



**Capital  
Loan Report**

**Report to the  
Legislature**

**January 2010**

**As required by  
Minnesota  
Statutes 2009  
Section 126C.69,  
Subd. 8**

**COMMISSIONER**

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

## **ESTIMATED COST OF PREPARING THIS REPORT**

Minnesota Statutes § 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 compiling data and 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 \$260.

## Capital Loan Report

### Statutory Directive

Minnesota Statutes 2009, § 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, 2009, appropriation balances available for payment on capital loan projects in process is \$307,833. Estimated cash projections based on current projects indicate \$26,612 of the remaining bonding authority will be required through December 2010.

### 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 percent of adjusted net tax capacity (Minnesota Statutes § 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 Statutes § 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 by the commissioner for consideration by the 2010 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**

- Continued renovation of and addition to the Red Lake High School and Red Lake Middle School including demolition of the original elementary school and the adjacent portable building currently used for administrative offices. Construction includes new district/student services areas, a high school media center, technology labs, physical education/fitness space, replacement of locker rooms, and completion of a common kitchen and cafeteria. The proposed construction will replace the small, outdated vocational facility with a new self-contained vocational center that would also be used by alternative, adult, and community education programs. A fifth grade wing will be added to the middle school to reduce construction costs at the Red Lake Elementary School by reconfiguring the middle school program. Old vocational spaces will be converted to a middle school hands-on learning labs including shop, technology, fitness and nutrition. The heating/ventilation system serving the entire building will be completed. The project also includes parking lots, sidewalks, water management, landscaping and an environmental studies area. Total cost of this portion of the project is \$25.227 million.
- At the Red Lake Elementary School, the planned project will expand and renovate areas supporting core programs such as music, art, special education, physical education, and food service area. Administrative space will be reconfigured to provide visibility to the main entrance and greater building security. Six classrooms will be added to accommodate increased enrollment in early grades and an addition will connect the elementary school to the Red Lake Early Learning Center. This will enable the creation of shared food service space, physical education spaces, and media center. The estimated cost for this portion of the project is \$7.972 million.
- At the Ponemah Elementary School, the current media center will be renovated and expanded by an addition to provide appropriate space for technology for educational and student support. The current media center is small and lacks technology. Site improvements will be completed to provide safe bus and parent drop-offs, improve parking, playgrounds and fields. This project is estimated to cost \$1.843 million.

The project has been approved based on review and comment criteria in Minnesota Statutes § 123B.71 and Minnesota Statutes § 126C.69. District voters approved the borrowing of funds through the capital loan program on November 3, 2009.

The total project cost that qualifies for funding under the capital loan provisions is \$35.043 million. The local district contribution calculated according to Minnesota Statutes § 126C.69, subd. 9, is approximately \$59,377 and the capital loan request is estimated at \$34,983,098.

The district completed long-term facilities planning prior to the 2004 legislative session, developing a plan to bring all district facilities to current education standards. The plan was reviewed and modified in the fall of 2008 resulting in decreased costs. Funding was unsuccessfully sought in the 2006-2009 legislative sessions.

### **Impact on Agency Operating Budgets (Facilities Notes)**

- There is no effect on the Minnesota Department of Education operating budget resulting from this request.
- The effect on the school district operating budget is expected to be minimal.

### **Previous Appropriations for this Project**

|      |                  |   |
|------|------------------|---|
| 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 – Red Lake High School, Early Childhood Center, Red Lake and Ponemah Elementary Schools |
| 2005 | \$18 million     | Begin construction of new middle school facilities and renovation of existing high school                         |

### **Other Considerations**

While funding for school facilities is viewed as primarily a local responsibility, the Red Lake Independent School District has extremely low property values and very little private ownership of land as most of the land is owned in common by Red Lake tribal members. A measure commonly used to compare school district ability to raise funds through property taxes is the adjusted net tax capacity (ANTC) per pupil unit. In the 2009 Payable 2010 levy cycle, the Red Lake 2008 ANTC per FY 2008 adjusted pupil unit was \$6.54. Statewide, the median school district ANTC per adjusted pupil unit was \$6,821.30.

Between FY 1996 and FY 2005, the district experienced enrollment growth of approximately 16 percent. In the aftermath of the 2005 school shooting incident, enrollments decreased, particularly at the secondary level, but are rebounding, and the district expects stabilization in student numbers.

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. The current crowded and deficient facilities do not provide a safe and healthy environment that is conducive to learning and supportive to children.

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) |



## SUMMARY OF CURRENT CAPITAL AND DEBT SERVICE LOANS

| DISTRICT                   | Date<br>Granted | Years to<br>Cancel | Cancel<br>Date | Original Loan<br>as of 12/15/09 | GASB                                |                           | Loan Balance<br>as of 12/15/2009 |                        |
|----------------------------|-----------------|--------------------|----------------|---------------------------------|-------------------------------------|---------------------------|----------------------------------|------------------------|
|                            |                 |                    |                |                                 | Total Principal<br>Payment to State | Total Interest<br>Default |                                  |                        |
| <b>CAPITAL LOANS</b>       |                 |                    |                |                                 |                                     |                           |                                  |                        |
| HILL CITY ISD 002          | 9-Jun-81        | 30                 | 9-Jun-11       | \$4,371,379.07                  | \$0.00                              | \$12,483,720.27           | \$16,855,099.34                  |                        |
| KELLIHER ISD 036           | 12-Nov-96       | 50                 | 12-Nov-46      | \$6,900,000.00                  | \$0.00                              | \$6,216,951.97            | \$13,116,951.97                  |                        |
| RED LAKE ISD 38            | #1              | 18-Jun-92          | 50             | 18-Jun-42                       | \$10,000,000.00                     | \$0.00                    | \$13,775,021.47                  | \$23,775,021.47        |
|                            | #2              | 12-Jan-01          | 50             | 12-Jan-51                       | \$11,165,999.82                     | \$0.00                    | \$4,409,134.83                   | \$15,575,134.65        |
|                            | #3              | 2-Oct-02           | 50             | 2-Oct-52                        | \$11,736,595.45                     | \$0.00                    | \$3,158,770.48                   | \$14,895,365.93        |
|                            | #4              | 15-Feb-06          | 50             | 15-Feb-56                       | <u>\$18,385,652.79</u>              | <u>\$0.00</u>             | <u>\$2,107,318.74</u>            | <u>\$20,492,971.53</u> |
|                            | Total           |                    |                | \$51,288,248.06                 | \$0.00                              | \$23,450,245.52           | \$74,738,493.58                  |                        |
| FOLEY ISD 051              | 27-Jun-89       | 30                 | 27-Jun-19      | \$4,852,686.00                  | \$0.00                              | \$9,465,721.63            | \$14,318,407.63                  |                        |
| BARNUM ISD 091             | 1-Mar-82        | 30                 | 1-Mar-12       | \$3,710,000.00                  | \$0.00                              | \$11,313,187.52           | \$15,023,187.52                  |                        |
| CROMWELL ISD 095           | 30-Jul-91       | 50                 | 30-Jul-21      | \$3,212,424.00                  | \$0.00                              | \$4,212,021.18            | \$7,424,445.18                   |                        |
| FARMINGTON ISD 192         | 11-Jul-91       | 50                 | 11-Jul-41      | \$8,826,713.00                  | \$0.00                              | \$11,502,421.14           | \$20,329,134.14                  |                        |
| CALEDONIA ISD 299          | 20-Sep-01       | 50                 | 20-Sep-51      | \$14,134,000.00                 | \$311,237.55                        | \$1,043,743.17            | \$14,866,505.62                  |                        |
| LAPORTE ISD 306            | 21-Jun-01       | 50                 | 21-Jun-51      | \$7,200,000.00                  | \$4,331,613.42                      | \$605,914.13              | \$3,474,300.71                   |                        |
| OGILVIE ISD 333            | 27-Apr-90       | 30                 | 27-Apr-20      | \$11,341,047.73                 | \$0.00                              | \$26,370,457.88           | \$37,711,505.61                  |                        |
| LITTLEFORK ISD 362         | 12-Nov-96       | 50                 | 12-Nov-46      | \$7,000,000.00                  | \$0.00                              | \$6,062,050.79            | \$13,062,050.79                  |                        |
| SO KOOCH ISD 363           | 22-Dec-81       | 30                 | 22-Dec-11      | \$61,335.00                     | \$0.00                              | \$142,481.92              | \$203,816.92                     |                        |
| LAKE/WOODS ISD 390         | 4-Apr-91        | 50                 | 4-Apr-41       | \$8,000,000.00                  | \$0.00                              | \$13,555,271.66           | \$21,555,271.66                  |                        |
| ROSEAU ISD 682             | 29-Oct-91       | 50                 | 29-Oct-41      | \$8,299,865.00                  | \$0.00                              | \$6,564,202.71            | \$14,864,067.71                  |                        |
| WARROAD ISD 690            | 6-Mar-86        | 30                 | 6-Mar-16       | \$1,295,000.00                  | \$0.00                              | \$4,579,070.28            | \$5,874,070.28                   |                        |
| NETT LAKE ISD 707          | #1              | 7-Jul-94           | 50             | 7-Jul-44                        | \$7,824,669.00                      | \$0.00                    | \$9,278,722.62                   | \$17,103,391.62        |
|                            | #2              | 24-Oct-06          | 50             | 24-Oct-56                       | <u>\$10,669,919.23</u>              | <u>\$0.00</u>             | <u>\$788,966.69</u>              | <u>\$11,458,885.92</u> |
|                            | Total           |                    |                | \$18,494,588.23                 | \$0.00                              | \$10,067,689.31           | \$28,562,277.54                  |                        |
| BIG LAKE ISD 727           | #1              | 9-Jan-81           | 30             | 9-Jan-11                        | \$1,685,000.00                      | \$0.00                    | \$1,434,792.88                   | \$3,119,792.88         |
|                            | #2              | 24-Jul-95          | 50             | 24-Jul-45                       | <u>\$9,770,000.00</u>               | <u>\$0.00</u>             | <u>\$9,197,143.13</u>            | <u>\$18,967,143.13</u> |
|                            | Total           |                    |                | \$11,455,000.00                 | \$0.00                              | \$10,631,936.01           | \$22,086,936.01                  |                        |
| BERTHA-H ISD 786           | 1-Jul-80        | 30                 | 1-Jul-10       | \$954,000.00                    | \$0.00                              | \$2,070,579.00            | \$3,024,579.00                   |                        |
| ST MICHAEL ISD 885         | 21-Mar-91       | 50                 | 21-Mar-41      | \$9,800,000.00                  | \$0.00                              | \$16,947,812.04           | \$26,747,812.04                  |                        |
| EAST CENT ISD 2580         | 27-Dec-01       | 50                 | 27-Dec-51      | \$19,000,000.00                 | \$0.00                              | \$3,484,876.25            | \$22,484,876.25                  |                        |
| REDWOOD ISD 2897           | 30-May-90       | 30                 | 30-May-20      | \$5,837,211.00                  | \$0.00                              | \$10,205,849.11           | \$16,043,060.11                  |                        |
| <b>TOTAL CAPITAL LOANS</b> |                 |                    |                | \$206,033,497.09                | \$4,642,850.97                      | \$190,976,203.49          | \$392,366,849.61                 |                        |



| <b>DISTRICT</b>                             | <b>Date<br/>Granted</b> | <b>Years to<br/>Cancel</b> | <b>Cancel<br/>Date</b> | <b>Original Loan<br/>as of 12/15/09</b> | <b>GASB</b>                                 |                                   | <b>Loan Balance<br/>as of 12/15/2009</b> |
|---|-------------------------|----------------------------|------------------------|---|---|-----------------------------------|--|
|   |                         |                            |                        |   | <b>Total Principal<br/>Payment to State</b> | <b>Total Interest<br/>Default</b> |  |
| <b>DEBT SERVICE LOANS</b>                   |                         |                            |                        |   |   |                                   |  |
| FOLEY ISD 051                               | N/A                     | N/A                        | N/A                    | \$104,621.69                            | \$0.00                                      | \$75,974.88                       | \$180,596.57                             |
| BARNUM ISD 091                              | N/A                     | N/A                        | N/A                    | \$69,134.71                             | \$0.00                                      | \$420,091.93                      | \$489,226.64                             |
| CROMWELL ISD 095                            | N/A                     | N/A                        | N/A                    | \$55,042.52                             | \$0.00                                      | \$77,008.69                       | \$132,051.21                             |
| FARMINGTON ISD 192                          | N/A                     | N/A                        | N/A                    | \$145,893.00                            | \$100,121.93                                | \$26,624.61                       | \$72,395.68                              |
| LAKE/WOODS ISD 390                          | N/A                     | N/A                        | N/A                    | \$41,703.65                             | \$0.00                                      | \$29,773.30                       | \$71,476.95                              |
| ROSEAU ISD 682                              | N/A                     | N/A                        | N/A                    | \$89,014.67                             | \$0.00                                      | \$51,467.07                       | \$140,481.74                             |
| WARROAD ISD 690                             | N/A                     | N/A                        | N/A                    | \$273,449.95                            | \$0.00                                      | \$653,141.41                      | \$926,591.36                             |
| REDWOOD ISD 2897                            | N/A                     | N/A                        | N/A                    | \$68,583.42                             | \$0.00                                      | \$17,694.97                       | \$86,278.39                              |
| <b>TOTAL DEBT SERVICE LOANS</b>             |                         |                            |                        | \$847,443.61                            | \$100,121.93                                | \$1,351,776.86                    | \$2,099,098.54                           |
| <b>TOTAL CAPITAL AND DEBT SERVICE LOANS</b> |                         |                            |                        | \$206,880,940.70                        | \$4,742,972.90                              | \$192,327,980.35                  | \$394,465,948.15                         |