 298.018; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; and 298.405; any law imposing a tax upon severed mineral values, or recognized revenue pursuant to section 477A.15; the general education aid must be reduced in the final adjustment payment by the difference between the dollar amount of the payments received pursuant to those sections, or revenue recognized pursuant to section 477A.15 in the fiscal year to which the final adjustment is attributable and 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 clause, 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 clause must be recognized as revenue in the fiscal year to which the final adjustment payment is attributable.

History: 1981 c 358 art 1 s 27; 1982 c 548 art 1 s 10; 1983 c 314 art 1 s 6,17,22; 1987 c 268 art 9 s 5; 1988 c 486 s 53-55; 1988 c 719 art 5 s 84; 1989 c 329 art 13 s 20; 1991 c 130 s 37; 1992 c 499 art 12 s 29; 1996 c 412 art 1 s 21; 1998 c 397 art 7 s 143,164; art 11 s 3

126C.22 SCHOOL DISTRICT COOPERATION REVENUE.

Subdivision 1. **Fiscal year 1999 and fiscal year 2000 district cooperation revenue.** A district's cooperation revenue for fiscal year 1999 and fiscal year 2000 is equal to the greater of \$67 times the resident pupil units or \$25,000.

Subd. 2. **District cooperation levy.** To receive district cooperation revenue, a district may levy an amount equal to the district's cooperation revenue multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the resident pupil units in the district for the school year to which the levy is attributable to \$3,500

Subd. 3. **Fiscal year 1999 and fiscal year 2000 district cooperation aid.** A district's cooperation aid for fiscal year 1999 and fiscal year 2000 is the difference between its district cooperation revenue and its district cooperation levy. If a district does not levy the entire amount permitted, aid must be reduced in proportion to the actual amount levied.

Subd. 4. **Revenue uses.** (a) A district must place its district cooperation revenue in a reserved account and may only use the revenue to purchase goods and services from entities formed for cooperative purposes or to otherwise provide educational services in a cooperative manner.

(b) A district that was a member of an intermediate school district organized pursuant to chapter 136D on July 1, 1996, must place its district cooperation revenue in a reserved account and must allocate a portion of the reserved revenue for instructional services from entities formed for cooperative services for special education programs and secondary vocational programs. The allocated amount is equal to the levy made according to section 124.2727, subdivision 6, for taxes payable in 1994 divided by the resident pupil units in the intermediate school district for fiscal year 1995 times the number of resident pupil units in the school district in 1995. The district must use 5/11 of the revenue for special education and 6/11 of the revenue for secondary vocational education. The district must demonstrate that the revenue is being used to provide the full range of special education and secondary vocational programs and services available to each child served by the intermediate. The secondary vocational programs and service must meet the requirements established in an articulation agreement developed between the state board of education and the board of trustees of the Minnesota state colleges and universities.

(c) A district that was not a member of an intermediate district organized under chapter 136D on July 1, 1994, must spend at least \$9 per pupil unit of its district cooperation revenue on secondary vocational programs.

Subd. 5. **Proration.** (a) If the total appropriation available for district cooperation aid for any fiscal year, plus any amount transferred under section 127A.41, subdivision 8, is insufficient to pay all districts the full amount of aid earned, the department must reduce each district's district cooperation revenue according to the calculations in paragraphs (b) to (d).

(b) If there is insufficient district cooperation aid available, the department must recompute the district cooperation revenue by proportionally reducing the formula allowance and the revenue minimum to the levels that result in an aid entitlement, adjusted by the percentage in section 127A.45, subdivision 13, equal to the amount available. The levy amounts must not be recomputed.

(c) A district's proration aid reduction is equal to the lesser of zero, or the difference of the existing aid calculation minus the aid amount computed for the district under paragraph (b).

(d) If a district's proration aid reduction is less than its revenue reduction, its district cooperation levy authority for the following year must be reduced by the amount of the difference between its revenue reduction and its aid reduction.

History: 1991 c 265 art 6 s 39; 1992 c 499 art 6 s 18,19,39, subd 3; 1993 c 224 art 6 s 16; 1993 c 374 s 14; 1994 c 647 art 6 s 24-26,42; 1995 c 212 art 4 s 64; 1Sp1995 c 3 art 16 s 13; 1Sp1997 c 4 art 4 s 11; 1998 c 397 art 7 s 42,164; art 11 s 3; art 12 s 1,2,7; 1998 c 398 art 1 s 19,20,51

EDUCATION FINANCE ACT OF 1992

126C.30 TITLE.

Sections 126C.30 to 126C.36 may be cited as the "Minnesota Education Finance Act of 1992."

History: 1992 c 499 art 7 s 4; 1998 c 397 art 11 s 3

NOTE This section, as added by Laws 1992, chapter 499, article 7, section 4, is effective for revenue for fiscal year 2000
Laws 1992, chapter 499, article 7, section 32

126C.31 POLICY.

Financing the education of our children is one of state government's most important functions. In performing this function, the state seeks to provide sufficient funding while encouraging equity, accountability, and incentives toward quality improvement. To help achieve these goals and to help control future spending growth, the state will fund core instruction and related support services, will facilitate improvement in the quality and delivery of programs and services, and will equalize revenues raised locally for discretionary purposes

History: 1993 c 224 art 1 s 24

126C.32 CORE INSTRUCTIONAL AID.

Subdivision 1. **Basic outcomes.** Basic outcomes are defined as learner outcomes that must be achieved as a requirement for graduation, specified in rule by the state board of education. Basic outcomes are the basic knowledge and skills determined necessary by the board for graduates to become productive employees, parents, and citizens. The board shall review and amend, if necessary, its graduation rule every two years.

Subd. 2. **Aid amount.** Core instructional aid is equal to the cost determined necessary by the legislature to achieve the basic outcomes for each student times the number of resident pupil units for the school year plus support services aid for the district as determined under section 126C.34. The core instructional aid allowance for fiscal year 1998 and thereafter is zero.

Subd. 3. **Aid to learning sites.** Each district is encouraged to direct core instructional aid to the learning sites in the district and minimize the core instructional aid used for other programs or services. Each district shall, to the extent possible, facilitate allocation of each learning site's core instructional aid by site management teams consisting of site administrators, teachers, parents, and other interested persons.

Subd. 4. **Aid uses.** Aid received under this section may only be used to deliver instructional services needed to assure that all pupils in the district achieve the basic outcomes through the following programs and services:

- (1) salaries and benefits for licensed and nonlicensed instructional staff used to instruct or direct instructional delivery or provide academic instructional support services;
- (2) instructional supplies and resources including, but not limited to, curricular materials, maps, individualized instructional materials, test materials, and other related supplies;
- (3) payments to other service providers for direct instruction or instructional materials;
- (4) computers, interactive television, and other technologically related equipment used in the direct delivery of instruction;
- (5) programs and services related to students' academic and career progression including, but not limited to, community- and work-based learning through mentoring, community service, and youth apprenticeships;
- (6) early childhood education programs designed to ensure that students are ready to learn when they enter the education system; and
- (7) activities related to measurement of student progress toward basic outcomes.

History: 1992 c 499 art 7 s 5; 1993 c 224 art 1 s 25; 1998 c 397 art 11 s 3

NOTE This section, as added by Laws 1992, chapter 499, article 7, section 5, is effective for revenue for fiscal year 2000
Laws 1992, chapter 499, article 7, section 32

126C.33 ELECTIVE INSTRUCTIONAL REVENUE.

Subdivision 1. **Elective outcomes.** Elective outcomes are defined as learner outcomes that may be offered to students that are not defined as basic outcomes. The standards of achievement of elective outcomes are determined by the local school board.

Subd. 2. **Revenue.** Elective instructional revenue is equal to the elective instructional revenue allowance times the number of pupil units for the school year. The revenue allowance for fiscal year 2000 and thereafter is zero.

Subd. 3. **Levy.** Elective instructional levy is equal to elective instructional revenue times the lesser of one or the ratio of:

- (1) net tax capacity divided by the number of pupil units for the year the revenue is attributable, divided by
- (2) the equalizing factor.

Subd. 4. **Aid.** Elective instructional aid is equal to elective instructional revenue minus elective instructional levy. If a district levies less than the authorized amount, the aid shall be reduced proportionately.

Subd. 5. **Revenue use.** Elective instructional revenue may only be used for the following purposes:

- (1) salaries and benefits for licensed and nonlicensed instructional staff used to instruct or direct instructional delivery;
- (2) instructional supplies and resources including, but not limited to, curricular materials, maps, individualized instructional materials, test materials, and other related supplies;
- (3) tuition payments to other service providers for direct instruction or instructional materials;
- (4) computers, interactive television, and other technologically related equipment used in the direct delivery of instruction;
- (5) instructional support services including staff development, curriculum development, and other instructional support services;
- (6) pupil support services including health, counseling, and psychological services;
- (7) administrative costs that are not to exceed five percent of the operating budget for the year; and
- (8) school district facility operations and maintenance.

History: 1992 c 499 art 7 s 6

NOTE This section, as added by Laws 1992, chapter 499, article 7, section 6, is effective for revenue for fiscal year 2000
Laws 1992, chapter 499, article 7, section 32

126C.34 SUPPORT SERVICES AID.

Subdivision 1. **Support services.** "Support services" means services and programs beyond the core instruction considered essential to allow students to achieve the basic outcomes including, but not limited to, the following:

- (1) counselors, psychologists, and social workers;
- (2) services and programs for students needing special education and handicapped children aged zero to three;
- (3) health care, including early childhood screening;
- (4) transportation;
- (5) nutrition programs;
- (6) libraries and other media and information centers;
- (7) programs for specialized curricula relating to programs such as violence prevention, AIDS awareness and prevention, and drug abuse prevention, and
- (8) programs and services for students judged to be at high risk of not completing their education or otherwise having a social or economic problem in excess of other students.

Subd. 2. **Determination of aid.** The total amount of support services aid shall be determined according to indices for each service recommended by the commissioner of children, families, and learning after consultations with appropriate state agencies, educators, and other interested persons. The indices shall reflect the need for each service based on the economic, geographic, demographic, and other appropriate characteristics of each district.

History: 1993 c 224 art 1 s 26; 1Sp1995 c 3 art 16 s 13; 1997 c 7 art 2 s 12

126C.35 LOCAL DISCRETIONARY REVENUE.

Subdivision 1. **Local discretionary revenue.** Local discretionary revenue is available for districts to implement programs to offer outcomes or to cover other district operating expenditures not provided according to sections 126C.30 and 126C.32.

Subd. 2. **Revenue.** A district's local discretionary revenue is equal to the amount authorized according to section 126C.17. Revenue may not exceed zero times the resident pupil units for the year the revenue is attributable.

Subd. 3. **Levy.** Local discretionary levy is equal to local discretionary revenue times the lesser of one or the ratio of:

- (1) net tax capacity divided by the number of pupil units for the year the revenue is attributable, divided by
- (2) the equalizing factor.

Subd. 4. **Aid.** Local discretionary aid is equal to local discretionary revenue minus local discretionary levy. If a district levies less than the authorized amount, the aid shall be reduced proportionately.

History: 1992 c 499 art 7 s 7; 1998 c 397 art 11 s 3

NOTE: This section, as added by Laws 1992, chapter 499, article 7, section 7, is effective for revenue for fiscal year 2000
Laws 1992, chapter 499, article 7, section 32

126C.36 EDUCATION TRUST FUND.

Subdivision 1. **Creation.** The commissioner shall deposit to the credit of the education trust fund all money available to the credit of the trust. The commissioner shall maintain the trust as a separate fund to be used only to pay money as provided by law to school districts or to repay advances made from the general fund, as provided under subdivision 4.

Subd. 2. **Appropriation.** The money to be paid by law from the education trust fund is appropriated annually.

Subd. 3. **Estimates; reduction of payments.** (a) At the beginning of each fiscal year, the commissioner, in consultation with the commissioner of revenue, shall estimate for the fiscal year:

- (1) the amount of revenues to be deposited in the trust fund and other law; and
- (2) the payments authorized by law to be made out of the trust.

(b) If the estimated payments exceed the estimated receipts of the trust fund, the appropriations from the trust to each program are proportionately reduced, unless otherwise provided by law.

Subd. 4. **General fund advance.** If the money in the trust fund is insufficient to make payments on the dates provided by law, but the commissioner estimates receipts for the fiscal year will be sufficient, the commissioner shall advance money from the general fund to the trust fund necessary to make the payments. On or before the close of the biennium, the trust shall repay the advances with interest, calculated at the rate of earnings on invested treasurer's cash, to the general fund.

History: 1992 c 499 art 7 s 8

NOTE: This section, as added by Laws 1992, chapter 499, article 7, section 8, is effective for revenue for fiscal year 2000
Laws 1992, chapter 499, article 7, section 32

LEVIES; NONPROGRAM SPECIFIC

126C.40 CAPITAL LEVIES.

Subdivision 1. **To lease building or land.** (a) When a district 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) 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.

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

Subd. 2. Pre-July 1990 lease purchase, installment buys. A district may annually levy the amount needed to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payment agreement authorized by Minnesota Statutes 1989 Supplement, section 465.71, if:

(1) the agreement was approved by the commissioner before July 1, 1990, according to Minnesota Statutes 1989 Supplement, section 275.125, subdivision 11d; or

(2) the district levied in 1989 for the payments.

Subd. 3. Cooperating districts. A district that has an agreement according to section 123A.30 or 123A.32 may levy for the repair costs, as approved by the department of a building located in another district that is a party to the agreement.

Subd. 4. Interactive television. (a) A district with its central administrative office located within economic development region one, two, three, four, five, six, seven, eight, nine, and ten may apply to the commissioner for ITV revenue up to the greater of .5 percent of the adjusted net tax capacity of the district or \$25,000. Eligible interactive television expenditures include the construction, maintenance, and lease costs of an interactive television system for instructional purposes. An eligible school district that has completed the construction of its interactive television system may also purchase computer hardware and software used primarily for instructional purposes and access to the Internet provided that its total expenditures for interactive television maintenance and lease costs and for computer hardware and software under this subdivision do not exceed its interactive television revenue for fiscal year 1998. The approval by the commissioner and the application procedures set forth in subdivision 1 shall apply to the revenue in this subdivision. In granting the approval, the commissioner shall consider whether the district is maximizing efficiency through peak use and off-peak use pricing structures

(b) To obtain ITV revenue, a district may levy an amount not to exceed the district's ITV revenue times the lesser of one or the ratio of:

(1) the quotient derived by dividing the adjusted net tax capacity of the district for the year before the year the levy is certified by the resident pupil units in the district for the year to which the levy is attributable; to

(2) \$10,000.

(c) A district's ITV aid is the difference between its ITV revenue and the ITV levy

(d) The revenue in the first year after reorganization for a district that has reorganized under sections 123A.35 to 123A.41, 123A.46, or 123A.48 shall be the greater of:

(1) the revenue computed for the reorganized district under paragraph (a), or

(2)(i) for two districts that reorganized, 75 percent of the revenue computed as if the districts involved in the reorganization were separate, or

(ii) for three or more districts that reorganized, 50 percent of the revenue computed as if the districts involved in the reorganization were separate.

(e) The revenue in paragraph (d) is increased by the difference between the initial revenue and ITV lease costs for leases that had been entered into by the preexisting districts on the effective date of the consolidation or combination and with a term not exceeding ten years. This increased revenue is only available for the remaining term of the lease. However, in no case shall the revenue exceed the amount available had the preexisting districts received revenue separately.

(f) Effective for fiscal year 2000, the revenue under this section shall be 75 percent of the amount determined in paragraph (a); for fiscal year 2001, 50 percent of the amount in paragraph (a); and for fiscal year 2002, 25 percent of the amount in paragraph (a).

(g) This section expires effective for revenue for fiscal year 2003, or when leases in existence on the effective date of Laws 1997, First Special Session chapter 4, expire.

Subd. 5. Energy conservation. For loans approved before March 1, 1998, the district may annually include as revenue under section 123B.53, without the approval of a majority of the voters in the district, an amount sufficient to repay the annual principal and interest of the loan made pursuant to sections 216C.37 and 298.292 to 298.298. For energy loans approved after March 1, 1998, school districts must annually transfer from the general fund to the debt redemption fund the amount sufficient to pay interest and principal on the loans.

Subd. 6. Lease purchase; installment buys. (a) Upon application to, and approval by, the commissioner in accordance with the procedures and limits in subdivision 1, paragraphs (a) and (b), a district, as defined in this subdivision, may:

(1) purchase real or personal property under an installment contract or may lease real or personal property with an option to purchase under a lease purchase agreement, by which installment contract or lease purchase agreement title is kept by the seller or vendor or assigned to a third party as security for the purchase price, including interest, if any; and

(2) annually levy the amounts necessary to pay the district's obligations under the installment contract or lease purchase agreement.

(b) The obligation created by the installment contract or the lease purchase agreement must not be included in the calculation of net debt for purposes of section 475.53, and does not constitute debt under other law. An election is not required in connection with the execution of the installment contract or the lease purchase agreement.

(c) The proceeds of the levy authorized by this subdivision must not be used to acquire a facility to be primarily used for athletic or school administration purposes.

(d) For the purposes of this subdivision, "district" means:

(1) a school district required to have a comprehensive plan for the elimination of segregation whose plan has been determined by the commissioner to be in compliance with the state board of education rules relating to equality of educational opportunity and school desegregation; or

(2) a school district that participates in a joint program for interdistrict desegregation with a district defined in clause (1) if the facility acquired under this subdivision is to be primarily used for the joint program.

(e) Notwithstanding subdivision 1, the prohibition against a levy by a district to lease or rent a district-owned building to itself does not apply to levies otherwise authorized by this subdivision.

(f) For the purposes of this subdivision, any references in subdivision 1 to building or land shall include personal property.

History: 1974 c 521 s 30; 1977 c 447 art 1 s 20; art 6 s 9; 1983 c 323 s 4; 1984 c 502 art 7 s 9; 1984 c 583 s 32; 1986 c 444; 1988 c 718 art 8 s 21; 1988 c 719 art 5 s 84; 1989 c 222 s 36; 1989 c 329 art 5 s 14; art 6 s 49; art 13 s 20; 1Sp1989 c 1 art 2 s 11; 1990 c 562 art 5 s 9,10; 1991 c 130 s 30; 1991 c 265 art 5 s 13; art 6 s 56; 1992 c 499 art 5 s 22; art 6 s 30; art 12 s 29; 1993 c 224 art 5 s 30; art 7 s 12; 1994 c 465 art 2 s 1; art 3 s 25; 1994 c 614 s 1; 1994 c 647 art 5 s 13; art 6 s 29; 1Sp1995 c 3 art 12 s 3; art 16 s 13; 1996 c 412 art 5 s 5,6; 1997 c 7 art 1 s 63; 1Sp1997 c 4 art 4 s 19; art 9 s 1; 3Sp1997 c 3 s 27; 1998 c 397 art 7 s 108-110,164; art 11 s 3; 1998 c 398 art 4 s 4-6

NOTE Subdivision 3 was also amended by Laws 1995, First Special Session chapter 3, article 5, section 9, to read as follows

"Subd 3 **Post-June 1992 lease purchase, installment buys.** (a) Upon application to, and approval by, the commissioner in accordance with the procedures and limits in subdivision 1, a district, as defined in this subdivision, may

(1) purchase real or personal property under an installment contract or may lease real or personal property with an option to purchase under a lease purchase agreement, by which installment contract or lease purchase agreement title is kept by the seller or vendor or assigned to a third party as security for the purchase price, including interest, if any, and

(2) annually levy the amounts necessary to pay the district's obligations under the installment contract or lease purchase agreement

(b)(1) The obligation created by the installment contract or the lease purchase agreement must not be included in the calculation of net debt for purposes of section 475.53, and does not constitute debt under other law "

(2) An election is not required in connection with the execution of the installment contract or the lease purchase agreement

(c) The proceeds of the levy authorized by this subdivision must not be used to acquire a facility to be primarily used for athletic or school administration purposes

(d) In this subdivision, "district" means

(1) a school district required to have a comprehensive plan for the elimination of segregation whose plan has been determined by the commissioner to be in compliance with the state board of education rules relating to equality of educational opportunity and school desegregation, or

(2) a school district that participates in a joint program for interdistrict desegregation with a district defined in clause (1) if the facility acquired under this subdivision is to be primarily used for the joint program

(e) Notwithstanding subdivision 1, the prohibition against a levy by a district to lease or rent a district-owned building to itself does not apply to levies otherwise authorized by this subdivision

(f) For the purposes of this subdivision, any references in subdivision 1 to building or land shall be deemed to include personal property "

126C.41 BENEFITS LEVIES.

Subdivision 1. Health insurance. (a) A district may levy the amount necessary to make employer contributions for insurance for retired employees under this subdivision.

(b) The school board of a joint vocational technical district formed under sections 136C.60 to 136C.69 and the school board of a school district may provide employer-paid hospital, medical, and dental benefits to a person who:

(1) is eligible for employer-paid insurance under collective bargaining agreements or personnel plans in effect on June 30, 1992;

(2) has at least 25 years of service credit in the public pension plan of which the person is a member on the day before retirement or, in the case of a teacher, has a total of at least 25 years of service credit in the teachers retirement association, a first-class city teacher retirement fund, or any combination of these;

(3) upon retirement is immediately eligible for a retirement annuity;

(4) is at least 55 and not yet 65 years of age; and

(5) retires on or after May 15, 1992, and before July 21, 1992.

A school board paying insurance under this subdivision may not exclude any eligible employees.

(c) An employee who is eligible both for the health insurance benefit under this subdivision and for an early retirement incentive under a collective bargaining agreement or personnel plan established by the employer must select either the early retirement incentive provided under the collective bargaining agreement personnel plan or the incentive provided under this subdivision, but may not receive both. For purposes of this subdivision, a person retires when the person terminates active employment and applies for retirement benefits. The retired employee is eligible for single and dependent coverages and employer payments to which the person was entitled immediately before retirement, subject to any changes in coverage and employer and employee payments through collective bargaining or personnel plans, for employees in positions equivalent to the position from which the employee retired. The retired employee is not eligible for employer-paid life insurance. Eligibility ceases when the retired employee attains the age of 65, or when the employee chooses not to receive the retirement benefits for which the employee has applied, or when the employee is eligible for employer-paid health insurance from a new employer. Coverages must be coordinated with relevant health insurance benefits provided through the federally sponsored Medicare program.

(d) Unilateral implementation of this section by a public employer is not an unfair labor practice for purposes of chapter 179A. The authority provided in this subdivision for an employer to pay health insurance costs for certain retired employees is not subject to the limits in section 179A.20, subdivision 2a.

(e) If a school district levies according to this subdivision, it may not also levy according to section 123A.73, subdivision 12, for eligible employees.

Subd. 2. Retired employee health benefits. For taxes payable in 1996, 1997, 1998, and 1999 only, a district may levy an amount up to the amount the district is required by the collective bargaining agreement in effect on March 30, 1992, to pay for health insurance or unreimbursed medical expenses for licensed and nonlicensed employees who have terminated services in the employing district and withdrawn from active teaching service or other active service, as applicable, before July 1, 1992. The total amount of the levy each year may not exceed \$300,000.

Subd. 3. Retirement levies. (1) In addition to the excess levy authorized in 1976 any district within a city of the first class which was authorized in 1975 to make a retirement levy under Minnesota Statutes 1974, section 275.127 and chapter 422A may levy an amount per pupil unit which is equal to the amount levied in 1975 payable 1976, under Minnesota Statutes 1974, section 275.127 and chapter 422A, divided by the number of pupil units in the district in 1976-1977.

(2) In 1979 and each year thereafter, any district which qualified in 1976 for an extra levy under paragraph (1) shall be allowed to levy the same amount as levied for retirement in 1978 under this clause reduced each year by ten percent of the difference between the amount levied for retirement in 1971 under Minnesota Statutes 1971, sections 275.127 and 422.01 to 422.54 and the amount levied for retirement in 1975 under Minnesota Statutes 1974, section 275.127 and chapter 422A.

(3) In 1991 and each year thereafter, a district to which this subdivision applies may levy an additional amount required for contributions to the Minneapolis employees retirement fund as a result of the maximum dollar amount limitation on state contributions to the fund imposed under section 422A.101, subdivision 3. The additional levy must not exceed the most recent amount certified by the board of the Minneapolis employees retirement fund as the district's share of the contribution requirement in excess of the maximum state contribution under section 422A.101, subdivision 3.

(4) For taxes payable in 1994 and thereafter, special school district No. 1, Minneapolis, and independent school district No. 625, St. Paul, may levy for the increase in the employer retirement fund contributions, under Laws 1992, chapter 598, article 5, section 1.

(5) If the employer retirement fund contributions under section 354A.12, subdivision 2a, are increased for fiscal year 1994 or later fiscal years, special school district No. 1, Minneapolis, and independent school district No. 625, St. Paul, may levy in payable 1994 or later an amount equal to the amount derived by applying the net increase in the employer retirement fund contribution rate of the respective teacher retirement fund association between fiscal year 1993 and the fiscal year beginning in the year after the levy is certified to the total covered payroll of the applicable teacher retirement fund association. If an applicable school district levies under this paragraph, they may not levy under paragraph (4).

(6) In addition to the levy authorized under paragraph (5), special school district No. 1, Minneapolis, may also levy payable in 1997 or later an amount equal to the contributions under section 423A.02, subdivision 3, and may also levy in payable 1994 or later an amount equal to the state aid contribution under section 354A.12, subdivision 3b. Independent school district No. 625, St. Paul, may levy payable in 1997 or later an amount equal to the supplemental contributions under section 423A.02, subdivision 3.

Subd. 4. Minneapolis health insurance subsidy. Each year special school district No. 1, Minneapolis, may make an additional levy not to exceed the amount raised by a net tax rate of .10 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter of the property in the district for the preceding year. The proceeds may be used only to subsidize health insurance costs for eligible teachers as provided in this section.

"Eligible teacher" means a retired teacher who was a basic member of the Minneapolis teachers retirement fund association, who retired before May 1, 1974, or who had 20 or more

years of basic member service in the Minneapolis teacher retirement fund association and retired before June 30, 1983, and who is not eligible to receive the hospital insurance benefits of the federal Medicare program of the Social Security Act without payment of a monthly premium. The district must notify eligible teachers that a subsidy is available. To obtain a subsidy, an eligible teacher must submit to the school district a copy of receipts for health insurance premiums paid. The district must disburse the health insurance premium subsidy to each eligible teacher according to a schedule determined by the district, but at least annually. An eligible teacher may receive a subsidy up to an amount equal to the lesser of 90 percent of the cost of the eligible teacher's health insurance or up to 90 percent of the cost of the number two qualified plan of health coverage for individual policies made available by the Minnesota comprehensive health association under chapter 62E.

If funds remaining from the previous year's health insurance subsidy levy, minus the previous year's required subsidy amount, are sufficient to pay the estimated current year subsidy, the levy must be discontinued until the remaining funds are estimated by the school board to be insufficient to pay the subsidy.

This subdivision does not extend benefits to teachers who retire after June 30, 1983, and does not create a contractual right or claim for altering the benefits in this subdivision. This subdivision does not restrict the district's right to modify or terminate coverage under this subdivision.

History: 1976 c 271 s 84; 1979 c 303 art 2 s 22, 1981 c 224 s 38; 1983 c 314 art 1 s 21; 1986 c 444; 1987 c 384 art 2 s 68; 1987 c 398 art 6 s 14; 1988 c 719 art 5 s 84; 1989 c 15 s 1; 1989 c 329 art 13 s 10,20; 1Sp1989 c 1 art 2 s 11; 1990 c 562 art 10 s 7,12; 1991 c 345 art 4 s 1; 1992 c 499 art 7 s 12,13; art 12 s 29; 1992 c 603 s 7; 1993 c 224 art 8 s 5,6; 1995 c 186 s 37; 1Sp1995 c 3 art 8 s 5; 1996 c 412 art 8 s 8; 1996 c 438 art 4 s 3; 1Sp1997 c 4 art 1 s 29-31; 1998 c 397 art 7 s 116,164; art 11 s 3

126C.42 OPERATING DEBT LEVIES.

Subdivision 1. **1977 statutory operating debt.** (a) In each year in which so required by this subdivision, a district must make an additional levy to eliminate its statutory operating debt, determined as of June 30, 1977, and certified and adjusted by the commissioner. This levy shall not be made in more than 30 successive years and each year before it is made, it must be approved by the commissioner and the approval shall specify its amount. This levy shall be an amount which is equal to the amount raised by a levy of a net tax rate of 1.66 percent times the adjusted net tax capacity of the district for the preceding year for taxes payable in 1991 and thereafter; provided that in the last year in which the district is required to make this levy, it must levy an amount not to exceed the amount raised by a levy of a net tax rate of 1.66 percent times the adjusted net tax capacity of the district for the preceding year for taxes payable in 1991 and thereafter. When the sum of the cumulative levies made pursuant to this subdivision and transfers made according to section 123B.79, subdivision 6, equals an amount equal to the statutory operating debt of the district, the levy shall be discontinued.

(b) The district must establish a special account in the general fund which shall be designated "appropriated fund balance reserve account for purposes of reducing statutory operating debt" on its books and records. This account shall reflect the levy authorized pursuant to this subdivision. The proceeds of this levy must be used only for cash flow requirements and must not be used to supplement district revenues or income for the purposes of increasing the district's expenditures or budgets.

(c) Any district which is required to levy pursuant to this subdivision must certify the maximum levy allowable under section 126C.13, subdivision 2, in that same year.

(d) Each district shall make permanent fund balance transfers so that the total statutory operating debt of the district is reflected in the general fund as of June 30, 1977.

Subd. 2. **1983 operating debt.** (1) Each year, a district may make an additional levy to eliminate a deficit in the net unappropriated operating funds of the district, determined as of June 30, 1983, and certified and adjusted by the commissioner. This levy may in each year be an amount not to exceed the amount raised by a levy of a net tax rate of 1.85 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter of the district for the preceding year as determined by the commissioner. However, the total amount of this levy for all

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years it is made must not exceed the lesser of (a) the amount of the deficit in the net unappropriated operating funds of the district as of June 30, 1983, or (b) the amount of the aid reduction, according to Laws 1981, Third Special Session chapter 2, article 2, section 2, but excluding clauses (l), (m), (n), (o), and (p), and Laws 1982, Third Special Session chapter 1, article 3, section 6, to the district in fiscal year 1983. When the cumulative levies made pursuant to this subdivision equal the total amount permitted by this subdivision, the levy must be discontinued.

(2) The proceeds of this levy must be used only for cash flow requirements and must not be used to supplement district revenues or income for the purposes of increasing the district's expenditures or budgets.

(3) A district that levies pursuant to this subdivision must certify the maximum levy allowable under section 126C.13, subdivision 2, in that same year.

Subd. 3. 1985 operating debt. (1) Each year, a district may levy to eliminate a deficit in the net unappropriated balance in the general fund of the district, determined as of June 30, 1985, and certified and adjusted by the commissioner. Each year this levy may be an amount not to exceed the amount raised by a levy of a net tax rate of 1.85 percent times the adjusted net tax capacity for taxes payable in 1991 and thereafter of the district for the preceding year. However, the total amount of this levy for all years it is made must not exceed the amount of the deficit in the net unappropriated balance in the general fund of the district as of June 30, 1985. When the cumulative levies made pursuant to this subdivision equal the total amount permitted by this subdivision, the levy shall be discontinued.

(2) A district, if eligible, may levy under this subdivision or subdivision 2 but not both.

(3) The proceeds of this levy must be used only for cash flow requirements and must not be used to supplement district revenues or income for the purposes of increasing the district's expenditures or budgets.

(4) A district that levies pursuant to this subdivision must certify the maximum levy allowable under section 126C.13, subdivision 2, in that same year.

Subd. 4. 1992 operating debt. (a) For taxes payable for calendar year 2003 and earlier, a district that has filed a plan pursuant to section 123B.83, subdivision 4, may levy, with the approval of the commissioner, to eliminate a deficit in the net unappropriated balance in the operating funds of the district, determined as of June 30, 1992, and certified and adjusted by the commissioner. Each year this levy may be an amount not to exceed the lesser of:

(1) an amount raised by a levy of a net tax rate of one percent times the adjusted net tax capacity; or

(2) \$100,000.

This amount must be reduced by referendum revenue authorized under section 126C.17 pursuant to the plan filed under section 123B.83. However, the total amount of this levy for all years it is made must not exceed the amount of the deficit in the net unappropriated balance in the operating funds of the district as of June 30, 1992. When the cumulative levies made pursuant to this subdivision equal the total amount permitted by this subdivision, the levy must be discontinued.

(b) A district, if eligible, may levy under this subdivision or subdivision 2 or 3, or under section 123A.73, subdivision 9, or Laws 1992, chapter 499, article 7, sections 16 or 17, but not under more than one.

(c) The proceeds of this levy must be used only for cash flow requirements and must not be used to supplement district revenues or income for the purposes of increasing the district's expenditures or budgets.

(d) Any district that levies pursuant to this subdivision must certify the maximum levy allowable under section 126C.13, subdivision 2, in that same year.

History: 1976 c 271 s 88, 1977 c 447 art 7 s 26; 1981 c 358 art 1 s 40; 1983 c 314 art 6 s 26; 1984 c 463 art 6 s 8; art 7 s 20; 1986 c 444; 1Sp1986 c 1 art 9 s 20; 1987 c 268 art 7 s 42; 1988 c 486 s 88, 101 subd 2; 1988 c 719 art 5 s 84; 1989 c 329 art 13 s 14-16, 20; 1Sp1989 c 1 art 2 s 11; 1992 c 499 art 12 s 29; 1993 c 224 art 6 s 17; 1Sp1993 c 6 s 6; 1994 c 647 art 8 s 10, 11; 1998 c 397 art 7 s 115, 164; art 11 s 3

126C.43 LEVIES; STATUTORY OBLIGATIONS.

Subdivision 1. **Allocation of assets and liabilities.** A district may levy the amount authorized for liabilities of dissolved districts pursuant to section 123A.67.

Subd. 2. **Payment to reemployment insurance fund by state and political subdivisions.** A district may levy the amounts necessary to pay the district's obligations under section 268.052, subdivision 1, and the amounts necessary 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 unpaid judgment.** A district may levy the amounts necessary to pay the district's obligations under section 126C.47.

Subd. 4. **Levy limitations of reorganized districts.** A district may levy the amounts authorized by section 123A.73.

Subd. 5. **Expenses of transition; dissolved district.** A district may levy the amounts necessary to pay the district's obligations under section 123A.76.

Subd. 6. **Teacher severance pay.** A district may levy for severance pay required by sections 124D.05, subdivision 3, and 123A.30, subdivision 6.

History: 1975 c 432 s 75; 1976 c 271 s 81; 1977 c 447 art 6 s 8; 1978 c 764 s 105; 1982 c 548 art 6 s 21; 1983 c 314 art 6 s 24; 1984 c 463 art 6 s 6; 1986 c 444; 1987 c 398 art 1 s 21; art 6 s 12; 1988 c 486 s 85; 1988 c 718 art 6 s 20,21; 1988 c 719 art 5 s 84; 1989 c 329 art 6 s 48; art 13 s 9-11,20; 1Sp1989 c 1 art 2 s 11; 1990 c 426 art 2 s 1; 1990 c 562 art 6 s 33; art 7 s 10; art 10 s 9-11; 1990 c 596 s 3; 1991 c 130 s 29; 1991 c 265 art 5 s 12; 1991 c 291 art 4 s 1; 1992 c 499 art 6 s 29; art 7 s 11,26; art 12 s 29; 1992 c 511 art 2 s 21; art 5 s 9; 1992 c 603 s 11; 1993 c 224 art 7 s 13; art 8 s 3,4; 1994 c 647 art 8 s 9; 1Sp1995 c 3 art 1 s 17; art 16 s 13; 1996 c 412 art 4 s 10; art 13 s 18; 1997 c 66 s 79; 1Sp1997 c 4 art 1 s 26-28; art 2 s 31; 1998 c 265 s 45; 1998 c 397 art 7 s 111-114,164; art 11 s 3

126C.44 CRIME-RELATED COSTS LEVY.

For taxes levied in 1991 and subsequent years, payable in 1992 and subsequent years, each district may make a levy on all taxable property located within the district for the purposes specified in this subdivision. The maximum amount which may be levied for all costs under this subdivision shall be equal to \$1.50 multiplied by the population of the school district. For purposes of this subdivision, "population" of the school district means the same as contained in section 275.14. The proceeds of the levy must be used for reimbursing the cities and counties who contract with the district for the following purposes: (1) to pay the costs incurred for the salaries, benefits, and transportation costs of peace officers and sheriffs for liaison services in the district's middle and secondary schools; (2) to pay the costs for a drug abuse prevention program as defined in Minnesota Statutes 1991 Supplement, section 609.101, subdivision 3, paragraph (f), in the elementary schools; or (3) to pay the costs for a gang resistance education training curriculum in the middle schools. The district must initially attempt to contract for these services with the police department of each city or the sheriff's department of the county within the district containing the school receiving the services. If a local police department or a county sheriff's department does not wish to provide the necessary services, the district may contract for these services with any other police or sheriff's department located entirely or partially within the school district's boundaries. The levy authorized under this subdivision is not included in determining the school district's levy limitations.

History: 1975 c 432 s 75; 1976 c 271 s 81; 1977 c 447 art 6 s 8; 1978 c 764 s 105; 1982 c 548 art 6 s 21; 1983 c 314 art 6 s 24; 1984 c 463 art 6 s 6; 1986 c 444; 1987 c 398 art 1 s 21; art 6 s 12; 1988 c 486 s 85; 1988 c 718 art 6 s 20,21; 1988 c 719 art 5 s 84; 1989 c 329 art 6 s 48; art 13 s 9-11,20; 1Sp1989 c 1 art 2 s 11; 1990 c 426 art 2 s 1; 1990 c 562 art 6 s 33; art 7 s 10; art 10 s 9-11; 1990 c 596 s 3; 1991 c 130 s 29; 1991 c 265 art 5 s 12; 1991 c 291 art 4 s 1; 1992 c 499 art 6 s 29; art 7 s 11,26; art 12 s 29; 1992 c 511 art 2 s 21; art 5 s 9; 1992 c 603 s 11; 1993 c 224 art 7 s 13; art 8 s 3,4; 1994 c 647 art 8 s 9; 1Sp1995 c 3 art 1 s 17; art 16 s 13; 1996 c 412 art 4 s 10; art 13 s 18; 1997 c 66 s 79; 1Sp1997 c 4 art 1 s 26-28; art 2 s 31; 1998 c 397 art 7 s 111-114,164

126C.45 ICE ARENA LEVY.

(a) Each year, an independent school district operating and maintaining an ice arena, may levy for the net operational costs of the ice arena. The levy may not exceed the net actual costs of operation of the arena for the previous year. Net actual costs are defined as operating costs less any operating revenues.

(b) Any district operating and maintaining an ice arena must demonstrate to the satisfaction of the office of monitoring in the department that the district will offer equal sports opportunities for male and female students to use its ice arena, particularly in areas of access to prime practice time, team support, and providing junior varsity and younger level teams for girls' ice sports and ice sports offerings.

History: 1975 c 432 s 75; 1976 c 271 s 81; 1977 c 447 art 6 s 8; 1978 c 764 s 105; 1982 c 548 art 6 s 21; 1983 c 314 art 6 s 24; 1984 c 463 art 6 s 6; 1986 c 444; 1987 c 398 art 1 s 21; art 6 s 12; 1988 c 486 s 85; 1988 c 718 art 6 s 20,21; 1988 c 719 art 5 s 84; 1989 c 329 art 6 s 48; art 13 s 9-11,20; 1Sp1989 c 1 art 2 s 11; 1990 c 426 art 2 s 1; 1990 c 562 art 6 s 33; art 7 s 10; art 10 s 9-11; 1990 c 596 s 3; 1991 c 130 s 29; 1991 c 265 art 5 s 12; 1991 c 291 art 4 s 1; 1992 c 499 art 6 s 29; art 7 s 11,26; art 12 s 29; 1992 c 511 art 2 s 21; art 5 s 9; 1992 c 603 s 11; 1993 c 224 art 7 s 13; art 8 s 3,4; 1994 c 647 art 8 s 9; 1Sp1995 c 3 art 1 s 17; art 16 s 13; 1996 c 412 art 4 s 10; art 13 s 18; 1997 c 66 s 79; 1Sp1997 c 4 art 1 s 26-28; art 2 s 31; 1998 c 397 art 7 s 111-114,164

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 270.07, 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 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: 1975 c 432 s 75; 1976 c 271 s 81; 1977 c 447 art 6 s 8; 1978 c 764 s 105; 1982 c 548 art 6 s 21; 1983 c 314 art 6 s 24; 1984 c 463 art 6 s 6; 1986 c 444; 1987 c 398 art 1 s 21; art 6 s 12; 1988 c 486 s 85; 1988 c 718 art 6 s 20,21; 1988 c 719 art 5 s 84; 1989 c 329 art 6 s 48; art 13 s 9-11,20; 1Sp1989 c 1 art 2 s 11; 1990 c 426 art 2 s 1; 1990 c 562 art 6 s 33; art 7 s 10; art 10 s 9-11; 1990 c 596 s 3; 1991 c 130 s 29; 1991 c 265 art 5 s 12; 1991 c 291 art 4 s 1; 1992 c 499 art 6 s 29; art 7 s 11,26; art 12 s 29; 1992 c 511 art 2 s 21; art 5 s 9; 1992 c 603 s 11; 1993 c 224 art 7 s 13; art 8 s 3,4; 1994 c 647 art 8 s 9; 1Sp1995 c 3 art 1 s 17; art 16 s 13; 1996 c 412 art 4 s 10; art 13 s 18; 1997 c 66 s 79; 1Sp1997 c 4 art 1 s 26-28; art 2 s 31; 1998 c 397 art 7 s 111-114,164; art 11 s 3

126C.47 TAX LEVY FOR UNPAID JUDGMENT.

If such judgment is not satisfied, or stayed by appeal or otherwise, before the next annual meeting of the district, a certified copy thereof may be presented at its annual meeting, whereupon the district shall cause the amount of the judgment, with interest, to be added to the tax of the district. If such tax is not levied and certified to the county auditor on or before October 1 next after presentation, a certified copy thereof may be filed with such auditor at any time before the auditor has extended the tax of such district, with an affidavit showing the amount remaining unpaid thereon and the fact of such presentation to the district. Thereupon

the auditor shall at once levy and extend such amount as a tax upon the property taxable within the district. By mutual agreement between the district and the judgment creditor the levy may be spread equally over a period of more than one year.

History: *Ex 1959 c 71 art 8 s 5; 1986 c 444; 1998 c 397 art 7 s 164*

126C.48 LEVY PROCEDURE.

Subdivision 1. Certify levy limits. (a) By September 8, the commissioner shall notify the school districts of their levy limits. The commissioner shall certify to the county auditors the levy limits for all districts headquartered in the respective counties together with adjustments for errors in levies not penalized pursuant to subdivision 3, as well as adjustments to final pupil unit counts. A district may require the commissioner to review the certification and to present evidence in support of modification of the certification.

The county auditor shall reduce levies for any excess of levies over levy limitations pursuant to section 275.16. Such reduction in excess levies may, at the discretion of the school district, be spread over two calendar years.

(b) As part of the commissioner's certification under paragraph (a), the commissioner shall certify the amount by which a district's levy for its general fund was reduced under subdivision 8.

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, 124B, 124D, 125A, 127A, and 136D. By January 15 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.

Subd. 3. Adjustments. If any district levy is found to be excessive as a result of a decision of the tax court or a redetermination by the commissioner of revenue under section 127A.48, subdivisions 7 to 16, or for any other reason, the amount of the excess shall be deducted from the levy certified in the next year for the same purpose. If no levy is certified in the next year for the same purpose or if the amount certified is less than the amount of the excess, the excess must be deducted from that levy and the levy certified pursuant to section 126C.13, subdivision 2. If the amount of any aid would have been increased in a prior year as a result of a decision of the tax court or a redetermination by the commissioner of revenue, the amount of the increase shall be added to the amount of current aid for the same purposes.

Subd. 4. Applicability. Notwithstanding any other charter provision, general or special laws to the contrary, every school district in the state shall abide by the terms and provisions of this section and chapters 120B, 122A, 123A, 123B, 124D, 125A, 126C, and 127A.

Subd. 5. Estimates. The computation of levy limitations pursuant to this chapter and chapters 120B, 122A, 123A, 123B, 124B, 124D, 125A, 127A, 136C, and 136D shall be based on estimates where necessary. If as a result of using estimates for these computations the amount of any levy is different from the amount which could actually have been levied if actual data had been available, levy limitations in the first year when the actual data is known shall be adjusted to reflect for this difference. The amount of any adjustment to levy limitations pursuant to this subdivision shall be recognized as revenue in the school year when the levy for which the levy limitation is so adjusted is recognized as revenue.

Subd. 6. Adjustments for law changes. Whenever a change enacted in law changes the levy authority for a school district or an intermediate school district for a fiscal year after the levy for that fiscal year has been certified by the district under section 275.07, the department must adjust the next levy certified by the district by the amount of the change in levy authority for that fiscal year resulting from the change. Notwithstanding section 123B.75, the entire amount of the levy adjustment must be recognized as revenue in the fiscal year the levy is certified, if sufficient levy resources are available under generally accepted accounting principles in the district fund where the adjustment is to occur. Districts that do not have sufficient levy resources available in the fund where the adjustment is to occur must recognize in the fiscal year the levy is certified an amount equal to the levy resources available. The remaining adjustment amount must be recognized as revenue in the fiscal year after the levy is certified.

Subd. 7. **Reporting.** For each tax settlement, the county auditor shall report to each school district by fund, the district tax settlement revenue defined in section 123B.75, subdivision 5, paragraph (a), and the amount levied pursuant to section 126C.42, subdivision 1, on the form specified in section 276.10. The county auditor shall send to the district a copy of the spread levy report specified in section 275.124.

Subd. 8. **Taconite payment and other reductions.** (1) Reductions in levies pursuant to sections 126C.48, subdivision 1, and 273.138, must be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 298.018; 298.23 to 298.28, except an amount distributed under section 298.28, subdivision 4, paragraph (c), clause (ii); 298.34 to 298.39; 298.391 to 298.396; 298.405; and any law imposing a tax upon severed mineral values, or recognized revenue pursuant to section 477A.15; must not include a portion of these aids in their permissible levies pursuant to those sections, but instead must reduce the permissible levies authorized by this chapter and chapters 120B, 122A, 123A, 123B, 124A, 124D, 125A, and 127A by the greater of the following:

(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year less the product of the same dollar amount of payments or revenue times five percent.

(3) No reduction pursuant to this subdivision shall reduce the levy made by the district pursuant to section 126C.13, to an amount less than the amount raised by a levy of a net tax rate of 6.82 percent times the adjusted net tax capacity for taxes payable in 1990 and thereafter of that district for the preceding year as determined by the commissioner. The amount of any increased levy authorized by referendum pursuant to section 126C.17, subdivision 9, shall not be reduced pursuant to this subdivision. The amount of any levy authorized by section 126C.43, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision.

(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) Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 298.018; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values; and not deducted from general education aid pursuant to section 126C.21, subdivision 4, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the St. Louis county auditor in the following amount by March 15 of each year, the amount required to be subtracted from the previous fiscal year's general education aid pursuant to section 126C.21, subdivision 4, which is in excess of the general education aid earned for that fiscal year. The county auditor shall deposit any amounts received pursuant to this clause in the St. Louis county treasury for purposes of paying the taconite homestead credit as provided in section 273.135.

History: *Ex1971 c 31 art 20 s 8; 1973 c 683 s 19; 1975 c 432 s 75,78,80,81; 1976 c 2 s 97; 1976 c 271 s 87,90; 1977 c 447 art 1 s 20; 1978 c 764 s 106,109,111; 1979 c 334 art 1 s 22,24; art 2 s 13; 1980 c 509 s 112; 1980 c 607 art 7 s 9; 1980 c 609 art 1 s 13; art 4 s 16; 1981 c 358 art 1 s 39,42; 1986 c 441 s 1; 1986 c 444; 1Sp1986 c 1 art 4 s 27; 1Sp1986 c 3 art 2 s 36; 1987 c 268 art 7 s 41,43; art 9 s 8; 1987 c 398 art 7 s 39; 1Sp1987 c 4 art 1 s 5; 1988 c 486 s 87,89; 1988 c 719 art 5 s 84; 1989 c 222 s 35; 1989 c 329 art 13 s 13,20; 1Sp1989 c 1 art 2 s 11; art 6 s 10,11, 1990-c 604 art 3 s 29; 1991-c 130 s 31,32; 1992 c 499 art 12 s 25,29; 1992 c 511 art 3 s 8; 1995 c 212 art 4 s 64; 1995 c 264 art 3 s 1,2; 1Sp1995 c 3 art 1 s 18,19; art 16 s 13; 1996-c 412 art 1 s 12; 1997-c 7 art 1 s 64; 1997 c 251 s 18; 1Sp1997 c 4 art 1 s 32; 1998 c 389 art 10 s 1; 1998 c 397 art 7 s 117-122,164; art 11 s 3*

NOTE The amendment to subdivision 8 by Laws 1998, chapter 389, article 10, section 1, is effective for taxes levied in 2000. Laws 1998, chapter 389, article 10, section 24

DISTRICT BORROWING

126C.50 TAX AND AID ANTICIPATION BORROWING; DEFINITIONS.

School district as used in sections 126C.50 to 126C.56 means any school district in the state of Minnesota, however organized and wherever located.

History: 1963 c 371 s 1; 1981 c 1 s 3; 1Sp1986 c 1 art 10 s 5; 1987 c 258 s 12; 1989 c 246 s 2; 1990 c 375 s 3; 1Sp1995 c 3 art 16 s 13; 1996 c 412 art 13 s 17; 1998 c 397 art 7 s 82,164; art 11 s 3

126C.51 APPLICATION OF LIMITING TAX LEGISLATION.

Notwithstanding the provisions of section 471.69 or 471.75, or of any other provision of law which by per capita limitation, local tax rate limitation, or otherwise, limits the power of a district to incur any debt or to issue any warrant or order, a district has the powers in sections 126C.50 to 126C.56 specifically conferred upon it and all powers incident and necessary to carrying out the purposes of sections 126C.50 to 126C.56.

History: 1963 c 371 s 2; 1981 c 1 s 4; 1988 c 719 art 5 s 84; 1Sp1989 c 1 art 2 s 11; 1998 c 397 art 7 s 83,164; art 11 s 3

126C.52 AUTHORITY TO BORROW MONEY; LIMITATIONS.

Subdivision 1. **Borrowing authority.** The board of any school district may borrow money upon negotiable tax anticipation certificates of indebtedness, in the manner and subject to the limitations set forth in sections 126C.50 to 126C.56, for the purpose of anticipating general taxes already levied by the district for school purposes. The aggregate of the borrowing under this subdivision must never exceed 75 percent of the taxes which are due and payable in the calendar year, and as to which taxes no penalty for nonpayment or delinquency has attached. In determining the amount of taxes due and payable in the calendar year, any amounts paid by the state to replace such taxes, whether paid in that calendar year or not, must be included.

Subd. 2. **Limitations.** The board may also borrow money in the manner and subject to the limitations set forth in sections 126C.50 to 126C.56 in anticipation of receipt of state aids for schools as defined in Minnesota Statutes and of federal school aids to be distributed by or through the department. The aggregate of such borrowings under this subdivision shall never exceed 75 percent of such aids which are receivable by said school district in the school year (from July 1 to June 30) in which the money is borrowed, as estimated and certified by the commissioner.

History: 1963 c 371 s 3; 1981 c 1 s 5; 1982 c 642 s 18; 1993 c 224 art 1 s 5; 1Sp1995 c 3 art 16 s 13; 1998 c 397 art 7 s 84,164; art 11 s 3

126C.53 ENABLING RESOLUTION; FORM OF CERTIFICATES OF INDEBTEDNESS.

The board may authorize and effect such borrowing, and may issue such certificates of indebtedness upon passage of a resolution specifying the amount and purposes for which it deems such borrowing is necessary. The resolution must be adopted by a vote of at least two-thirds of its members. The board must fix the amount, date, maturity, form, denomination, and other details of the certificates of indebtedness, not inconsistent with this chapter. The board must fix the date and place for receipt of bids for the purchase of the certificates when bids are required and direct the clerk to give notice of the date and place for bidding.

History: 1963 c 371 s 4; 1978 c 764 s 73; 1998 c 397 art 7 s 85,164

126C.54 REPAYMENT; MATURITY DATE OF CERTIFICATES; INTEREST.

The proceeds of the current tax levies and future state aid receipts or other school funds which may become available must be applied to the extent necessary to repay such certifi-

cates and the full faith and credit of the district shall be pledged to payment of the certificates. Certificates issued in anticipation of receipt of aids shall mature not later than the anticipated date of receipt of the aids as estimated by the commissioner, but in no event later than three months after the close of the school year in which issued. Certificates issued in anticipation of receipt of taxes shall mature not later than the anticipated date of receipt in full of the taxes, but in no event later than three months after the close of the calendar year in which issued. The certificates must be sold at not less than par. The certificates must bear interest after maturity until paid at the rate they bore before maturity and any interest accruing before or after maturity must be paid from any available school funds.

History: 1963 c 371 s 5; 1969 c 874 s 1; 1998 c 397 art 7 s 86,164

126C.55 STATE PAYMENT OF DEBT OBLIGATION UPON POTENTIAL DEFAULT; REPAYMENT; STATE OBLIGATION NOT DEBT.

Subdivision 1. **Definitions.** For the purposes of this section, the term "debt obligation" means:

- (1) a tax or aid anticipation certificate of indebtedness;
- (2) a certificate of participation issued under section 126C.40, subdivision 6; or
- (3) a general obligation bond.

Subd. 2. **Notifications; payment; appropriation.** (a) If a district believes that it may be unable to make a principal or interest payment on any outstanding debt obligation on the date that payment is due, it must notify the commissioner as soon as possible, but not less than 15 working days before the date that principal or interest payment is due. The notice must include the name of the district, an identification of the debt obligation issue in question, the date the payment is due, the amount of principal and interest due on the payment date, the amount of principal or interest that the district will be unable to repay on that date, the paying agent for the debt obligation, the wire transfer instructions to transfer funds to that paying agent, and an indication as to whether a payment is being requested by the district under this section. If a paying agent becomes aware of a potential default, it shall inform the commissioner of that fact. After receipt of a notice which requests a payment under this section, after consultation with the district and the paying agent, and after verification of the accuracy of the information provided, the commissioner shall notify the commissioner of finance of the potential default. The notice must include a final figure as to the amount due that the district will be unable to repay on the date due.

(b) Except as provided in subdivision 9, upon receipt of this notice from the commissioner, the commissioner of finance shall issue a warrant and authorize the commissioner of children, families, and learning to pay to the paying agent for the debt obligation the specified amount on or before the date due. The amounts needed for the purposes of this subdivision are annually appropriated to the department from the state general fund.

(c) The departments of children, families, and learning and finance must jointly develop detailed procedures for districts to notify the state that they have obligated themselves to be bound by the provisions of this section, procedures for districts and paying agents to notify the state of potential defaults and to request state payment under this section, and procedures for the state to expedite payments to prevent defaults. The procedures are not subject to chapter 14.

Subd. 3. **School district bound; interest rate on state paid amount.** If, at the request of a district, the state has paid part or all of the principal or interest due on a district's debt obligation on a specific date, the district is bound by all provisions of this section and the amount paid shall bear taxable interest from the date paid until the date of repayment at the state treasurer's invested cash rate as it is certified by the commissioner of finance. Interest shall only accrue on the amounts paid and outstanding less the reduction in aid under subdivision 4 and other payments received from the district.

Subd. 4. **Pledge of district's full faith and credit.** If, at the request of a district, the state has paid part or all of the principal or interest due on a district's debt obligation on a specific date, the pledge of the full faith and credit and unlimited taxing powers of the district to repay the principal and interest due on those debt obligations shall also, without an election or the requirement of a further authorization, become a pledge of the full faith and credit and unlim-

ited taxing powers of the district to repay to the state the amount paid, with interest. Amounts paid by the state must be repaid in the order in which the state payments were made.

Subd. 5. Aid reduction for repayment. Except as provided in this subdivision, the state must reduce the state aid payable to the district under this chapter and chapters 120B, 122A, 123A, 123B, 124D, 125A, 127A, and 273, according to the schedule in section 127A.44, subdivision 2, by the amount paid by the state under this section on behalf of the district, plus the interest due on it, and the amount reduced must revert from the appropriate account to the state general fund. Payments from the school endowment fund or any federal aid payments shall not be reduced. If, after review of the financial situation of the district, the commissioner advises the commissioner of finance that a total reduction of the aids would cause an undue hardship on or an undue disruption of the educational program of the district, the commissioner, with the approval of the commissioner of finance, may establish a different schedule for reduction of those aids to repay the state. The amount of aids to be reduced are decreased by any amounts repaid to the state by the school district from other revenue sources.

Subd. 6. Tax levy for repayment. (a) With the approval of the commissioner, a district may levy, in the year the state makes a payment under this section an amount up to the amount necessary to provide funds for the repayment of the amount paid by the state plus interest through the date of estimated repayment by the district. The proceeds of this levy may be used only for this purpose unless they are in excess of the amount actually due, in which case the excess shall be used to repay other state payments made under this section or shall be deposited in the debt redemption fund of the school district. This levy shall be an increase in the levy limits of the district for purposes of section 275.065, subdivision 6. The amount of aids to be reduced to repay the state shall be decreased by the amount levied. This levy by the district is not eligible for debt service equalization under section 123B.53.

(b) If the state is not repaid in full for a payment made under this section by November 30 of the calendar year following the year in which the state makes the payment, the commissioner shall require the district to certify a property tax levy in an amount up to the amount necessary to provide funds for repayment of the amount paid by the state plus interest through the date of estimated repayment by the school district. To prevent undue hardship, the commissioner may allow the district to certify the levy over a five-year period. The proceeds of the levy may be used only for this purpose unless they are in excess of the amount actually due, in which case the excess shall be used to repay other state payments made under this section or shall be deposited in the debt redemption fund of the district. This levy shall be an increase in the levy limits of the school district for purposes of section 275.065, subdivision 6. If the commissioner orders the district to levy, the amount of aids reduced to repay the state shall be decreased by the amount levied. This levy by the district is not eligible for debt service equalization under section 123B.53 or any successor provision. A levy under this subdivision must be explained as a specific increase at the meeting required under section 275.065, subdivision 6.

Subd. 7. Election as to mandatory application. A district may covenant and obligate itself, prior to the issuance of an issue of debt obligations, to notify the commissioner of a potential default and to use the provisions of this section to guarantee payment of the principal and interest on those debt obligations when due. If the district obligates itself to be bound by this section, it must covenant in the resolution that authorizes the issuance of the debt obligations to deposit with the paying agent three business days prior to the date on which a payment is due an amount sufficient to make that payment or to notify the commissioner under subdivision 1 that it will be unable to make all or a portion of that payment. A district that has obligated itself must include a provision in its agreement with the paying agent for that issue that requires the paying agent to inform the commissioner if it becomes aware of a potential default in the payment of principal or interest on that issue or if, on the day two business days prior to the date a payment is due on that issue, there are insufficient funds to make the payment on deposit with the paying agent. If a district either covenants to be bound by this section or accepts state payments under this section to prevent a default of a particular issue of debt obligations, the provisions of this section shall be binding as to that issue as long as any debt obligation of that issue remain outstanding. If the provisions of this section are or become binding for more than one issue of debt obligations and a district is unable to make

payments on one or more of those issues, the district must continue to make payments on the remaining issues.

Subd. 8. **Mandatory plan; technical assistance.** If the state makes payments on behalf of a district under this section or the district defaults in the payment of principal or interest on an outstanding debt obligation, it must submit a plan to the commissioner for approval specifying the measures it intends to implement to resolve the issues which led to its inability to make the payment and to prevent further defaults. The department must provide technical assistance to the district in preparing its plan. If the commissioner determines that a district's plan is not adequate, the commissioner shall notify the district that the plan has been disapproved, the reasons for the disapproval, and that the state shall not make future payments under this section for debt obligations issued after the date specified in that notice until its plan is approved. The commissioner may also notify the district that until its plan is approved, other aids due the district will be withheld after a date specified in the notice.

Subd. 9. **State bond rating.** If the commissioner of finance determines that the credit rating of the state would be adversely affected thereby, the commissioner of finance shall not issue warrants under subdivision 2 for the payment of principal or interest on any debt obligations for which a district did not, prior to their issuance, obligate itself to be bound by the provisions of this section.

History: 1993 c 224 art 1 s 6; 1Sp1995 c 3 art 16 s 13; 1998 c 397 art 7 s 87-94,164; art 11 s 3; 1998 c 398 art 4 s 2

126C.56 SALE OF CERTIFICATES; DISBURSEMENT OF PROCEEDS.

Subdivision 1. **Public sale.** The clerk of the board shall give notice of the proposed sale as required by chapter 475. At the time and place so fixed, such certificates may be sold by the board, or its officers if authorized by the board, to the bidder who will agree to purchase the same on terms deemed most favorable to the district. Such certificates shall be executed and delivered as required by chapter 475. The money so received shall be disbursed solely for the purposes for which such taxes are levied or aids are receivable. The purchaser of such certificates shall not be obligated to see to such application of the proceeds.

Subd. 2. **Public sale exception.** Public sale of tax and aid anticipation certificates of indebtedness according to subdivision 1 shall not be required (1) if the proposed borrowing is in an amount less than \$400,000, and if the sum of all outstanding tax and aid anticipation certificates issued by the board within the preceding six months does not exceed \$400,000 or, (2) if the certificates mature no later than 13 months after their date of issue. If no public sale is held, the certificates of indebtedness may be sold in accordance with the most favorable of two or more proposals solicited privately or the interest rates may be determined by direct negotiation.

History: 1963 c 371 s 6; 1974 c 406 s 15; 1978 c 764 s 74; 1Sp1985 c 12 art 7 s 20; 1987 c 344 s 1; 1998 c 397 art 7 s 164

CAPITAL AND DEBT SERVICE LOANS; MAXIMUM EFFORT SCHOOL AID LAW

126C.60 LOANS TO DISTRESSED DISTRICTS.

Financial aid to distressed districts is governed by the provisions of the Maximum Effort School Aid Law.

History: Ex1959 c 71 art 5 s 35; 1998 c 397 art 7 s 43,164

126C.61 CITATION, MAXIMUM EFFORT SCHOOL AID LAW.

Sections 126C.61 to 126C.72 may be cited as the "Maximum Effort School Aid Law"

History: Ex1959 c 27 s 1; 1994 c 465 art 2 s 1; 1998 c 397 art 7 s 164; art 11 s 3

126C.62 POLICY AND PURPOSE.

The rates of increase in school population in Minnesota and population shifts and economic changes in recent years, and anticipated in future years, have required and will require

large expenditures for performing the duty of the state and its subdivisions to provide a general and uniform system of public schools. The state policy has been to require these school costs to be borne primarily by the local subdivisions. In most instances the local subdivisions have been, and will be, able to provide the required funds by local taxation as supplemented by the aids usually given to all districts from state income tax and other state aids. There are, however, exceptional cases due to local conditions not found in most other districts where, either temporarily or over a considerable period of years, the costs will exceed the maximum which the local taxpayers can be reasonably expected to bear. In some districts having bonds of several issues outstanding, debt service tax levy requirements are excessive for some years because of heavy bond principal payments accumulating in some of the years due to overlapping or short term issues. The policy and purpose of sections 126C.61 to 126C.72 is to utilize the credit of the state, to a limited degree, to relieve those school districts, but only those, where the maximum effort by the district is inadequate to provide the necessary money. It is also the purpose of sections 126C.61 to 126C.72 to promote efficient use of school buildings. To that end, a district that receives a maximum effort loan is encouraged to design and use its facility to integrate social services and library services.

History: *Ex 1959 c 27 s 2; 1993 c 224 art 5 s 12; 1994 c 465 art 2 s 1; 1998 c 397 art 7 s 44, 164; art 11 s 3*

126C.63 DEFINITIONS.

Subdivision 1. **Scope.** As used in sections 126C.63 to 126C.72, the terms defined in this section shall have the meanings given them

Subd. 2. **District.** "District" means any school district defined in the Education Code.

Subd. 3. **Indebtedness; debt.** "Indebtedness" or "debt" means the net debt of any district computed according to section 475.51, subdivision 4, excluding loans made under sections 126C.61 to 126C.72.

Subd. 4. **Debt service fund.** "Debt service fund" means the aggregate of all funds maintained by a district which are appropriated to payment of principal of and interest on its debts as required by chapter 475.

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 1994 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 determines that the levy reduction will not result in a statewide property tax as would be required under Minnesota Statutes 1992, section 124.46, subdivision 3. A district's levy that is adjusted under this section must not be reduced below 18.74 percent of the district's adjusted net tax capacity.

Subd. 6. **Debt service levy.** "Debt service levy" means the levy for all debt service fund purposes in accordance with chapter 475.

Subd. 7. **Required debt service levy.** "Required debt service levy" means the total dollar amount needed to be included in the taxes levied by the district in any year for payment of interest and principal falling due on its debts prior to collection of the next ensuing year's debt service levy.

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

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

(a) in any district receiving a debt service loan for a debt service levy payable in 1991 and thereafter, or granted a capital loan after January 1, 1990, a levy in a total dollar amount computed at a rate of 20 percent of adjusted net tax capacity for taxes payable in 1991 and thereafter;

(b) in any district granted a debt service loan after July 31, 1981, or granted a capital loan which is approved after July 31, 1981, a levy in a total dollar amount computed as a tax rate of 13.08 percent on the adjusted gross tax capacity for taxes payable in 1990 or a tax rate of 18.42 percent on the adjusted net tax capacity for taxes payable in 1991 and thereafter;

(c) in any district granted a debt service loan before August 1, 1981, or granted a capital loan which was approved before August 1, 1981, a levy in a total dollar amount computed as

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a tax rate of 12.26 percent on the adjusted gross tax capacity for taxes payable in 1990 or a tax rate of 17.17 percent on the adjusted net tax capacity for taxes payable in 1991 and thereafter, until and unless the district receives an additional loan; or

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

(a) in any district which received a debt service or capital loan from the state before January 1, 1965, a levy in a total dollar amount computed as 4.10 mills on the market value in each year, unless the district applies or has applied for an additional loan subsequent to January 1, 1965, or issues or has issued bonds on the public market, other than bonds refunding state loans, subsequent to January 1, 1967;

(b) in any district granted a debt service or capital loan between January 1, 1965, and July 1, 1969, a levy in a total dollar amount computed as 5-1/2 mills on the market value in each year, until and unless the district receives an additional loan;

(c) in any district granted a debt service or capital loan between July 1, 1969, and July 1, 1975, a levy in a total dollar amount computed as 6.3 mills on market value in each year until and unless the district has received an additional loan;

(d) 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. The board in any district affected by the provisions of clause (2)(d) may elect instead to determine the amount of its levy according to the provisions of 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 clause (2)(d), the liability of the district for the amount of the difference between the amount it levied under clause (2)(d) and the amount it would have levied under 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.

Subd. 9. Adjusted net tax capacity. "Adjusted net tax capacity" means, as of any date, the net tax capacity of all taxable property most recently determined by the commissioner of revenue in accordance with the provisions of section 127A.48. "Market value" means the value of all taxable property in the district on which its net debt limit is based as provided in section 475.53, subdivision 4.

Subd. 10. Fund. "Fund" means the "maximum effort school loan fund."

Subd. 11. School loan bonds. "School loan bonds" means bonds issued by the state under section 126C.72 to support the fund and to refund bonds or certificates of indebtedness previously issued for that purpose.

Subd. 12. Net proceeds. "Net proceeds" of bonds means the amounts received upon their sale less expenses incident to their issuance, sale, and delivery and the amount required to pay and redeem any bonds or certificates of indebtedness refunded thereby.

Subd. 13. Year. "Year" means the school year ending on and including June 30 in each calendar year.

History: *Ex1959 c 27 s 3; 1961 c 562 s 4,5; 1963 c 601 s 1; 1965 c 875 s 1,2; 1967 c 583 s 1; 1969 c 6 s 21; 1969 c 1056 s 1,2; 1973 c 773 s 1; 1975 c 432 s 51-54; 1977 c 447 art 6 s 5; 1978 c 706 s 33; 1978 c 764 s 63; 1980 c 545 s 1; 1981 c 358 art 1 s 48; art 9 s 1; 1982 c 548 art 6 s 17; 1987 c 268 art 7 s 11; 1988 c 719 art 5 s 84; 1989 c 329 art 13 s 2,20; 1Sp1989 c 1 art 2 s 11; 1990 c 562 art 11 s 2; 1993 c 224 art 5 s 13; 1994 c 465 art 2 s 1; 1Sp1995 c 3 art 16 s 13; 1998 c 397 art 7 s 45-47,164; art 11 s 3*

126C.64 NET DEBT; DETERMINATION.

In computing "net debt" and in determining whether a district is eligible for a state loan, state loans to the district shall not be considered, notwithstanding the provisions of any other general or special law.

History: *1967 c 583 s 7; 1998 c 397 art 7 s 48,164*

126C.65 FUND ESTABLISHED; DIVISION INTO ACCOUNTS.

Subdivision 1. **Maximum effort school loan fund.** A "maximum effort school loan fund" for administration of moneys to be received and disbursed as authorized and required by sections 126C.61 to 126C.72 must be maintained in the state treasury. The fund must be divided into three accounts for the purposes specified in subdivisions 2, 3, 4, and 5.

Subd. 2. **Debt service loan account.** A debt service loan account must be maintained out of which loans under section 126C.68 must be made. All money appropriated to the fund by section 126C.66 shall be paid into this account initially.

Subd. 3. **Capital loan account.** A capital loan account must be maintained out of which loans under section 126C.69 must be made. On November 1 all moneys in the debt service loan account in excess of those for debt service loans then agreed to be made must be transferred to the capital loan account. On July 1, all moneys in the capital loan account in excess of those required for capital loans theretofore agreed to be made must be transferred to the debt service loan account.

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 270.13, 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.

Subd. 5. **Excess money in loan repayment account.** The commissioner shall transfer from the loan repayment account to the credit of the debt service loan account on November 1 of each year all money deposited to the credit of the loan repayment account that is not required for the payment of principal and interest and costs as prescribed in subdivision 4 but that is needed for debt service loans in the fiscal year beginning July 1, and those moneys are annually appropriated to that account for the purposes prescribed by the Maximum Effort School Aid Law. Money deposited to the credit of the loan repayment account and not required for the transfers or for the payment of principal and interest due on school loan bonds may be invested and reinvested in securities which are general obligations of the United States or the state of Minnesota. When all school loan bonds have been fully paid with interest accrued thereon, the balance remaining in the account must be transferred to the state bond fund.

History: *Ex 1959 c 27 s 4, 1961 c 752 s 1,2; 1963 c 601 s 2; 1965 c 875 s 3; 1973 c 582 s 3, 1975 c 339 s 8; 1981 c 358 art 9 s 2; 1990 c 562 art 11 s 3,4; 1991 c 45 s 1,2; 1994 c 465 art 2 s 1; 1998 c 397 art 7 s 49,164; art 11 s 3*

126C.66 APPROPRIATION.

Subdivision 1. **Appropriation.** In addition to all sums which have been or may hereafter be appropriated by any law, the net proceeds of sale of any state school loan bonds authorized to be issued under section 126C.72, and all income received from the investment of said net proceeds is hereby appropriated to the school loan bond account in the state bond fund.

Subd. 2. **Remaining money.** Any amounts remaining in the fund on July 1, including any unused portion of the appropriation made in subdivision 1, must be available for use by the commissioner in making further debt service loans and capital loans.

Subd. 3. **Principal interest payments.** All payments of principal and interest on debt service notes or capital loan contracts, as received by the commissioner, are appropriated to the loan repayment account.

History: *Ex 1959 c 27 s 5, 1963 c 601 s 3; 1967 c 583 s 2; 1981 c 358 art 9 s 3; 1991 c 45 s 3; 1998 c 397 art 7 s 50,164; art 11 s 3*

126C.67 SCHOOL LOANS.

Subdivision 1. **Consideration by commissioner.** The commissioner shall receive and consider applications for and grant or deny loans under sections 126C.61 to 126C.72.

Subd. 2. **Application forms; rules.** The commissioner, with the assistance of the attorney general or a designated assistant, shall prepare forms of applications for debt service loans and capital loans and instruments evidencing the loans. The state board must promulgate rules to facilitate the commissioner's operations in compliance with sections 126C.61 to 126C.72. The rules are subject to chapter 14.

Subd. 3. **Clerk.** The commissioner may employ a clerk to administer the Maximum Effort School Aid Law. The commissioner may fix the clerk's compensation, which must be paid out of the loan repayment account of the fund.

History: *Ex 1959 c 27 s 6; 1961 c 562 s 6; 1969 c 6 s 22; 1973 c 582 s 3; 1975 c 61 s 9; 1975 c 162 s 30; 1976 c 2 s 60; 1978 c 706 s 34; 1981 c 358 art 9 s 4; 1982 c 424 s 130, 1982 c 560 s 44; 1986 c 444; 1994 c 465 art 2 s 1; 1995 c 233 art 2 s 56; 1997 c 187 art 5 s 16; 1998 c 397 art 7 s 51, 52, 164; art 11 s 3*

126C.68 DEBT SERVICE LOANS.

Subdivision 1. **Qualification; application; award; interest.** Any district in which the required levy for debt service in any year will exceed its maximum effort debt service levy by ten percent or by \$5,000, whichever is less, is qualified for a debt service loan hereunder in an amount not exceeding the amount applied for, and not exceeding one percent of the net debt of the district, and not exceeding the difference between the required and the maximum effort debt service levy in that year. Applications must be filed with the commissioner in each calendar year up to and including July 1. The commissioner shall determine whether the applicant is entitled to a loan and the amount thereof, and on or before October 1 shall certify to each applicant district the amount granted and its due date. The commissioner shall notify the county auditor of each county in which the district is located that the amount certified is available and appropriated for payment of principal and interest on its outstanding bonds. The auditors shall reduce by that amount the taxes otherwise leviable as the district's debt service levy on the tax rolls for that year. Each debt service loan shall bear interest from its date at a rate equal to the average annual rate payable on Minnesota state school loan bonds most recently issued prior to the disbursement of the loan to the district, but in no event less than 3-1/2 percent per annum on the principal amount from time to time remaining unpaid. Interest is payable on December 15 of the year following that in which the loan is received and annually thereafter.

Subd. 2. **Note.** Each debt service loan must be evidenced by a note executed on behalf of the district by the signatures of its chair or vice-chair and the school district clerk. The note must be dated November 1 of the year in which executed, and must state its principal amount, interest rate, and that it is payable at the commissioner's office. The note must have printed thereon, or the commissioner shall attach thereto, a grill for entry of the date and amount of each payment and allocations of each payment to accrued interest or principal. The note must also include a certificate to be executed by the county auditor of each county in which any portion of the district is situated, prior to the delivery of the note, stating that the county auditor has entered the debt service loan evidenced thereby in the auditor's bond register. The notes must be delivered to the commissioner not later than November 15 of the year in which executed. The commissioner shall cause a record to be made and preserved showing the obligor district and the date and principal amount of each note.

Subd. 3. **Warrant.** The commissioner shall issue to each district whose note has been so received a warrant on the debt service loan account of the maximum effort school loan fund, payable on presentation to the state treasurer out of any money in such account. The warrant shall be issued by the commissioner in sufficient time to coincide with the next date on which the district is obligated to make principal or interest payments on its bonded debt in the ensuing year. Interest must accrue from the date such warrant is issued. The proceeds thereof must be used by the district to pay principal or interest on its bonded debt falling due in the ensuing year.

Subd. 4. **Levy.** Each district receiving a debt service loan shall levy for debt service in that year and each year thereafter, until all its debts to the fund are paid, (a) the amount of its

maximum effort debt service levy, or (b) the amount of its required debt service levy less the amount of any debt service loan in that year, whichever is greater. The district shall remit payments to the commissioner according to section 126C.71. By September 30, the commissioner shall notify the county auditor of each county containing taxable property situated within the school district of the amount of the maximum effort debt service levy of the district for that year, and said county auditor or auditors shall extend upon the tax rolls an ad valorem tax upon all taxable property within the district in the aggregate amount so certified.

History: *Ex1959 c 27 s 7; 1961 c 752 s 3,4; 1965 c 875 s 4,5; 1969 c 1056 s 3,4; 1973 c 492 s 14; 1975 c 432 s 55-57; 1981 c 358 art 9 s.5,6; 1986 c 444; 1989 c 271 s 29; 1Sp1989 c 1 art 9 s 2,3; 1Sp1997 c 4 art 4 s 12; 1998 c 397 art 7 s 53,164; art 11, s 3*

126C.69 CAPITAL LOANS.

Subdivision 1. Capital loan requests and uses. Capital loans are available only to qualifying districts. Capital loans must not be used for the construction of swimming pools, ice arenas, athletic facilities, auditoriums, bus garages, or heating system improvements. Proceeds of the loans may be used only for sites for education facilities and for acquiring, bettering, furnishing, or equipping education facilities. Contracts must be entered into within 18 months after the date on which each loan is granted. For purposes of this section, "education facilities" includes space for Head Start programs and social service programs.

Subd. 2. Capital loans eligibility. Beginning July 1, 1992, a district is not eligible for a capital loan unless the district's estimated net debt tax rate as computed by the commissioner after debt service equalization aid would be more than 20 percent of adjusted net tax capacity. The estimate must assume a 20-year maturity schedule for new debt.

Subd. 3. District request for review and comment. A district or a joint powers district that intends to apply for a capital loan must submit a proposal to the commissioner for review and comment according to section 123B.71 by July 1 of an odd-numbered year. The commissioner shall prepare a review and comment on the proposed facility, regardless of the amount of the capital expenditure required to construct the facility. In addition to the information provided under section 123B.71, subdivision 9, the commissioner shall require that predesign packages comparable to those required under section 16B.335 be prepared by the applicant school district. The predesign packages must be sufficient to define the scope, cost, and schedule of the project and must demonstrate that the project has been analyzed according to appropriate space needs standards and also consider the following criteria in determining whether to make a positive review and comment.

(a) To grant a positive review and comment the commissioner shall determine that all of the following conditions are met:

- (1) the facilities are needed for pupils for whom no adequate facilities exist or will exist;
- (2) the district will serve, on average, at least 80 pupils per grade or is eligible for elementary or secondary sparsity revenue;
- (3) no form of cooperation with another district would provide the necessary facilities;
- (4) the facilities are comparable in size and quality to facilities recently constructed in other districts that have similar enrollments;
- (5) the facilities are comparable in size and quality to facilities recently constructed in other districts that are financed without a capital loan;
- (6) the district is projected to maintain or increase its average daily membership over the next five years or is eligible for elementary or secondary sparsity revenue;
- (7) the current facility poses a threat to the life, health, and safety of pupils, and cannot reasonably be brought into compliance with fire, health, or life safety codes;
- (8) the district has made a good faith effort, as evidenced by its maintenance expenditures, to adequately maintain the existing facility during the previous ten years and to comply with fire, health, and life safety codes and state and federal requirements for handicapped accessibility;
- (9) the district has made a good faith effort to encourage integration of social service programs within the new facility; and
- (10) evaluations by boards of adjacent districts have been received

(b) The commissioner may grant a negative review and comment if:

(1) the state demographer has examined the population of the communities to be served by the facility and determined that the communities have not grown during the previous five years;

(2) the state demographer determines that the economic and population bases of the communities to be served by the facility are not likely to grow or to remain at a level sufficient, during the next ten years, to ensure use of the entire facility;

(3) the need for facilities could be met within the district or adjacent districts at a comparable cost by leasing, repairing, remodeling, or sharing existing facilities or by using temporary facilities;

(4) the district plans do not include cooperation and collaboration with health and human services agencies and other political subdivisions; or

(5) if the application is for new construction, an existing facility that would meet the district's needs could be purchased at a comparable cost from any other source within the area.

Subd. 4. Multiple district proposals; review and comment. In addition to the requirements of subdivision 3, the commissioner may use additional requirements to determine a positive review and comment on projects that are designed to serve more than one district. These requirements may include:

(1) reducing or increasing the number of districts that plan to use the facility;

(2) location of the facility; and

(3) formation of a joint powers agreement among the participating districts.

Subd. 5. Adjacent district comments. The district must present the proposed project to the board of each adjacent district at a public meeting of that district. The board of an adjacent district must make a written evaluation of how the project will affect the future education and building needs of the adjacent district. The board must submit the evaluation to the applying district within 30 days of the meeting.

Subd. 6. District application for capital loan. The school board of a district desiring a capital loan shall adopt a resolution stating the amount proposed to be borrowed, the purpose for which the debt is to be incurred, and an estimate of the dates when the facilities for which the loan is requested will be contracted for and completed. Applications for loans must be accompanied by a copy of the adopted board resolution and copies of the adjacent district evaluations. The commissioner shall retain the evaluation as part of a permanent record of the district submitting the evaluation.

Applications must be in the form and accompanied by the additional data required by the commissioner. Applications must be received by the commissioner by September 1 of an odd-numbered year. A district must resubmit an application each odd-numbered year. Capital loan applications that do not receive voter approval or are not approved in law cancel July 1 of the year following application. When an application is received, the commissioner shall obtain from the commissioner of revenue the information in the revenue department's official records that is required to be used in computing the debt limit of the district under section 475.53, subdivision 4.

Subd. 7. State board review; district proposals. By November 1 of each odd-numbered year, the state board must review all applications for capital loans that have received a positive review and comment. When reviewing applications, the state board must consider whether the criteria in subdivision 3 have been met. The state board may not approve an application if all of the required deadlines have not been met. The state board may either approve or reject an application for a capital loan.

Subd. 8. Recommendations of the commissioner. The commissioner shall examine and consider applications for capital loans that have been approved by the state board of education, and promptly notify any district rejected by the state board of the state board's decision.

The commissioner shall report each capital loan that has been approved by the state board and that has received voter approval to the education committees of the legislature by January 1 of each even-numbered year. The commissioner must not report a capital loan that

has not received voter approval. The commissioner shall also report on the money remaining in the capital loan account and, if necessary, request that another bond issue be authorized.

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

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

(2) plus the aggregate principal amount of general obligation bonds of the district outstanding on June 30 of the year following the year the application was received, not exceeding the limitation on net debt of the district in section 475.53, subdivision 4, or 305 percent of its adjusted net tax capacity as most recently determined, whichever is less;

(3) less the maximum net debt permissible for the district on December 1 of the year the application is received, under the limitation in section 475.53, subdivision 4, or 305 percent of its adjusted net tax capacity as most recently determined, whichever is less;

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

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

Subd. 10. Legislative action. Each capital loan must be approved in a law

If the aggregate amount of the capital loans exceeds the amount that is or can be made available, the commissioner shall allot the available amount among any number of qualified applicant districts, according to the commissioner's judgment and discretion, based upon the districts' respective needs.

Subd. 11. District referendum. After receipt of the review and comment on the project and before January 1 of the even-numbered year, the question authorizing the borrowing of money for the facilities must be submitted by the school board to the voters of the district at a regular or special election. The question submitted must state the total amount to be borrowed from all sources. Approval of a majority of those voting on the question is sufficient to authorize the issuance of the obligations on public sale in accordance with chapter 475. The face of the ballot must include the following statement: "APPROVAL OF THIS QUESTION DOES NOT GUARANTEE THAT THE SCHOOL DISTRICT WILL RECEIVE A CAPITAL LOAN FROM THE STATE. THE LOAN MUST BE APPROVED BY THE STATE LEGISLATURE AND IS DEPENDENT ON AVAILABLE FUNDING." The district must mail to the commissioner a certificate by the clerk showing the vote at the election.

Subd. 12. Contract. (a) Each capital loan must be evidenced by a contract between the district and the state acting through the commissioner. The contract must obligate the state to reimburse the district, from the maximum effort school loan fund, for eligible capital expenses for construction of the facility for which the loan is granted, an amount computed as provided in subdivision 9. The commissioner must receive from the district a certified resolution of the board estimating the costs of construction and reciting that contracts for construction of the facilities for which the loan is granted have been awarded and that bonds of the district have been issued and sold in the amount necessary to pay all estimated costs of construction in excess of the amount of the loan. The contract must obligate the district to repay the loan out of the excesses of its maximum effort debt service levy over its required debt service levy, including interest at a rate equal to the weighted average annual rate payable on Minnesota state school loan bonds issued for the project and disbursed to the districts on a reimbursement basis, but in no event less than 3-1/2 percent per year on the principal amount from time to time unpaid.

(b) The district must each year, as long as it is indebted to the state, levy for debt service (i) the amount of its maximum effort debt service levy or (ii) the amount of its required debt service levy, whichever is greater, except as the required debt service levy may be reduced by a loan under section 126C.68. The district shall remit payments to the commissioner according to section 126C.71.

(c) The commissioner shall supervise the collection of outstanding accounts due the fund and may, by notice to the proper county auditor, require the maximum levy to be made as required in this subdivision. Interest on capital loans must be paid on December 15 of the year after the year the loan is granted and annually in later years. By September 30, the commissioner shall notify the county auditor of each county containing taxable property situated

within the district of the amount of the maximum effort debt service levy of the district for that year. The county auditor or auditors shall extend upon the tax rolls an ad valorem tax upon all taxable property within the district in the aggregate amount so certified.

Subd. 13. **Loan forgiveness.** If any capital loan is not paid within 50 years after it is granted from maximum effort debt service levies in excess of required debt service levies, the liability of the district on the loan is satisfied and discharged and interest on the loan ceases.

Subd. 14. **Participation by county auditor; record of contract; payment of loan.** The district must file a copy of the capital loan contract with the county auditor of each county in which any part of the district is situated. The county auditor shall enter the capital loan, evidenced by the contract, in the auditor's bond register. The commissioner shall keep a record of each capital loan and contract showing the name and address of the district, the date of the contract, and the amount of the loan initially approved. On receipt of the resolution required in subdivision 12, the commissioner shall issue warrants, which may be dispersed in accordance with the schedule in the contract, on the capital loan account for the amount that may be disbursed under subdivision 1. Interest on each disbursement of the capital loan amount accrues from the date on which the state treasurer issues the warrant.

Subd. 15. **Bond sale limitations.** A district having an outstanding state loan must not issue and sell any bonds on the public market, except to refund state loans, unless it agrees to make the maximum effort debt service levy in each later year at the higher rate provided in section 126C.63, subdivision 8, and unless it schedules the maturities of the bonds according to section 475.54, subdivision 2. A district that refunds bonds at a lower interest rate may continue to make the maximum effort debt service levy in each later year at the current rate provided in section 126C.63, subdivision 8, if the district can demonstrate to the commissioner's satisfaction that the district's repayments of the state loan will not be reduced below the previous year's level. The district must report each sale to the commissioner.

After a district's capital loan has been outstanding for 20 years, the district must not issue bonds on the public market except to refund the loan.

History: 1990 c 562 art 11 s 5; 1992 c 499 art 5 s 6; 1993 c 224 art 5 s 14-17; 1Sp1995 c 2 art 1 s 27-31; 1Sp1995 c 3 art 1 s 16; art 16 s 13; 1Sp1997 c 4 art 4 s 13,14; 1998 c 397 art 7 s 54-62,164; art 11 s 3

126C.70 PREPAYMENTS.

A district may at any time pay the entire principal or part thereof and interest then due on a note or contract held by the state, out of any moneys not needed for school purposes. The district may issue and sell its refunding bonds in accordance with chapter 475, for such purpose, by actions of its school board and without the necessity of a vote by its electors, if such refunding bonds plus its net debt does not exceed the debt limit prescribed by chapter 475. Any such refunding bonds may bear interest at a rate or rates higher or lower than the rate payable on the loan or loans refunded thereby

History: Ex1959 c 27 s 9; 1961 c 752 s 7; 1998 c 397 art 7 s 63,164

126C.71 PAYMENT AND APPLICATIONS OF PAYMENT.

Subdivision 1. **Payment.** (a) On November 20 of each year, each district having an outstanding capital loan or debt service loan shall compute the excess amount in the debt redemption fund. The commissioner shall prescribe the form and calculation to be used in computing the excess amount. A completed copy of this form shall be sent to the commissioner before December 1 of each year. The commissioner may recompute the excess amount and shall promptly notify the district of the recomputed amount.

(b) On December 15 of each year, the district shall remit to the commissioner an amount equal to the greater of:

(i) the excess amount in the debt redemption fund; or

(ii) the amount by which the maximum effort debt service levy exceeds the required debt service levy for that calendar year.

Any late payments shall be assessed an interest charge using the interest rates specified for the debt service notes and capital loan contracts.

(c) If a payment required under the Maximum Effort School Aid Law is not made within 30 days, the commissioner may reduce any subsequent payments due the district under this chapter and chapters 120B, 122A, 123A, 123B, 124D, 125A, and 127A by the amount due, after providing written notice to the district.

Subd. 2. Application of payments. The commissioner shall apply payments received under the Maximum Effort School Aid Law and aids withheld according to subdivision 1, paragraph (b), as follows: First, to payment of interest accrued on its notes, if any; second, to interest on its contracts, if any; third, toward principal of its notes, if any; and last, toward principal of its contracts, if any. While more than one note or more than one contract is held, priority of payment of interest must be given to the one of earliest date, and after interest accrued on all notes is paid, similar priority shall be given in the application of any remaining amount to the payment of principal. In any year when the receipts from a district are not sufficient to pay the interest accrued on any of its notes or contracts, the deficiency must be added to the principal, and the commissioner shall notify the district and each county auditor concerned of the new amount of principal of the note or contract.

History: *Ex 1959 c 27 s 10; 1975 c 432 s 62; 1Sp1997 c 4 art 4 s 15; 1998 c 397 art 7 s 64, 164; art 11 s 3*

126C.72. ISSUANCE AND SALE OF BONDS.

Subdivision 1. Certification. On or before October 1 in each year, the commissioner shall certify to the commissioner of finance the amount anticipated to be needed for debt service loans and capital loans to be made under the Maximum Effort School Aid Law prior to October 1 in the following year. Each such certification of the commissioner shall also state an estimate of the dates and amounts the certified amount will be needed in the maximum effort school loan fund and an estimate as to the years and amounts in which payments on debt service loans and capital loans will be received.

Subd. 2. Issuance and sale of bonds; commissioner of finance. Upon receipt of each such certification, subject to authorization as provided in subdivision 4, the commissioner of finance shall from time to time as needed issue and sell state of Minnesota school loan bonds in the aggregate principal amount stated in the commissioner's certificate, for the prompt and full payment of which, with the interest thereon, the full faith, credit, and taxing powers of the state are hereby irrevocably pledged. The commissioner of finance shall credit the net proceeds of the sale of the bonds to the purposes for which they are appropriated by section 126C.66, subdivision 1. The bonds shall be issued and sold at such price, in such manner, in such number of series, at such times, and in such form and denominations, shall bear such dates of issue and of maturity, either without option of prior redemption or subject to prepayment upon such notice and at such times and prices, shall bear interest at such rate or rates and payable at such intervals, shall be payable at such bank or banks within or without the state, with such provisions for registration, conversion, and exchange, and for the issuance of notes in anticipation of the sale and delivery of definitive bonds, and in accordance with such further provisions as the commissioner of finance shall determine subject to the limitations stated in this subdivision (but not subject to chapter 14, including section 14.386). The maturity date must not be more than 20 years after the date of issue of any bond and the principal amounts. The due dates must conform as near as may be with the commissioner's estimates of dates and amounts of payments to be received on debt service and capital loans. The bonds and any interest coupons attached to them must be executed by the commissioner of finance and attested by the state treasurer under their official seals. The signatures of these officers and their seals may be printed, lithographed, stamped, engraved, or otherwise reproduced thereon. Each bond must be authenticated by the manual signature on its face of one of the officers or a person authorized to sign on behalf of a bank or trust company designated by the commissioner to act as registrar or other authenticating agent. The commissioner of finance is authorized and directed to ascertain and certify to purchasers of the bonds the performance and existence of all acts, conditions, and things necessary to make them valid and binding general obligations of the state of Minnesota in accordance with their terms.

Subd. 3. School loan bond account. The commissioner of finance shall maintain a separate school loan bond account in the state bond fund, showing all money transferred to that fund for the payment of school loan bonds and all income received from the investment of

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such money. On December 1, the commissioner of finance shall transfer to the bond account as much of the money then on hand in the loan repayment account in the maximum effort school loan fund as will be sufficient, with the balance then on hand in said bond account, to pay all principal and interest due and to become due within the next ensuing year and July 1 in the second ensuing year on school loan bonds issued and sold pursuant to this section. If money is not available for the transfer in the full amount required, and if any principal or interest on school loan bonds should become due at any time when there is not on hand a sufficient amount from any of the sources herein appropriated for the payment thereof, the moneys must be paid out of the general fund in the state treasury according to section 16A.641, and the amount necessary therefor is hereby appropriated.

Subd. 4. **Authority for issuance of bonds.** Bonds shall be issued pursuant to this section only when authorized by a law specifying the purpose thereof and the maximum amount of the proceeds authorized to be expended for that purpose. Any act authorizing the issuance of bonds in the manner provided in this section shall, together with this section, constitute complete authority for the issue, and the bonds shall not be subject to the restrictions or limitations contained in any other law. Bonds issued pursuant hereto may be sold at public or private sale and shall be deemed "authorized securities" within the provisions of section 50.14 and acts amendatory thereof or supplemental thereto.

History: *Ex 1959 c 27 s 12; 1963 c 601 s 4; 1965 c 875 s 13; 1969 c 399 s 49; 1973 c 492 s 14; 1980 c 509 s 34; 1980 c 607 art 14 s 29; 1982 c 424 s 130; 1983 c 301 s 135; 1Sp1985 c 14 art 4 s 22; 1986 c 444; 1991 c 45 s 4; 1994 c 647 art 5 s 4; 1995 c 233 art 2 s 56; 1997 c 187 art 5 s 17; 1998 c 397 art 7 s 65,164; art 11 s 3*