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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. **2121**

03/26/2015 Authored by Kiel and Marquart

The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act
1.2 relating to education finance; modifying certain facilities funding provisions;
1.3 creating a long-term facilities maintenance revenue program for certain
1.4 school districts and educational cooperatives; appropriating money; amending
1.5 Minnesota Statutes 2014, section 123B.57, subdivision 1; proposing coding for
1.6 new law in Minnesota Statutes, chapter 123B; repealing Minnesota Statutes
1.7 2014, section 123B.591.

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

1.9 Section 1. Minnesota Statutes 2014, section 123B.57, subdivision 1, is amended to read:

1.10 Subdivision 1. **Health and safety revenue application.** (a) To receive health and
1.11 safety revenue for any fiscal year a district eligible under paragraph (d) must submit to
1.12 the commissioner a capital expenditure health and safety revenue application by the date
1.13 determined by the commissioner. The application must include a health and safety budget
1.14 adopted and confirmed by the school district board as being consistent with the district's
1.15 health and safety policy under subdivision 2. The budget must include the estimated cost
1.16 of the program per Uniform Financial Accounting and Reporting Standards (UFARS)
1.17 finance code, by fiscal year. Upon approval through the adoption of a resolution by
1.18 each of an intermediate district's member school district boards and the approval of the
1.19 Department of Education, a school district may include its proportionate share of the costs
1.20 of health and safety projects for an intermediate district in its application.

1.21 (b) Health and safety projects with an estimated cost of \$500,000 or more per
1.22 site are not eligible for health and safety revenue. Health and safety projects with an
1.23 estimated cost of \$500,000 or more per site that meet all other requirements for health and
1.24 safety funding, are eligible for alternative facilities bonding and levy revenue according
1.25 to section 123B.59. A school board shall not separate portions of a single project into

2.1 components to qualify for health and safety revenue, and shall not combine unrelated
2.2 projects into a single project to qualify for alternative facilities bonding and levy revenue.

2.3 (c) The commissioner of education shall not make eligibility for health and safety
2.4 revenue contingent on a district's compliance status, level of program development, or
2.5 training. The commissioner shall not mandate additional performance criteria such as
2.6 training, certifications, or compliance evaluations as a prerequisite for levy approval.

2.7 (d) For the 2016 fiscal year only, all school districts are eligible for health and safety
2.8 revenue under this section. For fiscal year 2017 and later, a school district is eligible for
2.9 health and safety revenue under this section only if the district qualifies for alternative
2.10 facilities revenue under section 123B.59.

2.11 **Sec. 2. [123B.595] LONG-TERM FACILITIES MAINTENANCE REVENUE.**

2.12 Subdivision 1. **Eligibility.** A school district is eligible to receive revenue under
2.13 this section if the district does not qualify for alternative facilities revenue under section
2.14 123B.59.

2.15 Subd. 2. **Long-term facilities maintenance revenue.** For fiscal year 2017 and
2.16 later, long-term facilities maintenance revenue equals the greater of (1) \$470 times the
2.17 district's adjusted pupil units times the lesser of one or the ratio of the district's average
2.18 building age to 35 years, or (2) the sum of the amount the district would have qualified for
2.19 under Minnesota Statutes 2014, section 123B.57, and Minnesota Statutes 2014, section
2.20 123B.591, minus the amount attributable to bonds authorized under Minnesota Statutes
2.21 2014, section 123B.57, and Minnesota Statutes 2014, section 123B.591, that were retired
2.22 after January 1, 2016.

2.23 Subd. 3. **Facilities plans.** (a) To qualify for revenue under this section, a school
2.24 district must have a ten-year facility plan adopted by the school board and approved
2.25 by the commissioner. The plan must include provisions for implementing a health and
2.26 safety program that complies with health, safety, and environmental regulations and best
2.27 practices, including indoor air quality management.

2.28 (b) The district must annually update the plan, biennially submit a facility
2.29 maintenance plan to the commissioner, and indicate whether the district will issue bonds
2.30 to finance the plan or levy for the costs.

2.31 Subd. 4. **Bond authorization.** (a) A school district may issue general obligation
2.32 bonds under this section to finance facilities plans approved by its board and the
2.33 commissioner. Chapter 475, except sections 475.58 and 475.59, must be complied with.
2.34 The authority to issue bonds under this section is in addition to any bonding authority
2.35 authorized by this chapter or other law. The amount of bonding authority authorized

3.1 under this section must be disregarded in calculating the bonding or net debt limits of this
3.2 chapter, or any other law other than section 475.53, subdivision 4.

3.3 (b) At least 20 days before the earliest of solicitation of bids, the issuance of bonds,
3.4 or the final certification of levies under subdivision 5, the district must publish notice
3.5 of the intended projects, the amount of the bond issue, and the total amount of district
3.6 indebtedness.

3.7 (c) The portion of revenue under this section for bonded debt must be recognized
3.8 in the debt service fund.

3.9 Subd. 5. **Levy authorization.** A district may levy for costs related to an approved
3.10 plan under subdivision 3 as follows:

3.11 (1) if the district has indicated to the commissioner that bonds will be issued, the
3.12 district may levy for the principal and interest payments on outstanding bonds issued
3.13 under subdivision 4 after reduction for any aid receivable under subdivision 7; or

3.14 (2) if the district has indicated to the commissioner that the plan will be funded
3.15 through levy, the district may levy according to the schedule approved in the plan after
3.16 reduction for any aid receivable under subdivision 7.

3.17 Subd. 6. **Long-term facilities maintenance equalization levy.** (a) A district's
3.18 long-term facilities maintenance equalization levy equals its long-term facilities
3.19 maintenance revenue times the lesser of one or the ratio of its referendum market value
3.20 per adjusted pupil unit in the year preceding the year the levy is certified to the long-term
3.21 facilities maintenance equalizing factor.

3.22 (b) A district's long-term facilities maintenance equalizing factor equals \$670,000
3.23 times the greater of one or the ratio of the district's seasonal recreational factor to 0.30.

3.24 (c) A district's seasonal recreational factor equals the ratio of the market value of
3.25 property in the district classified as 4(c)12 under section 273.13 to the district's total
3.26 taxable market value under section 273.13.

3.27 Subd. 7. **Long-term facilities maintenance equalization aid.** A district's long-term
3.28 facilities maintenance equalization aid equals the difference between its long-term
3.29 facilities maintenance revenue and its long-term facilities maintenance equalization levy.

3.30 Subd. 8. **Allowed uses for long-term facilities maintenance revenue.** A district
3.31 may use revenue under this section for any of the following:

3.32 (1) deferred capital expenditures and maintenance projects necessary to prevent
3.33 further erosion of facilities;

3.34 (2) increasing accessibility of school facilities; or

3.35 (3) allowable uses of health and safety revenue under section 123B.57, subdivision 6.

4.1 Subd. 9. **Restrictions on long-term facilities maintenance revenue.**

4.2 Notwithstanding subdivision 8, long-term facilities maintenance revenue may not be used:

4.3 (1) for the construction of new facilities, remodeling of existing facilities, or the
4.4 purchase of portable classrooms;

4.5 (2) to finance a lease purchase agreement, installment purchase agreement, or other
4.6 deferred payments agreement;

4.7 (3) for energy efficiency projects under section 123B.65, for a building or property
4.8 or part of a building or property used for postsecondary instruction or administration, or
4.9 for a purpose unrelated to elementary and secondary education; or

4.10 (4) for violence prevention and facility security, ergonomics, or public announcement
4.11 systems and emergency communication devices.

4.12 Subd. 10. **Reserve account.** The portion of long-term facilities maintenance
4.13 revenue not recognized under subdivision 4, paragraph (c), must be maintained in a
4.14 reserve account within the general fund.

4.15 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2017 and
4.16 later.

4.17 Sec. 3. **[123B.596] COOPERATIVE FACILITIES MAINTENANCE AID.**

4.18 (a) An education district under section 123A.15, or a special education cooperative
4.19 established pursuant to sections 125A.03 to 125A.24 and 125A.65 or section 471.59, is
4.20 eligible to receive cooperative facilities maintenance aid equal to \$1 per square foot of
4.21 facilities owned or leased by the education district or special education cooperative.

4.22 (b) A service cooperative under section 123A.21 is eligible to receive cooperative
4.23 facilities maintenance aid equal to the product of (1) \$1 per square foot of facilities owned
4.24 or leased by the education district or special education cooperative, and (2) the percent of
4.25 the service cooperative's members that are school districts.

4.26 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2017
4.27 and later.

4.28 Sec. 4. **MAINTENANCE OF LEVY AUTHORITY AND TAX BASE**
4.29 **TRANSITION.**

4.30 (a) A school district eligible for long-term maintenance revenue beginning in
4.31 fiscal year 2017 may authorize levies under Minnesota Statutes, sections 123B.57 and
4.32 123B.591, through December 31, 2015.

5.1 (b) Notwithstanding Minnesota Statutes, section 123B.595, subdivision 6, the
5.2 portion of the levy attributable to the payment of bonds authorized under Minnesota
5.3 Statutes 2014, sections 123B.57 and 123B.591, shall be levied on adjusted net tax capacity
5.4 and equalized under the applicable 2014 Minnesota Statutes. At the retirement of the
5.5 bond, that amount of levy authority shall be converted from adjusted net tax capacity to
5.6 referendum market value until the district's levy authority on referendum market value
5.7 under Minnesota Statutes, section 123B.595, reaches \$470 per adjusted pupil unit.

5.8 **Sec. 5. REPEALER.**

5.9 Minnesota Statutes 2014, section 123B.591, is repealed for fiscal year 2017 and later.

123B.591 DEFERRED MAINTENANCE REVENUE.

Subdivision 1. **Eligibility.** An independent or special school district that does not qualify to participate in the alternative facilities bonding and levy under section 123B.59, subdivision 1, paragraph (a), is eligible to receive deferred maintenance revenue.

Subd. 2. **Deferred maintenance revenue.** The deferred maintenance revenue for an eligible school district equals the product of \$64 times the adjusted pupil units for the school year times the lesser of one or the ratio of the district's average age of building space to 35 years.

Subd. 3. **Deferred maintenance levy.** To obtain deferred maintenance revenue, a district may levy an amount not more than the product of its deferred maintenance revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted pupil unit to \$5,965.

Subd. 4. **Deferred maintenance aid.** For fiscal year 2008 and later, a district's deferred maintenance aid equals its deferred maintenance revenue minus its deferred maintenance levy times the ratio of the actual amount levied to the permitted levy.

Subd. 5. **Reserve account.** Deferred maintenance revenue must be maintained in a reserve account within the general fund. Deferred maintenance revenue may be used only for expenditures that would be eligible for alternative facilities bonding and levy revenue under section 123B.59, subdivision 2, paragraph (a), if the district qualified for that revenue under section 123B.59, subdivision 1, paragraph (a).