

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 4534

(SENATE AUTHORS: BAKK)

DATE
04/24/2022

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Introduction and first reading
Referred to Education Finance and Policy

OFFICIAL STATUS

1.1 A bill for an act

1.2 relating to education; moving the local optional revenue program to the formula

1.3 allowance; striking obsolete language; amending Minnesota Statutes 2020, sections

1.4 123A.05, subdivision 2; 124E.20, subdivision 1; 124E.23; 125A.11, subdivision

1.5 1; 125A.76, subdivision 1; 125A.79, subdivisions 1, 8; 126C.05, subdivision 15;

1.6 126C.10, subdivisions 1, 18, 18a, 24; 126C.13, subdivision 4; 126C.17, subdivision

1.7 7a; 127A.47, subdivision 7; 127A.51; Minnesota Statutes 2021 Supplement, section

1.8 126C.10, subdivision 2; repealing Minnesota Statutes 2020, section 126C.17,

1.9 subdivision 7b; Minnesota Statutes 2021 Supplement, section 126C.10, subdivision

1.10 2e.

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

1.12 Section 1. Minnesota Statutes 2020, section 123A.05, subdivision 2, is amended to read:

1.13 Subd. 2. **Reserve revenue.** Each district that is a member of an area learning center or

1.14 alternative learning program must reserve revenue in an amount equal to the sum of (1) at

1.15 least 90 and no more than 100 percent of the district average general education revenue per

1.16 adjusted pupil unit minus an amount equal to the product of the formula allowance according

1.17 to section 126C.10, subdivision 2, times ~~.0466~~ .0406, calculated without basic skills revenue,

1.18 ~~local optional revenue~~, and transportation sparsity revenue, times the number of pupil units

1.19 attending an area learning center or alternative learning program under this section, plus

1.20 (2) the amount of basic skills revenue generated by pupils attending the area learning center

1.21 or alternative learning program. The amount of reserved revenue under this subdivision

1.22 may only be spent on program costs associated with the area learning center or alternative

1.23 learning program.

1.24 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

2.1 Sec. 2. Minnesota Statutes 2020, section 124E.20, subdivision 1, is amended to read:

2.2 Subdivision 1. **Revenue calculation.** (a) General education revenue must be paid to a
 2.3 charter school as though it were a district. The general education revenue for each adjusted
 2.4 pupil unit is the state average general education revenue per pupil unit, plus the referendum
 2.5 equalization aid allowance ~~and first tier local optional aid allowance~~ in the pupil's district
 2.6 of residence, minus an amount equal to the product of the formula allowance according to
 2.7 section 126C.10, subdivision 2, times ~~.0466~~ .0406, calculated without declining enrollment
 2.8 revenue, ~~local optional revenue~~, basic skills revenue, extended time revenue, pension
 2.9 adjustment revenue, transition revenue, and transportation sparsity revenue, plus declining
 2.10 enrollment revenue, basic skills revenue, pension adjustment revenue, and transition revenue
 2.11 as though the school were a school district.

2.12 (b) For a charter school operating an extended day, extended week, or summer program,
 2.13 the general education revenue in paragraph (a) is increased by an amount equal to 25 percent
 2.14 of the statewide average extended time revenue per adjusted pupil unit.

2.15 (c) Notwithstanding paragraph (a), the general education revenue for an eligible special
 2.16 education charter school as defined in section 124E.21, subdivision 2, equals the sum of
 2.17 the amount determined under paragraph (a) and the school's unreimbursed cost as defined
 2.18 in section 124E.21, subdivision 2, for educating students not eligible for special education
 2.19 services.

2.20 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

2.21 Sec. 3. Minnesota Statutes 2020, section 124E.23, is amended to read:

2.22 **124E.23 TRANSPORTATION REVENUE.**

2.23 Transportation revenue must be paid to a charter school that provides transportation
 2.24 services according to section 124E.15, according to this section. Transportation aid shall
 2.25 equal transportation revenue.

2.26 In addition to the revenue under section 124E.20, a charter school providing transportation
 2.27 services must receive general education aid equal to the sum of the product of (1) an amount
 2.28 equal to the product of the formula allowance according to section 126C.10, subdivision 2,
 2.29 times ~~.0466~~ .0406, plus the transportation sparsity allowance for the school district in which
 2.30 the charter school is located times (2) the adjusted pupil units, plus the product of \$223
 2.31 times the extended time pupil units.

2.32 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

3.1 Sec. 4. Minnesota Statutes 2020, section 125A.11, subdivision 1, is amended to read:

3.2 Subdivision 1. **Nonresident tuition rate; other costs.** (a) For fiscal year 2015 and later,
3.3 when a school district provides special instruction and services for a pupil with a disability
3.4 as defined in section 125A.02 outside the district of residence, excluding a pupil for whom
3.5 an adjustment to special education aid is calculated according to section 127A.47, subdivision
3.6 7, paragraphs (b) to (d), special education aid paid to the resident district must be reduced
3.7 by an amount equal to (1) the actual cost of providing special instruction and services to
3.8 the pupil, including a proportionate amount for special transportation, plus (2) the amount
3.9 of general education revenue, ~~excluding local optional revenue, plus local optional aid and~~
3.10 referendum equalization aid attributable to that pupil, calculated using the resident district's
3.11 average general education revenue and referendum equalization aid per adjusted pupil unit
3.12 excluding basic skills revenue, elementary sparsity revenue and secondary sparsity revenue,
3.13 minus (3) the amount of special education aid for children with a disability under section
3.14 125A.76 received on behalf of that child, excluding cross subsidy reduction aid under section
3.15 125A.76, subdivision 2e, minus (4) if the pupil receives special instruction and services
3.16 outside the regular classroom for more than 60 percent of the school day, the amount of
3.17 general education revenue and referendum equalization aid, excluding portions attributable
3.18 to district and school administration, district support services, operations and maintenance,
3.19 capital expenditures, and pupil transportation, attributable to that pupil for the portion of
3.20 time the pupil receives special instruction and services outside of the regular classroom,
3.21 calculated using the resident district's average general education revenue and referendum
3.22 equalization aid per adjusted pupil unit excluding basic skills revenue, elementary sparsity
3.23 revenue and secondary sparsity revenue and the serving district's basic skills revenue,
3.24 elementary sparsity revenue and secondary sparsity revenue per adjusted pupil unit.
3.25 Notwithstanding clauses (1) and (4), for pupils served by a cooperative unit without a fiscal
3.26 agent school district, the general education revenue and referendum equalization aid
3.27 attributable to a pupil must be calculated using the resident district's average general
3.28 education revenue and referendum equalization aid excluding compensatory revenue,
3.29 elementary sparsity revenue, and secondary sparsity revenue. Special education aid paid to
3.30 the district or cooperative providing special instruction and services for the pupil must be
3.31 increased by the amount of the reduction in the aid paid to the resident district. If the resident
3.32 district's special education aid is insufficient to make the full adjustment, the remaining
3.33 adjustment shall be made to other state aid due to the district.

3.34 (b) Notwithstanding paragraph (a), when a charter school receiving special education
3.35 aid under section 124E.21, subdivision 3, provides special instruction and services for a

4.1 pupil with a disability as defined in section 125A.02, excluding a pupil for whom an
 4.2 adjustment to special education aid is calculated according to section 127A.47, subdivision
 4.3 7, paragraphs (b) to (e), special education aid paid to the resident district must be reduced
 4.4 by an amount equal to that calculated under paragraph (a) as if the charter school received
 4.5 aid under section 124E.21, subdivision 1. Notwithstanding paragraph (a), special education
 4.6 aid paid to the charter school providing special instruction and services for the pupil must
 4.7 not be increased by the amount of the reduction in the aid paid to the resident district.

4.8 (c) Notwithstanding paragraph (a) and section 127A.47, subdivision 7, paragraphs (b)
 4.9 to (d):

4.10 (1) an intermediate district or a special education cooperative may recover unreimbursed
 4.11 costs of serving pupils with a disability, including building lease, debt service, and indirect
 4.12 costs necessary for the general operation of the organization, by billing membership fees
 4.13 and nonmember access fees to the resident district;

4.14 (2) a charter school where more than 30 percent of enrolled students receive special
 4.15 education and related services, a site approved under section 125A.515, an intermediate
 4.16 district, a site constructed according to Laws 1992, chapter 558, section 7, subdivision 7,
 4.17 to meet the educational needs of court-placed adolescents, or a special education cooperative
 4.18 may apply to the commissioner for authority to charge the resident district an additional
 4.19 amount to recover any remaining unreimbursed costs of serving pupils with a disability;

4.20 (3) the billing under clause (1) or application under clause (2) must include a description
 4.21 of the costs and the calculations used to determine the unreimbursed portion to be charged
 4.22 to the resident district. Amounts approved by the commissioner under clause (2) must be
 4.23 included in the aid adjustments under paragraph (a), or section 127A.47, subdivision 7,
 4.24 paragraphs (b) to (d), as applicable.

4.25 (d) For purposes of this subdivision and section 127A.47, subdivision 7, paragraph (b),
 4.26 "general education revenue and referendum equalization aid" means the sum of the general
 4.27 education revenue according to section 126C.10, subdivision 1, ~~excluding the local optional~~
 4.28 ~~levy according to section 126C.10, subdivision 2e, paragraph (e),~~ plus the referendum
 4.29 equalization aid according to section 126C.17, subdivision 7.

4.30 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

4.31 Sec. 5. Minnesota Statutes 2020, section 125A.76, subdivision 1, is amended to read:

4.32 Subdivision 1. **Definitions.** (a) For the purposes of this section and section 125A.79,
 4.33 the definitions in this subdivision apply.

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

5.4 (c) "Essential personnel" means teachers, cultural liaisons, related services, and support
5.5 services staff providing services to students. Essential personnel may also include special
5.6 education paraprofessionals or clericals providing support to teachers and students by
5.7 preparing paperwork and making arrangements related to special education compliance
5.8 requirements, including parent meetings and individualized education programs. Essential
5.9 personnel does not include administrators and supervisors.

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

5.11 (e) "Program growth factor" means 1.046 for fiscal year 2017, and the product of 1.046
5.12 and the program growth factor for the previous year for fiscal year 2018 and later.

5.13 (f) "Nonfederal special education expenditure" means all direct expenditures that are
5.14 necessary and essential to meet the district's obligation to provide special instruction and
5.15 services to children with a disability according to sections 124D.454, 125A.03 to 125A.24,
5.16 125A.259 to 125A.48, and 125A.65 as submitted by the district and approved by the
5.17 department under section 125A.75, subdivision 4, excluding expenditures:

5.18 (1) reimbursed with federal funds;

5.19 (2) reimbursed with other state aids under this chapter;

5.20 (3) for general education costs of serving students with a disability;

5.21 (4) for facilities;

5.22 (5) for pupil transportation; and

5.23 (6) for postemployment benefits.

5.24 (g) "Old formula special education expenditures" means expenditures eligible for revenue
5.25 under Minnesota Statutes 2012, section 125A.76, subdivision 2.

5.26 (h) For the Minnesota State Academy for the Deaf and the Minnesota State Academy
5.27 for the Blind, expenditures under paragraphs (f) and (g) are limited to the salary and fringe
5.28 benefits of one-to-one instructional and behavior management aides and one-to-one licensed,
5.29 certified professionals assigned to a child attending the academy, if the aides or professionals
5.30 are required by the child's individualized education program.

6.1 (i) "Special education aid increase limit" means \$80 for fiscal year 2016, \$100 for fiscal
6.2 year 2017, and, for fiscal years 2018 through 2020, the sum of the special education aid
6.3 increase limit for the previous fiscal year and \$40.

6.4 (j) "District" means a school district, a charter school, or a cooperative unit as defined
6.5 in section 123A.24, subdivision 2. Notwithstanding section 123A.26, cooperative units as
6.6 defined in section 123A.24, subdivision 2, are eligible to receive special education aid under
6.7 this section and section 125A.79.

6.8 (k) "Initial special education cross subsidy" means the greater of zero or:

6.9 (1) the nonfederal special education expenditure under paragraph (f); plus

6.10 (2) the cost of providing transportation services for pupils with disabilities under section
6.11 123B.92, subdivision 1, paragraph (b), clause (4); minus

6.12 (3) the special education aid under subdivision 2c and sections 125A.11, subdivision 1,
6.13 and 127A.47, subdivision 7; minus

6.14 (4) the amount of general education revenue, ~~excluding local optional revenue~~, plus
6.15 ~~local optional aid~~ and referendum equalization aid attributable to pupils receiving special
6.16 instruction and services outside the regular classroom for more than 60 percent of the school
6.17 day for the portion of time the pupils receive special instruction and services outside the
6.18 regular classroom, excluding portions attributable to district and school administration,
6.19 district support services, operations and maintenance, capital expenditures, and pupil
6.20 transportation.

6.21 (l) The "minimum aid adjustment multiplier" for fiscal year 2020 equals 1.046. For fiscal
6.22 year 2021 and later, the minimum aid adjustment multiplier equals the greater of 1.02 or
6.23 the minimum aid adjustment multiplier for the previous year minus 0.002.

6.24 (m) The "minimum aid adjustment factor" for fiscal year 2020 equals the program growth
6.25 factor for fiscal year 2020. For fiscal year 2021 and later, the minimum aid adjustment factor
6.26 equals the product of the minimum aid adjustment factor for the previous fiscal year and
6.27 the minimum aid adjustment multiplier.

6.28 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

6.29 Sec. 6. Minnesota Statutes 2020, section 125A.79, subdivision 1, is amended to read:

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

6.32 (a) "Unreimbursed old formula special education expenditures" means:

7.1 (1) old formula special education expenditures for the prior fiscal year; minus

7.2 (2) ~~for fiscal year 2016 and later~~, the special education initial aid under section 125A.76,
7.3 subdivision 2a; minus

7.4 (3) ~~for fiscal year 2016 and later~~, the amount of general education revenue, ~~excluding~~
7.5 ~~local optional revenue~~, plus ~~local optional aid~~ and referendum equalization aid for the prior
7.6 fiscal year attributable to pupils receiving special instruction and services outside the regular
7.7 classroom for more than 60 percent of the school day for the portion of time the pupils
7.8 receive special instruction and services outside the regular classroom, excluding portions
7.9 attributable to district and school administration, district support services, operations and
7.10 maintenance, capital expenditures, and pupil transportation.

7.11 (b) "Unreimbursed nonfederal special education expenditures" means:

7.12 (1) nonfederal special education expenditures for the prior fiscal year; minus

7.13 (2) special education initial aid under section 125A.76, subdivision 2a; minus

7.14 (3) the amount of general education revenue, ~~excluding local optional revenue~~, plus
7.15 ~~local optional aid~~, and referendum equalization aid for the prior fiscal year attributable to
7.16 pupils receiving special instruction and services outside the regular classroom for more than
7.17 60 percent of the school day for the portion of time the pupils receive special instruction
7.18 and services outside of the regular classroom, excluding portions attributable to district and
7.19 school administration, district support services, operations and maintenance, capital
7.20 expenditures, and pupil transportation.

7.21 (c) "General revenue" for a school district means the sum of the general education
7.22 revenue according to section 126C.10, subdivision 1, excluding transportation sparsity
7.23 revenue, ~~local optional revenue~~, and total operating capital revenue. "General revenue" for
7.24 a charter school means the sum of the general education revenue according to section
7.25 124E.20, subdivision 1, and transportation revenue according to section 124E.23, excluding
7.26 referendum equalization aid, transportation sparsity revenue, and operating capital revenue.

7.27 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

7.28 Sec. 7. Minnesota Statutes 2020, section 125A.79, subdivision 8, is amended to read:

7.29 Subd. 8. **Out-of-state tuition.** For children who are residents of the state, receive services
7.30 under section 125A.76, subdivisions 1 and 2a, and are placed in a care and treatment facility
7.31 by court action in a state that does not have a reciprocity agreement with the commissioner
7.32 under section 125A.155, the resident school district shall receive special education

8.1 out-of-state tuition aid equal to the amount of the tuition bills, minus (1) the general education
 8.2 revenue, excluding basic skills revenue ~~and the local optional levy~~ attributable to the pupil,
 8.3 calculated using the resident district's average general education revenue per adjusted pupil
 8.4 unit, (2) the referendum equalization aid attributable to the pupil, calculated using the
 8.5 resident district's referendum equalization aid per adjusted pupil unit, and (3) the special
 8.6 education aid attributable to the pupil.

8.7 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

8.8 Sec. 8. Minnesota Statutes 2020, section 126C.05, subdivision 15, is amended to read:

8.9 Subd. 15. **Learning year pupil units.** (a) When a pupil is enrolled in a learning year
 8.10 program under section 124D.128, an area learning center or an alternative learning program
 8.11 approved by the commissioner under sections 123A.05 and 123A.06, or a contract alternative
 8.12 program under section 124D.68, subdivision 3, paragraph (d), or subdivision 4, for more
 8.13 than 1,020 hours in a school year for a secondary student, more than 935 hours in a school
 8.14 year for an elementary student, more than 850 hours in a school year for a kindergarten
 8.15 student without a disability in an all-day kindergarten program, or more than 425 hours in
 8.16 a school year for a half-day kindergarten student without a disability, that pupil may be
 8.17 counted as more than one pupil in average daily membership for purposes of section 126C.10,
 8.18 subdivision 2a. The amount in excess of one pupil must be determined by the ratio of the
 8.19 number of hours of instruction provided to that pupil in excess of: (i) the greater of 1,020
 8.20 hours or the number of hours required for a full-time secondary pupil in the district to 1,020
 8.21 for a secondary pupil; (ii) the greater of 935 hours or the number of hours required for a
 8.22 full-time elementary pupil in the district to 935 for an elementary pupil in grades 1 through
 8.23 6; and (iii) the greater of 850 hours or the number of hours required for a full-time
 8.24 kindergarten student without a disability in the district to 850 for a kindergarten student
 8.25 without a disability. Hours that occur after the close of the instructional year in June shall
 8.26 be attributable to the following fiscal year. A student in kindergarten or grades 1 through
 8.27 12 must not be counted as more than 1.2 pupils in average daily membership under this
 8.28 subdivision.

8.29 (b)(i) To receive general education revenue for a pupil in an area learning center or
 8.30 alternative learning program that has an independent study component, a district must meet
 8.31 the requirements in this paragraph. The district must develop, for the pupil, a continual
 8.32 learning plan consistent with section 124D.128, subdivision 3. Each school district that has
 8.33 an area learning center or alternative learning program must reserve revenue in an amount
 8.34 equal to at least 90 and not more than 100 percent of the district average general education

9.1 revenue per pupil unit, minus an amount equal to the product of the formula allowance
9.2 according to section 126C.10, subdivision 2, times ~~.0466~~ .0406, calculated without basic
9.3 skills revenue, ~~local optional revenue~~, and transportation sparsity revenue, times the number
9.4 of pupil units generated by students attending an area learning center or alternative learning
9.5 program. The amount of reserved revenue available under this subdivision may only be
9.6 spent for program costs associated with the area learning center or alternative learning
9.7 program. Basic skills revenue generated according to section 126C.10, subdivision 4, by
9.8 pupils attending the eligible program must be allocated to the program.

9.9 (ii) General education revenue for a pupil in a state-approved alternative program without
9.10 an independent study component must be prorated for a pupil participating for less than a
9.11 full year, or its equivalent. The district must develop a continual learning plan for the pupil,
9.12 consistent with section 124D.128, subdivision 3. Each school district that has an area learning
9.13 center or alternative learning program must reserve revenue in an amount equal to at least
9.14 90 and not more than 100 percent of the district average general education revenue per pupil
9.15 unit, minus an amount equal to the product of the formula allowance according to section
9.16 126C.10, subdivision 2, times ~~.0466~~ .0406, calculated without basic skills revenue, ~~local~~
9.17 ~~optional revenue~~, and transportation sparsity revenue, times the number of pupil units
9.18 generated by students attending an area learning center or alternative learning program. The
9.19 amount of reserved revenue available under this subdivision may only be spent for program
9.20 costs associated with the area learning center or alternative learning program. Basic skills
9.21 revenue generated according to section 126C.10, subdivision 4, by pupils attending the
9.22 eligible program must be allocated to the program.

9.23 (iii) General education revenue for a pupil in a state-approved alternative program that
9.24 has an independent study component must be paid for each hour of teacher contact time
9.25 and each hour of independent study time completed toward a credit or graduation standards
9.26 necessary for graduation. Average daily membership for a pupil shall equal the number of
9.27 hours of teacher contact time and independent study time divided by 1,020.

9.28 (iv) For a state-approved alternative program having an independent study component,
9.29 the commissioner shall require a description of the courses in the program, the kinds of
9.30 independent study involved, the expected learning outcomes of the courses, and the means
9.31 of measuring student performance against the expected outcomes.

9.32 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

10.1 Sec. 9. Minnesota Statutes 2020, section 126C.10, subdivision 1, is amended to read:

10.2 Subdivision 1. **General education revenue.** The general education revenue for each
 10.3 district equals the sum of the district's basic revenue, extended time revenue, gifted and
 10.4 talented revenue, declining enrollment revenue, ~~local optional revenue~~, small schools
 10.5 revenue, basic skills revenue, secondary sparsity revenue, elementary sparsity revenue,
 10.6 transportation sparsity revenue, total operating capital revenue, equity revenue, pension
 10.7 adjustment revenue, and transition revenue.

10.8 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

10.9 Sec. 10. Minnesota Statutes 2021 Supplement, section 126C.10, subdivision 2, is amended
 10.10 to read:

10.11 Subd. 2. **Basic revenue.** The basic revenue for each district equals the formula allowance
 10.12 times the adjusted pupil units for the school year. The formula allowance for fiscal year
 10.13 2021 is \$6,567. The formula allowance for fiscal year 2022 is \$6,728. The formula allowance
 10.14 for fiscal year 2023 and later is \$6,863. The formula allowance for fiscal year 2024 and
 10.15 later is \$7,587.

10.16 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

10.17 Sec. 11. Minnesota Statutes 2020, section 126C.10, subdivision 18, is amended to read:

10.18 Subd. 18. **Transportation sparsity revenue allowance.** (a) A district's transportation
 10.19 sparsity allowance equals the greater of zero or the result of the following computation:

10.20 (i) Multiply the formula allowance according to subdivision 2, by .141.

10.21 (ii) Multiply the result in clause (i) by the district's sparsity index raised to the 26/100
 10.22 power.

10.23 (iii) Multiply the result in clause (ii) by the district's density index raised to the 13/100
 10.24 power.

10.25 (iv) Multiply the formula allowance according to subdivision 2, by ~~.0466~~ .0406.

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

10.27 (b) Transportation sparsity revenue is equal to the transportation sparsity allowance
 10.28 times the adjusted pupil units.

10.29 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

11.1 Sec. 12. Minnesota Statutes 2020, section 126C.10, subdivision 18a, is amended to read:

11.2 Subd. 18a. **Pupil transportation adjustment.** (a) An independent, common, or special
11.3 school district's transportation sparsity revenue under subdivision 18 is increased by the
11.4 greater of zero or 18.2 percent of the difference between:

11.5 (1) the lesser of the district's total cost for regular and excess pupil transportation under
11.6 section 123B.92, subdivision 1, paragraph (b), including depreciation, for the previous fiscal
11.7 year or 105 percent of the district's total cost for the second previous fiscal year; and

11.8 (2) the sum of:

11.9 ~~(i) 4.66 percent of the district's basic revenue for the previous fiscal year;~~

11.10 ~~(ii)~~ (i) transportation sparsity revenue under subdivision 18 for the previous fiscal year;

11.11 ~~(iii)~~ (ii) the district's charter school transportation adjustment for the previous fiscal year;

11.12 and

11.13 ~~(iv)~~ (iii) the district's reimbursement for transportation provided under section 123B.92,
11.14 subdivision 1, paragraph (b), clause (1), item (vi).

11.15 (b) A charter school's pupil transportation adjustment equals the school district per pupil
11.16 adjustment under paragraph (a).

11.17 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

11.18 Sec. 13. Minnesota Statutes 2020, section 126C.10, subdivision 24, is amended to read:

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

11.20 (1) the school district's adjusted pupil unit amount of basic revenue, transition revenue,
11.21 ~~first tier local optional revenue,~~ and referendum revenue is less than the value of the school
11.22 district at or immediately above the 95th percentile of school districts in its equity region
11.23 for those revenue categories; and

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

11.26 (b) Equity revenue equals the product of (1) the district's adjusted pupil units for that
11.27 year; times (2) the sum of (i) \$14, plus (ii) \$80, times the school district's equity index
11.28 computed under subdivision 27.

11.29 (c) A school district's equity revenue is increased by the greater of zero or an amount
11.30 equal to the district's adjusted pupil units times the difference between ten percent of the
11.31 statewide average amount of referendum revenue ~~and first tier local optional revenue~~ per

12.1 adjusted pupil unit for that year and ~~the sum of the district's referendum revenue and first~~
 12.2 ~~tier local optional revenue~~ per adjusted pupil unit. A school district's revenue under this
 12.3 paragraph must not exceed \$100,000 for that year.

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

12.6 (e) For fiscal year 2020 and later for a school district not included in paragraph (d), a
 12.7 district's equity revenue equals the amount computed in paragraphs (b) and (c) multiplied
 12.8 by 1.25.

12.9 (f) A school district's additional equity revenue equals \$50 times its adjusted pupil units.

12.10 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

12.11 Sec. 14. Minnesota Statutes 2020, section 126C.13, subdivision 4, is amended to read:

12.12 Subd. 4. **General education aid.** ~~For fiscal year 2015 and later,~~ A district's general
 12.13 education aid equals:

12.14 (1) general education revenue, excluding operating capital revenue, equity revenue, ~~local~~
 12.15 ~~optional revenue,~~ and transition revenue, ~~minus the student achievement levy, multiplied~~
 12.16 ~~times the ratio of the actual amount of student achievement levy levied to the permitted~~
 12.17 ~~student achievement levy; plus~~

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

12.19 (3) equity aid under section 126C.10, subdivision 30; plus

12.20 (4) transition aid under section 126C.10, subdivision 33; plus

12.21 (5) shared time aid under section 126C.01, subdivision 7; plus

12.22 (6) referendum aid under section 126C.17, subdivisions 7 and 7a; plus

12.23 (7) online learning aid under section 124D.096; ~~plus.~~

12.24 ~~(8) local optional aid according to section 126C.10, subdivision 2e, paragraph (e).~~

12.25 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

12.26 Sec. 15. Minnesota Statutes 2020, section 126C.17, subdivision 7a, is amended to read:

12.27 Subd. 7a. **Referendum tax base replacement aid.** For each school district that had a
 12.28 referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized
 12.29 referendum levy, the commissioner of revenue, in consultation with the commissioner of

13.1 education, shall certify the amount of the referendum levy in taxes payable year 2001
 13.2 attributable to the portion of the referendum allowance exceeding \$415 levied against
 13.3 property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding
 13.4 the portion of the tax paid by the portion of class 2a property consisting of the house, garage,
 13.5 and surrounding one acre of land. The resulting amount must be used to reduce the district's
 13.6 referendum levy ~~or first tier local optional levy~~ amount otherwise determined, and must be
 13.7 paid to the district each year that the referendum ~~or first tier local optional~~ authority remains
 13.8 in effect, is renewed, or new referendum authority is approved. The aid payable under this
 13.9 subdivision must be subtracted from the district's referendum equalization aid under
 13.10 subdivision 7. The referendum equalization aid ~~and the first tier local optional aid~~ after the
 13.11 subtraction must not be less than zero.

13.12 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

13.13 Sec. 16. Minnesota Statutes 2020, section 127A.47, subdivision 7, is amended to read:

13.14 Subd. 7. **Alternative attendance programs.** (a) The general education aid and special
 13.15 education aid for districts must be adjusted for each pupil attending a nonresident district
 13.16 under sections 123A.05 to 123A.08, 124D.03, 124D.08, and 124D.68. The adjustments
 13.17 must be made according to this subdivision.

13.18 (b) For purposes of this subdivision, the "unreimbursed cost of providing special
 13.19 education and services" means the difference between: (1) the actual cost of providing
 13.20 special instruction and services, including special transportation and unreimbursed building
 13.21 lease and debt service costs for facilities used primarily for special education, for a pupil
 13.22 with a disability, as defined in section 125A.02, or a pupil, as defined in section 125A.51,
 13.23 who is enrolled in a program listed in this subdivision, minus (2) if the pupil receives special
 13.24 instruction and services outside the regular classroom for more than 60 percent of the school
 13.25 day, the amount of general education revenue, ~~excluding local optional revenue,~~ plus ~~local~~
 13.26 ~~optional aid and~~ referendum equalization aid as defined in section 125A.11, subdivision 1,
 13.27 paragraph (d), attributable to that pupil for the portion of time the pupil receives special
 13.28 instruction and services outside of the regular classroom, excluding portions attributable to
 13.29 district and school administration, district support services, operations and maintenance,
 13.30 capital expenditures, and pupil transportation, minus (3) special education aid under section
 13.31 125A.76, excluding cross subsidy reduction aid under section 125A.76, subdivision 2e,
 13.32 attributable to that pupil, that is received by the district providing special instruction and
 13.33 services. For purposes of this paragraph, general education revenue and referendum

14.1 equalization aid attributable to a pupil must be calculated using the serving district's average
14.2 general education revenue and referendum equalization aid per adjusted pupil unit.

14.3 (c) For fiscal year 2020, special education aid paid to a resident district must be reduced
14.4 by an amount equal to 85 percent of the unreimbursed cost of providing special education
14.5 and services. For fiscal year 2021 and later, special education aid paid to a resident district
14.6 must be reduced by an amount equal to 80 percent of the unreimbursed cost of providing
14.7 special education and services.

14.8 (d) Notwithstanding paragraph (c), special education aid paid to a resident district must
14.9 be reduced by an amount equal to 100 percent of the unreimbursed cost of special education
14.10 and services provided to students at an intermediate district, cooperative, or charter school
14.11 where the percent of students eligible for special education services is at least 70 percent
14.12 of the charter school's total enrollment.

14.13 (e) Notwithstanding paragraph (c), special education aid paid to a resident district must
14.14 be reduced under paragraph (d) for students at a charter school receiving special education
14.15 aid under section 124E.21, subdivision 3, calculated as if the charter school received special
14.16 education aid under section 124E.21, subdivision 1.

14.17 (f) Special education aid paid to the district or cooperative providing special instruction
14.18 and services for the pupil, or to the fiscal agent district for a cooperative, must be increased
14.19 by the amount of the reduction in the aid paid to the resident district under paragraphs (c)
14.20 and (d). If the resident district's special education aid is insufficient to make the full
14.21 adjustment under paragraphs (c), (d), and (e), the remaining adjustment shall be made to
14.22 other state aids due to the district.

14.23 (g) Notwithstanding paragraph (a), general education aid paid to the resident district of
14.24 a nonspecial education student for whom an eligible special education charter school receives
14.25 general education aid under section 124E.20, subdivision 1, paragraph (c), must be reduced
14.26 by an amount equal to the difference between the general education aid attributable to the
14.27 student under section 124E.20, subdivision 1, paragraph (c), and the general education aid
14.28 that the student would have generated for the charter school under section 124E.20,
14.29 subdivision 1, paragraph (a). For purposes of this paragraph, "nonspecial education student"
14.30 means a student who does not meet the definition of pupil with a disability as defined in
14.31 section 125A.02 or the definition of a pupil in section 125A.51.

14.32 (h) An area learning center operated by a service cooperative, intermediate district,
14.33 education district, or a joint powers cooperative may elect through the action of the
14.34 constituent boards to charge the resident district tuition for pupils rather than to have the

15.1 general education revenue paid to a fiscal agent school district. Except as provided in
 15.2 paragraph (f), the district of residence must pay tuition equal to at least 90 and no more than
 15.3 100 percent of the district average general education revenue per pupil unit minus an amount
 15.4 equal to the product of the formula allowance according to section 126C.10, subdivision 2,
 15.5 times ~~.0466~~ .0406, calculated without compensatory revenue, ~~local optional revenue~~, and
 15.6 transportation sparsity revenue, times the number of pupil units for pupils attending the area
 15.7 learning center.

15.8 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

15.9 Sec. 17. Minnesota Statutes 2020, section 127A.51, is amended to read:

15.10 **127A.51 STATEWIDE AVERAGE REVENUE.**

15.11 By December 1 of each year the commissioner must estimate the statewide average
 15.12 adjusted general revenue per adjusted pupil unit and the disparity in adjusted general revenue
 15.13 among pupils and districts by computing the ratio of the 95th percentile to the fifth percentile
 15.14 of adjusted general revenue. The commissioner must provide that information to all districts.

15.15 If the disparity in adjusted general revenue as measured by the ratio of the 95th percentile
 15.16 to the fifth percentile increases in any year, the commissioner shall recommend to the
 15.17 legislature options for change in the general education formula that will limit the disparity
 15.18 in adjusted general revenue to no more than the disparity for the previous school year. The
 15.19 commissioner must submit the recommended options to the education committees of the
 15.20 legislature by February 1.

15.21 For purposes of this section and section 126C.10, adjusted general revenue means the
 15.22 sum of basic revenue under section 126C.10, subdivision 2; referendum revenue under
 15.23 section 126C.17; ~~local optional revenue under section 126C.10, subdivision 2e~~; and equity
 15.24 revenue under section 126C.10, subdivisions 24a and 24b.

15.25 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

15.26 Sec. 18. **OPERATING REFERENDUM FREEZE FOR FISCAL YEARS 2024 AND**
 15.27 **2025.**

15.28 (a) Notwithstanding Minnesota Statutes, section 126C.17, subdivision 9, a school district
 15.29 may not authorize an increase to its operating referendum in fiscal years 2024 and 2025. A
 15.30 school district may reauthorize an operating referendum that is expiring in fiscal years 2024
 15.31 or 2025.

16.1 (b) Paragraph (a) shall not apply to a district if, prior to June 30, 2022, the board adopted
16.2 a resolution to conduct a referendum in 2022.

16.3 (c) Paragraph (a) shall not apply to a district if the district is in statutory operating debt
16.4 under Minnesota Statutes, section 123B.81, as of June 30, 2022, and has an approved plan
16.5 with the Department of Education.

16.6 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

16.7 Sec. 19. **REPEALER.**

16.8 (a) Minnesota Statutes 2020, section 126C.17, subdivision 7b, is repealed.

16.9 (b) Minnesota Statutes 2021 Supplement, section 126C.10, subdivision 2e, is repealed.

16.10 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2024 and later.

126C.10 GENERAL EDUCATION REVENUE.

Subd. 2e. **Local optional revenue.** (a) For fiscal year 2021 and later, local optional revenue for a school district equals the sum of the district's first tier local optional revenue and second tier local optional revenue. A district's first tier local optional revenue equals \$300 times the adjusted pupil units of the district for that school year. A district's second tier local optional revenue equals \$424 times the adjusted pupil units of the district for that school year.

(b) For fiscal year 2021 and later, a district's local optional levy equals the sum of the first tier local optional levy and the second tier local optional levy.

(c) A district's first tier local optional levy equals the district's first tier local optional revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$880,000.

(d) For fiscal year 2022, a district's second tier local optional levy equals the district's second tier local optional revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$510,000. For fiscal year 2023, a district's second tier local optional levy equals the district's second tier local optional revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$548,842. For fiscal year 2024 and later, a district's second tier local optional levy equals the district's second tier local optional revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to \$510,000.

(e) The local optional levy must be spread on referendum market value. A district may levy less than the permitted amount.

(f) A district's local optional aid equals its local optional revenue minus its local optional levy. If a district's actual levy for first or second tier local optional revenue is less than its maximum levy limit for that tier, its aid must be proportionately reduced.

126C.17 REFERENDUM REVENUE.

Subd. 7b. **Referendum aid guarantee.** (a) Notwithstanding subdivision 7, the sum of a district's referendum equalization aid and local optional aid under section 126C.10, subdivision 2e, for fiscal year 2015 must not be less than the sum of the referendum equalization aid the district would have received for fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 7, and the adjustment the district would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c).

(b) Notwithstanding subdivision 7, the sum of referendum equalization aid and local optional aid under section 126C.10, subdivision 2e, for fiscal year 2016 and later, for a district qualifying for additional aid under paragraph (a) for fiscal year 2015, must not be less than the product of (1) the sum of the district's referendum equalization aid and local optional aid under section 126C.10, subdivision 2e, for fiscal year 2015, times (2) the lesser of one or the ratio of the sum of the district's referendum revenue and local optional revenue for that school year to the sum of the district's referendum revenue and local optional revenue for fiscal year 2015, times (3) the lesser of one or the ratio of the district's referendum market value used for fiscal year 2015 referendum equalization calculations to the district's referendum market value used for that year's referendum equalization calculations.