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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE No. **1584**

March 1, 2007

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The bill was read for the first time and referred to the Committee on Finance

1.1 A bill for an act
1.2 relating to education; providing for school district operating cost differential
1.3 revenue; amending Minnesota Statutes 2006, sections 126C.01, by adding a
1.4 subdivision; 126C.10, by adding a subdivision; proposing coding for new law
1.5 in Minnesota Statutes, chapter 126C.

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

1.7 Section 1. Minnesota Statutes 2006, section 126C.01, is amended by adding a
1.8 subdivision to read:

1.9 Subd. 5a. **Operating cost differential index.** "Operating cost differential index"
1.10 means a measure of operating costs across Minnesota school districts. The index must be
1.11 determined according to section 126C.115.

1.12 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008
1.13 and later.

1.14 Sec. 2. Minnesota Statutes 2006, section 126C.10, is amended by adding a subdivision
1.15 to read:

1.16 Subd. 2c. **Operating cost differential cost revenue.** Operating cost differential
1.17 revenue for a district equals:

- 1.18 (1) the adjusted marginal cost pupil units for that year, times
- 1.19 (2) the formula allowance for that year, times
- 1.20 (3) the difference between the operating cost differential index for that year and one.

1.21 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008
1.22 and later.

2.1 **Sec. 3. [126C.115] OPERATING COST DIFFERENTIAL INDEX.**

2.2 Subdivision 1. **Index.** (a) For fiscal years 2008 and later, the state economist shall
2.3 develop an operating cost differential index. The operating cost differential index must
2.4 be developed by measuring the relative price level of houses in different regions in the
2.5 state using the house price index as calculated by the Office of Federal Housing Enterprise
2.6 Oversight. The operating cost differential index for each school district equals the greater
2.7 of one, or the number for that district's regional house price index divided by the state
2.8 regional average house price index. The state economist must calculate the operating cost
2.9 differential index each year using the most recent calculated house price index.

2.10 (b) At a minimum, the regions in paragraph (a) must include regions for the
2.11 metropolitan area, the St. Cloud area, the Duluth area, and the Rochester area. Regions
2.12 may otherwise be based on county borders or economic development regions.

2.13 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008
2.14 and later.