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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. 2673

03/21/2019 Authored by Youakim and Mariani
The bill was read for the first time and referred to the Committee on Ways and Means

1.1 A bill for an act
1.2 relating to education finance; increasing local optional revenue; linking future
1.3 increases in local optional revenue to the growth in the general education basic
1.4 formula allowance; amending Minnesota Statutes 2018, sections 124E.20,
1.5 subdivision 1; 126C.10, subdivisions 2e, 24; 126C.17, subdivisions 1, 2, 5, 6, 7,
1.6 7a.

1.7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.8 Section 1. Minnesota Statutes 2018, section 124E.20, subdivision 1, is amended to read:

1.9 Subdivision 1. Revenue calculation. (a) General education revenue must be paid to a
1.10 charter school as though it were a district. The general education revenue for each adjusted
1.11 pupil unit is the state average general education revenue per pupil unit, plus the referendum
1.12 equalization aid allowance and first tier local optional aid allowance in the pupil's district
1.13 of residence, minus an amount equal to the product of the formula allowance according to
1.14 section 126C.10, subdivision 2, times .0466, calculated without declining enrollment revenue,
1.15 local optional revenue, basic skills revenue, extended time revenue, pension adjustment
1.16 revenue, transition revenue, and transportation sparsity revenue, plus declining enrollment
1.17 revenue, basic skills revenue, pension adjustment revenue, and transition revenue as though
1.18 the school were a school district.

1.19 (b) For a charter school operating an extended day, extended week, or summer program,
1.20 the general education revenue in paragraph (a) is increased by an amount equal to 25 percent
1.21 of the statewide average extended time revenue per adjusted pupil unit.

1.22 (c) Notwithstanding paragraph (a), the general education revenue for an eligible special
1.23 education charter school as defined in section 124E.21, subdivision 2, equals the sum of
1.24 the amount determined under paragraph (a) and the school's unreimbursed cost as defined

2.1 in section 124E.21, subdivision 2, for educating students not eligible for special education
2.2 services.

2.3 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2021 and later.

2.4 Sec. 2. Minnesota Statutes 2018, section 126C.10, subdivision 2e, is amended to read:

2.5 Subd. 2e. **Local optional revenue.** (a) For fiscal years 2019 and 2020, local optional
2.6 revenue for a school district equals \$424 times the adjusted pupil units of the district for
2.7 that school year. For fiscal year 2021 and later, local optional revenue for a school district
2.8 equals the sum of the district's first tier local optional revenue and second tier local optional
2.9 revenue. A district's first tier local optional revenue equals \$300 times the adjusted pupil
2.10 units of the district for that school year. A district's second tier local optional revenue equals
2.11 the product of \$460, the ratio of the formula allowance for the current fiscal year to the
2.12 formula allowance for fiscal year 2020, and the adjusted pupil units of the district for that
2.13 school year.

2.14 (b) For fiscal year 2019, a district's local optional levy equals its local optional revenue
2.15 times the lesser of one or the ratio of its referendum market value per resident pupil unit to
2.16 \$510,000. For fiscal year 2020 and later, a district's local optional levy equals the sum of
2.17 the first tier local optional levy and the second tier local optional levy. A district's first tier
2.18 local optional levy equals the district's first tier local optional revenue times the lesser of
2.19 one or the ratio of the district's referendum market value per resident pupil unit to \$880,000.
2.20 A district's second tier local optional levy equals the district's second tier local optional
2.21 revenue times the lesser of one or the ratio of the district's referendum market value per
2.22 resident pupil unit to \$510,000. The local optional revenue levy must be spread on referendum
2.23 market value. A district may levy less than the permitted amount.

2.24 (c) A district's local optional aid equals its local optional revenue ~~less~~ minus its local
2.25 optional levy, times the ratio of the actual amount levied to the permitted levy. If a district's
2.26 actual levy for first or second tier local optional revenue is less than its maximum levy limit
2.27 for that tier, its aid must be proportionately reduced.

2.28 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2021 and later.

2.29 Sec. 3. Minnesota Statutes 2018, section 126C.10, subdivision 24, is amended to read:

2.30 Subd. 24. **Equity revenue.** (a) A school district qualifies for equity revenue if:

2.31 (1) the school district's adjusted pupil unit amount of basic revenue, transition revenue,
2.32 first tier local optional revenue, and referendum revenue is less than the value of the school

3.1 district at or immediately above the 95th percentile of school districts in its equity region
 3.2 for those revenue categories; and

3.3 (2) the school district's administrative offices are not located in a city of the first class
 3.4 on July 1, 1999.

3.5 (b) Equity revenue ~~for a qualifying district that receives referendum revenue under~~
 3.6 ~~section 126C.17, subdivision 4,~~ equals the product of (1) the district's adjusted pupil units
 3.7 for that year; times (2) the sum of (i) \$14, plus (ii) \$80, times the school district's equity
 3.8 index computed under subdivision 27.

3.9 (e) ~~Equity revenue for a qualifying district that does not receive referendum revenue~~
 3.10 ~~under section 126C.17, subdivision 4, equals the product of the district's adjusted pupil units~~
 3.11 ~~for that year times \$14.~~

3.12 ~~(d)~~ (c) A school district's equity revenue is increased by the greater of zero or an amount
 3.13 equal to the district's adjusted pupil units times the difference between ten percent of the
 3.14 statewide average amount of referendum revenue and first tier local optional revenue per
 3.15 adjusted pupil unit for that year and the sum of the district's referendum revenue and first
 3.16 tier local optional revenue per adjusted pupil unit. A school district's revenue under this
 3.17 paragraph must not exceed \$100,000 for that year.

3.18 ~~(e)~~ (d) A school district's equity revenue for a school district located in the metro equity
 3.19 region equals the amount computed in paragraphs (b); and (c); ~~and (d)~~ multiplied by 1.25.

3.20 ~~(f) For fiscal years 2017, 2018, and 2019 for a school district not included in paragraph~~
 3.21 ~~(e), a district's equity revenue equals the amount computed in paragraphs (b), (c), and (d)~~
 3.22 ~~multiplied by 1.16.~~ (e) For fiscal year ~~2020~~ 2021 and later for a school district not included
 3.23 in paragraph ~~(e)~~ (d), a district's equity revenue equals the amount computed in paragraphs
 3.24 (b); and (c); ~~and (d)~~ multiplied by 1.25.

3.25 ~~(g)~~ (f) A school district's additional equity revenue equals \$50 times its adjusted pupil
 3.26 units.

3.27 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2021 and later.

3.28 Sec. 4. Minnesota Statutes 2018, section 126C.17, subdivision 1, is amended to read:

3.29 Subdivision 1. **Referendum allowance.** (a) A district's initial referendum allowance for
 3.30 fiscal year 2021 and later equals the result of the following calculations:

3.31 ~~(1) multiply the referendum allowance the district would have received for fiscal year~~
 3.32 ~~2015 under Minnesota Statutes 2012, section 126C.17, subdivision 1, based on elections~~

4.1 ~~held before July 1, 2013, by the resident marginal cost pupil units the district would have~~
 4.2 ~~counted for fiscal year 2015 under Minnesota Statutes 2012, section 126C.05;~~

4.3 ~~(2) add to the result of clause (1) the adjustment the district would have received under~~
 4.4 ~~Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based~~
 4.5 ~~on elections held before July 1, 2013;~~

4.6 ~~(3) divide the result of clause (2) by the district's adjusted pupil units for fiscal year~~
 4.7 ~~2015;~~

4.8 ~~(4) add to the result of clause (3) any additional referendum allowance per adjusted pupil~~
 4.9 ~~unit authorized by elections held between July 1, 2013, and December 31, 2013;~~

4.10 ~~(5) add to the result in clause (4) any additional referendum allowance resulting from~~
 4.11 ~~inflation adjustments approved by the voters prior to January 1, 2014;~~

4.12 ~~(6) subtract from the result of clause (5), the sum of a district's actual local optional levy~~
 4.13 ~~and local optional aid under section 126C.10, subdivision 2c, divided by the adjusted pupil~~
 4.14 ~~units of the district for that school year; and~~

4.15 (1) subtract the local optional revenue amount from the district's allowance under
 4.16 Minnesota Statutes 2016, section 126C.17, subdivision 1, paragraph (a), clause (5);

4.17 (2) if the result of clause (1) is less than zero, set the allowance to zero;

4.18 (3) add to the result in clause (2) any new referendum allowance authorized between
 4.19 July 1, 2013, and December 31, 2013, under Minnesota Statutes 2013, section 126C.17,
 4.20 subdivision 9a;

4.21 (4) add to the result in clause (3) any additional referendum allowance per adjusted pupil
 4.22 unit authorized between January 1, 2014, and June 30, 2019;

4.23 (5) subtract from the result in clause (4) any allowances expiring in fiscal year 2016,
 4.24 2017, 2018, or 2019;

4.25 (6) subtract \$300 from the result in clause (5); and

4.26 (7) if the result of clause (6) is less than zero, set the allowance to zero.

4.27 (b) A district's referendum allowance equals the sum of the district's initial referendum
 4.28 allowance calculated in paragraph (a), plus any new referendum allowance authorized
 4.29 between July 1, 2013, and December 31, 2013, under subdivision 9a, plus any additional
 4.30 referendum allowance per adjusted pupil unit authorized after December 31, 2013, after
 4.31 July 1, 2019, minus any allowances expiring in fiscal year 2016 2021 or later, plus any
 4.32 inflation adjustments for fiscal year 2021 and later approved by the voters prior to July 1,

5.1 ~~2019, provided that the allowance may not be less than zero. For a district with more than~~
 5.2 ~~one referendum allowance for fiscal year 2015 under Minnesota Statutes 2012, section~~
 5.3 ~~126C.17, the allowance calculated under paragraph (a), clause (3), must be divided into~~
 5.4 ~~components such that the same percentage of the district's allowance expires at the same~~
 5.5 ~~time as the old allowances would have expired under Minnesota Statutes 2012, section~~
 5.6 ~~126C.17. For a district with more than one allowance for fiscal year 2015 that expires in~~
 5.7 ~~the same year, the reduction under paragraph (a), clause clauses (1) and (6), to offset local~~
 5.8 ~~optional revenue shall be made first from any allowances that do not have an inflation~~
 5.9 ~~adjustment approved by the voters.~~

5.10 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2021 and later.

5.11 Sec. 5. Minnesota Statutes 2018, section 126C.17, subdivision 2, is amended to read:

5.12 Subd. 2. **Referendum allowance limit.** (a) Notwithstanding subdivision 1, for fiscal
 5.13 year ~~2015~~ 2021 and later, a district's referendum allowance must not exceed ~~the annual~~
 5.14 ~~inflationary increase as calculated under paragraph (b)~~ times the greatest of:

5.15 (1) ~~\$1,845~~ the product of the annual inflationary increase as calculated under paragraph
 5.16 (b), and \$2,012.53, minus \$300;

5.17 (2) the product of the annual inflationary increase as calculated under paragraph (b),
 5.18 and the sum of the referendum revenue the district would have received for fiscal year 2015
 5.19 under Minnesota Statutes 2012, section 126C.17, subdivision 4, based on elections held
 5.20 before July 1, 2013, and the adjustment the district would have received under Minnesota
 5.21 Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections
 5.22 held before July 1, 2013, divided by the district's adjusted pupil units for fiscal year 2015,
 5.23 minus \$300;

5.24 (3) ~~the product of the referendum allowance limit the district would have received for~~
 5.25 ~~fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 2, and the~~
 5.26 ~~resident marginal cost pupil units the district would have received for fiscal year 2015 under~~
 5.27 ~~Minnesota Statutes 2012, section 126C.05, subdivision 6, plus the adjustment the district~~
 5.28 ~~would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7,~~
 5.29 ~~paragraphs (a), (b), and (c), based on elections held before July 1, 2013, divided by the~~
 5.30 ~~district's adjusted pupil units for fiscal year 2015; minus \$424 for a newly reorganized~~
 5.31 ~~district created on July 1, 2019, the referendum revenue authority for each reorganizing~~
 5.32 ~~district in the year preceding reorganization divided by its adjusted pupil units for the year~~
 5.33 ~~preceding reorganization, minus \$300; or~~

6.1 (4) for a newly reorganized district created after July 1, ~~2013~~ 2021, the referendum
 6.2 revenue authority for each reorganizing district in the year preceding reorganization divided
 6.3 by its adjusted pupil units for the year preceding reorganization.

6.4 (b) For purposes of this subdivision, for fiscal year ~~2016~~ 2022 and later, "inflationary
 6.5 increase" means one plus the percentage change in the Consumer Price Index for urban
 6.6 consumers, as prepared by the United States Bureau of Labor ~~Standards~~ Statistics, for the
 6.7 current fiscal year to fiscal year ~~2015~~ 2021. ~~For fiscal year 2016 and later, for purposes of~~
 6.8 ~~paragraph (a), clause (3), the inflationary increase equals one-fourth of the percentage~~
 6.9 ~~increase in the formula allowance for that year compared with the formula allowance for~~
 6.10 ~~fiscal year 2015.~~

6.11 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2021 and later.

6.12 Sec. 6. Minnesota Statutes 2018, section 126C.17, subdivision 5, is amended to read:

6.13 Subd. 5. **Referendum equalization revenue.** (a) A district's referendum equalization
 6.14 revenue equals the sum of the first tier referendum equalization revenue and the second tier
 6.15 referendum equalization revenue, ~~and the third tier referendum equalization revenue.~~

6.16 (b) A district's first tier referendum equalization revenue equals the district's first tier
 6.17 referendum equalization allowance times the district's adjusted pupil units for that year.

6.18 (c) A district's first tier referendum equalization allowance equals the lesser of the
 6.19 district's referendum allowance under subdivision 1 or ~~\$300~~ \$460.

6.20 (d) A district's second tier referendum equalization revenue equals the district's second
 6.21 tier referendum equalization allowance times the district's adjusted pupil units for that year.

6.22 (e) A district's second tier referendum equalization allowance equals the lesser of the
 6.23 district's referendum allowance under subdivision 1 or ~~\$760, minus the district's first tier~~
 6.24 ~~referendum equalization allowance.~~

6.25 ~~(f) A district's third tier referendum equalization revenue equals the district's third tier~~
 6.26 ~~referendum equalization allowance times the district's adjusted pupil units for that year.~~

6.27 ~~(g) A district's third tier referendum equalization allowance equals the lesser of the~~
 6.28 ~~district's referendum allowance under subdivision 1 or 25 percent of the formula allowance,~~
 6.29 ~~minus the sum of \$300 and the district's first tier referendum equalization allowance and~~
 6.30 ~~second tier referendum equalization allowance.~~

6.31 ~~(h)~~ (f) Notwithstanding paragraph ~~(g)~~ (e), the ~~third~~ second tier referendum allowance
 6.32 for a district qualifying for secondary sparsity revenue under section 126C.10, subdivision

7.1 7, or elementary sparsity revenue under section 126C.10, subdivision 8, equals the district's
 7.2 referendum allowance under subdivision 1 minus the ~~sum of the~~ district's first tier referendum
 7.3 equalization allowance ~~and second tier referendum equalization allowance.~~

7.4 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2020 and later.

7.5 Sec. 7. Minnesota Statutes 2018, section 126C.17, subdivision 6, is amended to read:

7.6 Subd. 6. **Referendum equalization levy.** (a) A district's referendum equalization levy
 7.7 equals the sum of the first tier referendum equalization levy; and the second tier referendum
 7.8 equalization levy; ~~and the third tier referendum equalization levy.~~

7.9 (b) A district's first tier referendum equalization levy equals the district's first tier
 7.10 referendum equalization revenue times the lesser of one or the ratio of the district's
 7.11 referendum market value per resident pupil unit to ~~\$880,000~~ \$510,000.

7.12 (c) A district's second tier referendum equalization levy equals the district's second tier
 7.13 referendum equalization revenue times the lesser of one or the ratio of the district's
 7.14 referendum market value per resident pupil unit to ~~\$510,000~~ \$290,000.

7.15 ~~(d) A district's third tier referendum equalization levy equals the district's third tier~~
 7.16 ~~referendum equalization revenue times the lesser of one or the ratio of the district's~~
 7.17 ~~referendum market value per resident pupil unit to \$290,000.~~

7.18 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2021 and later.

7.19 Sec. 8. Minnesota Statutes 2018, section 126C.17, subdivision 7, is amended to read:

7.20 Subd. 7. **Referendum equalization aid.** (a) A district's referendum equalization aid
 7.21 equals the difference between its referendum equalization revenue and levy.

7.22 (b) If a district's actual levy for first; or second; ~~or third~~ tier referendum equalization
 7.23 revenue is less than its maximum levy limit for that tier, aid shall be proportionately reduced.

7.24 (c) Notwithstanding paragraph (a), the referendum equalization aid for a district; ~~where~~
 7.25 ~~the referendum equalization aid under paragraph (a) exceeds 90 percent of the referendum~~
 7.26 ~~revenue~~; must not exceed: (1) the difference between 25 percent of the formula allowance
 7.27 and \$300; times (2) the district's adjusted pupil units. A district's referendum levy is increased
 7.28 by the amount of any reduction in referendum aid under this paragraph.

7.29 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2021 and later.

8.1 Sec. 9. Minnesota Statutes 2018, section 126C.17, subdivision 7a, is amended to read:

8.2 Subd. 7a. **Referendum tax base replacement aid.** For each school district that had a
8.3 referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized
8.4 referendum levy, the commissioner of revenue, in consultation with the commissioner of
8.5 education, shall certify the amount of the referendum levy in taxes payable year 2001
8.6 attributable to the portion of the referendum allowance exceeding \$415 levied against
8.7 property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding
8.8 the portion of the tax paid by the portion of class 2a property consisting of the house, garage,
8.9 and surrounding one acre of land. The resulting amount must be used to reduce the district's
8.10 referendum levy or first tier local optional levy amount otherwise determined, and must be
8.11 paid to the district each year that the referendum or first tier local optional authority remains
8.12 in effect, is renewed, or new referendum authority is approved. The aid payable under this
8.13 subdivision must be subtracted from the district's referendum equalization aid under
8.14 subdivision 7. The referendum equalization aid and the first tier local optional aid after the
8.15 subtraction must not be less than zero.

8.16 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2021 and later.