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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH
SESSION

HOUSE FILE No. 2944

February 12, 2010

Authored by Greiling; Ward; Murphy, M.; Mariani; Davnie and others
The bill was read for the first time and referred to the Committee on Finance

A bill for an act

1.1 relating to education finance; modifying the school finance system; creating a
1.2 new education funding framework; making changes to income tax schedules;
1.3 amending Minnesota Statutes 2008, sections 123B.53, subdivision 5; 124D.4531,
1.4 as amended; 124D.59, subdivision 2; 124D.65, subdivision 5; 125A.76,
1.5 subdivision 5; 125A.79, subdivision 7; 126C.01, by adding subdivisions;
1.6 126C.05, subdivisions 1, 3, 5, 6, 8, 16, 17; 126C.10, subdivisions 1, 2, 2a,
1.7 3, 4, 6, 13, 14, 18, by adding subdivisions; 126C.13, subdivisions 4, 5;
1.8 126C.17, subdivisions 1, 5, 6; 126C.20; 126C.40, subdivision 1; 127A.51;
1.9 290.06, subdivision 2d; Minnesota Statutes 2009 Supplement, section 290.06,
1.10 subdivision 2c; proposing coding for new law in Minnesota Statutes, chapters
1.11 123B; 126C; repealing Minnesota Statutes 2008, sections 123B.54; 123B.57,
1.12 subdivisions 3, 4, 5; 123B.591; 125A.76, subdivision 4; 125A.79, subdivision 6;
1.13 126C.10, subdivisions 2b, 13a, 13b, 24, 25, 26, 27, 28, 29, 30, 31, 31a, 31b, 32,
1.14 33, 34, 35, 36; 126C.12; 126C.126; 127A.50.

1.15
1.16 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:**

1.17 Section 1. Minnesota Statutes 2008, section 123B.53, subdivision 5, is amended to read:

1.18 Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a
1.19 district equals the sum of the first tier equalized debt service levy and the second tier
1.20 equalized debt service levy.

1.21 (b) A district's first tier equalized debt service levy equals the district's first tier debt
1.22 service equalization revenue times the lesser of one or the ratio of:

1.23 (1) the quotient derived by dividing the adjusted net tax capacity of the district for
1.24 the year before the year the levy is certified by the adjusted pupil units in the district for
1.25 the school year ending in the year prior to the year the levy is certified; to

1.26 (2) ~~\$3,200~~ 100 percent of the statewide adjusted net tax capacity equalizing factor.

1.27 (c) A district's second tier equalized debt service levy equals the district's second tier
1.28 debt service equalization revenue times the lesser of one or the ratio of:

2.1 (1) the quotient derived by dividing the adjusted net tax capacity of the district for
2.2 the year before the year the levy is certified by the adjusted pupil units in the district for
2.3 the school year ending in the year prior to the year the levy is certified; to

2.4 (2) ~~\$8,000~~ 200 percent of the statewide adjusted net tax capacity equalizing factor.

2.5 **EFFECTIVE DATE.** This section is effective for taxes payable in 2010 and later.

2.6 Sec. 2. **[123B.555] SCHOOL BOND AGRICULTURAL CREDIT.**

2.7 Subdivision 1. Eligibility. All class 2a, 2b, and 2c property under section 273.13,
2.8 subdivision 23, except for property consisting of the house, garage, and immediately
2.9 surrounding one acre of land of an agricultural homestead, is eligible to receive the credit
2.10 under this section.

2.11 Subd. 2. Credit amount. For each qualifying property, the school bond agricultural
2.12 credit is equal to 66 percent of the property's eligible net tax capacity multiplied by the
2.13 school debt tax rate determined under section 275.08, subdivision 1b.

2.14 Subd. 3. Credit reimbursements. The county auditor shall determine the tax
2.15 reductions allowed under this section within the county for each taxes payable year and
2.16 shall certify that amount to the commissioner of revenue as a part of the abstracts of tax
2.17 lists submitted under section 275.29. Any prior year adjustments shall also be certified on
2.18 the abstracts of tax lists. The commissioner shall review the certifications for accuracy,
2.19 and may make such changes as are deemed necessary, or return the certification to the
2.20 county auditor for correction. The credit under this section must be used to reduce the
2.21 school district net tax capacity-based property tax as provided in section 273.1393.

2.22 Subd. 4. Payment. The commissioner of revenue shall certify the total of the tax
2.23 reductions granted under this section for each taxes payable year within each school
2.24 district to the commissioner of education, who shall pay the reimbursement amounts to
2.25 each school district as provided in section 273.1392.

2.26 **EFFECTIVE DATE.** This section is effective for taxes payable in 2010 and later.

2.27 Sec. 3. Minnesota Statutes 2008, section 124D.4531, as amended by Laws 2009,
2.28 chapter 88, article 2, section 1, is amended to read:

2.29 **124D.4531 CAREER AND TECHNICAL LEVY AID.**

2.30 Subdivision 1. Career and technical levy aid. (a) A district with a career and
2.31 technical program approved under this section ~~for the fiscal year in which the levy is~~
2.32 ~~certified may levy an amount~~ is eligible for aid equal to the lesser of:

3.1 (1) ~~\$80~~ \$240 times the district's average daily membership in grades 10 through 12
 3.2 for the current fiscal year ~~in which the levy is certified~~; or

3.3 (2) 25 percent of approved expenditures in the previous fiscal year ~~in which the~~
 3.4 ~~levy is certified~~ for the following:

3.5 (i) salaries paid to essential, licensed personnel providing direct instructional
 3.6 services to students in that fiscal year for services rendered in the district's approved
 3.7 career and technical education programs;

3.8 (ii) contracted services provided by a public or private agency other than a Minnesota
 3.9 school district or cooperative center under subdivision 7;

3.10 (iii) necessary travel between instructional sites by licensed career and technical
 3.11 education personnel;

3.12 (iv) necessary travel by licensed career and technical education personnel for
 3.13 vocational student organization activities held within the state for instructional purposes;

3.14 (v) curriculum development activities that are part of a five-year plan for
 3.15 improvement based on program assessment;

3.16 (vi) necessary travel by licensed career and technical education personnel for
 3.17 noncollegiate credit-bearing professional development; and

3.18 (vii) specialized vocational instructional supplies.

3.19 (b) Up to ten percent of a district's career and technical levy aid may be spent on
 3.20 equipment purchases. Districts using the career and technical levy aid for equipment
 3.21 purchases must report to the department on the improved learning opportunities for
 3.22 students that result from the investment in equipment.

3.23 ~~(c) The district must recognize the full amount of this levy as revenue for the fiscal~~
 3.24 ~~year in which it is certified.~~

3.25 Subd. 2. **Allocation from cooperative centers and intermediate districts.** For
 3.26 purposes of this section, a cooperative center or an intermediate district must allocate its
 3.27 approved expenditures for career and technical education programs among participating
 3.28 districts.

3.29 Subd. 3. **Levy Aid guarantee.** Notwithstanding subdivision 1, the career and
 3.30 technical education levy aid for a district is not less than the lesser of:

3.31 (1) the district's career and technical education ~~levy authority~~ revenue for the
 3.32 previous fiscal year; or

3.33 (2) 100 percent of the approved expenditures for career and technical programs
 3.34 included in subdivision 1, paragraph (b), for the prior fiscal year ~~in which the levy is~~
 3.35 ~~certified.~~

4.1 Subd. 4. **District reports.** Each district or cooperative center must report data to the
4.2 department for all career and technical education programs as required by the department
4.3 ~~to implement the career and technical levy formula.~~

4.4 Subd. 5. **Allocation from districts participating in agreements for secondary**
4.5 **education or interdistrict cooperation.** For purposes of this section, a district with a
4.6 career and technical program approved under this section that participates in an agreement
4.7 under section 123A.30 or 123A.32 must allocate its levy authority under this section
4.8 among participating districts.

4.9 **EFFECTIVE DATE.** This section is effective for aid payments for fiscal year
4.10 2011 and thereafter.

4.11 Sec. 4. Minnesota Statutes 2008, section 124D.59, subdivision 2, is amended to read:

4.12 Subd. 2. **Pupil of limited English proficiency.** (a) "Pupil of limited English
4.13 proficiency" means a pupil in kindergarten through grade 12 who meets the following
4.14 requirements:

4.15 (1) the pupil, as declared by a parent or guardian first learned a language other than
4.16 English, comes from a home where the language usually spoken is other than English, or
4.17 usually speaks a language other than English; and

4.18 (2) the pupil is determined by developmentally appropriate measures, which might
4.19 include observations, teacher judgment, parent recommendations, or developmentally
4.20 appropriate assessment instruments, to lack the necessary English skills to participate
4.21 fully in classes taught in English.

4.22 (b) Notwithstanding paragraph (a), a pupil in grades 4 through 12 who was enrolled
4.23 in a Minnesota public school on the dates during the previous school year when a
4.24 commissioner provided assessment that measures the pupil's emerging academic English
4.25 was administered, shall not be counted as a pupil of limited English proficiency in
4.26 calculating limited English proficiency pupil units under section 126C.05, subdivision
4.27 17, and shall not generate state limited English proficiency aid under section 124D.65,
4.28 subdivision 5, unless the pupil scored below the state cutoff score on an assessment
4.29 measuring emerging academic English provided by the commissioner during the previous
4.30 school year.

4.31 (c) Notwithstanding paragraphs (a) and (b), a pupil in kindergarten through grade 12
4.32 shall not be counted as a pupil of limited English proficiency in calculating limited English
4.33 proficiency pupil units under section 126C.05, subdivision 17, and shall not generate state
4.34 limited English proficiency aid under section 124D.65, subdivision 5, if:

5.1 ~~(1)~~ the pupil is not enrolled during the current fiscal year in an educational program
 5.2 for pupils of limited English proficiency in accordance with sections 124D.58 to 124D.64;
 5.3 ~~or.~~

5.4 ~~(2) the pupil has generated five or more years of average daily membership in~~
 5.5 ~~Minnesota public schools since July 1, 1996.~~

5.6 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 5.7 and later.

5.8 Sec. 5. Minnesota Statutes 2008, section 124D.65, subdivision 5, is amended to read:

5.9 Subd. 5. **School district LEP revenue.** (a) A district's limited English proficiency
 5.10 programs revenue equals the product of: ~~(1) \$700 in fiscal year 2004 and later times .2;~~
 5.11 ~~(2) the basic formula allowance for that year; and (3) the greater of 20 or the adjusted~~
 5.12 marginal cost average daily membership of eligible pupils of limited English proficiency
 5.13 enrolled in the district during the current fiscal year.

5.14 (b) A pupil ceases to generate state limited English proficiency aid in the school
 5.15 year following the school year in which the pupil attains the state cutoff score on a
 5.16 commissioner-provided assessment that measures the pupil's emerging academic English.

5.17 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 5.18 and later.

5.19 Sec. 6. Minnesota Statutes 2008, section 125A.76, subdivision 5, is amended to read:

5.20 Subd. 5. **School district special education aid.** A school district's special education
 5.21 aid ~~for fiscal year 2008 and later equals the state total special education aid times the ratio~~
 5.22 ~~of the district's its initial special education aid to the state total initial special education aid.~~

5.23 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 5.24 and later.

5.25 Sec. 7. Minnesota Statutes 2008, section 125A.79, subdivision 7, is amended to read:

5.26 Subd. 7. **District special education excess cost aid.** A district's special education
 5.27 excess cost aid ~~for fiscal year 2002 and later equals the state total special education excess~~
 5.28 ~~cost aid times the ratio of the district's its initial excess cost aid to the state total initial~~
 5.29 ~~excess cost aid.~~

5.30 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 5.31 and later.

6.1 Sec. 8. Minnesota Statutes 2008, section 126C.01, is amended by adding a subdivision
6.2 to read:

6.3 Subd. 2a. **Adjusted net tax capacity equalizing factor.** The adjusted net tax
6.4 capacity equalizing factor equals the quotient derived by dividing the total adjusted net tax
6.5 capacity of all school districts in the state for the year before the year the levy is certified
6.6 by the total number of adjusted pupil units in the state for the current school year.

6.7 **EFFECTIVE DATE.** This section is effective for taxes payable in 2010 and later.

6.8 Sec. 9. Minnesota Statutes 2008, section 126C.01, is amended by adding a subdivision
6.9 to read:

6.10 Subd. 3a. **Referendum market value equalizing factor.** The referendum market
6.11 value equalizing factor equals the quotient derived by dividing the total referendum
6.12 market value of all school districts in the state for the year before the year the levy is
6.13 certified by the total number of resident pupil units in the state for the current school year.

6.14 **EFFECTIVE DATE.** This section is effective for taxes payable in 2010.

6.15 Sec. 10. Minnesota Statutes 2008, section 126C.01, is amended by adding a
6.16 subdivision to read:

6.17 Subd. 5a. **Location equity index.** (a) A school district's location equity index
6.18 equals each district's composite wage level divided by the statewide average wage for the
6.19 same period. The composite wage level for a school district equals the sum of 50 percent
6.20 of the district's county wage level and 50 percent of the district's economic development
6.21 region composite wage level. The composite wage level is computed by using the most
6.22 recent three-year weighted wage data.

6.23 (b) A school district's location equity index must not be less than .9 or greater than
6.24 1.05.

6.25 (c) The commissioner of education annually must recalculate the indexes in this
6.26 section. For purposes of this subdivision, the commissioner must locate a school district
6.27 with boundaries that cross county borders in the county that generates the highest location
6.28 equity index for that district.

6.29 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
6.30 and later.

6.31 Sec. 11. Minnesota Statutes 2008, section 126C.05, subdivision 1, is amended to read:

7.1 Subdivision 1. **Pupil unit.** Pupil units for each Minnesota resident pupil under the
 7.2 age of 21 or who meets the requirements of section 120A.20, subdivision 1, paragraph (c),
 7.3 in average daily membership enrolled in the district of residence, in another district under
 7.4 sections 123A.05 to 123A.08, 124D.03, 124D.08, or 124D.68; in a charter school under
 7.5 section 124D.10; or for whom the resident district pays tuition under section 123A.18,
 7.6 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88, subdivision 4, 124D.04,
 7.7 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65, shall be counted according to this
 7.8 subdivision.

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

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

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

7.19 (d) A kindergarten pupil who is not included in paragraph (c) is counted as ~~1.12~~ 1.0
 7.20 pupil units.

7.21 (e) A pupil who is in any of grades 1 to 3 is counted as ~~1.15~~ 1.0 pupil units for
 7.22 fiscal year 2000 and thereafter.

7.23 (f) A pupil who is any of grades 4 to 6 is counted as ~~1.06~~ 1.0 pupil units for fiscal
 7.24 year 1995 and thereafter.

7.25 (g) A pupil who is in any of grades 7 to 12 is counted as ~~1.3~~ 1.0 pupil units.

7.26 (h) A pupil who is in the postsecondary enrollment options program is counted as
 7.27 ~~1.3~~ 1.0 pupil units.

7.28 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 7.29 and later.

7.30 Sec. 12. Minnesota Statutes 2008, section 126C.05, subdivision 3, is amended to read:

7.31 Subd. 3. **Compensation revenue pupil units.** Compensation revenue pupil units
 7.32 ~~for fiscal year 1998 and thereafter~~ must be computed according to this subdivision.

7.33 (a) The compensation revenue concentration percentage for each ~~building in a~~
 7.34 district equals the product of 100 times the ratio of:

8.1 (1) ~~the sum of the number of pupils enrolled in the building district eligible to receive~~
 8.2 ~~free lunch plus one-half of the pupils eligible to receive reduced priced or reduced-price~~
 8.3 ~~lunch on October 1 of the previous fiscal year; to~~

8.4 (2) the number of pupils enrolled in the building district on October 1 of the
 8.5 previous fiscal year.

8.6 (b) The compensation revenue pupil weighting factor ~~for a building~~ equals the
 8.7 ~~lesser of one or the quotient obtained by dividing the building's compensation revenue~~
 8.8 ~~concentration percentage by 80.0.~~

8.9 (c) The compensation revenue pupil units for a building district equals the product of:

8.10 (1) ~~the sum of the number of pupils enrolled in the building district eligible to receive~~
 8.11 ~~free lunch and one-half of the pupils eligible to receive reduced priced or reduced-price~~
 8.12 ~~lunch on October 1 of the previous fiscal year; times~~

8.13 (2) the compensation revenue pupil weighting factor for the ~~building~~, times

8.14 ~~(3) .60 district.~~

8.15 (d) Notwithstanding paragraphs (a) to (c), for charter schools and contracted
 8.16 alternative programs in the first year of operation, compensation revenue pupil units shall
 8.17 be computed using data for the current fiscal year. If the charter school or contracted
 8.18 alternative program begins operation after October 1, compensatory revenue pupil units
 8.19 shall be computed based on pupils enrolled on an alternate date determined by the
 8.20 commissioner, and the compensation revenue pupil units shall be prorated based on the
 8.21 ratio of the number of days of student instruction to 170 days.

8.22 (e) The percentages in this subdivision must be based on the count of individual
 8.23 pupils and not on a building average or minimum.

8.24 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 8.25 and later.

8.26 Sec. 13. Minnesota Statutes 2008, section 126C.05, subdivision 5, is amended to read:

8.27 Subd. 5. **Adjusted pupil units.** ~~(a)~~ Adjusted pupil units for a district or charter
 8.28 school means the sum of:

8.29 (1) the number of pupil units served, according to subdivision 7, plus

8.30 (2) pupil units according to subdivision 1 for whom the district or charter school
 8.31 pays tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488,
 8.32 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65,
 8.33 minus

9.1 (3) pupil units according to subdivision 1 for whom the district or charter school
 9.2 receives tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488,
 9.3 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65.

9.4 ~~(b) Adjusted marginal cost pupil units means the greater of:~~

9.5 ~~(1) the sum of .77 times the pupil units defined in paragraph (a) for the current school~~
 9.6 ~~year and .23 times the pupil units defined in paragraph (a) for the previous school year; or~~

9.7 ~~(2) the number of adjusted pupil units defined in paragraph (a) for the current school~~
 9.8 ~~year.~~

9.9 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 9.10 and later.

9.11 Sec. 14. Minnesota Statutes 2008, section 126C.05, subdivision 6, is amended to read:

9.12 Subd. 6. **Resident pupil units.** (a) Resident pupil units for a district means the
 9.13 number of pupil units according to subdivision 1 residing in the district.

9.14 ~~(b) Resident marginal cost pupil units means the greater of:~~

9.15 ~~(1) the sum of .77 times the pupil units defined in paragraph (a) for the current year~~
 9.16 ~~and .23 times the pupil units defined in paragraph (a) for the previous school year; or~~

9.17 ~~(2) the number of resident pupil units defined in paragraph (a) for the current school~~
 9.18 ~~year.~~

9.19 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 9.20 and later.

9.21 Sec. 15. Minnesota Statutes 2008, section 126C.05, subdivision 8, is amended to read:

9.22 Subd. 8. **Average daily membership.** (a) Membership for pupils in grades
 9.23 kindergarten through 12 and for prekindergarten pupils with disabilities shall mean the
 9.24 number of pupils on the current roll of the school, counted from the date of entry until
 9.25 withdrawal. The date of withdrawal shall mean the day the pupil permanently leaves
 9.26 the school or the date it is officially known that the pupil has left or has been legally
 9.27 excused. However, a pupil, regardless of age, who has been absent from school for 15
 9.28 consecutive school days during the regular school year or for five consecutive school days
 9.29 during summer school or intersession classes of flexible school year programs without
 9.30 receiving instruction in the home or hospital shall be dropped from the roll and classified
 9.31 as withdrawn. Nothing in this section shall be construed as waiving the compulsory
 9.32 attendance provisions cited in section 120A.22. Average daily membership equals the
 9.33 sum for all pupils of the number of days of the school year each pupil is enrolled in the

10.1 district's schools divided by the number of days the schools are in session. Days of
 10.2 summer school or intersession classes of flexible school year programs are only included
 10.3 in the computation of membership for pupils with a disability not appropriately served
 10.4 primarily in the regular classroom. A student must not be counted as more than 1.2 pupils
 10.5 in average daily membership under this section. When the initial total average daily
 10.6 membership exceeds 1.2 for a pupil enrolled in more than one school district during the
 10.7 fiscal year, each district's average daily membership must be reduced proportionately.

10.8 (b) A student must not be counted as more than one pupil in average daily
 10.9 membership except for purposes of section 126C.10, subdivision 2a.

10.10 (c) For purposes of section 126C.10, subdivision 2a, only, a pupil's average daily
 10.11 membership is counted as 1.0 once a kindergarten or elementary pupil has received 960
 10.12 hours of instruction during the school year and as 1.0 once a secondary student has
 10.13 received 1,050 hours of instruction during the school year.

10.14 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 10.15 and later.

10.16 Sec. 16. Minnesota Statutes 2008, section 126C.05, subdivision 16, is amended to read:

10.17 Subd. 16. **Free and reduced-price lunches.** The commissioner shall determine the
 10.18 number of children eligible to receive either a free or reduced-price lunch on October 1
 10.19 each year. Children enrolled ~~in a building~~ on October 1 and determined to be eligible to
 10.20 receive free or reduced-price lunch by December 15 of that school year shall be counted
 10.21 as eligible on October 1 for purposes of subdivision 3. The commissioner may use
 10.22 federal definitions for these purposes and may adjust these definitions as appropriate.
 10.23 The commissioner may adopt reporting guidelines to assure accuracy of data counts and
 10.24 eligibility. Districts shall use any guidelines adopted by the commissioner.

10.25 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 10.26 and later.

10.27 Sec. 17. Minnesota Statutes 2008, section 126C.05, subdivision 17, is amended to read:

10.28 Subd. 17. **LEP pupil units.** (a) Limited English proficiency pupil units ~~for fiscal~~
 10.29 ~~year 2004 and thereafter shall be determined according to this subdivision.~~

10.30 (b) ~~The limited English proficiency concentration percentage for a district equals the~~
 10.31 ~~product of 100 times the ratio of:~~

10.32 (1) means the number of eligible pupils of limited English proficiency in average
 10.33 daily membership enrolled in the district during the current fiscal year; ~~to.~~

11.1 ~~(2) the number of pupils in average daily membership enrolled in the district.~~

11.2 ~~(c) The limited English proficiency pupil units for each eligible pupil of limited~~
 11.3 ~~English proficiency in average daily membership equals the lesser of one or the quotient~~
 11.4 ~~obtained by dividing the limited English proficiency concentration percentage for the~~
 11.5 ~~pupil's district of enrollment by 11.5.~~

11.6 ~~(d)~~ (b) Limited English proficiency pupil units shall be counted by the district of
 11.7 enrollment.

11.8 ~~(e)~~ (c) Notwithstanding paragraph ~~(d)~~ (b), for the purposes of this subdivision,
 11.9 pupils enrolled in a cooperative or intermediate school district shall be counted by the
 11.10 district of residence.

11.11 ~~(f)~~ (d) For the purposes of this subdivision, the terms defined in section 124D.59
 11.12 have the same meaning.

11.13 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 11.14 and later.

11.15 Sec. 18. **[126C.09] EDUCATION FUNDING FRAMEWORK.**

11.16 **Subdivision 1. Basic formula framework; general classroom funding.** The
 11.17 general classroom funding for each school district equals the sum of the district's general
 11.18 education basic revenue, extended time revenue, compensatory revenue, LEP revenue,
 11.19 referendum replacement revenue, and special education revenue.

11.20 **Subd. 2. District instructional services.** A school district's instructional services
 11.21 revenue equals the sum of its operating sparsity revenue, location equity revenue, and
 11.22 declining enrollment revenue.

11.23 **Subd. 3. District support services.** A school district's support services revenue
 11.24 equals the sum of its operating capital revenue, alternative facilities revenue, integration
 11.25 revenue, and transportation revenue.

11.26 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 11.27 and later.

11.28 Sec. 19. Minnesota Statutes 2008, section 126C.10, subdivision 1, is amended to read:

11.29 Subdivision 1. **General education revenue.** (a) For fiscal year 2006 ~~and later~~
 11.30 through 2013, the general education revenue for each district equals the sum of the
 11.31 district's basic revenue, extended time revenue, gifted and talented revenue, basic skills
 11.32 revenue, training and experience revenue, secondary sparsity revenue, elementary sparsity

12.1 revenue, transportation sparsity revenue, total operating capital revenue, equity revenue,
12.2 alternative teacher compensation revenue, and transition revenue.

12.3 (b) For fiscal years 2011 and later, a school district's general education revenue
12.4 equals the sum of its basic revenue, extended time revenue, declining enrollment revenue,
12.5 basic skills revenue, location equity revenue, referendum replacement revenue, secondary
12.6 sparsity revenue, elementary sparsity revenue, transportation revenue, and total operating
12.7 capital revenue.

12.8 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
12.9 and later.

12.10 Sec. 20. Minnesota Statutes 2008, section 126C.10, subdivision 2, is amended to read:

12.11 Subd. 2. **Basic revenue.** (a) The basic revenue for each district equals the formula
12.12 allowance times the adjusted ~~marginal cost~~ pupil units for the school year.

12.13 (b) The formula allowance for fiscal year 2007 is \$4,974. The formula allowance for
12.14 fiscal year 2008 is \$5,074 and the formula allowance for fiscal year 2009 ~~and subsequent~~
12.15 years is \$5,124.

12.16 (c) The formula allowance for fiscal year 2011 is \$7,500. The formula allowance
12.17 for fiscal year 2015 and later equals the formula allowance for the previous year times
12.18 the sum of 1.0 and the greater of zero or the ratio of implicit price deflator, as defined in
12.19 section 275.70, subdivision 2, for the most recent year to the implicit price deflator for
12.20 the previous year.

12.21 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
12.22 and later.

12.23 Sec. 21. Minnesota Statutes 2008, section 126C.10, subdivision 2a, is amended to read:

12.24 Subd. 2a. **Extended time revenue.** (a) A school district's extended time revenue
12.25 is equal to the product of ~~\$4,601~~ the formula allowance for that year and the sum of
12.26 the adjusted ~~marginal cost~~ pupil units of the district for each pupil in average daily
12.27 membership in excess of 1.0 and less than 1.2 according to section 126C.05, subdivision 8.

12.28 (b) A school district's extended time revenue may be used for extended day
12.29 programs, extended week programs, summer school, and other programming authorized
12.30 under the learning year program.

12.31 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
12.32 and later.

13.1 Sec. 22. Minnesota Statutes 2008, section 126C.10, is amended by adding a
13.2 subdivision to read:

13.3 Subd. 2c. **Declining enrollment revenue.** A school district's declining enrollment
13.4 revenue equals the greater of zero or the product of: (1) the basic formula allowance for
13.5 that year; and (2) the difference between the mean average adjusted pupil units for the
13.6 three preceding years and the adjusted pupil units for the current year.

13.7 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
13.8 and later.

13.9 Sec. 23. Minnesota Statutes 2008, section 126C.10, is amended by adding a
13.10 subdivision to read:

13.11 Subd. 2d. **Location equity revenue.** A school district's location equity revenue
13.12 equals the product of:

13.13 (1) .50;

13.14 (2) the basic formula allowance for that year;

13.15 (3) the district's adjusted pupil units for that year; and

13.16 (4) the district's location equity index minus .9.

13.17 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
13.18 and later.

13.19 Sec. 24. Minnesota Statutes 2008, section 126C.10, is amended by adding a
13.20 subdivision to read:

13.21 Subd. 2e. **Referendum replacement revenue.** A school district's referendum
13.22 replacement revenue equals \$500 times the district's adjusted pupil units for that year.

13.23 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
13.24 and later.

13.25 Sec. 25. Minnesota Statutes 2008, section 126C.10, subdivision 3, is amended to read:

13.26 Subd. 3. **Compensatory education revenue.** (a) The compensatory education
13.27 revenue for each ~~building in the~~ district equals the greater of: (1) \$2,500 times the district's
13.28 enrollment of students eligible for free or reduced-price meals under section 126C.05,
13.29 subdivision 3, paragraph (a), clause (1); or (2) 40 percent of the formula allowance ~~minus~~
13.30 \$415 times the compensation revenue pupil units computed according to section 126C.05,
13.31 subdivision 3. Revenue shall be paid to the district and must be allocated according to
13.32 section 126C.15, subdivision 2.

14.1 (b) When the district contracting with an alternative program under section 124D.69
 14.2 changes prior to the start of a school year, the compensatory revenue generated by pupils
 14.3 attending the program shall be paid to the district contracting with the alternative program
 14.4 for the current school year, and shall not be paid to the district contracting with the
 14.5 alternative program for the prior school year.

14.6 (c) When the fiscal agent district for an area learning center changes prior to the start
 14.7 of a school year, the compensatory revenue shall be paid to the fiscal agent district for the
 14.8 current school year, and shall not be paid to the fiscal agent district for the prior school year.

14.9 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 14.10 and later.

14.11 Sec. 26. Minnesota Statutes 2008, section 126C.10, subdivision 4, is amended to read:

14.12 Subd. 4. **Basic skills revenue.** A school district's basic skills revenue equals the
 14.13 sum of:

14.14 (1) compensatory revenue under subdivision 3; plus

14.15 (2) limited English proficiency revenue under section 124D.65, subdivision 5; ~~plus.~~

14.16 ~~(3) \$250 times the limited English proficiency pupil units under section 126C.05;~~
 14.17 ~~subdivision 17.~~

14.18 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 14.19 and later.

14.20 Sec. 27. Minnesota Statutes 2008, section 126C.10, subdivision 6, is amended to read:

14.21 Subd. 6. **Definitions.** The definitions in this subdivision apply only to subdivisions
 14.22 7 and 8.

14.23 (a) "High school" means a public secondary school, except a charter school under
 14.24 section 124D.10, that has pupils enrolled in at least the 10th, 11th, and 12th grades. If
 14.25 there is no high school in the district and the school is at least ~~19~~ 15 miles from the next
 14.26 nearest school, the commissioner must designate one school in the district as a high school
 14.27 for the purposes of this section.

14.28 (b) "Secondary average daily membership" means, for a district that has only one
 14.29 high school, the average daily membership of pupils served in grades 7 through 12. For a
 14.30 district that has more than one high school, "secondary average daily membership" for
 14.31 each high school means the product of the average daily membership of pupils served in
 14.32 grades 7 through 12 in the high school, times the ratio of six to the number of grades
 14.33 in the high school.

15.1 (c) "Attendance area" means the total surface area of the district, in square miles,
 15.2 divided by the number of high schools in the district. For a district that does not operate
 15.3 a high school and is less than ~~19~~ 15 miles from the nearest operating high school, the
 15.4 attendance area equals zero.

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

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

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

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

15.13 (f) "Qualifying elementary school" means a public elementary school, except a
 15.14 charter school under section 124D.10, that is located ~~19~~ 15 miles or more from the nearest
 15.15 elementary school or from the nearest elementary school within the district and, in either
 15.16 case, has an elementary average daily membership of an average of 20 or fewer per grade.

15.17 (g) "Elementary average daily membership" means, for a district that has only
 15.18 one elementary school, the average daily membership of pupils served in kindergarten
 15.19 through grade 6. For a district that has more than one elementary school, "average daily
 15.20 membership" for each school means the average daily membership of pupils served in
 15.21 kindergarten through grade 6 multiplied by the ratio of seven to the number of grades
 15.22 in the elementary school.

15.23 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 15.24 and later.

15.25 Sec. 28. Minnesota Statutes 2008, section 126C.10, subdivision 13, is amended to read:

15.26 Subd. 13. **Total operating capital and technology revenue.** (a) Total operating
 15.27 capital revenue for a district equals: (1) \$50 times the adjusted pupil units for the school
 15.28 year for technology purposes; (2) for any district not participating in the alternative
 15.29 facilities program under section 123B.59, \$600 times the adjusted pupil units for deferred
 15.30 maintenance and health and safety purposes under sections 123B.57 and 123B.59; (3) the
 15.31 amount determined under paragraph (b) or (c), ~~plus \$73;~~ and (4) \$100 times the adjusted
 15.32 marginal-cost pupil units for the school year. The revenue must be placed in a reserved
 15.33 account in the general fund and may only be used according to subdivision 14.

15.34 (b) Capital revenue for a district equals \$100 times the district's maintenance cost
 15.35 index times its adjusted ~~marginal-cost~~ pupil units for the school year.

16.1 (c) The revenue for a district that operates a program under section 124D.128, is
16.2 increased by an amount equal to \$30 times the number of ~~marginal cost~~ adjusted pupil
16.3 units served at the site where the program is implemented.

16.4 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
16.5 and later.

16.6 Sec. 29. Minnesota Statutes 2008, section 126C.10, subdivision 14, is amended to read:

16.7 Subd. 14. **Uses of total operating capital revenue.** Technology revenue may only
16.8 be used for purposes in clauses (18), (19), (21), (23), and (24). Total operating capital
16.9 revenue may be used only for the following purposes:

16.10 (1) to acquire land for school purposes;

16.11 (2) to acquire or construct buildings for school purposes;

16.12 (3) to rent or lease buildings, including the costs of building repair or improvement
16.13 that are part of a lease agreement;

16.14 (4) to improve and repair school sites and buildings, and equip or reequip school
16.15 buildings with permanent attached fixtures, including library media centers;

16.16 (5) for a surplus school building that is used substantially for a public nonschool
16.17 purpose;

16.18 (6) to eliminate barriers or increase access to school buildings by individuals with a
16.19 disability;

16.20 (7) to bring school buildings into compliance with the State Fire Code adopted
16.21 according to chapter 299F;

16.22 (8) to remove asbestos from school buildings, encapsulate asbestos, or make
16.23 asbestos-related repairs;

16.24 (9) to clean up and dispose of polychlorinated biphenyls found in school buildings;

16.25 (10) to clean up, remove, dispose of, and make repairs related to storing heating fuel
16.26 or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined
16.27 in section 296A.01;

16.28 (11) for energy audits for school buildings and to modify buildings if the audit
16.29 indicates the cost of the modification can be recovered within ten years;

16.30 (12) to improve buildings that are leased according to section 123B.51, subdivision 4;

16.31 (13) to pay special assessments levied against school property but not to pay
16.32 assessments for service charges;

16.33 (14) to pay principal and interest on state loans for energy conservation according to
16.34 section 216C.37 or loans made under the Douglas J. Johnson Economic Protection Trust
16.35 Fund Act according to sections 298.292 to 298.298;

- 17.1 (15) to purchase or lease interactive telecommunications equipment;
- 17.2 (16) by board resolution, to transfer money into the debt redemption fund to: (i)
- 17.3 pay the amounts needed to meet, when due, principal and interest payments on certain
- 17.4 obligations issued according to chapter 475; or (ii) pay principal and interest on debt
- 17.5 service loans or capital loans according to section 126C.70;
- 17.6 (17) to pay operating capital-related assessments of any entity formed under a
- 17.7 cooperative agreement between two or more districts;
- 17.8 (18) to purchase or lease computers and related materials, copying machines,
- 17.9 telecommunications equipment, and other noninstructional equipment;
- 17.10 (19) to purchase or lease assistive technology or equipment for instructional
- 17.11 programs;
- 17.12 (20) to purchase textbooks;
- 17.13 (21) to purchase new and replacement library media resources or technology;
- 17.14 (22) to purchase vehicles;
- 17.15 (23) to purchase or lease telecommunications equipment, computers, and related
- 17.16 equipment for integrated information management systems for:
- 17.17 (i) managing and reporting learner outcome information for all students under a
- 17.18 results-oriented graduation rule;
- 17.19 (ii) managing student assessment, services, and achievement information required
- 17.20 for students with individual education plans; and
- 17.21 (iii) other classroom information management needs; and
- 17.22 (24) to pay personnel costs directly related to the acquisition, operation, and
- 17.23 maintenance of telecommunications systems, computers, related equipment, and network
- 17.24 and applications software.

17.25 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011.

17.26 Sec. 30. Minnesota Statutes 2008, section 126C.10, subdivision 18, is amended to read:

17.27 Subd. 18. **Transportation sparsity revenue allowance.** ~~(a)~~ A district's

17.28 transportation sparsity allowance equals the greater of zero or the result of the following

17.29 computation:

17.30 (i) Multiply the formula allowance according to subdivision 2, by .1469.

17.31 (ii) Multiply the result in clause (i) by the district's sparsity index raised to the

17.32 $26/100$ power.

17.33 (iii) Multiply the result in clause (ii) by the district's density index raised to the

17.34 $13/100$ power.

17.35 (iv) Multiply the formula allowance according to subdivision 2, by .0485.

18.1 (v) Subtract the result in clause (iv) from the result in clause (iii).

18.2 ~~(b) Transportation sparsity revenue is equal to the transportation sparsity allowance~~
 18.3 ~~times the adjusted marginal cost pupil units.~~

18.4 **EFFECTIVE DATE.** This section is effective for fiscal year 2011 and later.

18.5 Sec. 31. Minnesota Statutes 2008, section 126C.10, is amended by adding a
 18.6 subdivision to read:

18.7 Subd. 18a. **Transportation revenue.** (a) A school district's transportation revenue
 18.8 equals the sum of its transportation sparsity revenue, hazardous transportation revenue,
 18.9 and bus purchase revenue.

18.10 (b) A school district's transportation sparsity revenue equals its transportation
 18.11 sparsity allowance times its adjusted pupil units for that year.

18.12 (c) A school district's hazardous transportation aid equals the amount necessary to
 18.13 provide transportation services to students facing hazardous transportation conditions. A
 18.14 district's hazardous transportation aid must not exceed 20 percent of the district's total
 18.15 regular to and from school transportation costs for that year. For any year, a school
 18.16 district may receive aid under this paragraph only after the school board has considered
 18.17 the comprehensive plan for hazardous transportation submitted by the district's pupil
 18.18 transportation safety committee at a regularly scheduled meeting of the school board. The
 18.19 comprehensive plan may not be adopted until after the board has allowed the public
 18.20 reasonable time to testify on the plan.

18.21 (d) A school district's bus purchase revenue equals five percent of the district's
 18.22 spending on transportation services for the previous fiscal year.

18.23 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 18.24 and later.

18.25 Sec. 32. **[126C.115] INNOVATION REVENUE.**

18.26 (a) A school district must use its innovation revenue to implement evidence-based
 18.27 innovation premised on research-based curriculum and instruction and other education
 18.28 programs and practices, including best teaching practices, that are known to improve
 18.29 academic performance for diverse groups of students. If a school district demonstrates
 18.30 low growth and needs to improve students' current achievement and educational growth,
 18.31 as measured by a growth-based value-added system under section 120B.35, the school
 18.32 district must submit a plan to the commissioner, developed in consultation with interested
 18.33 parents, that describes how the district proposes to use its innovation revenue to

19.1 supplement state reading requirements under section 120B.12, subdivision 1, and state
 19.2 math and science requirements under section 120B.023, subdivision 2, paragraphs (b) and
 19.3 (d), and improve student outcomes. The plan must:

19.4 (1) identify specific education goals, consistent with this section, and the indicators
 19.5 to demonstrate progress toward achieving those goals, which may include a value-added
 19.6 assessment model under sections 120B.35 and 120B.362;

19.7 (2) supplement current district initiatives that may transform district programs,
 19.8 practices, and processes sufficient to significantly improve student outcomes, which
 19.9 may include, among other initiatives, an organizational assessment and performance
 19.10 improvement process under section 120B.3625; and

19.11 (3) demonstrate how innovation revenue helps narrow and eliminate differences in
 19.12 student academic achievement in reading, math, and science based on student measures of
 19.13 mobility, attendance, race and ethnicity, gender, English language learner status, eligibility
 19.14 for free or reduced price lunch, and special education, among other outcomes.

19.15 (b) After transmitting its plan to the commissioner, a district must spend its
 19.16 innovation revenue effectively and efficiently, consistent with its plan. A school district
 19.17 that submits an innovation revenue plan under paragraph (a) must report annually by June
 19.18 30 to the commissioner and post on the district's official Web site reliable and accessible
 19.19 information and supporting longitudinal data showing the amount of progress the district
 19.20 made in the immediately preceding school year and previous school years in realizing its
 19.21 innovation revenue goals. The commissioner must analyze the data from the annual
 19.22 district reports and post the analysis on the department's official Web site.

19.23 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 19.24 and later.

19.25 Sec. 33. Minnesota Statutes 2008, section 126C.13, subdivision 4, is amended to read:

19.26 Subd. 4. **General education aid.** ~~For fiscal years 2007 and later,~~ A district's general
 19.27 education aid ~~is the sum of the following amounts~~ equals its:

19.28 (1) ~~general education revenue, excluding equity revenue, total operating capital~~
 19.29 ~~revenue, alternative teacher compensation revenue, and transition revenue;~~

19.30 ~~(2) operating capital aid under section 126C.10, subdivision 13b;~~

19.31 ~~(3) equity aid under section 126C.10, subdivision 30;~~

19.32 ~~(4) alternative teacher compensation aid under section 126C.10, subdivision 36;~~

19.33 ~~(5) transition aid under section 126C.10, subdivision 33~~ for that year;

19.34 ~~(6)~~ (2) shared time aid under section 126C.01, subdivision 7;

19.35 ~~(7)~~ (3) referendum aid under section 126C.17, subdivisions 7 and 7a; and

20.1 ~~(8)~~ (4) online learning aid according to section 124D.096.

20.2 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
20.3 and later.

20.4 Sec. 34. Minnesota Statutes 2008, section 126C.13, subdivision 5, is amended to read:

20.5 Subd. 5. **Uses of revenue.** ~~Except as provided in sections 126C.10, subdivision~~
20.6 ~~14, 126C.12, and 126C.15,~~ (a) General education revenue may be used during the
20.7 regular school year and the summer for general and special school purposes and for
20.8 prekindergarten programs except as limited by paragraph (b).

20.9 (b) General education revenue set-asides include:

20.10 (1) 1.0 percent of basic revenue must be used only for gifted and talented activities
20.11 consistent with section 120B.15;

20.12 (2) 5.0 percent of basic revenue must be used only to implement a district's
20.13 innovative revenue program activities under section 126C.115;

20.14 (3) basic skills revenue must be used according to section 126C.15; and

20.15 (4) operating capital revenue must be spent according to section 126C.10,
20.16 subdivision 14.

20.17 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
20.18 and later.

20.19 Sec. 35. Minnesota Statutes 2008, section 126C.17, subdivision 1, is amended to read:

20.20 Subdivision 1. **Referendum allowance.** ~~(a) For fiscal year 2003 and later, a district's~~
20.21 ~~initial referendum revenue allowance equals the sum of the allowance under section~~
20.22 ~~126C.16, subdivision 2, plus any additional allowance per resident marginal cost pupil~~
20.23 ~~unit authorized under subdivision 9 before May 1, 2001, for fiscal year 2002 and later,~~
20.24 ~~plus the referendum conversion allowance approved under subdivision 13, minus \$415.~~
20.25 ~~For districts with more than one referendum authority, the reduction must be computed~~
20.26 ~~separately for each authority. The reduction must be applied first to the referendum~~
20.27 ~~conversion allowance and next to the authority with the earliest expiration date. A~~
20.28 ~~district's initial referendum revenue allowance may not be less than zero.~~

20.29 ~~(b) For fiscal year 2003, a district's referendum revenue allowance equals the initial~~
20.30 ~~referendum allowance plus any additional allowance per resident marginal cost pupil unit~~
20.31 ~~authorized under subdivision 9 between April 30, 2001, and December 30, 2001, for~~
20.32 ~~fiscal year 2003 and later.~~

21.1 ~~(c) For fiscal year 2004 and later,~~ A district's referendum revenue allowance equals
21.2 the sum of:

21.3 (1) ~~the product of (i) the ratio of the resident marginal cost pupil units the district~~
21.4 ~~would have counted for fiscal year 2004 under Minnesota Statutes 2002, section 126C.05,~~
21.5 ~~to the district's resident marginal cost pupil units for fiscal year 2004, times (ii) the greater~~
21.6 ~~of zero or the district's initial referendum allowance plus any additional allowance per~~
21.7 ~~resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001,~~
21.8 ~~and May 30, 2003; for fiscal year 2003 and later~~ 2014 less \$500, plus

21.9 (2) any additional allowance per resident ~~marginal cost~~ pupil unit authorized under
21.10 subdivision 9 after May 30, ~~2003~~ 2012, for fiscal year ~~2005~~ 2014 and later.

21.11 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
21.12 and later.

21.13 Sec. 36. Minnesota Statutes 2008, section 126C.17, subdivision 5, is amended to read:

21.14 Subd. 5. **Referendum equalization revenue.** (a) ~~For fiscal year 2003 and later,~~
21.15 A district's referendum equalization revenue equals the sum of the first tier referendum
21.16 equalization revenue and the second tier referendum equalization revenue.

21.17 ~~(b) A district's first tier referendum equalization revenue equals the district's first~~
21.18 ~~tier referendum equalization allowance times the district's resident marginal cost pupil~~
21.19 ~~units for that year.~~

21.20 ~~(c) For fiscal year 2006, a district's first tier referendum equalization allowance~~
21.21 ~~equals the lesser of the district's referendum allowance under subdivision 1 or \$500. For~~
21.22 ~~fiscal year 2007, a district's first tier referendum equalization allowance equals the lesser~~
21.23 ~~of the district's referendum allowance under subdivision 1 or \$600.~~

21.24 ~~For fiscal year 2008 and later,~~ (b) A district's first tier referendum equalization
21.25 allowance equals the lesser of the district's referendum allowance under subdivision 1
21.26 or \$700.

21.27 ~~(d)~~ (c) A district's second tier referendum equalization revenue equals the district's
21.28 second tier referendum equalization allowance times the district's resident marginal cost
21.29 pupil units for that year.

21.30 ~~(e) For fiscal year 2006, a district's second tier referendum equalization allowance~~
21.31 ~~equals the lesser of the district's referendum allowance under subdivision 1 or 18.6 percent~~
21.32 ~~of the formula allowance, minus the district's first tier referendum equalization allowance.~~

21.33 ~~For fiscal year 2007 and later,~~ (d) A district's second tier referendum equalization
21.34 allowance equals the lesser of the district's referendum allowance under subdivision 1 or

22.1 26 percent of the formula allowance, minus the district's first tier referendum equalization
22.2 allowance.

22.3 ~~(f)~~(e) Notwithstanding paragraph ~~(e)~~(d), the second tier referendum allowance for a
22.4 district qualifying for secondary sparsity revenue under section 126C.10, subdivision 7, or
22.5 elementary sparsity revenue under section 126C.10, subdivision 8, equals the district's
22.6 referendum allowance under subdivision 1 minus the district's first tier referendum
22.7 equalization allowance.

22.8 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011.

22.9 Sec. 37. Minnesota Statutes 2008, section 126C.17, subdivision 6, is amended to read:

22.10 Subd. 6. **Referendum equalization levy.** (a) ~~For fiscal year 2003 and later,~~
22.11 A district's referendum equalization levy equals the sum of the first tier referendum
22.12 equalization levy and the second tier referendum equalization levy.

22.13 (b) A district's first tier referendum equalization levy equals the district's first tier
22.14 referendum equalization revenue times the lesser of one or the ratio of the district's
22.15 referendum market value per resident marginal cost pupil unit to ~~\$476,000~~ 100 percent of
22.16 the statewide referendum market value equalizing factor.

22.17 (c) A district's second tier referendum equalization levy equals the district's second
22.18 tier referendum equalization revenue times the lesser of one or the ratio of the district's
22.19 referendum market value per resident marginal cost pupil unit to ~~\$270,000~~ 60 percent of
22.20 the statewide referendum market value equalizing factor.

22.21 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011.

22.22 Sec. 38. Minnesota Statutes 2008, section 126C.20, is amended to read:

22.23 **126C.20 ANNUAL GENERAL EDUCATION AID APPROPRIATION.**

22.24 There is annually appropriated from the general fund to the department the ~~amount~~
22.25 amounts necessary for: (1) general education aid; (2) special education aid; (3) debt
22.26 service aid; and (4) the school bond agricultural credit. ~~This amount~~ These amounts must
22.27 be reduced by the amount of any money specifically appropriated for the same purpose
22.28 in any year from any state fund.

22.29 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
22.30 and later.

22.31 Sec. 39. Minnesota Statutes 2008, section 126C.40, subdivision 1, is amended to read:

23.1 Subdivision 1. **To lease building or land.** (a) When an independent or a special
23.2 school district or a group of independent or special school districts finds it economically
23.3 advantageous to rent or lease a building or land for any instructional ~~purposes~~ or
23.4 administrative purpose, or for school storage or furniture repair, and it determines that
23.5 the operating capital revenue authorized under section 126C.10, subdivision 13, is
23.6 insufficient for this purpose, it may apply to the commissioner for permission to make
23.7 an additional capital expenditure levy for this purpose. An application for permission to
23.8 levy under this subdivision must contain financial justification for the proposed levy, the
23.9 terms and conditions of the proposed lease, and a description of the space to be leased
23.10 and its proposed use.

23.11 (b) The criteria for approval of applications to levy under this subdivision must
23.12 include: the reasonableness of the price, the appropriateness of the space to the proposed
23.13 activity, the feasibility of transporting pupils to the leased building or land, conformity
23.14 of the lease to the laws and rules of the state of Minnesota, and the appropriateness of
23.15 the proposed lease to the space needs and the financial condition of the district. The
23.16 commissioner must not authorize a levy under this subdivision in an amount greater than
23.17 the cost to the district of renting or leasing a building or land for approved purposes.
23.18 The proceeds of this levy must not be used for custodial or other maintenance services.
23.19 A district may not levy under this subdivision for the purpose of leasing or renting a
23.20 district-owned building or site to itself.

23.21 (c) For agreements finalized after July 1, 1997, a district may not levy under this
23.22 subdivision for the purpose of leasing: (1) a newly constructed building used primarily
23.23 for regular kindergarten, elementary, or secondary instruction; or (2) a newly constructed
23.24 building addition or additions used primarily for regular kindergarten, elementary, or
23.25 secondary instruction that contains more than 20 percent of the square footage of the
23.26 previously existing building.

23.27 (d) Notwithstanding paragraph (b), a district may levy under this subdivision for the
23.28 purpose of leasing or renting a district-owned building or site to itself only if the amount
23.29 is needed by the district to make payments required by a lease purchase agreement,
23.30 installment purchase agreement, or other deferred payments agreement authorized by law,
23.31 and the levy meets the requirements of paragraph (c). A levy authorized for a district by
23.32 the commissioner under this paragraph may be in the amount needed by the district to
23.33 make payments required by a lease purchase agreement, installment purchase agreement,
23.34 or other deferred payments agreement authorized by law, provided that any agreement
23.35 include a provision giving the school districts the right to terminate the agreement
23.36 annually without penalty.

24.1 (e) The total levy under this subdivision for a district for any year must not exceed
 24.2 \$150 times the resident pupil units for the fiscal year to which the levy is attributable.

24.3 (f) For agreements for which a review and comment have been submitted to the
 24.4 Department of Education after April 1, 1998, the term "instructional purpose" as used in
 24.5 this subdivision excludes expenditures on stadiums.

24.6 (g) The commissioner of education may authorize a school district to exceed the
 24.7 limit in paragraph (e) if the school district petitions the commissioner for approval. The
 24.8 commissioner shall grant approval to a school district to exceed the limit in paragraph (e)
 24.9 for not more than five years if the district meets the following criteria:

24.10 (1) the school district has been experiencing pupil enrollment growth in the
 24.11 preceding five years;

24.12 (2) the purpose of the increased levy is in the long-term public interest;

24.13 (3) the purpose of the increased levy promotes colocation of government services;
 24.14 and

24.15 (4) the purpose of the increased levy is in the long-term interest of the district by
 24.16 avoiding over construction of school facilities.

24.17 (h) A school district that is a member of an intermediate school district may include
 24.18 in its authority under this section the costs associated with leases of administrative and
 24.19 classroom space for intermediate school district programs. This authority must not
 24.20 exceed ~~\$43~~ \$50 times the adjusted marginal cost pupil units of the member districts. This
 24.21 authority is in addition to any other authority authorized under this section.

24.22 (i) In addition to the allowable capital levies in paragraph (a), a district that is a
 24.23 member of the "Technology and Information Education Systems" data processing joint
 24.24 board, that finds it economically advantageous to enter into a lease purchase agreement for
 24.25 a building for a group of school districts or special school districts for staff development
 24.26 purposes, may levy for its portion of lease costs attributed to the district within the total
 24.27 levy limit in paragraph (e).

24.28 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011
 24.29 and later.

24.30 Sec. 40. Minnesota Statutes 2008, section 127A.51, is amended to read:

24.31 **127A.51 STATEWIDE AVERAGE REVENUE.**

24.32 By October 1 of each year the commissioner must estimate the statewide average
 24.33 adjusted general revenue per adjusted marginal cost pupil unit and the disparity in adjusted
 24.34 general revenue among pupils and districts by computing the ratio of the 95th percentile

25.1 to the fifth percentile of adjusted general revenue. The commissioner must provide that
 25.2 information to all districts.

25.3 If the disparity in adjusted general revenue as measured by the ratio of the 95th
 25.4 percentile to the fifth percentile increases in any year, the commissioner shall recommend
 25.5 to the legislature options for change in the general education formula that will limit the
 25.6 disparity in adjusted general revenue to no more than the disparity for the previous
 25.7 school year. The commissioner must submit the recommended options to the education
 25.8 committees of the legislature by January 15.

25.9 For purposes of this section and section 126C.10, adjusted general revenue means:

25.10 (1) for fiscal year 2002, the sum of basic revenue under section 126C.10, subdivision
 25.11 2; supplemental revenue under section 126C.10, subdivisions 9 and 12; transition revenue
 25.12 under section 126C.10, subdivision 20; referendum revenue under section 126C.17; and
 25.13 equity revenue under section 126C.10, subdivisions 24a and 24b; ~~and~~

25.14 (2) for fiscal year 2003 ~~and later~~ through 2010, the sum of basic revenue under
 25.15 section 126C.10, subdivision 2; referendum revenue under section 126C.17; and equity
 25.16 revenue under section 126C.10, subdivisions 24a and 24b; and

25.17 (3) for fiscal year 2011 and later, the sum of basic revenue under section 126C.10,
 25.18 subdivision 2, and referendum revenue under section 126C.17.

25.19 **EFFECTIVE DATE.** This section is effective for fiscal year 2011 and later.

25.20 Sec. 41. Minnesota Statutes 2009 Supplement, section 290.06, subdivision 2c, is
 25.21 amended to read:

25.22 Subd. 2c. **Schedules of rates for individuals, estates, and trusts.** (a) The income
 25.23 taxes imposed by this chapter upon married individuals filing joint returns and surviving
 25.24 spouses as defined in section 2(a) of the Internal Revenue Code must be computed by
 25.25 applying to their taxable net income the following schedule of rates:

25.26 (1) On the first ~~\$25,680~~ \$33,280, 5.35 percent;

25.27 (2) On all over ~~\$25,680~~ \$33,280, but not over ~~\$102,030~~ \$132,220, 7.05 percent;

25.28 (3) On all over ~~\$102,030~~ \$132,220, ~~7.85~~ 8.5 percent.

25.29 Married individuals filing separate returns, estates, and trusts must compute their
 25.30 income tax by applying the above rates to their taxable income, except that the income
 25.31 brackets will be one-half of the above amounts.

25.32 (b) The income taxes imposed by this chapter upon unmarried individuals must be
 25.33 computed by applying to taxable net income the following schedule of rates:

25.34 (1) On the first ~~\$17,570~~ \$22,770, 5.35 percent;

25.35 (2) On all over ~~\$17,570~~ \$22,770, but not over ~~\$57,710~~ \$74,780, 7.05 percent;

26.1 (3) On all over ~~\$57,710~~ \$74,780, ~~7.85~~ 8.5 percent.

26.2 (c) The income taxes imposed by this chapter upon unmarried individuals qualifying
26.3 as a head of household as defined in section 2(b) of the Internal Revenue Code must be
26.4 computed by applying to taxable net income the following schedule of rates:

26.5 (1) On the first ~~\$21,630~~ \$28,030, 5.35 percent;

26.6 (2) On all over ~~\$21,630~~ \$28,030, but not over ~~\$86,910~~ \$112,620, 7.05 percent;

26.7 (3) On all over ~~\$86,910~~ \$112,620, ~~7.85~~ 8.5 percent.

26.8 (d) In lieu of a tax computed according to the rates set forth in this subdivision, the
26.9 tax of any individual taxpayer whose taxable net income for the taxable year is less than
26.10 an amount determined by the commissioner must be computed in accordance with tables
26.11 prepared and issued by the commissioner of revenue based on income brackets of not
26.12 more than \$100. The amount of tax for each bracket shall be computed at the rates set
26.13 forth in this subdivision, provided that the commissioner may disregard a fractional part of
26.14 a dollar unless it amounts to 50 cents or more, in which case it may be increased to \$1.

26.15 (e) An individual who is not a Minnesota resident for the entire year must compute
26.16 the individual's Minnesota income tax as provided in this subdivision. After the
26.17 application of the nonrefundable credits provided in this chapter, the tax liability must
26.18 then be multiplied by a fraction in which:

26.19 (1) the numerator is the individual's Minnesota source federal adjusted gross income
26.20 as defined in section 62 of the Internal Revenue Code and increased by the additions
26.21 required under section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12),
26.22 (13), (16), and (17), and reduced by the Minnesota assignable portion of the subtraction
26.23 for United States government interest under section 290.01, subdivision 19b, clause
26.24 (1), and the subtractions under section 290.01, subdivision 19b, clauses (9), (10), (14),
26.25 (15), (16), and (18), after applying the allocation and assignability provisions of section
26.26 290.081, clause (a), or 290.17; and

26.27 (2) the denominator is the individual's federal adjusted gross income as defined in
26.28 section 62 of the Internal Revenue Code of 1986, increased by the amounts specified in
26.29 section 290.01, subdivision 19a, clauses (1), (5), (6), (7), (8), (9), (12), (13), (16), and (17),
26.30 and reduced by the amounts specified in section 290.01, subdivision 19b, clauses (1), (9),
26.31 (10), (14), (15), (16), and (18).

26.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
26.33 December 31, 2009, except that for taxable years beginning after December 31, 2009, and
26.34 before January 1, 2011, the 8.5 percent rate in paragraphs (a), (b), and (c) is reduced to
26.35 8.175 percent.

27.1 Sec. 42. Minnesota Statutes 2008, section 290.06, subdivision 2d, is amended to read:

27.2 Subd. 2d. **Inflation adjustment of brackets.** (a) For taxable years beginning after
27.3 December 31, ~~2000~~ 2010, the minimum and maximum dollar amounts for each rate
27.4 bracket for which a tax is imposed in subdivision 2c shall be adjusted for inflation by the
27.5 percentage determined under paragraph (b). For the purpose of making the adjustment as
27.6 provided in this subdivision all of the rate brackets provided in subdivision 2c shall be the
27.7 rate brackets as they existed for taxable years beginning after December 31, ~~1999~~ 2009,
27.8 and before January 1, ~~2001~~ 2011. The rate applicable to any rate bracket must not be
27.9 changed. The dollar amounts setting forth the tax shall be adjusted to reflect the changes
27.10 in the rate brackets. The rate brackets as adjusted must be rounded to the nearest \$10
27.11 amount. If the rate bracket ends in \$5, it must be rounded up to the nearest \$10 amount.

27.12 (b) The commissioner shall adjust the rate brackets and by the percentage determined
27.13 pursuant to the provisions of section 1(f) of the Internal Revenue Code, except that in
27.14 section 1(f)(3)(B) the word "~~1999~~" "2009" shall be substituted for the word "1992." For
27.15 ~~2001~~ 2011, the commissioner shall then determine the percent change from the 12 months
27.16 ending on August 31, ~~1999~~ 2009, to the 12 months ending on August 31, ~~2000~~ 2010, and
27.17 in each subsequent year, from the 12 months ending on August 31, ~~1999~~ 2009, to the 12
27.18 months ending on August 31 of the year preceding the taxable year. The determination of
27.19 the commissioner pursuant to this subdivision shall not be considered a "rule" and shall
27.20 not be subject to the Administrative Procedure Act contained in chapter 14.

27.21 No later than December 15 of each year, the commissioner shall announce the
27.22 specific percentage that will be used to adjust the tax rate brackets.

27.23 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
27.24 December 31, 2009.

27.25 Sec. 43. **PHASE-IN.**

27.26 Subdivision 1. **Baseline revenue.** A school district's baseline revenue equals the
27.27 revenue amounts for the aid appropriations calculated under Minnesota Statutes, section
27.28 126C.20, calculated using the current year's data and the revenue formulas in place in
27.29 Minnesota Statutes 2008.

27.30 Subd. 2. **New revenue.** A school district's new revenue equals the revenue amounts
27.31 for the aid appropriations calculated under Minnesota Statutes, section 126C.20, calculated
27.32 using the current year's data and the revenue formulas in place under this act.

27.33 Subd. 3. **Phase-in schedule.** A school district's revenue amounts for the revenue
27.34 formulas listed in subdivisions 1 and 2 equals the district's baseline revenue plus the

28.1 percent of the difference specified in subdivision 6 multiplied by the number of years
28.2 of the phase in specified in subdivision 7.

28.3 Subd. 4. **Aid.** A school district's aid entitlement for the formulas listed under
28.4 this act equals the district's baseline aid plus the phase-in percentage times the new aid
28.5 amounts calculated under this act.

28.6 Subd. 5. **Levy.** A school district levy for the formulas listed in this act equals the
28.7 levy for the same formulas calculated under Minnesota Statutes 2008, and the phase-in
28.8 percentage times the new revenue amounts for the levy calculated under this act.

28.9 Subd. 6. **Percentage.** The phase-in percentage equals 12.5 percent for fiscal years
28.10 2011, 2012, and 2013, 25 percent for fiscal year 2014, 50 percent for fiscal year 2015, 75
28.11 percent for fiscal year 2016, and 100 percent for fiscal year 2017 and later.

28.12 Subd. 7. **Years of phase-in.** The new revenue under this section is phased in over
28.13 seven years according to the schedule in subdivision 6.

28.14 **EFFECTIVE DATE.** This section is effective July 1, 2010.

28.15 Sec. 44. **REVISOR'S INSTRUCTION.**

28.16 The revisor of statutes shall change all references to "adjusted marginal cost pupil
28.17 units" to "adjusted pupil units" and all references to "resident marginal cost pupil units"
28.18 to "resident pupil units."

28.19 **EFFECTIVE DATE.** This section is effective July 1, 2010.

28.20 Sec. 45. **REPEALER.**

28.21 Minnesota Statutes 2008, sections 123B.54; 123B.57, subdivisions 3, 4, and 5;
28.22 123B.591; 125A.76, subdivision 4; 125A.79, subdivision 6; 126C.10, subdivisions 2b,
28.23 13a, 13b, 24, 25, 26, 27, 28, 29, 30, 31, 31a, 31b, 32, 33, 34, 35, and 36; 126C.12;
28.24 126C.126; and 127A.50, are repealed.

28.25 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2011.

123B.54 DEBT SERVICE APPROPRIATION.

(a) \$9,109,000 in fiscal year 2009, \$7,948,000 in fiscal year 2010, \$9,275,000 in fiscal year 2011, \$9,574,000 in fiscal year 2012, and \$8,904,000 in fiscal year 2013 and later are appropriated from the general fund to the commissioner of education for payment of debt service equalization aid under section 123B.53.

(b) The appropriations in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

123B.57 CAPITAL EXPENDITURE; HEALTH AND SAFETY.

Subd. 3. **Health and safety revenue.** A district's health and safety revenue for a fiscal year equals the district's alternative facilities levy under section 123B.59, subdivision 5, paragraph (b), plus the greater of zero or:

(1) the sum of (a) the total approved cost of the district's hazardous substance plan for fiscal years 1985 through 1989, plus (b) the total approved cost of the district's health and safety program for fiscal year 1990 through the fiscal year to which the levy is attributable, excluding expenditures funded with bonds issued under section 123B.59 or 123B.62, or chapter 475; certificates of indebtedness or capital notes under section 123B.61; levies under section 123B.58, 123B.59, 123B.63, or 126C.40, subdivision 1 or 6; and other federal, state, or local revenues, minus

(2) the sum of (a) the district's total hazardous substance aid and levy for fiscal years 1985 through 1989 under sections 124.245 and 275.125, subdivision 11c, plus (b) the district's health and safety revenue under this subdivision, for years before the fiscal year to which the levy is attributable.

Subd. 4. **Health and safety levy.** To receive health and safety revenue, a district may levy an amount equal to the district's health and safety revenue as defined in subdivision 3 multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the adjusted marginal cost pupil units in the district for the school year to which the levy is attributable, to \$2,935.

Subd. 5. **Health and safety aid.** A district's health and safety aid is the difference between its health and safety revenue and its health and safety levy. If a district does not levy the entire amount permitted, health and safety aid must be reduced in proportion to the actual amount levied. Health and safety aid may not be reduced as a result of reducing a district's health and safety levy according to section 123B.79.

123B.591 DEFERRED MAINTENANCE REVENUE.

Subdivision 1. **Eligibility.** An independent or special school district that does not qualify to participate in the alternative facilities bonding and levy under section 123B.59, subdivision 1, paragraph (a), is eligible to receive deferred maintenance revenue.

Subd. 2. **Deferred maintenance revenue.** The deferred maintenance revenue for an eligible school district equals the product of \$60 times the adjusted marginal cost pupil units for the school year times the lesser of one or the ratio of the district's average age of building space to 35 years.

Subd. 3. **Deferred maintenance levy.** To obtain deferred maintenance revenue for fiscal year 2008 and later, a district may levy an amount not more than the product of its deferred maintenance revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to \$5,900.

Subd. 4. **Deferred maintenance aid.** For fiscal year 2008 and later, a district's deferred maintenance aid equals its deferred maintenance revenue minus its deferred maintenance levy times the ratio of the actual amount levied to the permitted levy.

Subd. 5. **Reserve account.** Deferred maintenance revenue must be maintained in a reserve account within the general fund. Deferred maintenance revenue may be used only for expenditures that would be eligible for alternative facilities bonding and levy revenue under section 123B.59, subdivision 2, paragraph (a), if the district qualified for that revenue under section 123B.59, subdivision 1, paragraph (a).

125A.76 SPECIAL EDUCATION REVENUE.

Subd. 4. **State total special education aid.** The state total special education aid equals \$529,247,000 for fiscal year 2007, \$694,063,000 for fiscal year 2008, \$719,470,000 for fiscal year

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2009, \$735,693,000 for fiscal year 2010, and \$786,586,000 for fiscal year 2011. The state total special education aid for later fiscal years equals:

- (1) the state total special education aid for the preceding fiscal year; times
- (2) the program growth factor; times
- (3) the greater of one, or the ratio of the state total average daily membership for the current fiscal year to the state total average daily membership for the preceding fiscal year.

125A.79 SPECIAL EDUCATION EXCESS COST AID.

Subd. 6. **State total special education excess cost aid.** The state total special education excess cost aid equals \$104,700,000 for fiscal year 2007, \$110,641,000 for fiscal year 2008, \$110,918,000 for fiscal year 2009, \$110,847,000 for fiscal year 2010, and \$110,892,000 for fiscal year 2011. The state total special education excess cost aid for later fiscal years equals:

- (1) the state total special education excess cost aid for the preceding fiscal year; times
- (2) the program growth factor; times
- (3) the greater of one, or the ratio of the state total average daily membership for the current fiscal year to the state total average daily membership for the preceding fiscal year.

126C.10 GENERAL EDUCATION REVENUE.

Subd. 2b. **Gifted and talented revenue.** Gifted and talented revenue for each district equals the district's adjusted marginal cost pupil units for that school year times \$12 for fiscal year 2008 and later. A school district must reserve gifted and talented revenue and, consistent with section 120B.15, must spend the revenue only to:

- (1) identify gifted and talented students;
- (2) provide education programs for gifted and talented students; or
- (3) provide staff development to prepare teachers to best meet the unique needs of gifted and talented students.

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal year 2007 and later, a district may levy an amount not more than the product of its operating capital revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital equalizing factor. The operating capital equalizing factor equals \$22,222 for fiscal year 2006, and \$10,700 for fiscal year 2007 and later.

Subd. 13b. **Operating capital aid.** A district's operating capital aid equals its operating capital revenue minus its operating capital levy times the ratio of the actual amount levied to the permitted levy.

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

(1) the school district's adjusted marginal cost pupil unit amount of basic revenue, transition revenue, and referendum revenue is less than the value of the school district at or immediately above the 95th percentile of school districts in its equity region for those revenue categories; and

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

(b) Equity revenue for a qualifying district that receives referendum revenue under section 126C.17, subdivision 4, equals the product of (1) the district's adjusted marginal cost pupil units for that year; times (2) the sum of (i) \$13, plus (ii) \$75, times the school district's equity index computed under subdivision 27.

(c) Equity revenue for a qualifying district that does not receive referendum revenue under section 126C.17, subdivision 4, equals the product of the district's adjusted marginal cost pupil units for that year times \$13.

(d) A school district's equity revenue is increased by the greater of zero or an amount equal to the district's resident marginal cost pupil units times the difference between ten percent of the statewide average amount of referendum revenue per resident marginal cost pupil unit for that year and the district's referendum revenue per resident marginal cost pupil unit. A school district's revenue under this paragraph must not exceed \$100,000 for that year.

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

(f) For fiscal year 2007 and later, notwithstanding paragraph (a), clause (2), a school district that has per pupil referendum revenue below the 95th percentile qualifies for additional equity revenue equal to \$46 times its adjusted marginal cost pupil units.

(g) A district that does not qualify for revenue under paragraph (f) qualifies for equity revenue equal to \$46 times its adjusted marginal cost pupil units.

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Subd. 25. **Regional equity gap.** The regional equity gap equals the difference between the value of the school district at or immediately above the fifth percentile of adjusted general revenue per adjusted marginal cost pupil unit and the value of the school district at or immediately above the 95th percentile of adjusted general revenue per adjusted marginal cost pupil unit.

Subd. 26. **District equity gap.** A district's equity gap equals the greater of zero or the difference between the district's adjusted general revenue and the value of the school district at or immediately above the regional 95th percentile of adjusted general revenue per adjusted marginal cost pupil unit.

Subd. 27. **District equity index.** A district's equity index equals the ratio of the sum of the district equity gap amount to the regional equity gap amount.

Subd. 28. **Equity region.** For the purposes of computing equity revenue under subdivision 24, a district whose administrative offices on July 1, 1999, is located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington County is part of the metro equity region. Districts whose administrative offices on July 1, 1999, are not located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington County are part of the rural equity region.

Subd. 29. **Equity levy.** To obtain equity revenue for fiscal year 2005 and later, a district may levy an amount not more than the product of its equity revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident marginal cost pupil unit to \$476,000.

Subd. 30. **Equity aid.** A district's equity aid equals its equity revenue minus its equity levy times the ratio of the actual amount levied to the permitted levy.

Subd. 31. **Transition revenue.** (a) A district's transition allowance equals the greater of zero or the product of the ratio of the number of adjusted marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002 to the district's adjusted marginal cost pupil units for fiscal year 2004, times the difference between: (1) the lesser of the district's general education revenue per adjusted marginal cost pupil unit for fiscal year 2003 or the amount of general education revenue the district would have received per adjusted marginal cost pupil unit for fiscal year 2004 according to Minnesota Statutes 2002, and (2) the district's general education revenue for fiscal year 2004 excluding transition revenue divided by the number of adjusted marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002.

(b) A district's transition revenue for fiscal years 2006 through 2009 equals the sum of the product of the district's transition allowance times the district's adjusted marginal cost pupil units plus the district's transition for prekindergarten revenue under subdivision 31a.

(c) A district's transition revenue for fiscal year 2010 and later equals the sum of the product of the district's transition allowance times the district's adjusted marginal cost pupil units plus the district's transition for prekindergarten revenue under subdivision 31a plus the district's transition for tuition reciprocity revenue under subdivision 31c.

Subd. 31a. **Transition for prekindergarten revenue.** For fiscal year 2007 and later, a school district's transition for prekindergarten revenue equals the sum of (1) the amount of referendum revenue under section 126C.17 and general education revenue, excluding transition revenue, for fiscal year 2004 attributable to pupils four or five years of age on September 1, 2003, enrolled in a prekindergarten program implemented by the district before July 1, 2003, and reported as kindergarten pupils under section 126C.05, subdivision 1, for fiscal year 2004, plus (2) the amount of compensatory education revenue under subdivision 3 for fiscal year 2005 attributable to pupils four years of age on September 1, 2003, enrolled in a prekindergarten program implemented by the district before July 1, 2003, and reported as kindergarten pupils under section 126C.05, subdivision 1, for fiscal year 2004 multiplied by .04.

Subd. 31b. **Uses of transition for prekindergarten revenue.** A school district that receives revenue under subdivision 31a must reserve that revenue for prekindergarten programs serving students who turn age four by September 1 and who will enter kindergarten the following year.

Subd. 32. **Transition levy.** To obtain transition revenue for fiscal year 2005 and later, a district may levy an amount not more than the product of its transition revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident marginal cost pupil unit to \$476,000.

Subd. 33. **Transition aid.** (a) For fiscal year 2004, a district's transition aid equals its transition revenue.

(b) For fiscal year 2005 and later, a district's transition aid equals its transition revenue minus its transition levy times the ratio of the actual amount levied to the permitted levy.

Subd. 34. **Basic alternative teacher compensation aid.** (a) For fiscal years 2007, 2008, and 2009, the basic alternative teacher compensation aid for a school district with a plan

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approved under section 122A.414, subdivision 2b, equals 73.1 percent of the alternative teacher compensation revenue under section 122A.415, subdivision 1. The basic alternative teacher compensation aid for an intermediate school district or charter school with a plan approved under section 122A.414, subdivisions 2a and 2b, if the recipient is a charter school, equals \$260 times the number of pupils enrolled in the school on October 1 of the previous fiscal year, or on October 1 of the current fiscal year for a charter school in the first year of operation, times the ratio of the sum of the alternative teacher compensation aid and alternative teacher compensation levy for all participating school districts to the maximum alternative teacher compensation revenue for those districts under section 122A.415, subdivision 1.

(b) For fiscal years 2010 and later, the basic alternative teacher compensation aid for a school with a plan approved under section 122A.414, subdivision 2b, equals 65 percent of the alternative teacher compensation revenue under section 122A.415, subdivision 1. The basic alternative teacher compensation aid for an intermediate school district or charter school with a plan approved under section 122A.414, subdivisions 2a and 2b, if the recipient is a charter school, equals \$260 times the number of pupils enrolled in the school on October 1 of the previous year, or on October 1 of the current year for a charter school in the first year of operation, times the ratio of the sum of the alternative teacher compensation aid and alternative teacher compensation levy for all participating school districts to the maximum alternative teacher compensation revenue for those districts under section 122A.415, subdivision 1.

(c) Notwithstanding paragraphs (a) and (b) and section 122A.415, subdivision 1, the state total basic alternative teacher compensation aid entitlement must not exceed \$75,636,000 for fiscal year 2007 and later. The commissioner must limit the amount of alternative teacher compensation aid approved under section 122A.415 so as not to exceed these limits.

Subd. 35. **Alternative teacher compensation levy.** For fiscal year 2007 and later, the alternative teacher compensation levy for a district receiving basic alternative teacher compensation aid equals the product of (1) the difference between the district's alternative teacher compensation revenue and the district's basic alternative teacher compensation aid times (2) the lesser of one or the ratio of the district's adjusted net tax capacity per adjusted pupil unit to \$5,913.

Subd. 36. **Alternative teacher compensation aid.** (a) For fiscal year 2007 and later, a district's alternative teacher compensation equalization aid equals the district's alternative teacher compensation revenue minus the district's basic alternative teacher compensation aid minus the district's alternative teacher compensation levy. If a district does not levy the entire amount permitted, the alternative teacher compensation equalization aid must be reduced in proportion to the actual amount levied.

(b) A district's alternative teacher compensation aid equals the sum of the district's basic alternative teacher compensation aid and the district's alternative teacher compensation equalization aid.

126C.12 LEARNING AND DEVELOPMENT REVENUE AMOUNT AND USE.

Subdivision 1. **Revenue.** Of a district's general education revenue for fiscal year 2000 and thereafter each school district shall reserve an amount equal to the formula allowance multiplied by the following calculation:

(1) the sum of adjusted marginal cost pupils in average daily membership, according to section 126C.05, subdivision 5, in kindergarten times .057; plus

(2) the sum of adjusted marginal cost pupils in average daily membership, according to section 126C.05, subdivision 5, in grades 1 to 3 times .115; plus

(3) the sum of adjusted marginal cost pupils in average daily membership, according to section 126C.05, subdivision 5, in grades 4 to 6 times .06.

Subd. 2. **Definitions.** (a) "Classroom teacher" means a public employee licensed by the board of teaching who is authorized to teach all subjects to children in any grade in kindergarten through grade 6 and whose duties are full-time regular classroom instruction, excluding a teacher for whom federal aids are received or for whom categorical aids are received under section 125A.76 or who is an itinerant teacher or provides instruction outside of the regular classroom. Except as provided in section 122A.68, subdivision 6, classroom teacher does not include supervisory and support personnel defined in section 122A.15. A classroom teacher whose duties are less than full-time instruction must be included as an equivalent only for the number of hours of instruction in kindergarten through grade 3.

(b) "Class size" means the districtwide ratio at each grade level of the number of full-time students in kindergarten through grade 3 served at least 40 percent of the time in regular classrooms to the number of full-time classroom teachers in kindergarten through grade 3, determined as of October 1 of each school year.

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Subd. 3. **Instruction contact time.** Instruction may be provided by a classroom teacher or by a team of classroom teachers, or by a teacher resident supervised by a classroom teacher. The district must maximize classroom teacher to learner average instructional contact time in the core subjects of reading and mathematics.

Subd. 4. **Revenue use.** (a) Revenue must be used to reduce and maintain the district's average class size in kindergarten through grade 3 to a level of 17 to 1 on average in each of the respective grades.

(b) A district must not increase the districtwide class sizes in other grades as a result of reducing class sizes in kindergarten through grade 3. Revenue may not be used to provide instructor preparation. A district may use a portion of the revenue reserved under this section to employ up to the same number of full-time equivalent education assistants or aides as the district employed during the 1992-1993 school year under Minnesota Statutes 1992, section 124.331, subdivision 2, through fiscal year 2002. Beginning in fiscal year 2003, class size reduction revenue may only be reserved to employ classroom teachers contributing to lower class sizes in kindergarten through grade 3.

Subd. 5. **Additional revenue use.** If the board of a district determines that the district has achieved and is maintaining the class sizes specified in subdivision 4, the board may use the revenue to reduce class size in grades 4, 5, and 6, provide all-day, everyday kindergarten, prepare and use individualized learning plans, improve program offerings, purchase instructional material, services, or technology, or provide staff development needed for reduced class sizes.

Subd. 6. **Annual report.** By December 1 of each year, districts receiving revenue under subdivision 1 shall make available to the public a report on the amount of revenue the district has received and the use of the revenue. This report shall be in the form and manner determined by the commissioner and shall include the district average class sizes in kindergarten through grade 6 as of October 1 of the current school year and the class sizes for each site serving kindergarten through grade 6 students in the district. A copy of the report shall be filed with the commissioner by December 15.

126C.126 REALLOCATING GENERAL EDUCATION REVENUE FOR ALL-DAY KINDERGARTEN AND PREKINDERGARTEN.

(a) In order to provide additional revenue for an optional all-day kindergarten program, a district may reallocate general education revenue attributable to 12th grade students who have graduated early under section 120B.07.

(b) A school district may spend general education revenue on extended time kindergarten and prekindergarten programs.

127A.50 AID ADJUSTMENTS DUE TO CHANGES IN EMPLOYER RETIREMENT CONTRIBUTION RATES.

Subdivision 1. **Aid adjustment.** Beginning in fiscal year 1998 and each year thereafter, the commissioner of education shall adjust state aid payments to school operating funds for Independent School District No. 625 and Independent School District No. 709 by the net amount of clauses (1) and (2), for Special School District No. 1 by the net amount of clauses (1), (2), and (4), and for all other districts, including charter schools, but excluding any education organizations that are prohibited from receiving direct state aids under section 123A.26 or 125A.75, subdivision 7, by the net amount of clauses (1), (2), (3), and (4):

(1) a decrease equal to each district's share of the fiscal year 1997 adjustment effected under Minnesota Statutes 1996, section 124.2139;

(2) an increase equal to one percent of the salaries paid to members of the general plan of the Public Employees Retirement Association in fiscal year 1997, multiplied by 0.35 for fiscal year 1998 and 0.70 each year thereafter;

(3) a decrease equal to 2.34 percent of the salaries paid to members of the Teachers Retirement Association in fiscal year 1997; and

(4) an increase equal to 0.5 percent of the salaries paid to members of the Teachers Retirement Association in fiscal year 2007.

Subd. 2. **Appropriation.** The amounts necessary to pay any positive net adjustments under this section to any school district are appropriated annually from the general fund to the commissioner of education.

Subd. 3. **Limits on adjustments and potential reductions.** Increases to any school districts under subdivision 1, clause (2), and decreases under subdivision 1, clauses (1) and (3), are limited to the fiscal year 1999 amounts. The commissioner of education may permanently reduce

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the adjustments to school districts under subdivision 1, clauses (1) and (2), in the same manner as prescribed for nonschool jurisdictions under section 273.1385, subdivision 2. The commissioner may, from time to time, require that the most recent fiscal year payroll information be certified by the executive director of the Teachers Retirement Association. For any school district where the newly certified Teachers Retirement Association payroll is significantly lower than the fiscal 1997 amount as determined by the commissioner, the commissioner shall recalculate the lower reduction under subdivision 1, clause (3), and shall permanently reduce the adjustment amount in subsequent years.

Subd. 4. **Effect of reorganizations.** The commissioner of education shall reapportion the aid adjustments to school districts under this section to account for significant changes in boundaries or consolidations, as determined by the commissioner. If a school district is dissolved, or a school district function thereof is assumed by either the state or a nonpublic organization, adjustments for all or the appropriate fraction of the total payroll under this section must terminate.

Subd. 5. **Adjustment termination.** All adjustments under this section terminate on June 30, 2020.