

**SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION**

S.F. No. 3673

(SENATE AUTHORS: EKEN)

DATE
03/02/2022

D-PG

Introduction and first reading
Referred to Education Finance and Policy

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to education finance; eliminating an average age of buildings index from
1.3 the operating capital formula; modifying the long-term facilities maintenance
1.4 revenue age index for school districts adding square footage; authorizing flexibility
1.5 for the use of long-term facilities maintenance revenue; increasing the long-term
1.6 facilities maintenance levy equalizing factor to keep the statewide levy impact
1.7 unchanged; amending Minnesota Statutes 2020, sections 123B.595; 126C.10,
1.8 subdivision 13; Laws 2021, First Special Session chapter 13, article 7, section 2,
1.9 subdivision 3.

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

1.11 Section 1. Minnesota Statutes 2020, section 123B.595, is amended to read:

1.12 **123B.595 LONG-TERM FACILITIES MAINTENANCE REVENUE.**

1.13 Subdivision 1. **Long-term facilities maintenance revenue.** ~~(a) For fiscal year 2017~~
1.14 ~~only, long-term facilities maintenance revenue equals the greater of (1) the sum of (i) \$193~~
1.15 ~~times the district's adjusted pupil units times the lesser of one or the ratio of the district's~~
1.16 ~~average building age to 35 years, plus the cost approved by the commissioner for indoor~~
1.17 ~~air quality, fire alarm and suppression, and asbestos abatement projects under section~~
1.18 ~~123B.57, subdivision 6, with an estimated cost of \$100,000 or more per site, plus (ii) for a~~
1.19 ~~school district with an approved voluntary prekindergarten program under section 124D.151,~~
1.20 ~~the cost approved by the commissioner for remodeling existing instructional space to~~
1.21 ~~accommodate prekindergarten instruction, or (2) the sum of (i) the amount the district would~~
1.22 ~~have qualified for under Minnesota Statutes 2014, section 123B.57, Minnesota Statutes~~
1.23 ~~2014, section 123B.59, and Minnesota Statutes 2014, section 123B.591, and (ii) for a school~~
1.24 ~~district with an approved voluntary prekindergarten program under section 124D.151, the~~

2.1 cost approved by the commissioner for remodeling existing instructional space to
 2.2 accommodate prekindergarten instruction.

2.3 ~~(b) For fiscal year 2018 only, long-term facilities maintenance revenue equals the greater~~
 2.4 ~~of (1) the sum of (i) \$292 times the district's adjusted pupil units times the lesser of one or~~
 2.5 ~~the ratio of the district's average building age to 35 years, plus (ii) the cost approved by the~~
 2.6 ~~commissioner for indoor air quality, fire alarm and suppression, and asbestos abatement~~
 2.7 ~~projects under section 123B.57, subdivision 6, with an estimated cost of \$100,000 or more~~
 2.8 ~~per site, plus (iii) for a school district with an approved voluntary prekindergarten program~~
 2.9 ~~under section 124D.151, the cost approved by the commissioner for remodeling existing~~
 2.10 ~~instructional space to accommodate prekindergarten instruction, or (2) the sum of (i) the~~
 2.11 ~~amount the district would have qualified for under Minnesota Statutes 2014, section 123B.57,~~
 2.12 ~~Minnesota Statutes 2014, section 123B.59, and Minnesota Statutes 2014, section 123B.591,~~
 2.13 ~~and (ii) for a school district with an approved voluntary prekindergarten program under~~
 2.14 ~~section 124D.151, the cost approved by the commissioner for remodeling existing~~
 2.15 ~~instructional space to accommodate prekindergarten instruction.~~

2.16 ~~(e)~~ (a) For fiscal year ~~2019~~ 2023 and later, long-term facilities maintenance revenue
 2.17 equals the greater of (1) the sum of (i) \$380 times the district's adjusted pupil units times
 2.18 the lesser of one or the ratio of the district's average building age to 35 years, ~~plus~~ (ii) the
 2.19 cost approved by the commissioner for indoor air quality, fire alarm and suppression, and
 2.20 asbestos abatement projects under section 123B.57, subdivision 6, with an estimated cost
 2.21 of \$100,000 or more per site, ~~plus~~ and (iii) for a school district with an approved voluntary
 2.22 prekindergarten program under section 124D.151, the cost approved by the commissioner
 2.23 for remodeling existing instructional space to accommodate prekindergarten instruction, or
 2.24 (2) the sum of (i) the amount the district would have qualified for under Minnesota Statutes
 2.25 2014, section 123B.57, Minnesota Statutes 2014, section 123B.59, and Minnesota Statutes
 2.26 2014, section 123B.591, and (ii) for a school district with an approved voluntary
 2.27 prekindergarten program under section 124D.151, the cost approved by the commissioner
 2.28 for remodeling existing instructional space to accommodate prekindergarten instruction.

2.29 ~~(d)~~ (b) Notwithstanding ~~paragraphs~~ paragraph (a), ~~(b)~~, and ~~(e)~~, a school district that
 2.30 qualified for eligibility under Minnesota Statutes 2014, section 123B.59, subdivision 1,
 2.31 paragraph (a), for fiscal year 2010 remains eligible for funding under this section as a district
 2.32 that would have qualified for eligibility under Minnesota Statutes 2014, section 123B.59,
 2.33 subdivision 1, paragraph (a), for fiscal year 2017 and later.

3.1 (c) Notwithstanding paragraph (a), clause (1), the average age index for a school district
3.2 that has not reduced its square footage from the previous year must not be less than the
3.3 average age index for the previous year.

3.4 Subd. 2. **Long-term facilities maintenance revenue for a charter school.** ~~(a) For fiscal~~
3.5 ~~year 2017 only, long-term facilities maintenance revenue for a charter school equals \$34~~
3.6 ~~times the adjusted pupil units.~~

3.7 ~~(b) For fiscal year 2018 only, long-term facilities maintenance revenue for a charter~~
3.8 ~~school equals \$85 times the adjusted pupil units.~~

3.9 ~~(c) For fiscal year 2019 and later,~~ Long-term facilities maintenance revenue for a charter
3.10 school equals \$132 times the adjusted pupil units.

3.11 Subd. 3. **Intermediate districts and other cooperative units.** Upon approval through
3.12 the adoption of a resolution by each member district school board of an intermediate district
3.13 or other cooperative units under section 123A.24, subdivision 2, and the approval of the
3.14 commissioner of education, a school district may include in its authority under this section
3.15 a proportionate share of the long-term maintenance costs of the intermediate district or
3.16 cooperative unit. The cooperative unit may issue bonds to finance the project costs or levy
3.17 for the costs, using long-term maintenance revenue transferred from member districts to
3.18 make debt service payments or pay project costs. Authority under this subdivision is in
3.19 addition to the authority for individual district projects under subdivision 1.

3.20 Subd. 4. **Facilities plans.** (a) To qualify for revenue under this section, a school district
3.21 or intermediate district, not including a charter school, must have a ten-year facility plan
3.22 adopted by the school board and approved by the commissioner. The plan must include
3.23 provisions for implementing a health and safety program that complies with health, safety,
3.24 and environmental regulations and best practices, including indoor air quality management
3.25 and remediation of lead hazards.

3.26 (b) The district must annually update the plan, submit the plan to the commissioner for
3.27 approval by July 31, and indicate whether the district will issue bonds to finance the plan
3.28 or levy for the costs.

3.29 (c) For school districts issuing bonds to finance the plan, the plan must include a debt
3.30 service schedule demonstrating that the debt service revenue required to pay the principal
3.31 and interest on the bonds each year will not exceed the projected long-term facilities revenue
3.32 for that year.

4.1 Subd. 5. **Bond authorization.** (a) A school district may issue general obligation bonds
4.2 under this section to finance facilities plans approved by its board and the commissioner.
4.3 Chapter 475, except sections 475.58 and 475.59, must be complied with. The authority to
4.4 issue bonds under this section is in addition to any bonding authority authorized by this
4.5 chapter or other law. The amount of bonding authority authorized under this section must
4.6 be disregarded in calculating the bonding or net debt limits of this chapter, or any other law
4.7 other than section 475.53, subdivision 4.

4.8 (b) At least 20 days before the earliest of the issuance of bonds or the final certification
4.9 of levies under subdivision 6, the district must publish notice of the intended projects, the
4.10 amount of the bond issue, and the total amount of district indebtedness.

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

4.13 Subd. 6. **Levy authorization.** A district may levy for costs related to an approved plan
4.14 under subdivision 4 as follows:

4.15 (1) if the district has indicated to the commissioner that bonds will be issued, the district
4.16 may levy for the principal and interest payments on outstanding bonds issued under
4.17 subdivision 5 after reduction for any aid receivable under subdivision 9;

4.18 (2) if the district has indicated to the commissioner that the plan will be funded through
4.19 levy, the district may levy according to the schedule approved in the plan after reduction
4.20 for any aid receivable under subdivision 9; or

4.21 (3) if the debt service revenue for a district required to pay the principal and interest on
4.22 bonds issued under subdivision 5 exceeds the district's long-term facilities maintenance
4.23 revenue for the same fiscal year, the district's general fund levy must be reduced by the
4.24 amount of the excess.

4.25 Subd. 7. **Long-term facilities maintenance equalization revenue.** ~~(a) For fiscal year~~
4.26 ~~2017 only, a district's long-term facilities maintenance equalization revenue equals the lesser~~
4.27 ~~of (1) \$193 times the adjusted pupil units or (2) the district's revenue under subdivision 1.~~

4.28 ~~(b) For fiscal year 2018 only, a district's long-term facilities maintenance equalization~~
4.29 ~~revenue equals the lesser of (1) \$292 times the adjusted pupil units or (2) the district's~~
4.30 ~~revenue under subdivision 1.~~

4.31 ~~(e)~~ (a) For fiscal year ~~2019~~ 2023 and later, a district's long-term facilities maintenance
4.32 equalization revenue equals the lesser of (1) \$380 times the adjusted pupil units or (2) the
4.33 district's revenue under subdivision 1.

5.1 ~~(d)~~ (b) Notwithstanding ~~paragraphs~~ paragraph (a) ~~to (e)~~, a district's long-term facilities
 5.2 maintenance equalization revenue must not be less than the lesser of the district's long-term
 5.3 facilities maintenance revenue or the amount of aid the district received for fiscal year 2015
 5.4 under Minnesota Statutes 2014, section 123B.59, subdivision 6.

5.5 Subd. 8. **Long-term facilities maintenance equalized levy.** ~~(a) For fiscal year 2017~~
 5.6 ~~and later~~, A district's long-term facilities maintenance equalized levy equals the district's
 5.7 long-term facilities maintenance equalization revenue minus the greater of:

5.8 (1) the lesser of the district's long-term facilities maintenance equalization revenue or
 5.9 the amount of aid the district received for fiscal year 2015 under Minnesota Statutes 2014,
 5.10 section 123B.59, subdivision 6; or

5.11 (2) the district's long-term facilities maintenance equalization revenue times the greater
 5.12 of (i) zero or (ii) one minus the ratio of its adjusted net tax capacity per adjusted pupil unit
 5.13 in the year preceding the year the levy is certified to ~~123 ...~~ percent of the state average
 5.14 adjusted net tax capacity per adjusted pupil unit for all school districts in the year preceding
 5.15 the year the levy is certified.

5.16 (b) For purposes of this subdivision, "adjusted net tax capacity" means the value described
 5.17 in section 126C.01, subdivision 2, paragraph (b).

5.18 Subd. 8a. **Long-term facilities maintenance unequalized levy.** ~~For fiscal year 2017~~
 5.19 ~~and later~~, A district's long-term facilities maintenance unequalized levy equals the difference
 5.20 between the district's revenue under subdivision 1 and the district's equalization revenue
 5.21 under subdivision 7.

5.22 Subd. 9. **Long-term facilities maintenance equalized aid.** ~~For fiscal year 2017 and~~
 5.23 ~~later~~, A district's long-term facilities maintenance equalized aid equals its long-term facilities
 5.24 maintenance equalization revenue minus its long-term facilities maintenance equalized levy
 5.25 times the ratio of the actual equalized amount levied to the permitted equalized levy.

5.26 Subd. 10. **Allowed uses for long-term facilities maintenance revenue.** (a) A district
 5.27 may use revenue under this section for any of the following:

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

5.30 (2) increasing accessibility of school facilities;

5.31 (3) health and safety capital projects under section 123B.57; ~~or~~

6.1 (4) by board resolution, to transfer money from the general fund reserve for long-term
 6.2 facilities maintenance to the debt redemption fund to pay the amounts needed to meet, when
 6.3 due, principal and interest on general obligation bonds issued under subdivision 5; or

6.4 (5) by annual board resolution, to transfer money from the general fund reserve for
 6.5 long-term facilities maintenance to the reserve for operating capital.

6.6 (b) A charter school may use revenue under this section for any purpose related to the
 6.7 school.

6.8 Subd. 11. **Restrictions on long-term facilities maintenance revenue.** Notwithstanding
 6.9 subdivision 10, long-term facilities maintenance revenue may not be used:

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

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

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

6.17 (4) for violence prevention and facility security, ergonomics, or emergency
 6.18 communication devices.

6.19 Subd. 12. **Reserve account.** The portion of long-term facilities maintenance revenue
 6.20 not recognized under subdivision 5, paragraph (c), must be maintained in a reserve account
 6.21 within the general fund.

6.22 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2023 and later.

6.23 Sec. 2. Minnesota Statutes 2020, section 126C.10, subdivision 13, is amended to read:

6.24 Subd. 13. **Total operating capital revenue.** (a) Total operating capital revenue for a
 6.25 district equals the amount determined under paragraph (b) or (c), ~~plus \$79 times the adjusted~~
 6.26 ~~pupil units for the school year.~~ The revenue must be placed in a reserved account in the
 6.27 general fund and may only be used according to subdivision 14.

6.28 (b) Capital revenue for a district equals ~~\$109~~ \$348 times the district's ~~maintenance cost~~
 6.29 ~~index times its~~ adjusted pupil units for the school year.

7.1 (c) The revenue for a district that operates a program under section 124D.128, is increased
 7.2 by an amount equal to \$31 times the number of adjusted pupil units served at the site where
 7.3 the program is implemented.

7.4 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2023 and later.

7.5 Sec. 3. Laws 2021, First Special Session chapter 13, article 7, section 2, subdivision 3, is
 7.6 amended to read:

7.7 Subd. 3. **Long-term facilities maintenance equalized aid.** For long-term facilities
 7.8 maintenance equalized aid under Minnesota Statutes, section 123B.595, subdivision 9:

7.9	\$	108,582,000	2022
7.10		111,077,000		
7.11	\$	<u>.....</u>	2023

7.12 The 2022 appropriation includes \$10,660,000 for 2021 and \$97,922,000 for 2022.

7.13 The 2023 appropriation includes \$10,880,000 for 2022 and ~~\$100,197,000~~ \$..... for
 7.14 2023.