

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, excluding property classified as class 2, noncommercial 4c(1), or 4c(4) under section 273.13. The portion of class 2a property consisting of the house, garage, and surrounding one acre of land of an agricultural homestead is included in referendum market value. Any class of property, or any portion of a class of property, that is included in the definition of referendum market value and that has 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. [Repealed, 1Sp2003 c 9 art 1 s 54]

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. [Repealed, 1Sp2001 c 6 art 1 s 55 subd 1]

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, unemployment benefits, 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 4,5,8,4; 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; 1992 c 499 art 7 s 31; 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; 1998 c 398 art 1 s 39; 1999 c 107 s 66; 1999 c 241 art 1 s 54; 2000 c 343 s 4; 2000 c 489 art 2 s 28; 1Sp2001 c 5 art 2 s 8; art 3 s 82; 1Sp2001 c 6 art 1 s 42

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 times 1.25 with a minimum average daily membership of 0.28, but not more than 1.25 pupil units.

(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 in 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 postsecondary 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.

(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 greater of:

(1) the sum of .77 times the pupil units defined in paragraph (a) for the current school year and .23 times the pupil units defined in paragraph (a) for the previous school year; or

(2) the number of adjusted pupil units defined in paragraph (a) for the current 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 greater of:

(1) the sum of .77 times the pupil units defined in paragraph (a) for the current year and .23 times the pupil units defined in paragraph (a) for the previous school year; or

(2) the number of resident pupil units defined in paragraph (a) for the current 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.

Subd. 8. Average daily membership. (a) 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. A student must not be counted as more than 1.2 pupils in average daily membership under this section. When the initial total average daily membership exceeds 1.2 for a pupil enrolled in more than one school district during the fiscal year, each district's average daily membership must be reduced proportionately.

(b) A student must not be counted as more than one pupil in average daily membership except for purposes of section 126C.10, subdivision 2a.

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. Average daily membership; justifiable cause; strikes excluded. 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. [Repealed, 1Sp2003 c 9 art 9 s 10]

Subd. 13. **PSEO pupils.** The average daily membership for a pupil participating in the postsecondary 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, any change in the limit on average daily membership that can be generated by a pupil for a fiscal year as provided in subdivisions 8 and 15, 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 for purposes of section 126C.10, subdivision 2a. 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. A student in grades 1 through 12 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, for the pupil, a continual learning plan consistent with section 124D.128, subdivision 3. 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. The district must develop a continual learning plan for the pupil, consistent with section 124D.128, subdivision 3. 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 December 15 of that school 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 2004 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 eligible pupils of limited English proficiency in average daily membership 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 eligible pupil of limited English proficiency in average daily membership 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.

(f) For the purposes of this subdivision, the terms defined in section 124D.59 have the same meaning.

Subd. 18. Pupil adjustment for closed charter schools and contracted alternative programs. For a charter school or contracted alternative program operating during the prior school year but ceasing operations before the end of the current school year, prior year pupil data used in computing revenues for the current school year shall be prorated based on the number of days of student instruction in the current school year to 170.

Subd. 19. On-line learning students. (a) The average daily membership for a public school pupil generating on-line learning average daily membership according to section 124D.095, subdivision 8, paragraph (b), equals the sum of: (1) the ratio of the sum of the number of instructional hours the pupil is enrolled in a regular classroom setting at the enrolling school to the actual number of instructional hours in the school

year at the enrolling school, plus (2) .12 times the initial on-line learning average daily membership according to section 124D.095, subdivision 8, paragraph (b).

(b) When the sum of the average daily membership under paragraph (a) and the adjusted on-line learning average daily membership under section 124D.095, subdivision 8, paragraph (b), exceeds the maximum allowed for the student under subdivision 8 or 15, as applicable, the average daily membership under paragraph (a) shall be reduced by the excess over the maximum, but shall not be reduced below .12. The adjusted on-line learning average daily membership according to section 124D.095, subdivision 8, paragraph (b), shall be reduced by any remaining excess over the maximum.

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 7,8,35; 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; 1999 c 241 art 1 s 8-12,55; 2000 c 489 art 2 s 12,13; 1Sp2001 c 6 art 1 s 14; art 2 s 56,57; 2002 c 220 art 3 s 4; 1Sp2003 c 9 art 1 s 15-19; art 2 s 36.*

126C.052 [Renumbered 126C.125]

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

GENERAL EDUCATION REVENUE

126C.10 GENERAL EDUCATION REVENUE.

Subdivision 1. **General education revenue.** (a) For fiscal year 2003, 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, and equity revenue.

(b) For fiscal year 2004 and later, the general education revenue for each district equals the sum of the district's basic revenue, extended time revenue, basic skills revenue, training and experience revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, equity revenue, and transition revenue.

Subd. 2. **Basic revenue.** The basic revenue for each district equals the formula allowance times the adjusted marginal cost pupil units for the school year. The formula allowance for fiscal year 2001 is \$3,964. The formula allowance for fiscal year 2002 is \$4,068. The formula allowance for fiscal year 2003 and subsequent years is \$4,601.

Subd. 2a. **Extended time revenue.** (a) A school district's extended time revenue is equal to the product of \$4,601 and the sum of the adjusted marginal cost pupil units of the district for each pupil in average daily membership in excess of 1.0 and less than 1.2 according to section 126C.05, subdivision 8.

(b) A school district's extended time revenue may be used for extended day programs, extended week programs, summer school, and other programming authorized under the learning year program.

Subd. 3. **Compensatory education revenue.** (a) The compensatory education revenue for each building in the district equals the formula allowance minus \$415 times the compensation revenue pupil units computed according to section 126C.05, subdivi-

sion 3. Revenue shall be paid to the district and must be allocated according to section 126C.15, subdivision 2.

(b) When the district contracting with an alternative program under section 124D.69 changes prior to the start of a school year, the compensatory revenue generated by pupils attending the program shall be paid to the district contracting with the alternative program for the current school year, and shall not be paid to the district contracting with the alternative program for the prior school year.

(c) When the fiscal agent district for an area learning center changes prior to the start of a school year, the compensatory revenue shall be paid to the fiscal agent district for the current school year, and shall not be paid to the fiscal agent district for the prior school year.

Subd. 4. **Basic skills revenue.** A school district's basic skills revenue equals the sum of:

- (1) compensatory revenue under subdivision 3; plus
- (2) limited English proficiency revenue under section 124D.65, subdivision 5; plus
- (3) \$250 times the limited English proficiency pupil units under section 126C.05, subdivision 17.

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. [Repealed, 1Sp2001 c 5 art 2 s 30 para (a)]

Subd. 10. [Repealed, 1Sp2001 c 5 art 2 s 30 para (a)]

Subd. 11. [Repealed, 1Sp2001 c 5 art 2 s 30 para (a)]

Subd. 12. [Repealed, 1Sp2001 c 5 art 2 s 30 para (a); 1Sp2001 c 6 art 1 s 55 subd 1]

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 \$73 times the adjusted marginal cost pupil units for the school year. The revenue must be placed in a reserved account in the general fund and may only be used according to paragraph (d) or 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.

(d) For fiscal years 2001, 2002, and 2003, the district must reserve an amount equal to \$5 per adjusted marginal cost pupil unit for telecommunication access costs. Reserve revenue under this paragraph must first be used to pay for ongoing or recurring telecommunication access costs, including access to data and video connections, including Internet access. Any revenue remaining after covering all ongoing or recurring access costs may be used for computer hardware or equipment.

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal year 2005 and later, a district may levy an amount not more than the product of its operating capital revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to \$22,222.

Subd. 13b. **Operating capital aid.** A district's operating capital aid equals its operating capital revenue minus its operating capital levy times the ratio of the actual amount levied to the permitted levy.

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, including library media centers;
- (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 Douglas J. Johnson 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 media resources 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.

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.

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. [Repealed, 1Sp2001 c 5 art 2 s 30 para (a)]

Subd. 20. [Repealed, 1Sp2001 c 5 art 2 s 30 para (a)]

Subd. 21. [Repealed, 1Sp2001 c 5 art 2 s 30 para (a)]

Subd. 22. [Repealed, 1Sp2001 c 5 art 2 s 30 para (a)]

Subd. 23. [Repealed, 1Sp2001 c 6 art 1 s 55 subd 1]

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

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

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

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

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

Subd. 25. Regional equity gap. The regional equity gap equals the difference between the value of the school district at or immediately above the fifth percentile of adjusted general revenue per adjusted marginal cost pupil unit and the value of the school district at or immediately above the 95th percentile of adjusted general revenue per adjusted 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 value of the school district at or immediately above the regional 95th percentile of adjusted general revenue per adjusted 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 24, 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.

Subd. 29. Equity levy. To obtain equity revenue for fiscal year 2005 and later, a district may levy an amount not more than the product of its equity revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident marginal cost pupil unit to \$476,000.

Subd. 30. Equity aid. A district's equity aid equals its equity revenue minus its equity levy times the ratio of the actual amount levied to the permitted levy.

Subd. 31. Transition revenue. (a) A district's transition allowance for fiscal years 2004 through 2008 equals the greater of zero or the product of the ratio of the number of adjusted marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002 to the district's adjusted marginal cost pupil units for fiscal year 2004, times the difference between: (1) the lesser of the district's general education revenue per adjusted marginal cost pupil unit for fiscal year 2003 or the amount of general education revenue the district would have received per adjusted marginal cost pupil unit for fiscal year 2004 according to Minnesota Statutes 2002, and (2) the district's general education revenue for fiscal year 2004 excluding transition revenue divided by the number of adjusted marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002. A district's transition allowance for fiscal year 2009 and later is zero.

(b) A district's transition revenue for fiscal year 2004 and later equals the product of the district's transition allowance times the district's adjusted marginal cost pupil units.

Subd. 32. Transition levy. To obtain transition revenue for fiscal year 2005 and later, a district may levy an amount not more than the product of its transition revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident marginal cost pupil unit to \$476,000.

Subd. 33. Transition aid. (a) For fiscal year 2004, a district's transition aid equals its transition revenue.

(b) For fiscal year 2005 and later, a district's transition aid equals its transition revenue minus its transition levy times the ratio of the actual amount levied to the permitted 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 7 s 31; 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 28-31,39; art 4 s 8; 1Sp1998 c 3 s 17; 1999 c 241 art 1 s 13-34,54; 2000 c 254 s 37; 2000 c 464 art 3 s 3,4; 2000 c 489 art 2 s 15-20,28; art 5 s 9; 1Sp2001 c 5 art 2 s 9,10; art 3 s 82; 1Sp2001 c 6 art 1 s 15-21,42,55 subd 2; 2002 c 374 art 4 s 6; 2002 c 377 art 8 s 18; 2002 c 379 art 1 s 46,47; 1Sp2003 c 9 art 1 s 20-32; art 12 s 14; 1Sp2003 c 23 s 12,21; 2004 c 294 art 1 s 7

126C.11 [Repealed, 1Sp2001 c 5 art 2 s 30 para (a)]

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 pupils in average daily membership, according to section 126C.05, subdivision 5, in kindergarten times .057; plus

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

Subd. 2. **Definitions.** (a) "Classroom teacher" means a public employee licensed by the board of teaching who is authorized to teach all subjects to children in any grade in kindergarten through grade 6 and whose duties are full-time regular classroom instruction, excluding a teacher for whom federal aids are received or for whom categorical aids are received under section 125A.76 or who is an itinerant teacher or provides instruction outside of the regular classroom. Except as provided in section 122A.68, subdivision 6, classroom teacher does not include supervisory and support personnel defined in section 122A.15. A classroom teacher whose duties are less than full-time instruction must be included as an equivalent only for the number of hours of instruction in kindergarten through grade 3.

(b) "Class size" means the districtwide ratio at each grade level of the number of full-time students in kindergarten through grade 3 served at least 40 percent of the time in regular classrooms to the number of full-time classroom teachers in kindergarten through grade 3, determined as of October 1 of each school year:

Subd. 3. **Instruction contact time.** Instruction may be provided by a classroom teacher or by a team of classroom teachers, or by a teacher resident supervised by a classroom teacher. The district must maximize classroom teacher to learner average instructional contact time in the core subjects of reading and mathematics.

Subd. 4. **Revenue use.** (a) Revenue must be used to reduce and maintain the district's average class size in kindergarten through grade 3 to a level of 17 to 1 on average in each of the respective grades.

(b) A district must not increase the districtwide class sizes in other grades as a result of reducing class sizes in kindergarten through grade 3. Revenue may not be used to provide instructor preparation. 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, through fiscal year 2002. Beginning in fiscal year 2003, class size reduction revenue may only be reserved to

employ classroom teachers contributing to lower class sizes in kindergarten through grade 3.

Subd. 5. **Additional revenue use.** If the board of a district determines that the district has achieved and is maintaining the class sizes specified in subdivision 4, the board may use the revenue to reduce class size in grades 4, 5, and 6, provide all-day, everyday kindergarten, prepare and use individualized learning plans, improve program offerings, purchase instructional material, services, or technology, or provide staff development needed for reduced class sizes.

Subd. 6. **Annual report.** By December 1 of each year, districts receiving revenue under subdivision 1 shall make available to the public a report on the amount of revenue the district has received and the use of the revenue. This report shall be in the form and manner determined by the commissioner and shall include the district average class sizes in kindergarten through grade 6 as of October 1 of the current school year and the class sizes for each site serving kindergarten through grade 6 students in the district. A copy of the report shall be filed with the commissioner by December 15.

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; 1999 c 241 art 1 s 35,36; 2000 c 464 art 3 s 5; 2000 c 489 art 2 s 21; art 10 s 14; 1Sp2001 c 6 art 1 s 22-26

126C.125 [Repealed, 1Sp2003 c 9 art 1 s 54]

126C.126 REALLOCATING GENERAL EDUCATION REVENUE FOR ALL-DAY KINDERGARTEN.

In order to provide additional revenue for an optional all-day kindergarten program, a district may reallocate general education revenue attributable to 12th grade students who have graduated early under section 120B.07.

History: 1Sp2001 c 6 art 1 s 27

126C.13 GENERAL EDUCATION LEVY AND AID.

Subdivision 1. [Repealed, 1Sp2001 c 5 art 2 s 30 para (a)]

Subd. 2. [Repealed, 1Sp2001 c 5 art 2 s 30 para (a)]

Subd. 3. [Repealed, 1Sp2001 c 5 art 2 s 30 para (a)]

Subd. 4. **General education aid.** (a) For fiscal year 2004, a district's general education aid is the sum of the following amounts:

- (1) general education revenue;
- (2) shared time aid according to section 126C.01, subdivision 7;
- (3) referendum aid according to section 126C.17; and
- (4) on-line learning aid according to section 126C.24.

(b) For fiscal year 2005 and later, a district's general education aid is the sum of the following amounts:

- (1) general education revenue, excluding equity revenue, total operating capital, and transition revenue;
- (2) operating capital aid according to section 126C.10, subdivision 13b;
- (3) equity aid according to section 126C.10, subdivision 30;
- (4) transition aid according to section 126C.10, subdivision 33;
- (5) shared time aid according to section 126C.01, subdivision 7;
- (6) referendum aid according to section 126C.17; and
- (7) on-line learning aid according to section 126C.24.

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 7 s 31; 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; 1998 c 398 art 1 s 33,39; 1999 c 241 art 1 s 37,38,54; 2000 c 489 art 2 s 28; 1Sp2001 c 5 art 2 s 11; art 3 s 82; 1Sp2001 c 6 art 1 s 42; 1Sp2003 c 9 art 1 s 33; 1Sp2003 c 23 s 13

126C.14 [Repealed, 1Sp2003 c 9 art 1 s 54]

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

Subdivision 1. **Use of the revenue.** The basic skills revenue under section 126C.10, subdivision 4, 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; and

(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.

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), a district may allocate up to five percent of the amount of compensatory revenue that the district received during the previous fiscal year to school sites according to a plan adopted by the school board.

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

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

Subd. 3. Recommendation. A school site decision-making team, as defined in section 123B.04, subdivision 2, paragraph (a), or the instruction and curriculum advisory committee under section 120B.11, if the school has no school-site decision team, shall recommend how the compensatory education revenue will be used to carry out the purpose of this section.

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. Using valid and reliable data and measurement criteria, the report also must determine whether increased expenditures raised student achievement levels.

History: 1987 c 398 art 1 s 17; 1988 c 718 art 1 s 9,10; 1989 c 329 art 3 s 19; 1992 c 499 art 7 s 31; 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 34,35,39; 1Sp1998 c 3 s 18; 1999 c 241 art 1 s 39,54; 2000 c 254 s 39; 2000 c 489 art 2 s 28; 1Sp2001 c 5 art 3 s 82; 1Sp2001 c 6 art 1 s 28-30,42; 1Sp2003 c 9 art 1 s 34

126C.16 REFERENDUM AND DESEGREGATION REVENUE CONVERSION.

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

Subd. 2. [Repealed, 1Sp2001 c 6 art 1 s 55 subd 1]

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 marginal cost 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 marginal cost 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; 2000 c 254 s 40,41; 2000 c 489 art 2 s 22

126C.17 REFERENDUM REVENUE.

Subdivision 1. **Referendum allowance.** (a) For fiscal year 2003 and later, a district's initial referendum revenue allowance equals the sum of the allowance under section 126C.16, subdivision 2, plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 before May 1, 2001, for fiscal year 2002 and later, plus the referendum conversion allowance approved under subdivision 13, minus \$415. For districts with more than one referendum authority, the reduction must be computed separately for each authority. The reduction must be applied first to the referendum

conversion allowance and next to the authority with the earliest expiration date. A district's initial referendum revenue allowance may not be less than zero.

(b) For fiscal year 2003, a district's referendum revenue allowance equals the initial referendum allowance plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and December 30, 2001, for fiscal year 2003 and later.

(c) For fiscal year 2004 and later, a district's referendum revenue allowance equals the sum of:

(1) the product of (i) the ratio of the resident marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002, section 126C.05, to the district's resident marginal cost pupil units for fiscal year 2004, times (ii) the initial referendum allowance plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and May 30, 2003, for fiscal year 2003 and later, plus

(2) any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 after May 30, 2003, for fiscal year 2005 and later.

Subd. 2. Referendum allowance limit. (a) Notwithstanding subdivision 1, for fiscal year 2003, a district's referendum allowance must not exceed the greater of:

(1) the sum of a district's referendum allowance for fiscal year 1994 times 1.162 plus its referendum conversion allowance for fiscal year 2003, minus \$415;

(2) 18.2 percent of the formula allowance;

(3) for a newly reorganized district created on July 1, 2002, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its resident marginal cost pupil units for the year preceding reorganization, minus \$415; or

(4) for a newly reorganized district created after July 1, 2002, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its resident marginal cost pupil units for the year preceding reorganization.

(b) Notwithstanding subdivision 1, for fiscal year 2004 and later, a district's referendum allowance must not exceed the greater of:

(1) the sum of: (i) a district's referendum allowance for fiscal year 1994 times 1.177 times the annual inflationary increase as calculated under paragraph (c) plus (ii) its referendum conversion allowance for fiscal year 2003, minus (iii) \$415;

(2) the greater of (i) 18.6 percent of the formula allowance or (ii) \$855.79 times the annual inflationary increase as calculated under paragraph (c); or

(3) for a newly reorganized district created after July 1, 2002, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its resident marginal cost pupil units for the year preceding reorganization.

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

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 marginal cost pupil units for the school year.

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

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

(c) For fiscal years 2003 and 2004, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$126. For fiscal year 2005, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$405. For fiscal year 2006 and later, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or \$500.

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

(e) A district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 18.6 percent of the formula allowance, minus the district's first tier referendum equalization allowance.

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

Subd. 6. Referendum equalization levy. (a) For fiscal year 2003 and later, a district's referendum equalization levy equals the sum of the first tier referendum equalization levy and the second tier referendum equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier 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.

(c) A district's second tier referendum equalization levy equals the district's second tier 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 \$270,000.

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 first or second tier referendum equalization revenue is less than its maximum levy limit for that tier, aid shall be proportionately reduced.

(c) Notwithstanding paragraph (a), the referendum equalization aid for a district, where the referendum equalization aid under paragraph (a) exceeds 90 percent of the referendum revenue, must not exceed 18.6 percent of the formula allowance times the district's resident marginal cost pupil units. A district's referendum levy is increased by the amount of any reduction in referendum aid under this paragraph.

Subd. 7a. Referendum tax base replacement aid. For each school district that had a referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized referendum levy, the commissioner of revenue, in consultation with the commissioner of education, shall certify the amount of the referendum levy in taxes payable year 2001 attributable to the portion of the referendum allowance exceeding \$415 levied against property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding the portion of the tax paid by the portion of class 2a property consisting of the house, garage, and surrounding one acre of land. The resulting amount must be used to reduce the district's referendum levy amount otherwise determined, and must be paid to the district each year that the referendum authority remains in effect, is renewed, or new referendum authority is approved. The aid payable under this subdivision must be subtracted from the district's referendum equalization aid under subdivision 7. The referendum equalization aid after the subtraction must not be less than zero.

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 4 and its referendum equalization revenue according to subdivision 5.

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

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

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

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

Subd. 10. School referendum levy; market value. A school referendum levy 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.

Subd. 11. Referendum date. (a) Except for a referendum held under paragraph (b), 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 subdivision 9, paragraph (b), to the contrary, in the case of a referendum conducted by mail under this paragraph, the notice required by subdivision 9, paragraph (b), must be prepared and delivered by first-class mail at least 20 days before the referendum.

(b) In addition to the referenda allowed in subdivision 9, clause (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.

(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. [Repealed, 1Sp2001 c 6 art 1 s 55 subd 1]

Subd. 13. Referendum conversion allowance. (a) A school district that received supplemental or transition revenue in fiscal year 2002 may convert its supplemental revenue conversion allowance and transition revenue conversion allowance to additional referendum allowance under subdivision 1 for fiscal year 2003 and thereafter. A majority of the school board must approve the conversion at a public meeting before November 1, 2001. For a district with other referendum authority, the referendum conversion allowance approved by the board continues until the portion of the district's other referendum authority with the earliest expiration date after June 30, 2006, expires. For a district with no other referendum authority, the referendum conversion allowance approved by the board continues until June 30, 2012.

(b) A school district that received transition revenue in fiscal year 2004 may convert all or part of its transition revenue to referendum revenue with voter approval in a referendum called for the purpose. The referendum must be held in accordance with subdivision 9, except that the ballot may state that existing transition revenue authority is being canceled or is expiring. In this case, the ballot shall compare the proposed referendum allowance to the canceled or expiring transition revenue allowance. For purposes of this comparison, the canceled or expiring transition revenue allowance per adjusted marginal cost pupil unit shall be converted to an allowance per resident marginal cost pupil unit based on the district's ratio of adjusted marginal cost pupil units to resident marginal cost pupil units for the preceding fiscal year. The referendum must be held on the first Tuesday after the first Monday in November. The notice required under section 275.60 may be modified to read: "BY VOTING 'YES' ON THIS BALLOT QUESTION, YOU MAY BE VOTING FOR A PROPERTY TAX INCREASE." Elections under this paragraph must be held in 2007 or earlier.

History: *Ex1971 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; art 7 s 31; 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 24,25,39; 1999 c 241 art 1 s 40-45,54; 2000 c 489 art 2 s 23,28; 1Sp2001 c 5 art 2 s 12-19; art 3 s 82; 1Sp2001 c 6 art 1 s 31-34,42; 2002 c 220 art 3 s 18; 2002 c 374 art 4 s 7; 2002 c 377 art 10 s 2; 1Sp2003 c 9 art 1 s 35-41; 1Sp2003 c 23 s 14*

126C.18 [Repealed, 1Sp2001 c 6 art 1 s 55 subd 1]

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 determine 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 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, 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; 298.225; 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 under 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 under 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; 1999 c 86 art 1 s 34; 1Sp2001 c 5 art 6 s 2; 2002 c 377 art 8 s 1; 1Sp2003 c 9 art 1 s 42

126C.22 [Repealed, 1Sp2001 c 6 art 1 s 55 subd 1]

126C.23 [Repealed, 2004 c 294 art 1 s 10]

126C.30 [Repealed, 1Sp2001 c 5 art 3 s 96; 1Sp2001 c 6 art 1 s 55 subd 1]

126C.31 [Repealed, 1Sp2001 c 5 art 3 s 96; 1Sp2001 c 6 art 1 s 55 subd 1]

126C.32 [Repealed, 1Sp2001 c 5 art 3 s 96; 1Sp2001 c 6 art 1 s 55 subd 1]

126C.33 [Repealed, 1Sp2001 c 5 art 3 s 96; 1Sp2001 c 6 art 1 s 55 subd 1]

126C.34 [Repealed, 1Sp2001 c 5 art 3 s 96; 1Sp2001 c 6 art 1 s 55 subd 1]

126C.35 [Repealed, 1Sp2001 c 5 art 3 s 96; 1Sp2001 c 6 art 1 s 55 subd 1]

126C.36 [Repealed, 1Sp2001 c 5 art 3 s 96; 1Sp2001 c 6 art 1 s 55 subd 1]

LEVIES; NONPROGRAM SPECIFIC

126C.40 CAPITAL LEVIES.

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

(b) The criteria for approval of applications to levy under this subdivision must include: the reasonableness of the price; the appropriateness of the space to the proposed activity; the feasibility of transporting pupils to the leased building or land; conformity of the lease to the laws and rules of the state of Minnesota; and the appropriateness of the proposed lease to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than 90 percent of the cost to the district of renting or leasing a building or land for approved purposes. The proceeds of this levy must not be used for custodial or other maintenance services. A district may not levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself.

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

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

(e) The total levy under this subdivision for a district for any year must not exceed \$90 times the resident pupil units for the fiscal year to which the levy is attributable.

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

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

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

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

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

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

(h) A school district that is a member of an intermediate school district may include in its authority under this section 90 percent of the costs associated with leases of administrative and classroom space for intermediate school district programs. This authority must not exceed \$22.50 times the adjusted marginal cost pupil units of the member districts. This authority is in addition to any other authority authorized under this section.

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

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. [Expired]

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 Department of Education rules relating to equality of educational opportunity and school desegregation and, for a district eligible for revenue under section 124D.86, subdivision 3, clause (4), where the acquisition of property under this subdivision is determined by the commissioner to contribute to the implementation of the desegregation plan; 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 and the commissioner determines that the joint programs are being undertaken to implement the districts' desegregation plan.

(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 5, s 9; 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; 1998 c 398 art 5 s 55; 1999 c 241 art 4 s 12; 2000 c 254 s 51; 2000 c 489 art 5 s 10,11; 1Sp2001 c 6 art 4 s 15; 2002 c 377 art 5 s 2; 2003 c 130 s 12; 1Sp2003 c 9 art 4 s 17

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 the provisions formerly codified as 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. 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 \$600,000.

Subd. 3. Retirement levies. (a) 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.

(b) 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.

(c) 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 (b).

(d) In addition to the levy authorized under paragraph (c), 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 Teachers 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.

Subd. 5. St. Paul severance levy. The school board of Independent School District No. 625, St. Paul, for the purpose of providing moneys for the payment of its severance pay obligations under a plan approved by resolution of the district, in addition to all other powers possessed by the school district and in addition to and in excess of any existing limitation upon the amount it is otherwise authorized by law to levy as taxes, is authorized to levy taxes annually not exceeding in any one year an amount equal to a net tax capacity rate of .34 percent for taxes payable in 2002 and thereafter upon all taxable property within the school district which taxes as levied shall be spread upon the tax rolls, and all corrections thereof shall be held by the school district, and allocated therefor to be disbursed and expended by the school district in payment of any public school severance pay obligations and for no other purpose. Disbursements and expenditures previously authorized on behalf of the school district for payment of severance pay obligations shall not be deemed to constitute any part of the cost of the operation and maintenance of the school district within the meaning of any statutory limitation of any school district expenditures.

The amount of such severance pay allowable or to become payable in respect of any such employment or to any such employee shall not exceed the amount permitted by section 465.72.

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; 1999 c 241 art 1 s 46; 2000 c 254 s 43; 1Sp2001 c 6 art 1 s 36,37; 1965 c 705; 1975 c 261 s 4; 1980 c 609 art 6 s 37; 1989 c 329 art 13 s 18; 1Sp2003 c 9 art 5 s 32,36

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 2.67 percent times the adjusted net tax capacity of the district for the preceding year for taxes payable in 2002 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 2.67 percent times the adjusted net tax capacity of the district for the preceding year for taxes payable in 2002 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) 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. [Repealed, 1Sp2001 c 6 art 1 s 55 subd 1]

Subd. 3. [Repealed, 1Sp2001 c 6 art 1 s 55 subd 1]

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; 1999 c 241 art 6 s 7,8; 1Sp2003 c 9 art 5 s 8

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 unemployment insurance program trust fund by state and political subdivisions.** A district may levy 90 percent of the amount exceeding \$10 times the district's adjusted marginal cost pupil units for the fiscal year ending in the year before the year the levy is certified necessary (i) to pay the district's obligations under section 268.052, subdivision 1, and (ii) to pay for job placement services offered to employees who may become eligible for benefits pursuant to section 268.085 for the fiscal year the levy is certified.

Subd. 3. **Tax levy for judgment.** A district may levy 90 percent of the amount exceeding \$10 times the district's adjusted marginal cost pupil units for the fiscal year ending in the year before the year the levy is certified necessary to pay judgments against the district under section 123B.25 that became final after the date the district certified its proposed levy in the previous year. With the approval of the commissioner, a district may spread this levy over a period not to exceed three years. Upon approval through the adoption of a resolution by each of an intermediate district's member school district boards, a member school district may include its proportionate share of the costs of a judgment against an intermediate school district that became final under section 123B.25 after the date that the earliest member school district certified its proposed levy in the previous year. With the approval of the commissioner, an intermediate school district member school district may spread this levy over a period not to exceed three years.

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 111,164; art 11 s 3; 1999 c 107 s 66; 2000 c 343 s 4; 1Sp2001 c 6 art 1 s 38; 2002 c 377 art 5 s 3; 1Sp2003 c 9 art 5 s 9,10

126C.44 SAFE SCHOOLS LEVY.

Each district may make a levy on all taxable property located within the district for the purposes specified in this section. The maximum amount which may be levied for

all costs under this section shall be equal to \$27 multiplied by the district's adjusted marginal cost pupil units for the school year. 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 in services in the district's schools; (2) to pay the costs for a drug abuse prevention program as defined in section 609.101, subdivision 3, paragraph (e), in the elementary schools; (3) to pay the costs for a gang resistance education training curriculum in the district's schools; (4) to pay the costs for security in the district's schools and on school property; or (5) to pay the costs for other crime prevention, drug abuse, student and staff safety, 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 section 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 112,164; 1999 c 241 art 2 s 48; 2000 c 254 s 44; 2000 c 489 art 2 s 24; 2002 c 377 art 5 s 4; 1Sp2003 c 9 art 2 s 38

126C.445 TREE GROWTH REPLACEMENT REVENUE.

For taxes payable in 2003 and later, a school district may levy an amount not to exceed its miscellaneous revenue for tree growth revenue for taxes payable in 2001.

History: 2002 c 377 art 6 s 2

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 90 percent of 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 113,164; 1Sp2003 c 9 art 5 s 12

126C.455 SWIMMING POOL LEVY.

Each year, a school district with its home office located in a county that has (i) a population density of ten or fewer persons per square mile according to the 2000

census of population; (ii) an international border; and (iii) more than one school district within its boundaries, may levy for the net operational costs of a swimming pool. The levy may not exceed the net actual costs of operation of the swimming pool for the previous year. Net actual costs are defined as operating costs less any operating revenues and less any payments from other local governmental units.

History: *1Sp2001 c 5 art 3 s 7*

126C.457 CAREER AND TECHNICAL LEVY.

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

History: *2002 c 220 art 3 s 5; 1Sp2003 c 9 art 1 s 43; 2004 c 294 art 5 s 14*

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: *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 114,164; art 11 s 3; 1999 c 241 art 6 s 9*

126C.47 [Repealed, 1Sp2001 c 6 art 1 s 55 subd 1]

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, 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 general fund levy certified pursuant to chapters 122A, 123A, 123B, 124D, and 126C. 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, 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 subdivision 1 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; 298.225; 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 under section 477A.15 must not include a portion of these aids in

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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 under 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 under section 477A.15 in the previous fiscal year less the product of the same dollar amount of payments or revenue times five percent.

For levy year 2002 only, 77 percent of the amounts distributed under section 298.225 and 298.28, and 100 percent of the amounts distributed under sections 298.018; 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 under section 477A.15, shall be used for purposes of the calculations under this paragraph. For levy year 2003 only, the levy reductions under this subdivision must be calculated as if section 298.28, subdivision 4, paragraph (f), did not apply for the 2003 distribution.

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

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

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

History: *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; 1999 c 86 art 1 s 35; 2000 c 254 s 45,46; 1Sp2001 c 5 art 6 s 3; 2002 c 377 art 8 s 2; 1Sp2003 c 9 art 5 s 13; 2004 c 228 art 3 s 1*

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 certificates 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 education 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 Education 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 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 unlimited 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. [Repealed, 1Sp2003 c 9 art 12 s 21]

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. 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.

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.

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: 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; 1999 c 241 art 4 s 13; 1999 c 248 s 1; 2003 c 112 art 2 s 50; 2003 c 130 s 12

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: *Ex1959 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 2003 and later, each district's maximum effort debt service levy for purposes of subdivision 8, must be reduced by an equal number of percentage points if the commissioner of finance determines that the levy reduction will not result in a payment from the general fund in the state treasury according to section 16A.641, as would be required under section 126C.72, subdivision 3. A district's levy that is adjusted under this section must not be reduced below 30.1 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.

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

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

(i) in any district receiving a debt service loan for a debt service levy payable in 2002 and thereafter, or granted a capital loan after January 1, 2002, a levy in total dollar amount computed at a rate of 40 percent of adjusted net tax capacity for taxes payable in 2002 and thereafter;

(ii) in any district receiving a debt service loan for a debt service levy payable in 2001 or earlier, or granted a capital loan before January 2, 2001, a levy in a total dollar amount computed at a rate of 32 percent of adjusted net tax capacity for taxes payable in 2002 and thereafter; or

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

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

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; 1999 c 241 art 4 s 14,15; 1Sp2001 c 5 art 2 s 20; 1Sp2001 c 6 art 1 s 55 subd 2; art 4 s 16; 1Sp2003 c 9 art 4 s 18,19*

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: *Ex1959 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 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.

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; 1998 c 398 art 5 s 55*

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 commissioner of finance 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; 2003 c 112 art 2 s 50*

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, 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 40 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) there is evidence to indicate that the facilities will have a useful public purpose for at least the term of the bonds;

(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 have adequate funds in its general operating budget to support a quality education for its students for at least the next five years;

(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;

(10) evaluations by boards of adjacent districts have been received; and

(11) the proposal includes a comprehensive technology plan that assures information access for the students, parents, and community.

(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. 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 607 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 607 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, 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, and that all work, when completed, meets or exceeds standards established in the State Building Code. 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 or reissued for the project.

(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 commissioner of finance issues the warrant.

Subd. 15. **Bond sale limitations.** (a) 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.

(b) For a capital loan issued prior to July 1, 2001, after the district's capital loan has been outstanding for 30 years, the district must not issue bonds on the public market except to refund the loan.

(c) For a capital loan issued on or after July 1, 2001, after the 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; 1998 c 398 art 5 s 55; 1999 c 241 art 4 s 16,17; 2000 c 489 art 5 s 12; 1Sp2001 c 5 art 2 s 21-25; 1Sp2001 c 6 art 1 s 55 subd 2; art 4 s 17,18; 2003 c 112 art 2 s 50; 1Sp2003 c 9 art 4 s 20,21

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: Ex1959 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 under official seal. The signature of the commissioner and the seal may be printed, lithographed, stamped, engraved, or otherwise reproduced thereon. Each bond must be authenticated by the manual signature on its face of the commissioner 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 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: *Ex1959 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; 2003 c 112 art 2 s 19*