



**Capital
Loan Report**

**Report to the
Legislature**

January 2008

**As required by
Minnesota
Statutes 2007
Section 126C.69,
Subd. 8**

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Upon request, this report can be made available in alternative formats.

ESTIMATED COST OF PREPARING THIS REPORT

Minnesota Statute § 3.197 requires the following:

“A report to the legislature must contain, at the beginning of the report, the cost of preparing the report, including any costs incurred by another agency or another level of government.”

The following provides estimated costs incurred in the preparation of this report.

This report provides information that the Minnesota Department of Education already collects as part of its normal business functions. The cost information reported below does not include the cost of gathering and analyzing the data, but rather is limited to the estimated cost of actually preparing this report document.

Funding for this Report:

Special funding was not appropriated to cover the costs of preparing this report.

Minnesota Department of Education Costs:

The estimated cost incurred by the Minnesota Department of Education in preparing this report is \$160.

Capital Loan Report

Statutory Directive

Minnesota Statute 2007, § 126C.69, Subdivision 8, reads as follows:

Subd. 8. **Recommendations of the commissioner.** The commissioner shall examine and consider applications for capital loans that have been approved and promptly notify any district rejected of the decision.

The commissioner shall report each capital loan that has been approved by the commissioner and that has received voter approval to the education committees of the legislature by January 1 of each even-numbered year. The commissioner must not report a capital loan that has not received voter approval. The commissioner shall also report on the money remaining in the capital loan account and, if necessary, request that another bond issue be authorized.

Capital Loan Account Balances

The December 30, 2007, appropriation balances available for payment on capital loan projects in process is \$9,882,350. Estimated cash projections based on current projects indicate \$3,300,000 of the remaining bonding authority will be required through December 2008.

Background

Provisions for the school district capital loan program that provides facility funding for qualifying districts are included in the Maximum Effort School Aid Law in Minnesota Statutes Sections 126C.61 to 126C.72. A school district is eligible for a capital loan if the estimated net debt service tax rate, computed after debt equalization aid and assuming a 20-year maturity schedule for new debt, is greater than 40% of adjusted net tax capacity (Minnesota Statute § 126C.69, subd. 2).

An eligible district must

- 1) submit a facility proposal for review and comment by July 1 of an odd-numbered year,
- 2) submit a project predesign package comparable to those required by Minnesota Statute § 16B.335,
- 3) receive positive review and comment from the commissioner,
- 4) submit a formal capital loan application by September 1, and
- 5) receive voter approval of the approved project by January 1.

The commissioner reviews applications for projects receiving positive review and comment and may accept or reject loan applications.

One application has been received and approved for consideration by the 2008 Legislature. Summary of the request follows.

Maximum Effort Capital Loan Summary Independent School District 38, Red Lake

The Red Lake Independent School District has met all the statutory requirements, including voter approval, necessary to commence with this building project.

Project Description

The Minnesota Department of Education requests funding through the education capital loan program to support the Red Lake School District. The project proposed is virtually unchanged from that proposed in the 2006 Session; however, costs have increased due to inflation. The total cost of the project that qualifies under the Maximum Effort Capital Loan Program is approximately \$59.3 million. Of this amount, the local district contribution, calculated according to Minnesota Statute § 126C.69, Subdivision 9 is \$66,000. In addition, the district plan includes expansion and renovation of a bus garage not eligible for funding under the capital loan program. The school district will fund this construction from another source.

The project includes the following components:

- The district will complete renovation and additions to the Red Lake High School and Red Lake Middle School including renovation for specialty curriculum for technology education, vocational education, physical education, cafeteria/commons, kitchen, community education spaces, and additions for general classrooms. Currently, the high school/middle school (including the technical center) is operating with four separate incompatible heating systems due to the staging of construction. The upgrade of the heating plant and piping for both high school and middle schools will be completed. Portions of the building where mold growth is an issue will be replaced. A new administration building will replace the aged portable currently used to house administrative staff. Estimated cost of this portion of the proposal is \$32.1 million.
- The district plans an addition of elementary classrooms to accommodate increased enrollment, expansion of common spaces and addition of a building segment that will link the Red Lake Elementary School and the Early Childhood Learning Center, allowing sharing of facilities. The estimated cost of this portion of the proposal is \$23.7 million.

- The district plans the addition of a media center and a head start center at the Ponemah Elementary School, along with site improvements that will add parking, improve bus drop-off and expand playground facilities. The estimated cost of this portion of the proposal is \$3.5 million.

Impact on Agency Operating Budgets (Facilities Notes)

There is no impact on the Minnesota Department of Education operating budget associated with this request.

Previous Appropriations for this Project

In previous years, the legislature has appropriated the following amounts for construction and improvement of Red Lake School District facilities under the capital loan program.

1992	\$10 million	Construction of Red Lake Elementary School and addition to Red Lake Middle School
2000	\$11.166 million	Construction of Red Lake Early Childhood Center and Additions to Ponemah Elementary and Middle School
2002	\$12.4 million	Additions and Renovations - High School, Early Childhood Center, Ponemah and Red Lake Elementary Schools
2005	\$18 million	Additions and Renovations – High School and Middle School

In addition to the capital loan amounts authorized above, the following amounts were appropriated to assist the Red Lake School District with damages related to a 2005 school shooting incident.

2005	\$50,000	Grant for Infrastructure Damage related to shooting
2006	\$474,000	Grant for Infrastructure Damage related to shooting (\$341,658 was the authorized grant payment)

Other Considerations

While funding for school facilities is viewed as primarily a local responsibility, the Red Lake School District does not have a sufficient property tax base, even with state assistance through the debt service equalization program, to fund capital projects through local levies. A measure commonly used to compare school district ability to raise funds through property taxes is the adjusted net tax capacity (ANTC) per adjusted pupil unit. In the 2006 Payable 2007 levy cycle, the Red Lake 2005 ANTC per FY 2008 adjusted

marginal cost pupil unit was \$7.29. For all districts, the median ANTC per adjusted marginal cost pupil unit was \$5,657. For districts with a tax base, the Red Lake School District has the lowest ANTC per pupil unit.

A significant portion of the property within the school district boundaries is owned by the Red Lake Tribe and is tax exempt. Almost 76% of the 2006 net tax capacity for the Red Lake School District is personal property owned by the Minnkota Power Cooperative. The remaining real estate tax base parcels and property tax burden belong to 23 other property taxpayers.

The table below shows the unweighted average daily membership for FY 1998 – FY 2007.

Average Daily Membership Served by Grade Level

Year	PreK	K	1-6	7-12	Total
FY 98	23.93	106.84	679.65	459.03	1,269.45
FY 99	25.51	98.60	670.28	499.35	1,293.74
FY 00	16.87	108.08	660.97	536.47	1,322.39
FY 01	18.96	106.26	681.99	552.02	1,359.23
FY 02	28.99	96.67	683.78	604.10	1,413.54
FY 03	27.54	104.43	708.54	642.70	1,483.21
FY 04	29.38	123.57	674.92	646.53	1,474.40
FY 05	30.36	119.59	672.31	648.07	1,470.33
FY 06	31.16	111.65	645.86	554.55	1,343.22
FY 07	27.65	108.06	698.73	385.91	1,220.35

The Red Lake School District management and the Red Lake community recognize the importance of a stable and healthy school environment to children in an economically and socially depressed community. Current crowded and deficient facilities do not provide an environment conducive to learning and supportive to children.

SUMMARY OF CURRENT CAPITAL AND DEBT SERVICE LOANS

DISTRICT		Date Granted	Years to Cancel	Cancel Date	Original Loan as of 12/15/07	Total Principal Payment to State	Total Interest Default	Loan Balance as of 12/15/2007
<i>Capital Loans</i>								
HILL CITY ISD 002		9-Jun-1982	30	9-Jun-1982	\$4,371,379.07	\$0.00	\$10,827,609.57	\$15,198,988.64
KELLIHER ISD 036		12-Nov-1996	50	12-Nov-2046	\$6,900,000.00	\$0.00	\$4,950,594.35	\$11,850,594.35
RED LAKE ISD 38	#1	18-Jun-1992	50	18-Jun-2042	\$10,000,000.00	\$0.00	\$11,373,996.27	\$21,373,996.27
	#2	12-Jan-2001	50	12-Jan-2051	\$11,165,999.82	\$0.00	\$3,159,101.34	\$14,325,101.16
	#3	2-Oct-2002	50	2-Oct-2052	\$11,580,406.69	\$0.00	\$2,037,539.02	\$13,617,945.71
	#4	15-Feb-2006	50	15-Feb-2056	<u>\$15,627,217.47</u>	<u>\$0.00</u>	<u>\$556,652.77</u>	<u>\$16,183,870.24</u>
	Total				\$48,373,623.98	\$0.00	\$17,127,289.40	\$65,500,913.38
FOLEY ISD 051		23-Feb-1990	30	23-Feb-2020	\$4,852,686.00	\$0.00	\$7,772,658.89	\$12,625,344.89
BARNUM ISD 091		1-Mar-1982	30	1-Mar-2012	\$3,710,000.00	\$0.00	\$9,837,072.72	\$13,547,072.72
CROMWELL ISD 095		30-Jul-1991	50	30-Jul-2021	\$3,212,424.00	\$0.00	\$3,470,391.11	\$6,682,815.11
FARMINGTON ISD 192		11-Jul-1991	50	11-Jul-2041	\$8,826,713.00	\$0.00	\$10,005,271.58	\$18,831,984.58
CALEDONIA ISD 299		20-Sep-2001	50	20-Sep-2051	\$14,134,000.00	\$209,411.23	\$1,340,256.67	\$15,264,845.44
LAPORTE ISD 306		21-Jun-2001	50	21-Jun-2051	\$7,200,000.00	\$4,383,629.06	\$411,725.33	\$3,228,096.27
OGILVIE ISD 333		27-Apr-1990	30	27-Apr-2020	\$11,341,047.73	\$0.00	\$21,684,923.48	\$33,025,971.21
LITTLEFORK ISD 362		12-Nov-1996	50	12-Nov-2046	\$7,000,000.00	\$0.00	\$4,903,594.54	\$11,903,594.54
SO KOOCH ISD 363		22-Dec-1981	30	22-Dec-2011	\$61,335.00	\$0.00	\$122,455.73	\$183,790.73
LAKE/WOODS ISD 390		4-Apr-1991	50	4-Apr-2041	\$8,000,000.00	\$0.00	\$11,048,389.07	\$19,048,389.07
ROSEAU ISD 682		29-Oct-1991	50	29-Oct-2041	\$8,299,865.00	\$0.00	\$5,084,179.94	\$13,384,044.94
WARROAD ISD 690		6-Mar-1986	30	6-Mar-2016	\$1,295,000.00	\$0.00	\$3,781,141.45	\$5,076,141.45
NETT LAKE ISD 707	#1	7-Jul-1994	50	7-Jul-2044	\$7,824,669.00	\$0.00	\$7,605,791.96	\$15,430,460.96
	#2	24-Oct-2006	50	24-Oct-2056	<u>\$3,624,173.96</u>	<u>\$0.00</u>	<u>\$27,846.89</u>	<u>\$3,652,020.85</u>
	Total				\$11,448,842.96	\$0.00	\$7,633,638.85	\$19,082,481.81
BIG LAKE ISD 727	#1	17-Feb-1981	30	17-Feb-2011	\$1,685,000.00	\$0.00	\$1,434,792.88	\$3,119,792.88
	#2	24-Jul-1995	50	24-Jul-2045	<u>\$9,770,000.00</u>	<u>\$0.00</u>	<u>\$7,842,237.80</u>	<u>\$17,612,237.80</u>
	Total				\$11,455,000.00	\$0.00	\$9,277,030.68	\$20,732,030.68
BERTHA-H ISD 786		7-Oct-1980	30	7-Oct-2010	\$954,000.00	\$0.00	\$1,806,898.86	\$2,760,898.86

ST MICHAEL ISD 885	21-Mar-1991	50	21-Mar-2041	\$9,800,000.00	\$0.00	\$14,051,672.95	\$23,851,672.95
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SUMMARY OF CURRENT CAPITAL AND DEBT SERVICE LOANS

DISTRICT	Date Granted	Years to Cancel	Cancel Date	Original Loan as of 12/15/07	Total Principal Pymnt to State	Total Interest Default	Loan Balance as of 12/15/2007
EAST CENT ISD 2580	27-Dec-2001	50	27-Dec-2051	\$19,000,000.00	\$0.00	\$2,190,761.17	\$21,190,761.17
REDWOOD ISD 2897	30-May-1990	30	30-May-2020	\$5,837,211.00	\$0.00	\$9,068,325.71	\$14,905,536.71
TOTAL CAPITAL LOANS				\$196,073,127.74	\$4,593,040.29	\$156,395,882.05	\$347,875,969.50
<i>Debt Service Loans</i>							
FOLEY ISD 051	N/A	N/A	N/A	\$104,621.69	\$0.00	\$54,916.26	\$159,537.95
BARNUM ISD 091	N/A	N/A	N/A	\$69,134.71	\$0.00	\$335,088.22	\$404,222.93
CROMWELL ISD 095	N/A	N/A	N/A	\$55,042.52	\$0.00	\$63,282.51	\$118,325.03
FARMINGTON ISD 192	N/A	N/A	N/A	\$145,893.00	\$100,121.93	\$22,589.94	\$68,361.01
LAKE/WOODS ISD 390	N/A	N/A	N/A	\$41,703.65	\$0.00	\$22,018.64	\$63,722.29
ROSEAU ISD 682	N/A	N/A	N/A	\$89,014.67	\$0.00	\$36,225.96	\$125,240.63
WARROAD ISD 690	N/A	N/A	N/A	\$273,449.95	\$0.00	\$537,122.27	\$810,572.22
REDWOOD ISD 2897	N/A	N/A	N/A	\$68,583.42	\$0.00	\$17,694.97	\$86,278.39
TOTAL DEBT SERVICE LOANS				\$847,443.61	\$100,121.93	\$1,088,938.77	\$1,836,260.45
TOTAL CAPITAL & DEBT SERVICE LOANS				\$196,920,571.35	\$4,693,162.22	\$157,484,820.82	\$349,712,229.95

On Aug. 26, 2007, an original capital loan of \$7,012,075 plus accrued interest of \$15,602,554.70 was cancelled for ISD 363, So. Kooch. By Feb. 1, 2008, the last school construction loan (50 years) will be retired by ISD 14, Fridley with a State payment of \$10,175.