



Capital Loan Report

Report to the Legislature

As required by Minnesota Statutes 2023, section 126C.69, subdivision 8

For more information

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As requested by Minnesota Statutes 2023, section 3.197: This report cost approximately \$449.89 to prepare, including staff time, printing and mailing expenses.

Upon request, this material will be made available in an alternative format such as large print, braille or audio recording.

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Report Purpose Summary

Minnesota Statutes 2023, section 126C.69, subdivision 8, reads as follows:

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

The commissioner shall report each capital grant and 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.

Executive Summary

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 2023, sections 126C.60-126C.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 41.98% of adjusted net tax capacity (Minnesota Statutes 2023, section 126C.69, subdivision 2).

An eligible district must:

- submit a facility proposal for review and comment by July 1 of an odd-numbered year.
- submit a project predesign package comparable to those required by Minnesota Statutes 2023, section 16B.335.
- receive positive review and comment from the commissioner.
- submit a formal capital loan application by September 1 of an odd-numbered year.
- receive voter approval of the approved project by January 1 of each even-numbered year.

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

No applications have been received and approved by the commissioner for consideration by the 2023 Legislature. Prior legislative sessions had significant changes to the Capital Loan program that impact the loan repayment for the outstanding capital loans. Please refer to prior Capital Loan Reports for more detail.

Introduction

The Capital Grant and Loan program provides additional state assistance for facilities improvements to school districts with very low tax bases. As there are no new Capital Loan requests to be considered by the 2023

Legislature, the Executive Summary serves the main purpose of the report. In addition, this report provides an update on the current capital loan account activity and information on outstanding maximum effort loan aid that is used to offsets district levies.

Capital Loan Account Balances and Maximum Effort Loan Aid Balances

As of December 15, 2023, there were no active capital loan construction projects and no-account balances remaining. There are currently only two districts with outstanding capital loans: Independent District 38 Red Lake has two capital loans, and Independent District 707 Nett Lake has one capital loan. The balances of the capital loans can be seen in Table 1 in this report. Legislation in recent years has allowed most of the districts with outstanding capital loans to have the loans forgiven by paying off the interest owed (please see prior Capital Loan Reports for further details).

Minnesota Statutes 2023, section 477A.09 establishes the Maximum Effort Loan Aid program. Aid payments under this section must be used to reduce current year property taxes levied on net tax capacity within the district, or to reduce future years' tax levies within 20 years. The Maximum Effort Aid was paid to 10 districts from Fiscal Year (FY)2018 through FY2022. These districts may use the aid to reduce levies over a 20-year period. Each district's plan for reducing levies is updated and submitted to MDE annually. Table 2 shows all districts eligible for the Maximum Effort Load Aid and the amount of aid remaining to reduce levies.

Conclusion

Following are summaries of current outstanding capital grants and loans under Minnesota Statutes 2023, sections 126C.60-72. Also included is a summary of the Maximum Effort Loan Aid program under Minnesota Statutes 2023, section 477A.09.

Table 1 – Maximum Effort Loan Active Status as of December 15, 2023

Table 1: Capital Loans	Dec 15 2021	Dec 15 2022	Dec 15 2023	End of FY 23
District	Capital Loan Balance	Payment	Payment	Capital Loan Balance Due
District 38, Red Lake	\$232,693.36	\$5,963.23	\$6,949.10	\$219,781.03
District 707, Nett Lake	\$1,208,751.74	\$ 21,323.80	\$18,033.66	\$1,169,394.28
State Total	\$1,441,445.10	\$27,287.03	\$24,982.76	\$1,389,175.31

Table 2 – Maximum Effort Loan Aid, Minnesota Statutes 2021, section 477A.09

Table 2: Maximum Effort Loan Aid	2022	2018-2022	2022 Report	2023	2024	2024
District No. and Name	Maximum Effort Loan Aid Total	Payable	Remaining Red	Payable	Payable	Remaining Available Reduction
8, Red Lake	\$142,618.48	\$29,972.64	\$112,645.84	\$6,949.10	\$6,650.82	\$99,045.92
51, Foley	\$1,672,584.06	\$1,220,611.61	\$451,972.45	\$-	\$-	\$451,972.45
95 Cromwell	\$129,996.05	\$129,996.05	\$-	\$-	\$-	\$-
299, Caledonia	\$6,357,575.99	\$2,962,926.00	\$3,394,649.99	\$660,000.00	\$590,000.00	\$2,144,649.99
306, Laporte	\$1,326,684.80	\$552,785.35	\$773,899.45	\$110,557.07	\$-	\$663,342.38
333, Ogilvie	\$1,990,103.08	\$1,200,000.00	\$790,103.08	\$258,000.00	\$200,000.00	\$332,103.08
362, Little Fork	\$165,787.66	\$165,787.66	\$-	\$-	\$-	\$-
682, Roseau	\$2,597,802.70	\$860,000.00	\$1,737,802.70	\$-	\$-	\$1,737,802.70
707, Nett Lake	\$437,365.36	\$206,119.32	\$231,246.04	\$ 44,900.76	\$53,431.61	\$132,913.67
2580, East Central	\$1,531,708.79	\$160,000.00	\$1,371,708.79	\$ 90,000.00	\$150,000.00	\$1,131,708.79
State Totals	\$16,352,226.97	\$7,488,198.63	\$8,864,028.34	\$1,170,406.93	\$1,000,082.43	\$6,693,538.98