

Sec. 4. [Subd. 4.] **Practice of law by judge of populous counties.** No judge of the probate court in any county having a population of 40,000, or more, shall practice as an attorney or counselor at law; nor shall he be a partner of any practicing attorney in the business of his profession.

Sec. 5. [Subd. 5.] **Practice by judge in other probate courts.** No judge of the probate court shall practice law in any probate court in the State of Minnesota.

Sec. 6. [Subd. 6.] **Repeals.** All laws relating to the salary and fees of probate judges in such counties, inconsistent herewith are hereby repealed and superseded.

Sec. 7. Laws 1959, Chapter 539, is hereby repealed.

Sec. 8. This act is effective as of April 24, 1959.

Approved May 22, 1959.

EXTRA SESSION

CHAPTER 27—H. F. No. 124

[Coded]

An act providing state financial aid through loans to certain school districts in which necessary local debt service tax levies exceed reasonable maximums; permitting the completion of loans applied for by certain school districts in certain cases; appropriating moneys therefor; authorizing certificates of indebtedness and the levy of taxes for the payment thereof; authorizing debt service loans and capital loans therefrom; creating a special state fund and a state committee for administration thereof; amending Minnesota Statutes 1957, Section 475.54, relating to serial payments of bond issues; repealing Minnesota Statutes 1957, Sections 120.51 to 120.57, and Laws 1959, Chapter 687.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. [124.36] **Short title.** *This act may be cited as the "Maximum Effort School Aid Law".*

Section 2. [124.37] **Policy and purpose.** *The rates of increase in school population in Minnesota and population shifts and economic changes in recent years, and anticipated in future years, have required and will require large expenditures for performing the duty of the state and its subdivisions*

to provide a general and uniform system of public schools. The state policy has been to require these school costs to be borne primarily by the local subdivisions. In most instances the local subdivisions have been, and will be, able to provide the required funds by local taxation as supplemented by the aids usually given to all school districts from state income tax and other state aids. There are, however, exceptional cases due to local conditions not found in most other districts where, either temporarily or over a considerable period of years, the costs will exceed the maximum which the local taxpayers can be reasonably expected to bear. In some districts having bonds of several issues outstanding, debt service tax-levy requirements are excessive for some years because of heavy bond principal payments accumulating in some of the years due to overlapping or short term issues. The policy and purpose of this act is to utilize the credit of the state, to a limited degree, to relieve those school districts, but only those, where the maximum effort by the district is inadequate to provide the necessary moneys.

Sec. 3. [124.38] Definitions. Subdivision 1. As used in sections 3 to 13, the terms defined in this section shall have the following meanings:

Subd. 2. "District" means any school district defined in Minnesota Statutes 1957, section 122.011, subdivisions 12, 13, 14, 15, and 16.

Subd. 3. "Indebtedness" or "debt" means the net debt of any district computed according to Minnesota Statutes, section 475.51, subd. 4, excluding loans made under this act.

Subd. 4. "Sinking fund" means the aggregate of all funds maintained by a district which are appropriated to payment of principal of and interest on its debts as required by Minnesota Statutes, chapter 475.

Subd. 5. "Debt service levy" means the levy for all sinking fund purposes in accordance with Minnesota Statutes, chapter 475.

Subd. 6. "Required debt service levy" means the total dollar amount needed to be included in the taxes levied by the district in any year for payment of interest and principal falling due on its debts prior to collection of the next ensuing year's debt service levy.

Subd. 7. "Maximum effort debt service levy" means a levy in a total dollar amount which equals or exceeds an amount computed as four and one-tenth mills on the correct

full and true value as determined for the then current school year.

Subd. 8. "Correct full and true value" means the valuation of all taxable property in the district determined by the equalization aid review committee as provided in Minnesota Statutes 1957, section 128.093, and amendments thereof. In districts whose debt limit is fixed by Minnesota Statutes, section 475.533, it also includes the value of railroad property as determined by the Railroad and Warehouse Commission.

Subd. 9. "Commissioner" means the Commissioner of Education.

Subd. 10. "Committee" means the School Loan Committee.

Subd. 11. "Fund" means the "maximum effort school loan fund."

Sec. 4. [124.39] Fund created. Subdivision 1. There is hereby created in the state treasury a "maximum effort school loan fund" for administration of moneys to be received and disbursed as authorized and required by this act, which fund shall be divided into four accounts for the purposes specified in subdivisions 2, 3, 4, and 5.

Subd. 2. There shall be a debt service loan account, out of which loans under section 7 shall be made. From the moneys appropriated to the fund by section 5 for the year ending June 30, 1960, there shall be paid into this account \$2,490,000, and for the year ending June 30, 1961, the sum of \$2,490,000. Transfers to and from said account shall also be made as required by this act.

Subd. 3. There shall be a capital loan account, out of which loans under section 8 shall be made. There shall be transferred to it from the debt service loan account on October 1 of each year, all moneys therein in excess of those required for debt service loans then agreed to be made. There shall be transferred from it to the debt service loan account on June 30 of each year all moneys therein in excess of those required for capital loans theretofore agreed to be made.

Subd. 4. There shall be an administration account for payment of the state's costs of administering this act. From the moneys appropriated by section 5, there shall be paid into this account \$10,000 for the year ending June 30, 1960, and \$10,000 for the year ending June 30, 1961.

Subd. 5. There shall be a certificate of indebtedness

account, into which shall be paid all interest paid by school districts on debt service loans and capital loans made under sections 7 or 8, whenever received, and all principal payment on such loans received after June 30, 1961, and the proceeds of all taxes levied pursuant to section 12. There shall be paid out of this account the principal of and interest on all certificates of indebtedness issued under section 12.

Subd. 6. All moneys deposited to the credit of the certificate of indebtedness account and not required for the payment of principal and interest as prescribed in subdivision 5 shall be transferred to the credit of the debt service loan account and such moneys are hereby annually appropriated in such account for the purposes prescribed by this act.

Sec. 5. [124.40] **Appropriation.** Subdivision 1. There is hereby appropriated to the fund the net proceeds of sale of state certificates of indebtedness issued under section 12, "net proceeds" being the amounts received upon their sale less expenses incidental to their issuance, sale, and delivery.

Subd. 2. Any amounts remaining in the fund on July 1 of each year, commencing in 1961, including any unused portion of the appropriation made in subdivision 1, shall be available for use by the committee in making further debt service loans and capital loans at like times and in like manner as herein provided for the years ending June 30, 1960, and June 30, 1961.

Subd. 3. All payments of principal on debt service notes or capital loan contracts, as received by the commissioner prior to July 1, 1961, are hereby appropriated to the debt service loan account if received on or between July 1 and September 30 of any year or to the capital loan account if received on or between October 1 and June 30 of the following year. All such payments received after June 30, 1961, as received by the commissioners, are hereby appropriated to the certificate of indebtedness account.

Sec. 6. [124.41] **School loan committee.** Subdivision 1. The members of the equalization aid review committee defined in Minnesota Statutes, section 128.093 are hereby constituted a School Loan Committee, with the commissioner of administration as chairman, the commissioner of taxation as vice chairman, and the commissioner of education as secretary, for receiving and considering applications for and granting or denying loans under this act.

Subd. 2. The committee, with the assistance of the attorney general or an assistant designated by him, shall pre-

pare forms of applications for debt service loans and capital loans and instruments evidencing such loans, and shall promulgate regulations to facilitate its operations in compliance with this act, and such regulations shall be subject to the procedure set forth in Minnesota Statutes Sections 15.0411 through 15.0422.

Subd. 3. The committee may employ a clerk, who may be designated assistant secretary, to serve at its pleasure and to be in unclassified service of the state, and fix his compensation, which shall be paid out of the administration account of the fund. The committee and the equalization aid committee may agree to make such person an employe of both and divide his duties and compensation.

Sec. 7. [124.42] **Debt service loans.** Subdivision 1. Any school district in which the required levy for debt service in any year will exceed its maximum effort debt service levy by 10% or by \$5000, whichever is less, is qualified for a debt service loan hereunder in an amount not exceeding the amount applied for nor three percent of the net debt of the district on the date granted, nor the difference between the required and the maximum effort debt service levy in such year, whichever is least. Applications shall be filed with the committee in each calendar year up to and including September 15. The committee shall determine whether the applicant is entitled to such loan and the amount thereof, and on or before October 1 shall certify to each applicant district the amount granted and its due date. A copy of each such certificate shall be filed with the commissioner. Upon receipt by the commissioner of a copy of the committee's certificate that the loan is granted, the commissioner shall notify the county auditor or county auditors in which the district is located that the amount so certified is available and appropriated for payment of principal and interest on its outstanding bonds and such auditors shall reduce by that amount the taxes otherwise leviable as the district's debt service levy on the tax rolls for such year. Each debt service loan shall be for a term of 30 years, prepayable at par at any time, and shall bear interest from its date at three and one-half percent per annum on the principal amount from time to time remaining unpaid, payable on December 15th of the year next following that in which the loan is received and annually thereafter.

Subd. 2. Each debt service loan shall be evidenced by a note which shall be executed in behalf of the district by the signatures of its chairman or vice chairman and the school district clerk, shall be dated November 1 of the year in which executed, and shall state its principal amount, due date, inter-

est rate, and that it is payable at the commissioner's office. It shall have printed thereon, or the commissioner shall attach thereto, a grill for entry of the date and amount of each payment and allocations of each payment to accrued interest or principal. Such notes shall be delivered to the committee not later than November 15 of the year in which executed. The secretary shall cause a record to be made and preserved showing the obligor district and the date, principal amount, and due date of each note, and shall then deliver it to the commissioner who shall make suitable record thereof.

Subd. 3. On or before December 1, the commissioner shall issue to each district whose note has been so received a warrant on the debt service loan account of the maximum effort school loan fund, payable on presentation to the state treasurer out of any moneys in such account. Interest shall accrue from the date such warrant is issued. The proceeds thereof shall be used by the district to pay principal or interest on its bonded debt falling due in the ensuing year.

Subd. 4. Each district receiving a debt service loan shall levy in that year for debt service its required debt service levy as reduced by the amount of the loan. In each year thereafter in which it shall not have received a debt service loan, until all its debts to the fund are paid, the district is hereby obligated to levy for debt service (a) the amount of its maximum effort debt service levy, or (b) the amount of its required debt service levy, whichever is greater. Whenever the maximum effort debt service levy is greater the district shall remit to the commissioner, within 10 days after its receipt of the last regular tax distribution in the year in which it is collected, that portion of the debt service tax collections, including penalties and interest, which exceeded the principal and interest payable on its bonded debt in the period for which the levy was made. In addition to the foregoing, the district shall levy in each year, commencing in the year a debt service loan is granted and continuing until the entire loan is paid, a sum sufficient to produce full payment of the interest payable on December 15 of the ensuing year on its debt service note, and the proceeds of such levy shall in each year be remitted to the commissioner for payment of such interest.

Sec. 8. [124.43] Capital loans. Subdivision 1. Any district is qualified to apply for a capital loan under this section if its net debt at the time of application is in excess of 90 percent of the debt limit prescribed by Minnesota Statutes, Chapter 475, or within \$20,000 of such limit. To the extent moneys are from time to time available hereunder, the

committee is authorized to effect capital loans to such school districts but the indebtedness of such a district at the time of receiving the initial proceeds from such loan must exceed 98 percent of its debt limit as prescribed by Minnesota Statutes, Chapter 475, or be within \$20,000 of such limit. Proceeds of such loans shall be used only for sites for school houses and for acquiring, bettering, furnishing, or equipping school houses, exclusive of gymnasiums, swimming pools, athletic fields, or similar items not related to classroom use. Applications with the accompanying data specified in subdivision 2 shall be filed between October 1 of any year and June 1 next following.

Subd. 2. The school board of any district desiring a loan shall adopt a resolution stating the amount proposed to be borrowed, the purpose for which the debt is to be incurred, and an estimate of dates when the moneys will be needed and the amounts needed on such dates. The question of authorizing the incurring of the debt shall then be submitted to the voters of the district at a regular or special election. If the state loan is to be for only part of the money needed for the contemplated purpose, the question submitted shall state the entire amount to be borrowed and that as much thereof as cannot be borrowed from the state hereunder will be borrowed on bonds sold at a public sale and that the remainder will be borrowed from the fund under this act. A majority of those voting on the question shall be sufficient to authorize the district to effect the state loan and also to issue the bonds on public sale in accordance with Minnesota Statutes, Chapter 475. Applications for loans shall be accompanied by (a) a copy of such resolution, (b) a certificate by the clerk showing the vote at the election, (c) a certificate by the clerk and treasurer showing the then outstanding indebtedness of the district, and (d) a certificate by the county auditor of each county in which a portion of the district lies showing the valuations of taxable properties in the district taxed in his county. The clerk's and treasurer's certificate shall show, as to each outstanding bond issue, the amount originally issued, the purpose for which issued, the date of issue, the amount remaining unpaid as of the date of the resolution, and the interest rate and due dates and amounts of principal thereon. The county auditor's certificate shall show the full and true value and the assessed value of all real estate in his county taxable by the district and the assessed value and full and true value of all personal property in his county taxable by the district, according to the assessment rolls last previously equalized, except that the full and true values shall be estimated if not shown on such rolls. Applications shall be in

such form and accompanied by such additional data as the committee shall prescribe, which may include a statement from the state department of education as to the district's need of the proposed schoolhouses in comparison with needs of other districts. When an application is received, the committee shall obtain from the commissioner of taxation a certificate showing the correct full and true valuation of taxable property in the district as last theretofore determined by the equalization aid review committee.

Subd. 3. The committee shall examine and consider all applications for capital loans, and if any applicant district is found not qualified it shall be promptly notified thereof. Not later than January 1 and July 1 of each year, the committee shall make its determination on all pending applications which have been on file with it more than one month. If an applicant is qualified in the opinion of the committee and the aggregate of the amounts applied for does not exceed the amount available or which can be made available in the capital loan account, all loans so applied for shall be granted, subject to acceptance by the respective districts as specified below. If the aggregate exceeds the amount which is or can be made available, the committee shall allot the available amount among the qualified applicant districts, or any of them, according to the committee's judgment and discretion based upon their respective needs. The committee shall promptly certify to each qualified applicant district the amount, if any, of the capital loan granted to it.

Subd. 4. Each capital loan shall be for a term of 30 years and evidenced by a contract between the school district and the state acting through the committee. It shall obligate the state to pay to the district, out of the maximum effort school loan fund, specified amounts at specified dates, being the dates and amounts the district has estimated it will need the loan proceeds. It shall obligate the district on its full faith and credit to repay the entire principal of the state loan and interest thereon at three and one-half percent per annum on the principal amount from time to time unpaid out of the excesses of a maximum effort debt service levy over its required debt service levy. The district shall each year, as long as it is indebted to the state, levy for debt service (a) the amount of its maximum effort debt service levy or (b) the amount of its required debt service levy, whichever is greater, except as such required debt service levy may be reduced by a loan under section 7. Whenever the maximum effort debt service levy is greater, the district shall remit to the commissioner within ten days after its receipt of the last regular tax

distribution in each year, that portion of the debt service tax collections, including penalties and interest, which exceeded the required debt service levy. The commissioner shall supervise the collection of outstanding accounts due the fund and may, by notice to the proper county auditor require the maximum levy to be made as required hereunder. Interest on capital loans shall be paid on December 15 of the year next following that in which the loan is granted and annually thereafter. In addition to the levies otherwise required by this subdivision, the district shall levy in each year, commencing in the year a capital loan is granted and continuing until the entire loan is paid, a sum sufficient to produce full payment of the interest payable on December 15 of the ensuing year on its capital loan contract, and the proceeds of such levy shall in each year be remitted to the commissioner for payment of such interest.

Subd. 5. As each executed contract is delivered to the committee, its secretary shall cause a record thereof to be made and preserved showing the name and address of the district, the date of contract, and the dates and amounts agreed to be disbursed by the state. On the disbursement dates specified in the contract, or prior thereto if requested by the district, the commissioner shall issue a warrant on the capital loan account for the agreed amount, payable on presentation to the state treasurer. On presentation the treasurer shall remit the amount to the district and enter the date and amount in his account with the district. Interest thereon shall accrue from such date.

Subd. 6. No district having an outstanding capital loan under this act shall be authorized to issue and sell any bonds on the public market unless it agrees to pay the balance due the fund out of the bonds to be sold or unless it shall first have issued and sold refunding bonds under Minnesota Statutes, chapter 475, to refund that portion, if any, of the prior capital loan which with its net indebtedness does not then exceed the debt limit prescribed by said chapter 475.

Sec. 9. [124.44] Prepayments. *Any school district may at any time pay the entire principal or part thereof and interest then due on a note or contract held by the state, out of any moneys not needed for school purposes, and may issue and sell its refunding bonds in accordance with Minnesota Statutes, chapter 475, for such purpose, by actions of its school board and without the necessity of a vote by its electors, if such refunding bonds plus its net debt does not exceed the debt limit prescribed by said chapter 475.*

Sec. 10. [124.45] Applications of payment. *The commissioner shall apply payments received from a district on its notes and contracts as follows: First, to payment of interest accrued on its notes, if any; second, to interest on its contracts, if any; third, toward principal on its notes, if any; and last, toward payment of principal of its contracts, if any. While more than one note or more than one contract is held, priority of application shall be given to the one of earliest date of the instrument.*

Sec. 11. Amendments. Minnesota Statutes 1957, section 475.54, is amended to read:

475.54 Serial payments: redemption prior to maturity. All obligations authorized under this chapter shall mature serially in annual or semiannual installments. The first installment shall mature not later than three years from the date of the obligations and the last installment shall mature not more than 30 years from such date. No amount of principal of any obligations payable in any calendar year shall exceed five times the amount of the smallest amount payable in any preceding calendar year ending three years or more after date of issue, *provided that in the case of the issuance of bonds by a school district this requirement shall be applied to the aggregate maturities of the bonds to be issued and of all other bonds of the district outstanding at the time of such issuance, considered as a single issue, and the first installment of the additional bonds need not mature within three years from their date of issue if the aggregate maturities of all the bonds conform to the provisions of this section.* Any obligation may be issued reserving the right of redemption and payment thereof prior to maturity, at par and accrued interest or at such premium and at such time or times and upon such notice as shall be determined by the governing body. When any such obligation has been validly called for redemption and the principal thereof and all interest thereon to the date of redemption have been paid or deposited with the paying agent, interest thereon shall cease.

Sec. 12. [124.46] State tax levy: certificates of indebtedness. *Subdivision 1. On or before October 1, 1959, the commissioner shall certify to the state auditor the amount, not exceeding \$2,500,000, in addition to the amounts appropriated from the income tax fund, which he anticipates will be needed for debt service loans and capital loans to be made under sections 7 and 8 prior to October 1, 1960. On or before October 1, 1960, the commissioner shall certify to the state auditor the amount, not exceeding \$2,500,000, in addition to*

the amounts appropriated from the income tax fund, plus any portion of the \$2,500,000 not certified in 1959, which he anticipates will be needed for debt service loans and capital loans to be made after October 1, 1960. Each such certification of the commissioner shall also state his estimate of the dates and amounts the certified amount will be needed in the maximum effort school loan fund and his estimate as to the years and amounts in which payments on debt service loans and capital loans will be received.

Subd. 2. Upon receipt of each such certification, the state auditor shall from time to time as needed prepare, execute, issue, and sell state of Minnesota school aid certificates of indebtedness in the aggregate principal amount stated in the commissioner's certificate, and credit the proceeds of their sale to the purposes for which they are appropriated by section 5, subdivision 1. Such certificates of indebtedness shall be sold at not less than their par value. They shall be numbered serially and of such denominations, not less than \$1,000, and bear such dates of issue and of maturity, and bear interest from their date until paid at such rate or rates not exceeding 5 percent per annum and payable at such intervals, all as the auditor shall determine; provided that the maturity date shall in no case be more than 30 years after the date of issue and the principal amounts and due dates shall conform as near as may be with the commissioner's estimates of dates and amounts of payments to be received on debt service and capital loans. Provided, however, that not more than one-fifteenth of the principal amount of certificates of indebtedness authorized in any one year by this section shall mature in any one year.

Subd. 3. At the time of computing and certifying for collection the state tax levy in 1959 and in each year thereafter until all school aid certificates of indebtedness have been paid, the state auditor shall include in such levy an amount sufficient to meet, with funds then on hand in the certificate of indebtedness account, all payments of principal and interest on school aid certificates of indebtedness then outstanding and on those in process of being issued which will fall due prior to receipt of the next ensuing year's state tax levy. The amounts so computed are hereby levied upon all taxable properties in the state and the proceeds of such levies are hereby irrevocably appropriated to payment of such certificates of indebtedness. In event any principal or interest on certificates of indebtedness shall fall due when moneys in the certificate of indebtedness account are insufficient, the amount of such deficiency shall be advanced from the general revenue

fund and the amounts so advanced shall be restored to the general revenue fund out of subsequent collections of taxes levied under this section, and such funds and levies are hereby appropriated therefor.

Subd. 4. Certificates of indebtedness issued pursuant to this section shall constitute negotiable instruments under the laws of Minnesota. They may be purchased by the state board of investment for the Permanent School Fund, Swamp Land Fund, Internal Improvement Land Fund, or any other fund for which investments may be made by the state board of investment or may be sold elsewhere at public or private sale and shall be deemed "authorized securities" within the provisions of Minnesota Statutes Section 50.14 and acts amendatory thereof or supplemental thereto.

Subd. 5. If at any time the committee and the commissioner shall determine that there are moneys on hand in the debt service loan account or the capital loan account which will not be needed for loans to school districts, they shall certify such determination to the state auditor and state treasurer and the amounts so on hand shall be transferred to the certificate of indebtedness account.

Sec. 13. [124.47] Repealer and savings clause. *Subdivision 1. Minnesota Statutes 1957, Sections 120.51 to 120.57 are hereby repealed; provided that nothing herein shall impair the validity of any bonds issued pursuant to said sections or of the appropriations therein made, or of any expenditures made pursuant to said appropriations prior to the effective date of this act, and all such bonds and expenditures are hereby legalized and validated; but the school construction loan fund created by section 120.57 shall be discontinued on the effective date of this act, and all moneys then remaining therein, and all subsequent collections of principal and interest on bonds purchased by said fund, are hereby appropriated to the fund created by this act.*

Subd. 2. The committee is hereby authorized to purchase the bonds of any district which the state board of education had agreed to give aid through such purchase, under sections 120.51 to 120.57 referred to in subdivision 1 hereof, but the purchase of which bonds were not completed prior to the repeal of such sections. The amount of bonds authorized to be purchased under this section shall be limited to the amount previously approved under such laws. There is hereby appropriated from the fund sufficient moneys to make such purchase, but not in excess of the moneys which were remaining in the school construction fund created by said section

120.57 and appropriated to the fund created by this act. Such bonds shall be purchased without new application therefor but subject to the following provisions:

(a) Such bonds shall bear interest at three and one-half percent per annum payable semiannually. Bonds may be called for redemption in any amount at any time after three years from date of issue; first required payment on the principal shall be due 15 years from date of issue and the entire issue shall mature serially at equal intervals over a period of 38 years so that the entire principal of the loan is paid on or before 50 years from the date of its issue. Bonds shall be numbered and be in such denominations as the committee shall determine.

(b) The committee may require such loans authorized in this subdivision to be presently paid when such school district, whose bonds are purchased under this subdivision, is able to refund said bonds on the public market pursuant to Minnesota Statutes 1957, Chapter 475; and the committee shall require as a condition of granting such aid that maximum effective use be made of such presently existing educational facilities.

(c) Such loans as are authorized in this subdivision shall be for the purpose of construction of school building classroom facilities only, and the bonds of such district shall be accepted by the committee as security for the loans.

Sec. 14. Laws 1959, Chapter 687, is repealed. This act is a substitute therefor.

Approved May 22, 1959.

EXTRA SESSION

CHAPTER 28—H. F. No. 7

[Not Coded]

An act relating to claims against the state, providing certain conditions in certain cases including waiving the state's immunity from suit, and appropriating moneys for the payment thereof.

Be it enacted by the Legislature of the State of Minnesota:

Section 1. Appropriations from highway and related funds. Subdivision 1. There is appropriated from any