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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-SIXTH
SESSION**

HOUSE FILE No. 3731

March 23, 2010

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

1.1 A bill for an act
1.2 relating to education finance; lengthening the time when school district lines
1.3 of credit must be repaid; allowing tax or aid anticipation of credit certificates
1.4 to be issued for up to two years; amending Minnesota Statutes 2008, sections
1.5 123B.12; 126C.54.

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

1.7 Section 1. Minnesota Statutes 2008, section 123B.12, is amended to read:

1.8 **123B.12 INSUFFICIENT FUNDS TO PAY ORDERS.**

1.9 (a) In the event that a district or a cooperative unit defined in section 123A.24,
1.10 subdivision 2, has insufficient funds to pay its usual lawful current obligations, subject to
1.11 section 471.69, the board may enter into agreements with banks or any person to take its
1.12 orders. Any order drawn, after having been presented to the treasurer for payment and not
1.13 paid for want of funds shall be endorsed by the treasurer by putting on the back thereof
1.14 the words "not paid for want of funds," giving the date of endorsement and signed by the
1.15 treasurer. A record of such presentment, nonpayment and endorsement shall be made by
1.16 the treasurer. The treasurer shall serve a written notice upon the payee or the payee's
1.17 assignee, personally, or by mail, when the treasurer is prepared to pay such orders. The
1.18 notice may be directed to the payee or the payee's assignee at the address given in writing
1.19 by such payee or assignee to such treasurer, at any time prior to the service of such notice.
1.20 No order shall draw any interest if such address is not given when the same is unknown to
1.21 the treasurer, and no order shall draw any interest after the service of such notice.

1.22 (b) A district may enter, subject to section 471.69, into a line of credit agreement
1.23 with a financial institution. The amount of credit available must not exceed four times
1.24 95 percent of average expenditure per month of operating expenditures in the previous

2.1 fiscal year. Any amount advanced must be repaid no later than ~~45~~ 120 days after the
2.2 day of advancement.

2.3 Sec. 2. Minnesota Statutes 2008, section 126C.54, is amended to read:

2.4 **126C.54 REPAYMENT; MATURITY DATE OF CERTIFICATES; INTEREST.**

2.5 (a) The proceeds of the current tax levies and future state aid receipts or other school
2.6 funds which may become available must be applied to the extent necessary to repay
2.7 such certificates and the full faith and credit of the district shall be pledged to payment
2.8 of the certificates. Certificates issued in anticipation of receipt of aids shall mature not
2.9 later than the anticipated date of receipt of the aids as estimated by the commissioner, but
2.10 in no event later than three months after the close of the school year in which issued.
2.11 Certificates issued in anticipation of receipt of taxes shall mature not later than the
2.12 anticipated date of receipt in full of the taxes, but in no event later than three months after
2.13 the close of the calendar year in which issued. The certificates must be sold at not less
2.14 than par. The certificates must bear interest after maturity until paid at the rate they bore
2.15 before maturity and any interest accruing before or after maturity must be paid from
2.16 any available school funds.

2.17 (b) Notwithstanding paragraph (a), if the certificates in anticipation of receipt of aids
2.18 are issued as taxable obligations and the interest on those obligations is taxable for federal
2.19 income tax purposes, the certificates shall mature not later than 12 months after the close
2.20 of the school year in which issued. Notwithstanding paragraph (a), if the certificates issued
2.21 in anticipation of receipt of taxes are issued as taxable obligations and the interest on those
2.22 obligations is taxable for federal income tax purposes, the certificates shall mature not
2.23 later than 12 months after the close of the calendar year in which issued.