

HOUSE RESEARCH

Bill Summary

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Overview

The McLeod West school district was formed on July 1, 1998, when the Stewart and Brownston school districts formally consolidated into a new school district. The district has relatively low enrollment, has failed to pass an operating referendum or a building bond issue in the last several years, and has had a negative general fund balance for the last two years. The district has decided to hold an election in May of 2009 to consolidate portions of the district with three neighboring districts (Glencoe-Silver Lake, Buffalo Lake-Hector, and GFW). If the consolidation election fails, the McLeod West district will enter into dissolution, and the McLeod county board will dissolve the district and attach portions of the district to neighboring districts according to a plan developed by the county.

Under current law, the successor districts to a district that reorganizes (whether through consolidation or dissolution) may levy for the operating debt that exists at the time of the district's reorganization over a five year period. While the successor district administers the levy, the tax is spread only against the property in the dissolving or consolidating district. The McLeod West school district expects that its total reorganization debt will be around \$3 million.

This bill authorizes the McLeod West school district to issue and sell general obligation bonds to cover the district's reorganization expenses. The bonds would be repaid through an annual levy spread in the same manner as the reorganization operating debt levy. The bill differs from current law in that the successor districts will not need to undertake short-term borrowing in order to fund McLeod West's reorganization operating debt. This bill, like current law, requires the property taxpayers in McLeod West to pay for the full amount of the reorganization operating debt.

Section

- 1** **McLeod West; operating debt bonds.** Authorizes Independent School District No. 2887, McLeod West, to issue and sell general obligation bonds without voter approval instead of imposing an annual reorganization levy to retire the district's reorganization operating debt. Limits the amount of the bonds to the amount of the district's reorganization costs approved by the commissioner of education.