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# Capital Loan Report

Report to the Legislature

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

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## **For more information:**

Tom Melcher  
Division of School Finance  
Minnesota Department of Education  
1500 Highway 36 West  
Roseville, MN 55113  
(651) 582-8828  
[tom.melcher@state.mn.us](mailto:tom.melcher@state.mn.us)  
[education.state.mn.us](http://education.state.mn.us)

As requested by Minnesota Statutes, section 3.197: This report cost approximately \$927.13 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.

## Capital Loan Account Balances

As of December 15, 2017, there were no active capital loan construction projects and no account balances remaining for future capital loans.

## 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, section 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 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 2018 Legislature. However, MDE has received a facilities grant request, not under the capital loan program, of \$28,342,746 from Red Lake Independent School District #38 for the predesign, design, construction of additions, renovation, furnishing and equipping of Red Lake Elementary School and Red Lake Early Childhood Center.

## Conclusion

Following are summaries of current outstanding capital and debt service loans under Minnesota Statutes, section 126C.60-72, capital loans cancelled after 30 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, 2017**

<b>District Number and Name</b>	<b>Date Granted or Last Amended</b>	<b>Capital Loan Cancel Date</b>	<b>Initial Capital Loan Out Dec 15, 2017</b>	<b>Capital Loan Balance Dec 15, 2017</b>	<b>Initial Debt Service Loan Out Dec 2017</b>	<b>Debt Service Loan Balance Dec 2017</b>
<b>District 38, Red Lake</b>						
Capital Loan #1	18-Jun-92	18-Jun-42	10,000,000.00	36,419,416.63		
Capital Loan #2	12-Jan-01	12-Jan-51	11,165,999.82	21,761,266.44		
Capital Loan #3	2-Oct-02	2-Oct-52	11,736,595.45	20,404,084.92		
Capital Loan #4	15-Feb-06	15-Feb-56	18,391,197.79	26,751,711.53		
Capital Loan #5	27-Apr-15	27-Apr-65	5,318,647.66	5,601,327.30		
Subtotal District 38 Capital Loans			56,612,440.72	110,937,806.82		
<b>District 51, Foley</b>						
Debt Service Loans					104,621.69	278,846.30
Capital Loan	27-Jun-89	27-Jun-19	4,852,686.00	23,608,066.07		
<b>District 333, Ogilvie</b>						

District Number and Name	Date Granted or Last Amended	Capital Loan Cancel Date	Initial Capital Loan Out Dec 15, 2017	Capital Loan Balance Dec 15, 2017	Initial Debt Service Loan Out Dec 2017	Debt Service Loan Balance Dec 2017
Capital Loan	27-Apr-90	27-Apr-20	11,341,047.73	63,701,807.93		
<b>District 707, Nett Lake</b>						
Capital Loan #1	7-Jul-94	7-Jul-44	7,824,669.00	25,653,367.58		
Capital Loan #2	24-Oct-06	24-Oct-56	10,695,268.36	15,287,679.10		
Subtotal Dist 707 Capital Loans			18,519,937.36	40,941,046.68		
State Total			91,326,111.81	239,188,727.50	104,621.69	278,846.30

**Table 2 – Capital Loan Cancellations from 7/22/2007 to 12/15/2017**

District Number and Name	Date Granted	Cancel Date	Original Loan Cancelled	Defaulted Interest Cancelled	Current Interest Cancelled	Total Capital Loan Cancelled
363 So Kooch-RR (1 <sup>st</sup> portion)	22-Jul-77	22-Jul-07	7,012,075.00	14,975,223.93	627,330.77	22,614,629.70
786 Bertha-Hewitt	1-Jul-80	1-Jul-10	954,000.00	2,070,579.00	76,458.04	3,101,037.04
727 Big Lake (1 <sup>st</sup> loan)	9-Jan-81	9-Jan-11	1,685,000.00	1,434,792.88	9,957.70	3,129,750.58

<b>District Number and Name</b>	<b>Date Granted</b>	<b>Cancel Date</b>	<b>Original Loan Cancelled</b>	<b>Defaulted Interest Cancelled</b>	<b>Current Interest Cancelled</b>	<b>Total Capital Loan Cancelled</b>
2 Hill City	9-Jun-81	9-Jun-11	4,371,379.07	13,377,040.54	453,581.53	18,202,001.14
363 So Kooch-RR (2 <sup>nd</sup> portion)	22-Dec-81	18-Aug-11		153,284.22	7,666.32	160,950.54
885 St. Michael-Albertville	21-Mar-91	9-Nov-11		18,309,535.60	1,627,587.16	19,937,122.76
192 Farmington	11-Jul-91	15-Nov-11		12,669,495.42	1,132,803.17	13,802,298.59
2897 Redwood Falls	30-May-90	17-Nov-11		10,737,612.68	1,047,703.12	11,785,315.80
390 Lake of the Woods	4-Apr-91	15-Dec-11		16,388,807.18		16,388,807.18
727 Big Lake (2 <sup>nd</sup> loan)	24-Jul-95	25-Apr-12		11,194,756.51	405,026.00	11,599,782.51
91 Barnum*	1-Mar-82	1-Mar-12	3,710,000.00	12,947,845.53	186,248.40	16,844,093.93
690 Warroad*	6-Mar-86	6-Mar-16	1,295,000.00	7,803,883.66	154,587.54	9,253,471.20
95 Cromwell	30-Jul-91	13-Oct-16		6,967,435.20	456,503.89	7,423,939.09
362 Littlefork	12-Nov-96	13-Oct-16		10,703,257.87	763,570.43	11,466,828.30
36 Kelliher	12-Nov-96	8-Nov-16		10,882,821.43	833,636.13	11,716,457.56



District Number and Name	Date Granted	Cancel Date	Original Loan Cancelled	Defaulted Interest Cancelled	Current Interest Cancelled	Total Capital Loan Cancelled
306 Laporte	12-Nov-96	13-Oct-16		708,281.41	128,694.74	836,976.15
299 Caledonia	20-Sep-01	14-Nov-16		1,823,347.73	566,242.88	2,389,590.61
2580 East Central	27-Dec-01	15-Nov-16		9,471,060.80	1,951,459.49	11,422,520.29
682 Roseau	29-Oct-91	17-Nov-16		11,885,151.24	1,006,282.41	12,891,433.65
Total			19,027,454.07	174,504,212.83	11,435,339.72	204,967,006.62

\*District pay-offs of the Debt Service Loans for Districts 91 and 690 occurred after their capital loan cancellation.

#### Repayments per Laws 2011 1SP, CH. 11, Art. 4, Sec. 8

District Number and Name	Date Granted	Date Retired	Capital Loan District Pay-off	Total Cap Loan Interest Cancelled	Debt Service Loan Pay-off	Total Maximum Effort Pay-off
192 Farmington	11-Jul-91	15-Nov-11	8,826,713.00	13,802,298.59	80,821.53	8,907,534.53
363 So Kooch-RR (2 <sup>nd</sup> portion)	22-Dec-81	18-Aug-11	61,335.00	160,950.54		61,335.00
390 Lake of the Woods	4-Apr-91	15-Dec-11	8,000,000.00	16,388,807.18	80,163.07	8,080,163.07

District Number and Name	Date Granted	Date Retired	Capital Loan District Pay-off	Total Cap Loan Interest Cancelled	Debt Service Loan Pay-off	Total Maximum Effort Pay-off
727 Big Lake (2 <sup>nd</sup> loan)	24-Jul-95	25-Apr-12	9,770,000.00	11,599,782.51		9,770,000.00
885 St. Michael-Albertville	21-Mar-91	9-Nov-11	9,800,000.00	19,937,122.76		9,800,000.00
2897 Redwood Falls	30-May-90	17-Nov-11	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, CH. 189, Art. 30, Sec. 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	12-Nov-96	8-Nov-16	6,900,000.00	11,716,457.56		6,900,000.00
95 Cromwell	30-Jul-91	13-Oct-16	3,212,424.00	7,423,939.09	192,136.61	3,404,560.61
299 Caledonia	20-Sep-01	14-Nov-16	13,135,514.08	2,389,590.61		13,135,514.08
306 Laporte	21-Jun-01	8-Nov-16	2,700,633.20	836,976.15		2,700,633.20
362 Littlefork	12-Nov-96	13-Oct-16	7,000,000.00	11,466,828.30		7,000,000.00

<b>District Number and Name</b>	<b>Date Granted</b>	<b>Date Retired</b>	<b>Capital Loan District Pay-off</b>	<b>Total Capital Loan Interest Cancelled</b>	<b>Debt Service Loan Pay-off</b>	<b>Total Maximum Effort Pay-off</b>
682 Roseau	29-Oct-91	17-Nov-16	8,299,865.00	12,891,433.65	186,385.83	8,486,250.83
2580 East Central	27-Dec-01	15-Nov-16	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 start in FY 2018 and the levy impact may start with a Payable 2018 levy limitation reduction.

Aid payments will be paid by the state for five years.

<b>District Number and Name</b>	<b>Capital/Debt Service Loan Current/Capitalized Interest paid to state to June 2016</b>	<b>Estimated Capital Loan Current/Capitalized Interest to be paid to state (July 2017-June 2021)*</b>	<b>Total Estimated/Actual Loan Current and Capitalized Interest for specified dates</b>	<b>Estimated FY 2018 Maximum Effort Loan Aid (20% of Previous Column)</b>
38, Red Lake	114,232.49	21,000.00	135,232.49	27,046.50
51, Foley	1,672,584.06		1,672,584.06	334,516.81
95, Cromwell	129,996.05		129,996.05	25,999.21
299, Caledonia	6,357,575.99		6,357,575.99	1,271,515.20
306. Laporte	1,326,684.81		1,326,684.81	265,336.96
333, Ogilvie	879,635.78	1,020,364.20	1,899,999.98	380,000.00
362, Littlefork	165,787.66		165,787.66	33,157.53
682, Roseau	2,597,802.68		2,597,802.68	519,560.54
707, Nett Lake	307,551.57	140,000.00	447,551.57	89,510.31
2580, East Central	1,531,708.79		1,531,708.79	306,341.76

<b>District Number and Name</b>	<b>Capital/Debt Service Loan Current/Capitalized Interest paid to state to June 2016</b>	<b>Estimated Capital Loan Current/Capitalized Interest to be paid to state (July 2017-June 2021)*</b>	<b>Total Estimated/Actual Loan Current and Capitalized Interest for specified dates</b>	<b>Estimated FY 2018 Maximum Effort Loan Aid (20% of Previous Column)</b>
TOTAL	15,083,559.88	1,181,364.20	16,264,924.08	3,252,984.82

\*District estimate of capital loan interest to be paid to State. Applies only to Districts 38, 51, 333 and 707. Will be adjusted to actual (June 2017 to June 2021) capital loan interest paid to state.

**Payable 2018 actual levy limitation reductions. Levy reductions will occur within 20 years.**

<b>District Number and Name</b>	<b>General Debt Service (Fund 7)</b>	<b>General Fund (Fund 1)</b>	<b>Community Service Fund (Fund 4)</b>	<b>Total All Funds</b>
38, Red Lake	4,968.97	639.10	184.94	5,793.01
51, Foley	669,033.62			669,033.62
95, Cromwell	25,999.21			25,999.21
299, Caledonia	592,500.00			592,500.00
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 20		
707, Nett Lake	38,997.32			38,997.32
2580, East Central		will start with Payable 19		
TOTAL	1,875,213.72	639.10	184.94	1,876,037.76

**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