A bill for an act
relating to education finance; fully funding the state's special education revenue formulas; making the appropriation for special education aid open and standing; amending Minnesota Statutes 2006, sections 125A.76, subdivisions 3, 5; 125A.79, subdivisions 5, 7; 126C.20; repealing Minnesota Statutes 2006, sections 125A.76, subdivision 4; 125A.79, subdivision 6.

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

Section 1. Minnesota Statutes 2006, section 125A.76, subdivision 3, is amended to read:

Subd. 3. **Adjusted special education base revenue.** ~~For fiscal year 1997 and later,~~ A district's adjusted special education base revenue equals the district's special education base revenue times the ratio of the district's <u>number of students in</u> average daily membership <u>with an individual education plan</u> for the current school year to the district's <u>number of students in</u> average daily membership <u>with an individual education plan</u> for the base year.

<u>**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2008.</u>

Sec. 2. Minnesota Statutes 2006, section 125A.76, subdivision 5, is amended to read:

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

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

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

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

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

Sec. 3. Minnesota Statutes 2006, section 125A.79, subdivision 5, is amended to read:

Subd. 5. **Initial excess cost aid.** ~~For fiscal years 2002 and later,~~ A district's initial excess cost aid equals the greatest of:

(1) 75 percent of the difference between (i) the district's unreimbursed special education cost and (ii) 4.36 percent of the district's general revenue;

(2) 70 percent of the difference between (i) the increase in the district's unreimbursed special education cost between the base year as defined in section 125A.76, subdivision 1, and the current year and (ii) 1.6 percent of the district's general revenue; or

(3) zero.

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

Sec. 4. Minnesota Statutes 2006, section 125A.79, subdivision 7, is amended to read:

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

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

Sec. 5. Minnesota Statutes 2006, section 126C.20, is amended to read:

126C.20 ANNUAL GENERAL EDUCATION AID APPROPRIATION.

There is annually appropriated from the general fund to the department the amount necessary for general education aid and special education aid under sections 125A.76 and 125A.79. This amount must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

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

Sec. 6. **REPEALER.**

Minnesota Statutes 2006, sections 125A.76, subdivision 4; and 125A.79, subdivision 6, are repealed effective for revenue for fiscal year 2008.