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HOUSE FILE No. 1702

March 5, 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 finance; phasing in changes to Minnesota's school finance
1.3 system; creating a legislative task force; amending Minnesota Statutes 2006,
1.4 sections 125A.76, subdivisions 1, 2, 5; 126C.05, subdivision 1; 126C.10,
1.5 subdivision 2; repealing Minnesota Statutes 2006, section 125A.76, subdivisions
1.6 3, 4.

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

1.8 Section 1. Minnesota Statutes 2006, section 125A.76, subdivision 1, is amended to
1.9 read:

1.10 Subdivision 1. **Definitions.** For the purposes of this section, the definitions in this
1.11 subdivision apply.

1.12 (a) "Base year" ~~for fiscal year 1998 and later fiscal years~~ means the second current
1.13 ~~fiscal year preceding the fiscal year for which aid will be paid.~~

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

1.17 (c) "Essential personnel" means teachers, cultural liaisons, related services, and
1.18 support services staff providing direct services to students. Essential personnel may also
1.19 include special education paraprofessionals or clericals providing support to teachers and
1.20 students by preparing paperwork and making arrangements related to special education
1.21 compliance requirements, including parent meetings and individual education plans.

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

1.23 (e) ~~"Program growth factor" means 1.046 for fiscal year 2003, and 1.0 for fiscal~~
1.24 ~~year 2004 and later.~~

1.25 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008.

2.1 Sec. 2. Minnesota Statutes 2006, section 125A.76, subdivision 2, is amended to read:

2.2 Subd. 2. **Special education base revenue.** (a) The special education base revenue
2.3 equals the sum of the following amounts computed using base year data:

2.4 (1) ~~68~~ 65 percent of the salary and benefit costs of each essential person employed
2.5 in the district's program for children with a disability during the fiscal year, whether the
2.6 person is employed by one or more districts or a Minnesota correctional facility operating
2.7 on a fee-for-service basis;

2.8 (2) for the Minnesota State Academy for the Deaf or the Minnesota State Academy
2.9 for the Blind, ~~68~~ 65 percent of the salary and benefit costs of each instructional aide
2.10 assigned to a child attending the academy, if that aide is required by the child's individual
2.11 education plan;

2.12 (3) for special instruction and services provided to any pupil by contracting with
2.13 public, private, or voluntary agencies other than school districts, in place of special
2.14 instruction and services provided by the district, ~~52~~ 50 percent of the difference between
2.15 the amount of the contract and the amount of the basic revenue, as defined in section
2.16 126C.10, subdivision 2, special education aid, and any other aid earned on behalf of the
2.17 child for the fraction of the school day the pupil receives services under the contract;

2.18 (4) for special instruction and services provided to any pupil by contracting for
2.19 services with public, private, or voluntary agencies other than school districts, that are
2.20 supplementary to a full educational program provided by the school district, ~~52~~ 50 percent
2.21 of the amount of the contract for that pupil;

2.22 (5) for supplies and equipment purchased or rented for use in the instruction of
2.23 children with a disability, an amount equal to ~~47~~ 50 percent of the sum actually expended
2.24 by the district, or a Minnesota correctional facility operating on a fee-for-service basis, ~~but~~
2.25 ~~not to exceed an average of \$47 in any one school year for each child with a disability~~
2.26 ~~receiving instruction;~~

2.27 (6) ~~for fiscal years 1997 and later,~~ special education base revenue ~~shall include,~~
2.28 including amounts under clauses (1) to (5) for special education summer programs
2.29 provided during the base year for that fiscal year; and

2.30 (7) ~~for fiscal years 1999 and later,~~ the cost of providing transportation services for
2.31 children with disabilities under section 123B.92, subdivision 1, paragraph (b), clause (4).

2.32 The department shall establish procedures through the uniform financial accounting
2.33 and reporting system to identify and track all revenues generated from third-party billings
2.34 as special education revenue at the school district level; include revenue generated from
2.35 third-party billings as special education revenue in the annual cross-subsidy report; and
2.36 exclude third-party revenue from calculation of excess cost aid to the districts.

3.1 (b) If requested by a school district operating a special education program during
 3.2 the base year for less than the full fiscal year, or a school district in which is located a
 3.3 Minnesota correctional facility operating on a fee-for-service basis for less than the full
 3.4 fiscal year, the commissioner may adjust the base revenue to reflect the expenditures
 3.5 that would have occurred during the base year had the program been operated for the
 3.6 full fiscal year.

3.7 (c) Notwithstanding paragraphs (a) and (b), the portion of a school district's base
 3.8 revenue attributable to a Minnesota correctional facility operating on a fee-for-service
 3.9 basis during the facility's first year of operating on a fee-for-service basis shall be
 3.10 computed using current year data.

3.11 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008.

3.12 Sec. 3. Minnesota Statutes 2006, section 125A.76, subdivision 5, is amended to read:

3.13 Subd. 5. **School district special education aid.** (a) A school district's special
 3.14 education aid ~~for fiscal year 2000 and later~~ equals the ~~state total special education aid,~~
 3.15 ~~minus the amount determined under paragraphs (b) and (c), times the ratio of the district's~~
 3.16 ~~adjusted special education base revenue to the state total adjusted special education base~~
 3.17 ~~revenue~~ for that year. If the commissioner of education modifies its rules for special
 3.18 education in a manner that increases a district's special education obligations or service
 3.19 requirements, the commissioner shall annually increase each district's special education
 3.20 aid by the amount necessary to compensate for the increased service requirements. The
 3.21 additional aid equals the cost in the current year attributable to rule changes not reflected
 3.22 in the computation of special education base revenue, multiplied by the appropriate
 3.23 percentages from subdivision 2.

3.24 (b) Notwithstanding paragraph (a), if the special education base revenue for a
 3.25 district equals zero, the special education aid equals the amount computed according
 3.26 to subdivision 2 using current year data.

3.27 (c) Notwithstanding paragraphs (a) and (b), if the special education base revenue for
 3.28 a district is greater than zero, and the base year amount for the district under subdivision
 3.29 2, paragraph (a), clause (7), equals zero, the special education aid equals the sum of the
 3.30 amount computed according to paragraph (a), plus the amount computed according to
 3.31 subdivision 2, paragraph (a), clause (7), using current year data.

3.32 (d) A charter school under section 124D.10 shall generate state special education
 3.33 aid based on current year expenditures for its first four years of operation and only in its
 3.34 fifth and later years shall paragraphs (a), (b), and (c) apply.

4.1 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008.

4.2 Sec. 4. Minnesota Statutes 2006, section 126C.05, subdivision 1, is amended to read:

4.3 Subdivision 1. **Pupil unit.** Pupil units for each Minnesota resident pupil under the
 4.4 age of 21 or who meets the requirements of section 120A.20, subdivision 1, paragraph
 4.5 (c), in average daily membership enrolled in the district of residence, in another district
 4.6 under sections 123A.05 to 123A.08, 124D.03, 124D.06, 124D.07, 124D.08, or 124D.68;
 4.7 in a charter school under section 124D.10; or for whom the resident district pays tuition
 4.8 under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88,
 4.9 subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65, shall be
 4.10 counted according to this subdivision.

4.11 (a) A prekindergarten pupil with a disability who is enrolled in a program approved
 4.12 by the commissioner and has an individual education plan is counted as the ratio of the
 4.13 number of hours of assessment and education service to 825 times 1.25 with a minimum
 4.14 average daily membership of 0.28, but not more than 1.25 pupil units.

4.15 (b) A prekindergarten pupil who is assessed but determined not to be disabled is
 4.16 counted as the ratio of the number of hours of assessment service to 825 times 1.25.

4.17 (c) A kindergarten pupil with a disability who is enrolled in a program approved
 4.18 by the commissioner is counted as the ratio of the number of hours of assessment and
 4.19 education services required in the fiscal year by the pupil's individual education program
 4.20 plan to 875, but not more than one.

4.21 (d) A kindergarten pupil who is not included in paragraph (c) is counted as ~~.557~~ .65
 4.22 ~~of a pupil unit for fiscal year 2000 and thereafter~~ units for fiscal year 2008, .75 pupil
 4.23 units for fiscal year 2009, .90 pupil units for fiscal year 2010, and 1.0 pupil units for
 4.24 fiscal years 2011 and later.

4.25 (e) A pupil who is in any of grades 1 to 3 is counted as 1.115 pupil units for fiscal
 4.26 year 2000 and thereafter.

4.27 (f) A pupil who is any of grades 4 to 6 is counted as 1.06 pupil units for fiscal
 4.28 year 1995 and thereafter.

4.29 (g) A pupil who is in any of grades 7 to 12 is counted as 1.3 pupil units.

4.30 (h) A pupil who is in the postsecondary enrollment options program is counted
 4.31 as 1.3 pupil units.

4.32 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008.

4.33 Sec. 5. Minnesota Statutes 2006, section 126C.10, subdivision 2, is amended to read:

5.1 Subd. 2. **Basic revenue.** (a) The basic revenue for each district equals the formula
 5.2 allowance times the adjusted marginal cost pupil units for the school year. The formula
 5.3 allowance for fiscal year 2005 is \$4,601. The formula allowance for fiscal year 2006 is
 5.4 \$4,783. The formula allowance for fiscal year 2007 and subsequent years is \$4,974.

5.5 (b) The formula allowance for fiscal years 2008 through 2010 equals: (i) the formula
 5.6 allowance for the previous year plus \$125, times (ii) the indexing factor for that school
 5.7 year as determined by the school finance reform task force under section 6.

5.8 (c) The formula allowance for fiscal year 2011 is \$5,478. The formula allowance for
 5.9 subsequent years equals to the formula allowance for the previous school year times the
 5.10 indexing factor established by the school finance reform task force.

5.11 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008.

5.12 **Sec. 6. SCHOOL FINANCE REFORM; TASK FORCE ESTABLISHED.**

5.13 **Subdivision 1. Task force established.** A School Finance Reform Task Force
 5.14 is established.

5.15 **Subd. 2. Task force goals.** The goals of the School Finance Reform Task Force
 5.16 include:

5.17 (1) creating a standard and index to ensure that the formula remains adequate over
 5.18 time;

5.19 (2) simplifying the remaining school formulas;

5.20 (3) analyzing categorical funding formulas, including but not limited to pupil
 5.21 transportation, compensatory revenue, and limited English proficiency revenue;

5.22 (4) establishing a schedule for implementation of the other new formulas; and

5.23 (5) examining the role of the regional delivery structure including the functions
 5.24 performed by intermediate school districts, service cooperatives, education districts, and
 5.25 other cooperative organizations.

5.26 **Subd. 3. Task force members.** The task force consists of nine members.
 5.27 Membership includes the commissioner of education, four members appointed according
 5.28 to the rules of the senate by the Senate Committee on Rules and Administration
 5.29 Subcommittee on Committees, and four members appointed by the speaker of the house.

5.30 **Subd. 4. Task force recommendations.** The task force must submit a report to the
 5.31 education committees of the legislature by January 15, 2008, describing the formula
 5.32 recommendations according to the goals it has established.

5.33 **EFFECTIVE DATE.** This section is effective the day following final enactment.

6.1 Sec. 7. **REPEALER.**

6.2 Minnesota Statutes 2006, section 125A.76, subdivisions 3 and 4, are repealed.