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Overview

Some Minnesota school districts find it difficult or impossible to finance facilities construction projects through conventional locally-issued 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. Under this program, the state borrows money via bond sales and lends it to qualifying school districts. A district is eligible for a capital loan only if its net debt tax rate, after any state-paid debt service equalization aid, is more than 41.98 percent of adjusted net tax capacity (ANTC).

Capital loans are funded by the sale of state bonds. The state has sold approximately \$300 million worth of maximum effort state bonds since the program's inception in 1959.

Red Lake is an independent public school district governed and operated in the same manner as all other Minnesota school districts. The district serves approximately 1,500 students in kindergarten through grade 12. The district has virtually no tax base, and therefore has no ability to issue any amount of local bonds for school building projects. Since 1992, the district has received five capital loans from the state for school construction projects.

HF 1909 appropriates \$14,070,000 from the maximum effort capital loan fund to the commissioner of education for a facilities grant to the Red Lake School District for classroom and lab renovations, HVAC updates, expansion of the cafeteria, and a connection between the Early Learning Childhood Center and the elementary school.

Section

- 1** **Facilities grant; Red Lake School District.** Appropriates \$14,070,000 from the maximum effort capital loan fund to the commissioner of education for a facilities grant to the Red Lake School District for classroom and lab renovations, HVAC updates, expansion of the cafeteria, and a connection between the Early Learning Childhood Center and the elementary school.