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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. 344

01/19/2017 Authored by Davnie and Freiberg
The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act
1.2 relating to education; modifying the calculation of special education aid; increasing
1.3 school district basic revenue; indexing basic revenue to inflation; authorizing a
1.4 school district to renew an expiring referendum by action of the school board;
1.5 appropriating money; amending Minnesota Statutes 2016, sections 125A.76,
1.6 subdivisions 1, 2c; 125A.79, subdivision 5; 126C.10, subdivision 2; 126C.17, by
1.7 adding a subdivision.

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

1.9 Section 1. Minnesota Statutes 2016, section 125A.76, subdivision 1, is amended to read:

1.10 Subdivision 1. **Definitions.** (a) For the purposes of this section and section 125A.79,
1.11 the definitions in this subdivision apply.

1.12 (b) "Basic revenue" has the meaning given it in section 126C.10, subdivision 2. For the
1.13 purposes of computing basic revenue pursuant to this section, each child with a disability
1.14 shall be counted as prescribed in section 126C.05, subdivision 1.

1.15 (c) "Essential personnel" means teachers, cultural liaisons, related services, and support
1.16 services staff providing services to students. Essential personnel may also include special
1.17 education paraprofessionals or clericals providing support to teachers and students by
1.18 preparing paperwork and making arrangements related to special education compliance
1.19 requirements, including parent meetings and individualized education programs. Essential
1.20 personnel does not include administrators and supervisors.

1.21 (d) "Average daily membership" has the meaning given it in section 126C.05.

1.22 (e) "Program growth factor" means 1.046 for fiscal years 2012 through 2015, 1.0 for
1.23 fiscal year 2016, 1.046 for fiscal year 2017, and the product of 1.046 and the program growth
1.24 factor for the previous year for fiscal year 2018 and later.

2.1 (f) "Nonfederal special education expenditure" means all direct expenditures that are
 2.2 necessary and essential to meet the district's obligation to provide special instruction and
 2.3 services to children with a disability according to sections 124D.454, 125A.03 to 125A.24,
 2.4 125A.259 to 125A.48, and 125A.65 as submitted by the district and approved by the
 2.5 department under section 125A.75, subdivision 4, excluding expenditures:

2.6 (1) reimbursed with federal funds;

2.7 (2) reimbursed with other state aids under this chapter;

2.8 (3) for general education costs of serving students with a disability;

2.9 (4) for facilities;

2.10 (5) for pupil transportation; and

2.11 (6) for postemployment benefits.

2.12 (g) "Old formula special education expenditures" means expenditures eligible for revenue
 2.13 under Minnesota Statutes 2012, section 125A.76, subdivision 2.

2.14 (h) For the Minnesota State Academy for the Deaf and the Minnesota State Academy
 2.15 for the Blind, expenditures under paragraphs (f) and (g) are limited to the salary and fringe
 2.16 benefits of one-to-one instructional and behavior management aides and one-to-one licensed,
 2.17 certified professionals assigned to a child attending the academy, if the aides or professionals
 2.18 are required by the child's individualized education program.

2.19 (i) "Cross subsidy reduction aid percentage" means 1.0 percent for fiscal year 2014 and
 2.20 2.27 percent for fiscal year 2015.

2.21 (j) "Cross subsidy reduction aid limit" means \$20 for fiscal year 2014 and \$48 for fiscal
 2.22 year 2015.

2.23 (k) "Special education aid increase limit" means \$80 for fiscal year 2016, and \$100 for
 2.24 fiscal year 2017, ~~and, for fiscal year 2018 and later, the sum of the special education aid~~
 2.25 ~~increase limit for the previous fiscal year and \$40.~~

2.26 (l) "District" means a school district, a charter school, or a cooperative unit as defined
 2.27 in section 123A.24, subdivision 2. Notwithstanding section 123A.26, cooperative units as
 2.28 defined in section 123A.24, subdivision 2, are eligible to receive special education aid under
 2.29 this section and section 125A.79.

2.30 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2018 and later.

3.1 Sec. 2. Minnesota Statutes 2016, section 125A.76, subdivision 2c, is amended to read:

3.2 Subd. 2c. **Special education aid.** (a) For fiscal year 2016 and later, a district's special
3.3 education aid equals the sum of the district's special education initial aid under subdivision
3.4 2a and the district's excess cost aid under section 125A.79, subdivision 5.

3.5 (b) Notwithstanding paragraph (a), for fiscal year 2016, the special education aid for a
3.6 school district must not exceed the sum of the special education aid the district would have
3.7 received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79,
3.8 as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision
3.9 7, and the product of the district's average daily membership served and the special education
3.10 aid increase limit.

3.11 (c) Notwithstanding paragraph (a), for fiscal year 2017 ~~and later~~, the special education
3.12 aid for a school district must not exceed the sum of: (i) the product of the district's average
3.13 daily membership served and the special education aid increase limit and (ii) the product
3.14 of the sum of the special education aid the district would have received for fiscal year 2016
3.15 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to
3.16 Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, the ratio of the
3.17 district's average daily membership served for the current fiscal year to the district's average
3.18 daily membership served for fiscal year 2016, and the program growth factor.

3.19 (d) Notwithstanding paragraph (a), for fiscal year 2016 and later the special education
3.20 aid for a school district, not including a charter school or cooperative unit as defined in
3.21 section 123A.24, must not be less than the lesser of (1) the district's nonfederal special
3.22 education expenditures for that fiscal year or (2) the product of the sum of the special
3.23 education aid the district would have received for fiscal year 2016 under Minnesota Statutes
3.24 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012,
3.25 sections 125A.11 and 127A.47, subdivision 7, the ratio of the district's adjusted daily
3.26 membership for the current fiscal year to the district's average daily membership for fiscal
3.27 year 2016, and the program growth factor.

3.28 (e) Notwithstanding subdivision 2a and section 125A.79, a charter school in its first year
3.29 of operation shall generate special education aid based on current year data. A newly formed
3.30 cooperative unit as defined in section 123A.24 may apply to the commissioner for approval
3.31 to generate special education aid for its first year of operation based on current year data,
3.32 with an offsetting adjustment to the prior year data used to calculate aid for programs at
3.33 participating school districts or previous cooperatives that were replaced by the new
3.34 cooperative.

4.1 (f) The department shall establish procedures through the uniform financial accounting
 4.2 and reporting system to identify and track all revenues generated from third-party billings
 4.3 as special education revenue at the school district level; include revenue generated from
 4.4 third-party billings as special education revenue in the annual cross-subsidy report; and
 4.5 exclude third-party revenue from calculation of excess cost aid to the districts.

4.6 Sec. 3. Minnesota Statutes 2016, section 125A.79, subdivision 5, is amended to read:

4.7 Subd. 5. **Excess cost aid.** For fiscal year 2016 and later, a district's excess cost aid
 4.8 equals the greater of:

4.9 (1) ~~56~~ 75 percent of the difference between (i) the district's unreimbursed nonfederal
 4.10 special education expenditures and (ii) ~~7.0~~ 5.0 percent of the product of the ratio of \$5,831
 4.11 to the formula allowance for the prior year and the district's general revenue;

4.12 (2) ~~62~~ 75 percent of the difference between (i) the district's unreimbursed old formula
 4.13 special education expenditures and (ii) 2.5 percent of the product of the ratio of \$5,831 to
 4.14 the formula allowance for the prior year and the district's general revenue; or

4.15 (3) zero.

4.16 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2018 and later.

4.17 Sec. 4. Minnesota Statutes 2016, section 126C.10, subdivision 2, is amended to read:

4.18 Subd. 2. **Basic revenue.** The basic revenue for each district equals the formula allowance
 4.19 times the adjusted pupil units for the school year. ~~The formula allowance for fiscal year~~
 4.20 ~~2015 is \$5,831.~~ The formula allowance for fiscal year 2016 is \$5,948. The formula allowance
 4.21 for fiscal year 2017 ~~and later~~ is \$6,067. The formula allowance for fiscal year 2018 is \$6,219.
 4.22 The formula allowance for fiscal year 2019 is \$6,375. The formula allowance for fiscal year
 4.23 2020 and later equals the formula allowance for fiscal year 2019 times the sum of one plus
 4.24 the percentage change in the Consumer Price Index for urban consumers, as prepared by
 4.25 the United States Bureau of Labor Statistics for the current fiscal year to fiscal year 2019.

4.26 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2018 and later.

4.27 Sec. 5. Minnesota Statutes 2016, section 126C.17, is amended by adding a subdivision to
 4.28 read:

4.29 Subd. 9b. **Renewal by school board.** (a) Notwithstanding the election requirements of
 4.30 subdivision 9, a school board may renew an expiring referendum by board action if:

4.31 (1) the per-pupil amount of the referendum is the same as the amount expiring;

5.1 (2) the term of the renewed referendum is no longer than the initial term approved by
5.2 the voters; and

5.3 (3) the school board has adopted a written resolution authorizing the renewal after holding
5.4 a meeting and allowing public testimony on the proposed renewal.

5.5 (b) The resolution must be adopted by the school board by June 15 of any calendar year
5.6 and becomes effective 60 days after its adoption.

5.7 (c) A referendum expires in the last fiscal year in which the referendum generates revenue
5.8 for the school district. A school board may renew an expiring referendum under this
5.9 subdivision not more than two fiscal years before the referendum expires.

5.10 (d) A district renewing an expiring referendum under this subdivision must submit a
5.11 copy of the adopted resolution to the commissioner and to the county auditor no later than
5.12 September 1 of the calendar year in which the levy is certified.

5.13 **EFFECTIVE DATE.** This section is effective July 1, 2017.

5.14 Sec. 6. **APPROPRIATIONS.**

5.15 Subdivision 1. **Department of Education.** The sums in this section are appropriated
5.16 from the general fund to the Department of Education for the fiscal years designated.

5.17 Subd. 2. **General education aid.** For general education aid under Minnesota Statutes,
5.18 section 126C.13, subdivision 4:

5.19 \$ 2018

5.20 \$ 2019

5.21 The 2018 appropriation includes \$..... for 2017 and \$..... for 2018. The 2019
5.22 appropriation includes \$..... for 2018 and \$..... for 2019.

5.23 Subd. 3. **Special education; regular.** For special education aid under Minnesota Statutes,
5.24 section 125A.75:

5.25 \$ 2018

5.26 \$ 2019

5.27 The 2018 appropriation includes \$..... for 2017 and \$..... for 2018. The 2019
5.28 appropriation includes \$..... for 2018 and \$..... for 2019.