



Capital Loan Report

Report to the Legislature

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

For more information

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As requested by Minnesota Statutes, section 3.197: This report cost approximately \$730.06 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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Legislative Charge

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

Subdivision 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.

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

An eligible district must:

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

No applications have been received and approved by the commissioner for consideration by the 2020 Legislature.

Introduction

The Capital 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 2020 Legislature, the Executive Summary serves the main purpose of the report. In addition, this report also provides an update on

the current capital loan account activity, information on outstanding maximum effort loans, and recent activity related to the program.

Capital Loan Account Balances

As of December 15, 2019, there is a pending \$14,000,000 capital loan construction project for Independent School District 38, Red Lake.

Independent School District 38, Red Lake has a pending \$14,000,000 capital loan for improvements to the Red Lake Elementary School. The capital loan was authorized by Minnesota Laws 2018, chapter 214, article 1, section 4, subdivision 4. Capital loans are financed through the issuance of state bonds. The Red Lake Elementary School is located on property owned by the Red Lake Nation. The Red Lake High/Middle School is located on property owned by the Red Lake School District. The Red Lake School District leases the Red Lake Elementary School property from the Red Lake Nation. The current lease agreement drafted by the Red Lake Nation has been reviewed by Minnesota Management and Budget (MMB), which has determined that modifications are needed in order to make the lease agreement bondable. Therefore; the capital loan contract has not been signed and funds have not been disbursed.

Conclusion

Following are summaries of current outstanding capital and debt service loans under Minnesota Statutes, sections 126C.60-72, capital loans cancelled after 30 or 50 years, and capital loans fully satisfied by repayment of the original loan with forgiveness of current and accrued interest under the provisions of 2011 and 2016 laws. Also attached is a summary of the Maximum Effort Loan Aid program under Minnesota Statutes, section 477A.09 and a summary of the Incentive Grant Payments under 2016 Minnesota Laws, chapter 189, article 30, section 25, subdivision 5, and 2017 Minnesota Laws, 1st special session, chapter 5, article 5, section 11 for the retirement of capital loans.

Table 1 – Maximum Effort Loan Active Status as of December 15, 2019*

District Number and Name	Date Granted or Last Amended	Capital Loan Cancel Date	Initial Capital Loan Out Dec 15, 2019	Capital Loan Balance Dec 15, 2019
District 38, Red Lake				
Capital Loan #1	June 18, 1992	June 18, 2042	10,000,000.00	40,520,708.85
Capital Loan #2	January 12, 2001	January 12, 2051	11,165,999.82	23,657,900.52
Capital Loan #3	October 2, 2002	October 2, 2052	11,736,595.45	22,072,967.20
Capital Loan #4	February 15, 2006	February 15, 2056	18,391,197.79	27,992,844.00
Capital Loan #5	April 27, 2015	April 27, 2065	5,318,647.66	5,934,441.80
Subtotal District 38 Capital Loans			56,612,440.72	120,178,862.37
District 333, Ogilvie				
Capital Loan	April 27, 1990	April 27, 2020	11,341,047.73	71,851,944.51
District 707, Nett Lake				
Capital Loan #1	July 7, 1994	July 7, 2044	7,824,669.00	28,413,868.10

District Number and Name	Date Granted or Last Amended	Capital Loan Cancel Date	Initial Capital Loan Out Dec 15, 2019	Capital Loan Balance Dec 15, 2019
Capital Loan #2	October 24, 2006	October 24, 2056	10,695,268.36	15,961,268.53
Subtotal District 707 Capital Loans			18,519,937.36	44,375,136.63
State Total			86,473,425.81	236,405,943.51

*District 38, Red Lake, subtotal excludes the \$14 million authorized by the 2018 Legislature.

Table 2 – Capital Loan Cancellations from July 22, 2007, to December 15, 2019

District Number and Name	Date Granted	Cancel Date	Original Loan Cancelled	Defaulted Interest Cancelled	Current Interest Cancelled	Total Capital Loan Cancelled
363 South Koochiching-Rainy River (1 st portion)	July 22, 1977	July 22, 2007	7,012,075.00	14,975,223.93	627,330.77	22,614,629.70
786 Bertha-Hewitt	July 1, 1980	July 1, 2010	954,000.00	2,070,579.00	76,458.04	3,101,037.04
727 Big Lake (1 st loan)	January 9, 1981	January 9, 2011	1,685,000.00	1,434,792.88	9,957.70	3,129,750.58
2 Hill City	June 9, 1981	June 9, 2011	4,371,379.07	13,377,040.54	453,581.53	18,202,001.14
363 South Koochiching-Rainy River (2 nd portion)	December 22, 1981	August 18, 2011		153,284.22	7,666.32	160,950.54

District Number and Name	Date Granted	Cancel Date	Original Loan Cancelled	Defaulted Interest Cancelled	Current Interest Cancelled	Total Capital Loan Cancelled
885 St. Michael-Albertville	March 21, 1991	November 11, 2011		18,309,535.60	1,627,587.16	19,937,122.76
192 Farmington	July 11, 1991	November 15, 2011		12,669,495.42	1,132,803.17	13,802,298.59
2897 Redwood Falls	May 30, 1990	November 17, 2011		10,737,612.68	1,047,703.12	11,785,315.80
390 Lake of the Woods	April 4, 1991	December 15, 2011		16,388,807.18		16,388,807.18
727 Big Lake (2 nd loan)	July 24, 1995	April 25, 2012		11,194,756.51	405,026.00	11,599,782.51
91 Barnum**	March 1, 1982	March 1, 2012	3,710,000.00	12,947,845.53	186,248.40	16,844,093.93
690 Warroad**	March 6, 1986	March 6, 2016	1,295,000.00	7,803,883.66	154,587.54	9,253,471.20
95 Cromwell	July 30, 1991	October 13, 2016		6,967,435.20	456,503.89	7,423,939.09
362 Littlefork	November 12, 1996	October 13, 2016		10,703,257.87	763,570.43	11,466,828.30
36 Kelliher	November 12, 1996	November 8, 2016		10,882,821.43	833,636.13	11,716,457.56
306 Laporte	November 12, 1996	October 13, 2016		708,281.41	128,694.74	836,976.15
299 Caledonia	September 20, 2001	November 14, 2016		1,823,347.73	566,242.88	2,389,590.61

District Number and Name	Date Granted	Cancel Date	Original Loan Cancelled	Defaulted Interest Cancelled	Current Interest Cancelled	Total Capital Loan Cancelled
2580 East Central	December 27, 2001	November 15, 2016		9,471,060.80	1,951,459.49	11,422,520.29
682 Roseau	October 29, 1991	November 17, 2016		11,885,151.24	1,006,282.41	12,891,433.65
51 Foley	June 27, 1989	June 27, 2019	4,852,685.00	20,287,134.33	867,003.31	26,006,822.64
Total			23,880,139.07	194,791,347.16	12,302,343.03	230,973,829.26

**District pay-offs of the debt service loans for districts 51, 91 and 690 occurred after their capital loan cancellation.

Repayments per Laws 2011 1st special session, chapter 11, article 4, section 8

District Number and Name	Date Granted	Date Retired	Capital Loan District Pay-off	Total Capital Loan Interest Cancelled	Debt Service Loan Pay-off	Total Maximum Effort Pay-off
192 Farmington	July 11, 1991	November 15, 2011	8,826,713.00	13,802,298.59	80,821.53	8,907,534.53
363 South Koochiching-Rainy River (2 nd portion)	December 22, 1981	August 18, 2011	61,335.00	160,950.54		61,335.00
390 Lake of the Woods	April 4, 1991	December 15, 2011	8,000,000.00	16,388,807.18	80,163.07	8,080,163.07
727 Big Lake (2 nd loan)	July 24, 1995	April 25, 2012	9,770,000.00	11,599,782.51		9,770,000.00
885 St. Michael-Albertville	March 21, 1991	November 9, 2011	9,800,000.00	19,937,122.76		9,800,000.00

District Number and Name	Date Granted	Date Retired	Capital Loan District Pay-off	Total Capital Loan Interest Cancelled	Debt Service Loan Pay-off	Total Maximum Effort Pay-off
2897 Redwood Falls	May 30, 1990	November 17, 2011	5,837,211.00	11,785,315.80	90,979.91	5,928,190.91
Total under 2011 Laws			42,295,259.00	73,674,277.38	251,964.51	42,547,223.51

Repayments per Laws 2016, chapter 189, article 30, section 22

District Number and Name	Date Granted	Date Retired	Capital Loan District Pay-off	Total Capital Loan Interest Cancelled	Debt Service Loan Pay-off	Total Maximum Effort Pay-off
36 Kelliher	November 12, 1996	November 8, 2016	6,900,000.00	11,716,457.56		6,900,000.00
95 Cromwell	July 30, 1991	October 13, 2016	3,212,424.00	7,423,939.09	192,136.61	3,404,560.61
299 Caledonia	September 20, 1991	November 14, 2016	13,135,514.08	2,389,590.61		13,135,514.08
306 Laporte	June 21, 2001	November 8, 2016	2,700,633.20	836,976.15		2,700,633.20
362 Littlefork	November 12, 1996	October 13, 2016	7,000,000.00	11,466,828.30		7,000,000.00
682 Roseau	October 29, 1991	November 17, 2016	8,299,865.00	12,891,433.65	186,385.83	8,486,250.83
2580 East Central	December 27, 2001	November 15, 2016	19,000,000.00	11,422,520.29		19,000,000.00
Total under 2016 Laws			60,248,436.28	58,147,745.65	378,522.44	60,626,958.72

Table 3 – Maximum Effort Loan Aid Minnesota Statutes, section 477A.09

Aid payments started in FY 2018 and the levy impact initiated with a Payable 2018 levy limitation reduction.

Aid payments will be paid by the state for five years, finalizing in FY 2022.

District Number and Name	Capital/Debt Service Loan Current/Capitalized Interest paid to state to June 2016	Estimated Capital Loan Current/Capitalized Interest to be paid to state (July 2017-June 2021)	Total Estimated/Actual Loan Current and Capitalized Interest for specified dates	Actual Maximum Effort Loan Paid for FY 2020	Estimated Maximum Effort Loan Aid FY 2021	Estimated Maximum Effort Loan Aid FY 2022
38 Red Lake	114,232.49	25,444.74	139,677.23	29,403.63	26,965.30	26,965.30
51 Foley	1,672,584.06		1,672,584.06	334,516.81	334,516.82	334,516.81
95 Cromwell	129,996.05		129,996.05	25,999.21	25,999.21	25,999.21
299 Caledonia	6,357,575.99		6,357,575.99	1,271,515.20	1,271,515.20	1,271,515.19
306 Laporte	1,326,684.81		1,326,684.81	265,336.96	265,336.97	265,336.96
333 Ogilvie	879,635.78	1,110,467.30	1,990,103.08	410,034.36	410,034.36	410,034.36
362 Littlefork	165,787.66		165,787.66	33,157.53	33,157.54	33,157.53
682 Roseau	2,597,802.68		2,597,802.68	519,560.53	519,560.54	519,560.53
707 Nett Lake	307,551.57	109,457.93	417,009.50	94,622.86	70,933.01	70,933.00

District Number and Name	Capital/Debt Service Loan Current/Capitalized Interest paid to state to June 2016	Estimated Capital Loan Current/Capitalized Interest to be paid to state (July 2017-June 2021)	Total Estimated/Actual Loan Current and Capitalized Interest for specified dates	Actual Maximum Effort Loan Paid for FY 2020	Estimated Maximum Effort Loan Aid FY 2021	Estimated Maximum Effort Loan Aid FY 2022
2580 East Central	1,531,708.79		1,531,708.79	306,341.76	306,341.76	306,341.75
Total	15,083,559.88	1,245,369.97	16,328,929.85	3,290,488.85	3,264,360.71	3,264,360.64

Payable 2020 actual levy limitation reductions. Levy reductions will occur within 20 years.

District Number and Name	General Debt Service (Fund 7)	General Fund (Fund 1)	Community Service Fund (Fund 4)	Total All Funds
38 Red Lake	5,083.17	513.48	184.40	5,781.05
51 Foley	90,394.49			90,394.49
95 Cromwell	34,665.61			34,665.61
299 Caledonia	617,426.00			617,426.00
306 Laporte	110,557.07			110,557.07
333 Ogilvie	400,000.00			400,000.00
362 Littlefork	33,157.53			33,157.53

District Number and Name	General Debt Service (Fund 7)	General Fund (Fund 1)	Community Service Fund (Fund 4)	Total All Funds
682 Roseau		will start with Payable 21		
707 Nett Lake	39,936.49			39,936.49
2580 East Central		will start with Payable 37		
Total	1,331,220.36	513.48	184.40	1,331,918.24

Table 4 – Incentive Grant Payments for Retirement of Capital Loans

2016 Laws, chapter 189, article 30, section 25, subdivision 5 and 2017 Laws 1st special session, chapter 5, article 5, section 11

State appropriation language: 2017 Laws, 1st special session, chapter 5, article 5, section 14, subdivision 5

District Number and Name	FY 2017 Annual Amount	FY 2017 to FY 2021 Total Grant Amount
36 Kelliher	150,000	750,000
95 Cromwell	180,000	900,000
299 Caledonia	495,000	2,475,000
306 Laporte	220,000	1,100,000
362 Littlefork	150,000	750,000

District Number and Name	FY 2017 Annual Amount	FY 2017 to FY 2021 Total Grant Amount
682 Roseau	650,000	3,250,000
2580 East Central	505,000	2,525,000
Total	2,350,000	11,750,000