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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-FIFTH
SESSION

HOUSE FILE NO. **2169**

March 19, 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; modifying the calculation of sparsity revenue;
1.3 reestablishing a levy for school districts in statutory operating debt; amending
1.4 Minnesota Statutes 2006, section 126C.10, subdivisions 6, 7; proposing coding
1.5 for new law 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.10, subdivision 6, is amended to read:

1.8 Subd. 6. **Definitions.** The definitions in this subdivision apply only to subdivisions
1.9 7 and 8.

1.10 (a) "High school" means a public secondary school, except a charter school under
1.11 section 124D.10, that has pupils enrolled in at least the 10th, 11th, and 12th grades. If
1.12 there is no high school in the district and the school is at least 19 miles from the next
1.13 nearest school, the commissioner must designate one school in the district as a high school
1.14 for the purposes of this section.

1.15 (b) "Secondary average daily membership" means, for a district that has only one
1.16 high school, the greater of the resident average daily membership in grades 7 through 12
1.17 or the average daily membership of pupils served in grades 7 through 12. For a district
1.18 that has more than one high school, "secondary average daily membership" for each high
1.19 school means the product of the average daily membership of pupils served in grades 7
1.20 through 12 in the high school, times the ratio of six to the number of grades in the high
1.21 school.

1.22 (c) "Attendance area" means the total surface area of the district, in square miles,
1.23 divided by the number of high schools in the district. For a district that does not operate
1.24 a high school and is less than 19 miles from the nearest operating high school, the
1.25 attendance area equals zero.

2.1 (d) "Isolation index" for a high school means the square root of 55 percent of the
 2.2 attendance area plus the distance in miles, according to the usually traveled routes,
 2.3 between the high school and the nearest high school. For a district in which there is located
 2.4 land defined in section 84A.01, 84A.20, or 84A.31, the distance in miles is the sum of:

2.5 (1) the square root of one-half of the attendance area; and

2.6 (2) the distance from the border of the district to the nearest high school.

2.7 (e) "Qualifying high school" means a high school that has an isolation index greater
 2.8 than 23 and that has secondary average daily membership of less than 400.

2.9 (f) "Qualifying elementary school" means a public elementary school, except a
 2.10 charter school under section 124D.10, that is located 19 miles or more from the nearest
 2.11 elementary school or from the nearest elementary school within the district and, in either
 2.12 case, has an elementary average daily membership of an average of 20 or fewer per grade.

2.13 (g) "Elementary average daily membership" means, for a district that has only
 2.14 one elementary school, the average daily membership of pupils served in kindergarten
 2.15 through grade 6. For a district that has more than one elementary school, "average daily
 2.16 membership" for each school means the average daily membership of pupils served in
 2.17 kindergarten through grade 6 multiplied by the ratio of seven to the number of grades
 2.18 in the elementary school.

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

2.20 Sec. 2. Minnesota Statutes 2006, section 126C.10, subdivision 7, is amended to read:

2.21 Subd. 7. **Secondary sparsity revenue.** (a) A district's secondary sparsity revenue
 2.22 for a school year equals the sum of the results of the following calculation for each
 2.23 qualifying high school in the district:

2.24 (1) the formula allowance for the school year, multiplied by

2.25 (2) the secondary average daily membership ~~of pupils served in the high school,~~
 2.26 multiplied by

2.27 (3) the quotient obtained by dividing 400 minus the secondary average daily
 2.28 membership by 400 plus the secondary daily membership, multiplied by

2.29 (4) the lesser of 1.5 or the quotient obtained by dividing the isolation index minus
 2.30 23 by ten.

2.31 (b) A newly formed district that is the result of districts combining under the
 2.32 cooperation and combination program or consolidating under section 123A.48 must
 2.33 receive secondary sparsity revenue equal to the greater of: (1) the amount calculated
 2.34 under paragraph (a) for the combined district; or (2) the sum of the amounts of secondary

3.1 sparsity revenue the former districts had in the year prior to consolidation, increased for
3.2 any subsequent changes in the secondary sparsity formula.

3.3 **Sec. 3. [126C.4201] 2006 OPERATING DEBT.**

3.4 (a) For taxes payable in 2008 through 2017, a school district that has filed a plan
3.5 according to section 123B.83, subdivision 4, may levy to eliminate a deficit in the net
3.6 undesignated balance in the general fund, determined as of June 30, 2006, as certified
3.7 and adjusted by the commissioner.

3.8 (b) Each year, the levy must not exceed the lesser of \$100,000 or 0.02 times the
3.9 adjusted net tax capacity of the school district.

3.10 (c) The proceeds of this levy must be used only for cash flow requirements and must
3.11 not be used to supplement district revenue or income for the purposes of increasing the
3.12 district's expenditures or budget.

3.13 **EFFECTIVE DATE. This section is effective for taxes payable in 2008.**