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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 2191

04/09/2015 Authored by Marquart and Lien
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 taxation; property; excluding agricultural property from school
1.3 capital levies; providing tax base replacement aid; creating a new equalization
1.4 aid formula for school bonds approved on or after July 1, 2015; appropriating
1.5 money; amending Minnesota Statutes 2014, sections 123B.53, subdivision 1;
1.6 123B.54; 123B.55; 126C.01, by adding subdivisions; 275.08, subdivision 1b;
1.7 proposing coding for new law in Minnesota Statutes, chapter 123B.

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

1.9 Section 1. Minnesota Statutes 2014, section 123B.53, subdivision 1, is amended to read:

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

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

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

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

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

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

2.1 taconite payments from the Iron Range school consolidation and cooperatively operated
2.2 school account under section 298.28, subdivision 7a;

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

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

2.6 (5) obligations equalized under section 123B.535; and

2.7 (6) obligations authorized by voters on or after July 1, 2015.

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

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

2.15 **EFFECTIVE DATE.** This section is effective beginning with fiscal year 2017.

2.16 Sec. 2. **[123B.531] AGRICULTURAL DEBT SERVICE TAX BASE**

2.17 **REPLACEMENT AID.**

2.18 For each school district levying for debt service under section 123B.55 for taxes
2.19 payable in 2015, for each separate bond issue or each separately authorized levy, the
2.20 commissioner of revenue, in consultation with the commissioner of education, must
2.21 certify the amount of the levy in taxes payable year 2015 levied against property classified
2.22 as class 2a or 2b, under section 273.13, excluding the portion of the levy attributable to
2.23 the portion of class 2a property consisting of the house, garage, and surrounding one
2.24 acre of land. The resulting amount for each bond issue or each levy authorization must
2.25 be paid to the district each year that a levy for those bond payments are made, or until
2.26 the levy authority is terminated, and must be used to reduce the district's debt service
2.27 levy amount otherwise determined.

2.28 **EFFECTIVE DATE.** This section is effective beginning with fiscal year 2017.

2.29 Sec. 3. **[123B.533] FACILITIES DEBT EQUALIZATION; BONDS ISSUED**
2.30 **AFTER JULY 1, 2015.**

2.31 Subdivision 1. Eligible facilities debt service revenue. For purposes of this
2.32 section, the eligible facilities debt service revenue of a district equals 105 percent of the

3.1 amount needed to meet, when due, the principal and interest on bonds approved by the
 3.2 voters under section 475.58 for bonds issued on or after July 1, 2015.

3.3 Subd. 2. **Facilities debt service levy.** A district's equalized facilities debt service
 3.4 levy equal a district's facilities debt service revenue under subdivision 1 times the lesser
 3.5 of 1 or the ratio of:

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

3.9 (2) 250 percent of the statewide adjusted school capital net tax capacity equalizing
 3.10 factor as defined in section 126C.01, subdivision 2c.

3.11 Subd. 3. **Facilities debt service aid.** A school district's facilities debt service aid
 3.12 equals the difference between its facilities debt service revenue and its facilities debt
 3.13 service levy.

3.14 **EFFECTIVE DATE.** This section is effective beginning with fiscal year 2017.

3.15 Sec. 4. Minnesota Statutes 2014, section 123B.54, is amended to read:

3.16 **123B.54 DEBT SERVICE APPROPRIATION.**

3.17 (a) The amount necessary to make debt service equalization aid payments under
 3.18 sections 123B.53, 123B.533, and 123B.535 is annually appropriated from the general fund
 3.19 to the commissioner of education.

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

3.22 **EFFECTIVE DATE.** This section is effective beginning with fiscal year 2017.

3.23 Sec. 5. Minnesota Statutes 2014, section 123B.55, is amended to read:

3.24 **123B.55 DEBT SERVICE LEVY.**

3.25 A district may levy the amounts necessary to make payments for bonds issued and
 3.26 for interest on them, including the bonds and interest on them, issued as authorized by
 3.27 Minnesota Statutes 1974, section 275.125, subdivision 3, clause (7)(C); and the amounts
 3.28 necessary for repayment of debt service loans and capital loans, minus the amount of
 3.29 debt service equalization revenue aid of the district, the facilities debt service aid of the
 3.30 district, and the agricultural debt service tax base replacement aid of the district. Debt
 3.31 service levies must be levied against the school capital net tax capacity of the district, as
 3.32 defined in section 126C.01, subdivision 2a.

4.1 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

4.2 Sec. 6. Minnesota Statutes 2014, section 126C.01, is amended by adding a subdivision
4.3 to read:

4.4 Subd. 2a. **School capital net tax capacity.** "School capital net tax capacity" means
4.5 the net tax capacity as otherwise defined under section 273.13, excluding the tax capacity
4.6 attributable to class 2a and 2b agricultural land and buildings. This exclusion does not
4.7 apply to the house, garage, and one acre of an agricultural homestead under class 2a.

4.8 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.

4.9 Sec. 7. Minnesota Statutes 2014, section 126C.01, is amended by adding a subdivision
4.10 to read:

4.11 Subd. 2b. **Adjusted school capital net tax capacity.** "Adjusted school capital net
4.12 tax capacity" means the school capital net tax capacity defined under subdivision 2a as
4.13 adjusted by the commissioner of revenue under section 127A.48.

4.14 **EFFECTIVE DATE.** This section is effective beginning with fiscal year 2017.

4.15 Sec. 8. Minnesota Statutes 2014, section 126C.01, is amended by adding a subdivision
4.16 to read:

4.17 Subd. 2c. **Statewide adjusted school capital net tax capacity equalizing factor.**
4.18 The statewide adjusted school capital net tax capacity equalizing factor equals the quotient
4.19 derived by dividing the total adjusted school capital net tax capacity of all school districts
4.20 in the state for the year before the year the levy is certified by the total number of adjusted
4.21 pupil units in the state for the year prior to the year the levy is certified.

4.22 **EFFECTIVE DATE.** This section is effective beginning with fiscal year 2017.

4.23 Sec. 9. Minnesota Statutes 2014, section 275.08, subdivision 1b, is amended to read:

4.24 Subd. 1b. **Computation of tax rates.** (a) The amounts certified to be levied against
4.25 net tax capacity under section 275.07 by an individual local government unit shall be
4.26 divided by the total net tax capacity of all taxable properties within the local government
4.27 unit's taxing jurisdiction. The resulting ratio, the local government's local tax rate,
4.28 multiplied by each property's net tax capacity shall be each property's net tax capacity tax
4.29 for that local government unit before reduction by any credits.

4.30 (b) Any amount certified to the county auditor to be levied against school capital
4.31 net tax capacity must be divided by the total school capital net tax capacity of all taxable

5.1 properties within the school district. The resulting ratio, the school district's school
5.2 capital tax rate, multiplied by each property's school capital net tax capacity, shall be
5.3 each property's school capital tax before reduction by any credits. For the purposes of
5.4 the subdivision, "school capital net tax capacity" means the value as defined in section
5.5 126C.01, subdivision 2a.

5.6 (c) Any amount certified to the county auditor to be levied against market value shall
5.7 be divided by the total referendum market value of all taxable properties within the taxing
5.8 district. The resulting ratio, the taxing district's new referendum tax rate, multiplied by
5.9 each property's referendum market value shall be each property's new referendum tax
5.10 before reduction by any credits. For the purposes of this subdivision, "referendum market
5.11 value" means the market value as defined in section 126C.01, subdivision 3.

5.12 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in 2016.