

HOUSE RESEARCH

Bill Summary

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Overview

This bill creates a new mechanism for a group of school districts to offer cooperative programming at the secondary level. General laws are established to implement the program for interested districts, and specific legislation is created to enable the Virginia, Mountain Iron-Buhl, and Eveleth-Gilbert school districts to hold a vote to sell bonds and combine their secondary programs into one program at a newly constructed joint high school serving the three districts.

Taconite funds and a minerals royalty tax excise tax are directed to a trust account to help the school districts repay the debt service on the newly issued bonds.

Section

1 Cooperatively operated secondary facilities. Includes a cooperatively operated secondary facility created under section 2 as an eligible facility under the state-bond funded program called the Cooperative Facilities Grant Act.

2 Joint powers cooperative facility.

Subd. 1. Schools may be jointly operated. Authorizes two or more school districts to jointly operate a secondary facility.

Subd. 2. Expanded program offerings. Qualifies a jointly operated secondary program for cooperation funding provided the program demonstrates to the commissioner that the joint powers secondary facility offers a broader curriculum and enhanced learning opportunities to students attending the program.

Section

Subd. 3. Revenue. Qualifies an approved program for cooperation revenue and for a cooperative facilities grant.

Subd. 4. Duty to maintain elementary and secondary school. Specifically exempts the joint powers districts from obligation to offer the full range of grades (1-12) in each member district and instead allows the secondary program to be offered in another district.

Subd. 5. Estimated market value limit exclusion. Exempts a school district participating in the program from the estimated market value net debt limit.

Subd. 6. Allocation of levy authority for joint facility. Authorizes the districts participating in the joint secondary facility program to allocate program costs to each member district according to the joint powers agreement and allows each member district to include those costs in its district levy.

Subd. 7. Effect of consolidation. Authorizes member districts of the joint powers agreement to continue to keep their levies separate even if the districts consolidate into a single district.

Subd. 8. Bonds. Authorizes member districts of the joint powers agreement to issue bonds jointly or individually for a new building project. Requires the bonds to be approved in an election.

Subd. 9. Election. Authorizes a district to hold a referendum on the facility in conjunction with a bond referendum. The questions can be imposed separately or as a combined question.

- 3 Consolidation transition aid.** Increases the consolidation transition aid for all consolidating districts from a total of \$300 per pupil to \$300 per pupil for up to five years. Makes a district participating in a joint secondary facilities program eligible for the aid. Authorizes the aid for any purpose, including the repayment of building debt.
- 4 Duty to maintain elementary and secondary schools.** Makes clear that a school district participating in a joint secondary program is exempt from the requirement to offer all grades within the district.
- 5 Debt service definitions.** Calculates a school district's net debt service revenue as the amount before the application of taconite revenue.
- 6 Taconite payment and other reductions.** Clarifies that the taconite limitation on the adjustment to a district's debt service levy does not apply to the debt service that flows from the Iron Range school construction and improvement trust account.
- 7 Royalty.** Defines "royalty" as the money or value of property received by a person having mineral rights to a parcel of property, but excludes aggregate (sand and gravel).
- 8 Credit; royalty excise tax.** Authorizes an income and corporate franchise tax credit against

Section

the royalties excise tax.

- 9** **Excise tax; minerals royalty.** Creates a minerals royalty excise tax equal to 5.5 percent of the gross amount of minerals royalties.
- 10** **Expense, interest and taxes.** Updates an obsolete cross reference to refer to the royalty excise tax in section 9.
- 11** **Distribution of revenues.** Requires the revenue from the minerals royalty excise tax to be deposited in the Iron Range construction and improvement trust account.
- 12** **Royalty excise tax.** Requires withholding of royalty excise tax amounts.
- 13** **School construction and improvement trust account.** Establishes a school construction and improvement trust account. Requires the following amounts to be deposited in the account: increases in the taconite production tax derived from the percentage change in the implicit price deflator for two years (both the adjustments made in 2014 and 2015); \$2.5 million from the production tax; and the amounts currently used to make payments to districts as those bonds expire.
- 14** **Remainder.** Transfers \$2.5 million each year from the remainder to the Iron Range school construction and improvement trust account.
- 15** **Use of money.** Allows amounts in the Douglas J. Johnson economic protection trust to be used to make payments to the iron range school construction and improvement trust account if other revenues are insufficient to do so.
- 16** **Iron range school construction and improvement trust account.** Establishes the Iron Range school construction and improvement trust account. Sets distributions from the account, including \$600,000 per year for the Mesabi East school district (for up to 10 years), \$1.5 million per year for the St. Louis County school district (for up to 15 years), and \$5 million per year for the Virginia school district (for up to 20 years). Specifies that the amounts for Virginia may be reallocated to the other two districts if Virginia does not approve the cooperative high school. The commissioner may adjust the payment schedules with board approval based on bond schedules. Authorizes additional projects to be funded from the account.
- 17** **Consolidation transition aid.** Increases the consolidation transition aid amount by an unspecified amount to reflect the higher payments authorized under section 3.
- 18** **State bond authorization.** Authorizes the state to sell and issue an unspecified amount of general obligation bonds for the cooperative facilities grant program.
- 19** **Repealer.** Repeals the definition of “royalty” in the withholding tax section; this is replaced by the definition for all of chapter 290 in section 7.