

CHAPTER 126C

EDUCATION FUNDING

126C 01	Definitions	126C 23	Allocation of general education revenue
126C 05	Definition of pupil units	126C 32	Core instructional aid
126C 052	Class size all-day kindergarten and special education student-to-instructor ratio reserve	126C 40	Capital levies
126C 06	Repealed	126C 41	Benefits levies
126C 10	General education revenue	126C 42	Operating debt levies
126C 12	Learning and development revenue amount and use	126C 43	Levies, statutory obligations
126C 13	General education levy and aid	126C 44	Crime-related costs levy
126C 15	Basic skills revenue compensatory education revenue	126C 46	Abatement levy
126C 17	Referendum revenue	126C 48	Levy procedure
126C 21	Deductions from general education aid	126C 55	State payment of debt obligation upon potential default, repayment, state obligation not debt
126C 22	School district cooperation revenue	126C 63	Definitions
		126C 67	School loans
		126C 69	Capital loans

126C.01 DEFINITIONS.

[For text of subs 1 to 10, see M S 1998]

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 compensation, maintenance levy reduction, operating capital, disabled access, health and safety, and encumbrances, computed as of June 30 each year

History: 1999 c 107 s 66

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 times 1 25 with a minimum of 0 28, but not more than 1 25

(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 times 1 25

(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 557 of a pupil unit for fiscal year 2000 and thereafter

(e) A pupil who is in any of grades 1 to 3 is counted as 1 115 pupil units for fiscal year 2000 and thereafter

(f) A pupil who is any of grades 4 to 6 is counted as 1 06 pupil units for fiscal year 1995 and thereafter

(g) A pupil who is in any of grades 7 to 12 is counted as 1 3 pupil units

(h) A pupil who is in the post-secondary enrollment options program is counted as 1 3 pupil units

[For text of subd 2, see M S 1998]

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

(d) Notwithstanding paragraphs (a) to (c), for charter schools and contracted alternative programs in the first year of operation, compensation revenue pupil units shall be computed using data for the current fiscal year. If the charter school or contracted alternative program begins operation after October 1, compensatory revenue pupil units shall be computed based on pupils enrolled on an alternate date determined by the commissioner, and the compensation revenue pupil units shall be prorated based on the ratio of the number of days of student instruction to 170 days

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

Subd 4 [Repealed, 1999 c 159 s 154, 1999 c 241 art 1 s 69]

Subd 5 **Adjusted pupil units.** (a) Adjusted pupil units for a district or charter school means the sum of

(1) the number of pupil units served, according to subdivision 7, plus

(2) pupil units according to subdivision 1 for whom the district or charter school 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, minus

(3) pupil units according to subdivision 1 for whom the district or charter school receives 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

(b) Adjusted marginal cost pupil units means the sum of 9 times the pupil units defined in paragraph (a) for the current school year and 1 times the pupil units defined in paragraph (a) for the previous school year

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

(b) Resident marginal cost pupil units means the sum of 9 times the pupil units defined in paragraph (a) for the current year and 1 times the pupil units defined in paragraph (a) for the previous school year

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

[For text of subs 8 to 17, see M S 1998]

History: 1999 c 241 art 1 s 8-12

126C.052 CLASS SIZE, ALL-DAY KINDERGARTEN, AND SPECIAL EDUCATION STUDENT-TO-INSTRUCTOR RATIO RESERVE.

A district is required to reserve \$3 in fiscal year 2000 and \$11 in fiscal year 2001 and later per adjusted marginal cost pupil unit for class size reduction, all-day kindergarten, or

for reducing special education student-to-instructor ratios. The school board of each district must pass a resolution stating which one of these three programs will be funded with this reserve. The reserve amount under this section must be allocated to the education site as defined in section 123B 04, subdivision 1.

History: 1999 c 241 art 1 s 67

126C.06 [Repealed, 1999 c 159 s 154, 1999 c 241 art 1, s 69]

126C.10 GENERAL EDUCATION REVENUE.

Subdivision 1 General education revenue. For fiscal year 2000, 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, equity revenue, referendum offset adjustment, 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 1998 is \$3,581. The formula allowance for fiscal year 1999 is \$3,530. The formula allowance for fiscal year 2000 is \$3,740. The formula allowance for fiscal year 2001 and subsequent fiscal years is \$3,875.

[For text of subd 3, see M S 1998]

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) \$22.50 times the number of adjusted marginal cost pupil units in kindergarten to grade 8.

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 adjusted marginal cost 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 pupils served 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 pupils served 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 pupils served 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 pupils served in kindergarten through grade 6 multiplied by the ratio of seven to the number of grades in the elementary school

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 pupils served in 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 pupils served in 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 adjusted marginal cost 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 adjusted marginal cost pupil unit to \$8,404

[For text of subd 11, see M S 1998]

Subd 12 Supplemental revenue reduction. (a) 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

(b) If a district's ratio of 1992 adjusted net tax capacity divided by 1994-1995 actual pupil units to \$9,025 is less than or equal to .25, then the difference under paragraph (a), clause (2), is equal to \$0 for purposes of computing the district's supplemental revenue under subdivision 9

Subd 13 Total operating capital revenue. (a) For fiscal year 2000 and thereafter, total operating capital revenue for a district equals the amount determined under paragraph (b) or (c), plus \$68 times the adjusted marginal cost pupil units for the school year. The revenue must be placed in a reserved account in the general fund and may only be used according to subdivision 14

(b) For fiscal years 2000 and later, capital revenue for a district equals \$100 times the district's maintenance cost index times its adjusted marginal cost pupil units for the school year

(c) For fiscal years 2000 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 marginal cost pupil units served 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 operating capital–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 or technology,

(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

[For text of subs 15 to 17, see M S 1998]

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 adjusted marginal cost 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 Minnesota Statutes 1996, section 124A 22, 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, divided by

(3) the district's resident pupil units for fiscal year 2001

(d) A district's transition allowance for fiscal years 1999 and 2000 is equal to the sum of its transportation transition allowance and its compensatory transition allowance. A district's transition allowance for fiscal year 2001 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 adjusted marginal cost 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 adjusted marginal cost pupil unit to \$8,404.

[For text of subd 22, see M S 1998]

Subd 23 Referendum offset adjustment. A district that qualifies for the referendum allowance reduction under section 126C 17, subdivision 12, and whose referendum allowance under section 126C 17, subdivision 1, as adjusted under section 126C 17, subdivisions 2 and 12, does not exceed the referendum allowance limit under section 126C 17, subdivision 2, clause (2), shall receive a referendum offset adjustment. In fiscal year 2000 and thereafter, the referendum offset adjustment is equal to \$25 per resident pupil unit.

Subd 24 Equity revenue. (a) A school district qualifies for equity revenue if the school district's adjusted marginal cost pupil unit amount of basic revenue, supplemental revenue, transition revenue, and referendum revenue is less than the 90th percentile of school districts in its equity region for those revenue categories and the school district's administrative offices are not located in a city of the first class on July 1, 1999.

(b) Equity revenue for a qualifying district that receives referendum revenue under section 126C 17, subdivision 4, equals the product of (1) the district's adjusted marginal cost pupil units for that year, times (2) the sum of (i) \$10, plus (ii) \$30, times the school district's equity index computed under section 126C 10, subdivision 6.

(c) Equity revenue for a qualifying district that does not receive referendum revenue under section 126C 17, subdivision 4, equals the product of the district's adjusted marginal cost pupil units for that year times \$10.

Subd 25 Regional equity gap. The regional equity gap equals the difference between the fifth and the 90th percentile of adjusted general revenue per marginal cost pupil unit.

Subd 26 District equity gap. A district's equity gap equals the greater of zero or the difference between the district's adjusted general revenue and the regional 90th percentile of adjusted general revenue per marginal cost pupil unit.

Subd 27 District equity index. A district's equity index equals the ratio of the sum of the district equity gap amount to the regional equity gap amount.

Subd 28 Equity region. For the purposes of computing equity revenue under subdivision 23, a district whose administrative offices on July 1, 1999, is located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington county is part of the metro equity region. Districts whose administrative offices on July 1, 1999, are not located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington county are part of the rural equity region.

History: 1999 c 241 art 1 s 13-34

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

Subdivision 1 Revenue. Of a district's general education revenue for fiscal year 2000 and thereafter each school district shall reserve an amount equal to the formula allowance multiplied by the following calculation:

(1) the sum of adjusted marginal cost pupil units in average daily membership, according to section 126C 05, subdivision 5, in kindergarten times .057, plus

(2) the sum of adjusted marginal cost pupil units in average daily membership, according to section 126C 05, subdivision 5, in grades 1 to 3 times 115, plus

(3) the sum of adjusted marginal cost pupil units in average daily membership, according to section 126C 05, subdivision 5, in grades 4 to 6 times 06

[For text of subs 2 and 3, see M S 1998]

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. 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.

[For text of subd 5, see M S 1998]

History: 1999 c 241 art 1 s 35,36

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 \$1,330,000,000 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.

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 transition revenue and supplemental revenue, the general education levy must be determined according to subdivision 3.

[For text of subs 3 to 5, see M S 1998]

History: 1999 c 241 art 1 s 37,38

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

Subdivision 1 **Use of the revenue.** The basic skills revenue under section 126C 10, subdivision 4, 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 reserved and 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, 2000, and 2001, 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 Minnesota Statutes 1996, section 124A 22, subdivision 3, for fiscal year 1998, computed using a basic formula allowance of \$3,581 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 compensatory education revenue will be used to carry out the purpose of this section

Subd 4 Separate accounts. Each district that receives basic skills 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 basic skills 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: 1999 c 241 art 1 s 39

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 marginal cost 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, 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 marginal cost pupil units of the reorganizing districts for the fiscal year preceding the reorganization

[For text of subd 3, see M S 1998]

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

Subd 5 **Referendum equalization revenue.** (a) A district's referendum equalization revenue equals the referendum equalization allowance times the district's resident marginal cost pupil units for that year

(b) The referendum equalization allowance equals \$350 for fiscal year 2000 and \$415 for fiscal year 2001 and later

(c) Referendum equalization revenue must not exceed a district's total referendum revenue for that year

Subd 6 **Referendum equalization levy.** (a) 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 marginal cost pupil unit to \$476,000

(b) 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 marginal cost pupil unit to \$8,404

[For text of subs 7 and 8, see M S 1998]

Subd 9 **Referendum revenue.** (a) The revenue authorized by section 126C 10, subdivision 1, may be increased in the amount approved by the voters of the district at a referendum called for the purpose. The referendum may be called by the board or shall be called by the board upon written petition of qualified voters of the district. The referendum must be conducted one or two calendar years before the increased levy authority, if approved, first becomes payable. Only one election to approve an increase may be held in a calendar year. Unless the referendum is conducted by mail under paragraph (g), the referendum must be held on the first Tuesday after the first Monday in November. The ballot must state the maximum amount of the increased revenue per resident marginal cost pupil unit, the 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 marginal cost pupil unit times the resident marginal cost pupil unit 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 marginal cost 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.

[For text of subs 10 to 12, see M S 1998]

History: 1999 c 241 art 1 s 40-45

126C.21 DEDUCTIONS FROM GENERAL EDUCATION AID.

[For text of subs 1 to 3, see M S 1998]

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 24 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: 1999 c 86 art 1 s 34

126C.22 SCHOOL DISTRICT COOPERATION REVENUE.

[For text of subs 1 to 3, see M S 1998]

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 commissioner of children, families, and learning 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

[For text of subd 5, see M S 1998]

History: -1998 c 398 art 5 s 55

126C.23 ALLOCATION OF GENERAL EDUCATION REVENUE.

Subdivision 1 **Definitions.** For the purposes of this section, "building" means education site as defined in section 123B 04, subdivision 1

Subd 2 **Building allocation.** A district must initially allocate its general education and referendum revenue to each building in the district where the children who have generated the revenue are served. General education and referendum revenue generated by students served at sites not owned and operated by the district must be allocated to a separate account to be used for services for pupils who generated the revenue.

Subd 3 **Reallocation for expenditures.** A district may, by board resolution, adjust the initial allocation so as to expend revenue for any purpose including, but not limited to, district services, revenues or other funds established, reallocations among buildings and programs and, separately, the costs of increases in compensation approved by the board for teachers and other employees.

Subd 4 **Separate accounts.** Each district shall maintain separate accounts to identify revenues and expenditures for each building.

Subd 5 **Data reporting.** Each district must report to the commissioner the estimated amount of general education and referendum initially allocated to each building under subdivision 2 and the amount of any reallocations under subdivision 3 by January 30 of the current fiscal year, and the actual amount of general education and referendum revenue initially allocated to each building under subdivision 2 and the amount of any reallocations under subdivision 3 by January 30 of the next fiscal year.

History: 1999 c 249 s 23

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 commissioner of children, families, and learning. 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.

[For text of subs 2 to 4, see M S 1998]

History: 1998 c 398 art 5 s 55

126C.40 CAPITAL LEVIES.

[For text of subs 1 to 3, see M S 1998]

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 6 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 adjusted marginal cost pupil units in the district for the year to which the levy is attributable, to

(2) \$8,404

(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 subdivision expires effective for revenue for fiscal year 2003.

[For text of subd 5, see M S 1998]

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 department of children, families, and learning 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: 1998 c 398 art 5 s 55, 1999 c 241 art 4 s 12.

126C.41 BENEFITS LEVIES.

[For text of subd. 1, see M S 1998]

Subd 2 Retired employee health benefits. 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.

[For text of subs 3 and 4, see M S 1998]

History: 1999 c 241 art 1 s 46

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 1.98 percent times the adjusted net tax capacity of the district for the preceding year for taxes payable in 2000 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 1.98 percent times the adjusted net tax capacity of the district for the preceding year for taxes payable in 2000 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 2.2 percent times the adjusted net tax capacity for taxes payable in 2000 and thereafter of the district for the preceding year as determined by the commissioner. However, the total amount of this levy for all 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.

[For text of subs 3 and 4, see M S 1998]

History: 1999 c 241 art 6 s 7,8

126C.43 LEVIES; STATUTORY OBLIGATIONS.

[For text of subd 1, see M S 1998]

Subd 2 Payment to reemployment compensation trust 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

[For text of subs 3 to 6, see M S 1998]

History: 1999 c 107 s 66

126C.44 CRIME-RELATED COSTS LEVY.

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 directly funding the following purposes or 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, (3) to pay the costs for a gang resistance education training curriculum in the middle schools, or (4) to pay the costs for other crime prevention and drug abuse and violence prevention measures taken by the school district. The district must initially attempt to contract for services to be provided by peace officers or sheriffs 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: 1999 c 241 art 2 s 48

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

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

History: 1999 c 241 art 6 s 9

126C.48 LEVY PROCEDURE.

[For text of subs 1 to 7, see M S 1998]

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 24 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 24 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: 1999 c 86 art 1 s 35

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

[For text of subs 1 to 6, see M S 1998]

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 po-

tential 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. Funds invested in a refunding escrow account established under section 475.67 that are to become available to the paying agent on a principal or interest payment date are deemed to be on deposit with the paying agent three business days before the payment date. 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.

[For text of subs 8 and 9, see M S 1998]

Subd 10 Continuing disclosure agreements. The commissioner of finance may enter into written agreements or contracts relating to the continuing disclosure of information needed to facilitate the ability of school districts to issue debt obligations according to federal securities laws, rules, and regulations, including securities and exchange commission rules and regulations, section 240.15c2-12. Such agreements or contracts may be in any form the commissioner of finance deems reasonable and in the state's best interests.

History: 1999 c 241 art 4 s 13, 1999 c 248 s 1

126C.63 DEFINITIONS.

[For text of subs 1 to 4, see M S 1998]

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 22.3 percent of the district's adjusted net tax capacity.

[For text of subs 6 and 7, see M S 1998]

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 24 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 21.92 percent on the adjusted net tax capacity for taxes payable in 1991 and thereafter, or

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

The board in any district affected by the provisions of clause (2) 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), the liability of the district for the amount of the difference between the amount it levied under clause (2) 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.

[For text of subs 9 to 13, see M S 1998]

History: 1999 c 241 art 4 s 14, 15

126C.67 SCHOOL LOANS.

[For text of subd 1, see M S 1998]

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 commissioner 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.

[For text of subd 3, see M S 1998]

History: 1998 c 398 art 5 s 55

126C.69 CAPITAL LOANS.

[For text of subd 1, see M S 1998]

Subd 2 **Capital loans eligibility.** Beginning July 1, 1999, 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 24 percent of adjusted net tax capacity. The estimate must assume a 20-year maturity schedule for new debt.

[For text of subs 3 to 6, see M S 1998]

Subd 7 **Commissioner review; district proposals.** By November 1 of each odd-numbered year, the commissioner must review all applications for capital loans that have received a positive review and comment. When reviewing applications, the commissioner must consider whether the criteria in subdivision 3 have been met. The commissioner may not approve an application if all of the required deadlines have not been met. The commissioner 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 and promptly notify any district rejected of the decision.

The commissioner shall report each capital loan that has been approved by the commissioner 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 363 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 363 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).

[For text of subs 10 to 15, see M S 1998]

History: 1998 c 398 art 5 s 55, 1999 c 241 art 4 s 16, 17