

HOUSE RESEARCH

Bill Summary

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Overview

Some school districts, particularly very-low valued districts, or very fast growing school districts have substantial tax rates required to make their local bond payments. Since fiscal year 1993, many school districts have relied on the debt service equalization aid program in order to help manage their local tax rates needed for school construction. However, some school districts still require additional assistance.

The maximum effort debt service loan program is designed to assist school districts with very high building tax rates. Districts in which the levy required to make debt service payments on local bond issues exceeds 24 percent (20 percent is the rate printed in statute but this rate is modified by a session law that adjusted all school district tax rates in order to compensate for property tax base changes made by the 1997 and 1998 Legislature) of ANTC by 10 percent or by \$5,000 can obtain a debt service loan from the state. This is a loan to reduce the magnitude of the debt service levy which must be collected. The amount of the loan can be up to the amount of the difference between the required debt service levy and 24 percent of ANTC. However, the debt service loan amount cannot exceed 1 percent of the district's outstanding bonded debt.

Debt service loans are repaid in the same fashion as capital loans. Districts must levy at least 24 percent of ANTC; if this amount exceeds the amount which the district must levy for debt service on its bonds, the difference is used to repay the state loan.

- 1 Maximum effort debt service levy.** Lowers the initial qualifying level for a maximum effort debt service loan from an actual rate of 24 percent of adjusted net tax capacity (ANTC) to 20 percent of adjusted net tax capacity.
- 2 Loan repayment account.** Clarifies the timelines and the process for repaying maximum effort school loan bonds.
- 3 Excess money in loan repayment account.** Clarifies the transfer of revenue from loan repayment account to the maximum effort debt service loan repayment account.

