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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 224

01/20/2015 Authored by Gruenhagen, Hamilton, Poppe, Fabian, Kiel and others
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; allowing school boards to elect to levy debt service
1.3 against an alternative tax base; amending Minnesota Statutes 2014, sections
1.4 123B.53, subdivision 4, by adding a subdivision; 123B.55; 123B.71, subdivision
1.5 9; 126C.01, by adding a subdivision.

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

1.7 Section 1. Minnesota Statutes 2014, section 123B.53, is amended by adding a
1.8 subdivision to read:

1.9 Subd. 1a. Debt service levies; choice of tax base. (a) A school board may by
1.10 resolution elect to levy the debt service for a bond against:

1.11 (1) the net tax capacity of the district;

1.12 (2) the referendum market value of the district according to section 126C.01,
1.13 subdivision 3; or

1.14 (3) the alternative referendum market value of the district, according to section
1.15 126C.01, subdivision 3a.

1.16 (b) A resolution to levy against the referendum market value or alternative
1.17 referendum market value must be passed at an open meeting of the board, at least 60 days
1.18 prior to the referendum election for the sale of building bonds. If a resolution is not passed
1.19 by the board, the levy must continue to be spread against the district's net tax capacity.

1.20 EFFECTIVE DATE. This section is effective the day following final enactment
1.21 and applies to bonds issued after July 1, 2015.

1.22 Sec. 2. Minnesota Statutes 2014, section 123B.53, subdivision 4, is amended to read:

2.1 Subd. 4. **Debt service equalization revenue.** (a) The debt service equalization
 2.2 revenue of a district equals the sum of the first tier debt service equalization revenue and
 2.3 the second tier debt service equalization revenue.

2.4 (b) The first tier debt service equalization revenue of a district equals the greater
 2.5 of zero or the eligible debt service revenue minus the amount raised by a levy of 15.74
 2.6 percent times the adjusted net tax capacity of the district minus the second tier debt service
 2.7 equalization revenue of the district.

2.8 (c) The second tier debt service equalization revenue of a district equals the greater
 2.9 of zero or the eligible debt service revenue, excluding alternative facilities levies under
 2.10 section 123B.59, subdivision 5, minus the amount raised by a levy of 26.24 percent times
 2.11 the adjusted net tax capacity of the district.

2.12 (d) Debt service equalization revenue is determined as provided under this
 2.13 subdivision regardless of whether the debt service is being levied against net tax capacity,
 2.14 referendum market value, or the alternative referendum market value.

2.15 **EFFECTIVE DATE.** This section is effective July 1, 2015.

2.16 Sec. 3. Minnesota Statutes 2014, section 123B.55, is amended to read:

2.17 **123B.55 DEBT SERVICE LEVY.**

2.18 Subdivision 1. **Levy amount.** A district may levy the amounts necessary to make
 2.19 payments for bonds issued and for interest on them, including the bonds and interest on
 2.20 them, issued as authorized by Minnesota Statutes 1974, section 275.125, subdivision 3,
 2.21 clause (7)(C); and the amounts necessary for repayment of debt service loans and capital
 2.22 loans, minus the amount of debt service equalization revenue of the district.

2.23 Subd. 2. **Aid apportionment.** A district's debt service equalization aid must be
 2.24 apportioned among the net tax capacity debt service levy, referendum market value, debt
 2.25 service levy, and the alternative referendum market value debt service levy in the same
 2.26 proportions as eligible debt service revenues resulting from bonds issued against the
 2.27 various tax bases.

2.28 Subd. 3. **Net tax capacity debt service levy.** The levy amount determined under
 2.29 subdivision 1, plus the eligible debt service revenues resulting from bonds issued against
 2.30 net tax capacity, minus the debt service equalization aid apportioned to the net tax capacity
 2.31 debt service levy, must be levied against the net tax capacity of the district as determined
 2.32 under section 273.13 and must be included with the other net tax capacity levies certified
 2.33 to the county auditor under section 275.07.

3.1 Subd. 4. **Referendum market value debt service levy.** The eligible debt service
 3.2 revenues resulting from bonds issued against the referendum market value, minus the debt
 3.3 service equalization aid apportioned to the referendum market value debt service levy, must
 3.4 be levied against the referendum market value of the district as defined in section 126C.01,
 3.5 subdivision 3, and must be separately certified to the county auditor under section 275.07.

3.6 Subd. 5. **Alternative referendum market value debt service levy.** The eligible
 3.7 debt service revenues resulting from bonds issued against the alternative referendum
 3.8 market value, minus the debt service equalization aid apportioned to the alternative
 3.9 referendum market value debt service levy, must be levied against the alternative
 3.10 referendum market value of the district as defined in section 126C.01, subdivision 3a, and
 3.11 must be separately certified to the county auditor under section 275.07.

3.12 Subd. 6. **Refinancing.** If a school district chooses to refinance its outstanding debt,
 3.13 the debt service levy on the refinanced bonds must be apportioned against the three tax
 3.14 bases in proportion to each tax base's debt service levy for the previous year.

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

3.16 Sec. 4. Minnesota Statutes 2014, section 123B.71, subdivision 9, is amended to read:

3.17 **Subd. 9. Information required.** A school board proposing to construct, expand, or
 3.18 remodel a facility that requires a review and comment under subdivision 8 shall submit to
 3.19 the commissioner a proposal containing information including at least the following:

3.20 (1) the geographic area and population to be served, preschool through grade 12
 3.21 student enrollments for the past five years, and student enrollment projections for the
 3.22 next five years;

3.23 (2) a list of existing facilities by year constructed, their uses, and an assessment of
 3.24 the extent to which alternate facilities are available within the school district boundaries
 3.25 and in adjacent school districts;

3.26 (3) a list of the specific deficiencies of the facility that demonstrate the need for a
 3.27 new or renovated facility to be provided, the process used to determine the deficiencies, a
 3.28 list of those deficiencies that will and will not be addressed by the proposed project, and a
 3.29 list of the specific benefits that the new or renovated facility will provide to the students,
 3.30 teachers, and community users served by the facility;

3.31 (4) a description of the project, including the specification of site and outdoor space
 3.32 acreage and square footage allocations for classrooms, laboratories, and support spaces;
 3.33 estimated expenditures for the major portions of the project; and the dates the project will
 3.34 begin and be completed;

4.1 (5) a specification of the source of financing the project, including applicable
 4.2 statutory citations; the scheduled date for a bond issue or school board action; a schedule of
 4.3 payments, including debt service equalization aid; whether the debt service will be levied
 4.4 against net tax capacity, referendum market value, or alternative referendum market value;
 4.5 and the effect of a bond issue on local property taxes by the property class and valuation; and

4.6 (6) documents obligating the school district and contractors to comply with items (i)
 4.7 to (vii) in planning and executing the project:

4.8 (i) section 471.345 governing municipal contracts;

4.9 (ii) sustainable design;

4.10 (iii) school facility commissioning under section 123B.72 certifying the plans and
 4.11 designs for the heating, ventilating, air conditioning, and air filtration for an extensively
 4.12 renovated or new facility meet or exceed current code standards, including the ASHRAE
 4.13 air filtration standard 52.1;

4.14 (iv) American National Standards Institute Acoustical Performance Criteria, Design
 4.15 Requirements and Guidelines for Schools on maximum background noise level and
 4.16 reverberation times;

4.17 (v) State Fire Code;

4.18 (vi) chapter 326B governing building codes; and

4.19 (vii) consultation with affected government units about the impact of the project
 4.20 on utilities, roads, sewers, sidewalks, retention ponds, school bus and automobile traffic,
 4.21 access to mass transit, and safe access for pedestrians and cyclists.

4.22 **EFFECTIVE DATE.** This section is effective July 1, 2015.

4.23 Sec. 5. Minnesota Statutes 2014, section 126C.01, is amended by adding a subdivision
 4.24 to read:

4.25 **Subd. 3a. Alternative referendum market value.** "Alternative referendum market
 4.26 value" means the referendum market value of all taxable property in a district, except
 4.27 class 3 property has an alternative referendum market value determined by adding to its
 4.28 market value an amount equal to 50 percent of the difference between its market value
 4.29 and its net tax capacity multiplied by 100.

4.30 **EFFECTIVE DATE.** This section is effective July 1, 2015.