

HOUSE RESEARCH

Bill Summary

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Subject: East Central School District Capital Loan Forgiven

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Overview

This bill cancels the remaining balance on an outstanding capital loan that was received by the former Askov school district for the construction of a middle school. In 1982, the district received a 30-year capital loan with a 5.3 percent interest rate of \$2.055 million. The district also issued local bonds to help pay for the construction of the facility that is now used as the East Central Middle School (Askov and Sandstone consolidated in 1993 to form the East Central school district). The district has repaid the local bonds on the middle school facility, and due to its other capital loan for the new high school, is levying the maximum effort tax rate. As of June 30, 2003, the outstanding balance on the middle school loan was \$2,295,000.

Under the maximum effort capital loan program, the school district agrees to repay the full amount of its local bond and carry a "maximum effort" tax rate. If the maximum effort tax rate raises more than the amount necessary to repay the local bonds, the difference is returned to the state to help repay the maximum effort capital loan. Interest accrues on the unpaid portion of the state loan. At the time that Askov received its capital loan, any unpaid capital loan balance was forgiven if it was not repaid within 30 years.

The sale of the building is expected to generate \$215,000, which would be deposited in the state bond proceeds fund.

Section

district No. 2580, East Central, to sell its middle school building. Requires the net proceeds from the sale to be paid to the commissioner of finance and deposited in the state bond proceeds fund.

Forgives the outstanding balance on the capital loan issued in January 1982 to former independent school district No. 566, Askov.