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Overview

Some school districts find it difficult or impossible to finance construction projects through conventional bond sales because the district property tax base is too small. These districts can qualify for state assistance under the Maximum Effort School Aid Law for a capital loan. Under this program, the state borrows money via bond sales and lends it to qualifying school districts. If the capital loan is approved, the district must issue local bonds up to the statutorily determined amount and the capital loan from the state pays for the difference between the total cost of the project and the amount of the local bond issue.

The district makes an annual levy of 29.39 percent of ANTC. If this rate is greater than the amount needed to repay the local bonds, the difference is applied to repayment of the state loan. Maximum effort capital loans are forgiven if they are not paid within 30 or 50 years of issue.

A special law that was amended in 2016 allows school districts with outstanding maximum effort capital loans to refinance those loans and pay back only the outstanding principal amount to the state. Any outstanding interest is then forgiven. In 2016, the legislature extended the early repayment offer to the remaining school districts with capital loans. Because the legislation also eliminated the authority for all maximum effort school districts to issue one-day bonds, a new replacement aid of \$2.2 million per year for five years was created to compensate these districts for a portion of the expected foregone revenue from one-day bond sales. Kelliher repaid its loan, but was not included in the early repayment incentive aid provision because it was not expected to repay the loan.

Section

- 1** **Early repayment aid incentive.** Adds the Kelliher school district to the list of school districts eligible for five years of incentive aid from the state to replace lost revenue due to the elimination of the opportunity to hold one-day bond sales. Sets the annual incentive aid for Kelliher at \$150,000 per year.