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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 1694

02/13/2023 Authored by Kresha
The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act
1.2 relating to education finance; replacing local optional aid and levy with basic
1.3 supplemental aid; appropriating money; amending Minnesota Statutes 2022,
1.4 sections 123A.05, subdivision 2; 124E.20, subdivision 1; 125A.11, subdivision 1;
1.5 125A.76, subdivision 1; 125A.79, subdivision 1; 126C.05, subdivision 15; 126C.10,
1.6 subdivision 1, by adding a subdivision; 126C.13, subdivision 4; 126C.17,
1.7 subdivisions 7a, 7b; 127A.47, subdivision 7; 127A.49, subdivision 2; 127A.51;
1.8 repealing Minnesota Statutes 2022, section 126C.10, subdivision 2e.

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

1.10 Section 1. Minnesota Statutes 2022, section 123A.05, subdivision 2, is amended to read:

1.11 Subd. 2. Reserve revenue. Each district that is a member of an area learning center or
1.12 alternative learning program must reserve revenue in an amount equal to the sum of (1) at
1.13 least 90 and no more than 100 percent of the district average general education revenue per
1.14 adjusted pupil unit minus an amount equal to the product of the formula allowance according
1.15 to section 126C.10, subdivision 2, times .0466, calculated without basic skills revenue, local
1.16 optional revenue, and transportation sparsity revenue, times the number of pupil units
1.17 attending an area learning center or alternative learning program under this section, plus
1.18 (2) the amount of basic skills revenue generated by pupils attending the area learning center
1.19 or alternative learning program. The amount of reserved revenue under this subdivision
1.20 may only be spent on program costs associated with the area learning center or alternative
1.21 learning program.

1.22 EFFECTIVE DATE. This section is effective for revenue for fiscal year 2025 and later.

2.1 Sec. 2. Minnesota Statutes 2022, 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, calculated without declining enrollment revenue,
 2.8 ~~local optional revenue~~, basic skills revenue, extended time revenue, pension adjustment
 2.9 revenue, transition revenue, and transportation sparsity revenue, plus declining enrollment
 2.10 revenue, basic skills revenue, pension adjustment revenue, and transition revenue as though
 2.11 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 2025 and later.

2.21 Sec. 3. Minnesota Statutes 2022, section 125A.11, subdivision 1, is amended to read:

2.22 Subdivision 1. **Nonresident tuition rate; other costs.** (a) For fiscal year 2015 and later,
 2.23 when a school district provides special instruction and services for a pupil with a disability
 2.24 as defined in section 125A.02 outside the district of residence, excluding a pupil for whom
 2.25 an adjustment to special education aid is calculated according to section 127A.47, subdivision
 2.26 7, paragraphs (b) to (d), special education aid paid to the resident district must be reduced
 2.27 by an amount equal to (1) the actual cost of providing special instruction and services to
 2.28 the pupil, including a proportionate amount for special transportation, plus (2) the amount
 2.29 of general education revenue, ~~excluding local optional revenue~~, plus ~~local optional aid~~ and
 2.30 referendum equalization aid attributable to that pupil, calculated using the resident district's
 2.31 average general education revenue and referendum equalization aid per adjusted pupil unit
 2.32 excluding basic skills revenue, elementary sparsity revenue and secondary sparsity revenue,
 2.33 minus (3) the amount of special education aid for children with a disability under section
 2.34 125A.76 received on behalf of that child, excluding cross subsidy reduction aid under section

3.1 125A.76, subdivision 2e, minus (4) if the pupil receives special instruction and services
3.2 outside the regular classroom for more than 60 percent of the school day, the amount of
3.3 general education revenue and referendum equalization aid, excluding portions attributable
3.4 to district and school administration, district support services, operations and maintenance,
3.5 capital expenditures, and pupil transportation, attributable to that pupil for the portion of
3.6 time the pupil receives special instruction and services outside of the regular classroom,
3.7 calculated using the resident district's average general education revenue and referendum
3.8 equalization aid per adjusted pupil unit excluding basic skills revenue, elementary sparsity
3.9 revenue and secondary sparsity revenue and the serving district's basic skills revenue,
3.10 elementary sparsity revenue and secondary sparsity revenue per adjusted pupil unit.
3.11 Notwithstanding clauses (1) and (4), for pupils served by a cooperative unit without a fiscal
3.12 agent school district, the general education revenue and referendum equalization aid
3.13 attributable to a pupil must be calculated using the resident district's average general
3.14 education revenue and referendum equalization aid excluding compensatory revenue,
3.15 elementary sparsity revenue, and secondary sparsity revenue. Special education aid paid to
3.16 the district or cooperative providing special instruction and services for the pupil must be
3.17 increased by the amount of the reduction in the aid paid to the resident district. If the resident
3.18 district's special education aid is insufficient to make the full adjustment, the remaining
3.19 adjustment shall be made to other state aid due to the district.

3.20 (b) Notwithstanding paragraph (a), when a charter school receiving special education
3.21 aid under section 124E.21, subdivision 3, provides special instruction and services for a
3.22 pupil with a disability as defined in section 125A.02, excluding a pupil for whom an
3.23 adjustment to special education aid is calculated according to section 127A.47, subdivision
3.24 7, paragraphs (b) to (e), special education aid paid to the resident district must be reduced
3.25 by an amount equal to that calculated under paragraph (a) as if the charter school received
3.26 aid under section 124E.21, subdivision 1. Notwithstanding paragraph (a), special education
3.27 aid paid to the charter school providing special instruction and services for the pupil must
3.28 not be increased by the amount of the reduction in the aid paid to the resident district.

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

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

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

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

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

4.17 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

4.18 Sec. 4. Minnesota Statutes 2022, section 125A.76, subdivision 1, is amended to read:

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

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

4.24 (c) "Essential personnel" means teachers, cultural liaisons, related services, and support
 4.25 services staff providing services to students. Essential personnel may also include special
 4.26 education paraprofessionals or clericals providing support to teachers and students by
 4.27 preparing paperwork and making arrangements related to special education compliance
 4.28 requirements, including parent meetings and individualized education programs. Essential
 4.29 personnel does not include administrators and supervisors.

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

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

5.1 (f) "Nonfederal special education expenditure" means all direct expenditures that are
5.2 necessary and essential to meet the district's obligation to provide special instruction and
5.3 services to children with a disability according to sections 124D.454, 125A.03 to 125A.24,
5.4 125A.259 to 125A.48, and 125A.65 as submitted by the district and approved by the
5.5 department under section 125A.75, subdivision 4, excluding expenditures:

5.6 (1) reimbursed with federal funds;

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

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

5.9 (4) for facilities;

5.10 (5) for pupil transportation; and

5.11 (6) for postemployment benefits.

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

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

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

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

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

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

5.28 (2) the cost of providing transportation services for pupils with disabilities under section
5.29 123B.92, subdivision 1, paragraph (b), clause (4); minus

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

6.1 (4) the amount of general education revenue, ~~excluding local optional revenue,~~ plus
 6.2 ~~local optional aid~~ and referendum equalization aid attributable to pupils receiving special
 6.3 instruction and services outside the regular classroom for more than 60 percent of the school
 6.4 day for the portion of time the pupils receive special instruction and services outside the
 6.5 regular classroom, excluding portions attributable to district and school administration,
 6.6 district support services, operations and maintenance, capital expenditures, and pupil
 6.7 transportation.

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

6.11 (m) The "minimum aid adjustment factor" for fiscal year 2020 equals the program growth
 6.12 factor for fiscal year 2020. For fiscal year 2021 and later, the minimum aid adjustment factor
 6.13 equals the product of the minimum aid adjustment factor for the previous fiscal year and
 6.14 the minimum aid adjustment multiplier.

6.15 Sec. 5. Minnesota Statutes 2022, section 125A.79, subdivision 1, is amended to read:

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

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

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

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

6.22 (3) for fiscal year 2016 and later, the amount of general education revenue, ~~excluding~~
 6.23 ~~local optional revenue,~~ plus ~~local optional aid~~ and referendum equalization aid for the prior
 6.24 fiscal year attributable to pupils receiving special instruction and services outside the regular
 6.25 classroom for more than 60 percent of the school day for the portion of time the pupils
 6.26 receive special instruction and services outside the regular classroom, excluding portions
 6.27 attributable to district and school administration, district support services, operations and
 6.28 maintenance, capital expenditures, and pupil transportation.

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

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

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

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

7.8 (c) "General revenue" for a school district means the sum of the general education
 7.9 revenue according to section 126C.10, subdivision 1, excluding transportation sparsity
 7.10 revenue, ~~local optional revenue,~~ and total operating capital revenue. "General revenue" for
 7.11 a charter school means the sum of the general education revenue according to section
 7.12 124E.20, subdivision 1, and transportation revenue according to section 124E.23, excluding
 7.13 referendum equalization aid, transportation sparsity revenue, and operating capital revenue.

7.14 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

7.15 Sec. 6. Minnesota Statutes 2022, section 126C.05, subdivision 15, is amended to read:

7.16 Subd. 15. **Learning year pupil units.** (a) When a pupil is enrolled in a learning year
 7.17 program under section 124D.128, an area learning center or an alternative learning program
 7.18 approved by the commissioner under sections 123A.05 and 123A.06, or a contract alternative
 7.19 program under section 124D.68, subdivision 3, paragraph (d), or subdivision 4, for more
 7.20 than 1,020 hours in a school year for a secondary student, more than 935 hours in a school
 7.21 year for an elementary student, more than 850 hours in a school year for a kindergarten
 7.22 student without a disability in an all-day kindergarten program, or more than 425 hours in
 7.23 a school year for a half-day kindergarten student without a disability, that pupil may be
 7.24 counted as more than one pupil in average daily membership for purposes of section 126C.10,
 7.25 subdivision 2a. The amount in excess of one pupil must be determined by the ratio of the
 7.26 number of hours of instruction provided to that pupil in excess of: (i) the greater of 1,020
 7.27 hours or the number of hours required for a full-time secondary pupil in the district to 1,020
 7.28 for a secondary pupil; (ii) the greater of 935 hours or the number of hours required for a
 7.29 full-time elementary pupil in the district to 935 for an elementary pupil in grades 1 through
 7.30 6; and (iii) the greater of 850 hours or the number of hours required for a full-time
 7.31 kindergarten student without a disability in the district to 850 for a kindergarten student
 7.32 without a disability. Hours that occur after the close of the instructional year in June shall
 7.33 be attributable to the following fiscal year. A student in kindergarten or grades 1 through

8.1 12 must not be counted as more than 1.2 pupils in average daily membership under this
8.2 subdivision.

8.3 (b)(i) To receive general education revenue for a pupil in an area learning center or
8.4 alternative learning program that has an independent study component, a district must meet
8.5 the requirements in this paragraph. The district must develop, for the pupil, a continual
8.6 learning plan consistent with section 124D.128, subdivision 3. Each school district that has
8.7 an area learning center or alternative learning program must reserve revenue in an amount
8.8 equal to at least 90 and not more than 100 percent of the district average general education
8.9 revenue per pupil unit, minus an amount equal to the product of the formula allowance
8.10 according to section 126C.10, subdivision 2, times .0466, calculated without basic skills
8.11 revenue, ~~local optional revenue~~, and transportation sparsity revenue, times the number of
8.12 pupil units generated by students attending an area learning center or alternative learning
8.13 program. The amount of reserved revenue available under this subdivision may only be
8.14 spent for program costs associated with the area learning center or alternative learning
8.15 program. Basic skills revenue generated according to section 126C.10, subdivision 4, by
8.16 pupils attending the eligible program must be allocated to the program.

8.17 (ii) General education revenue for a pupil in a state-approved alternative program without
8.18 an independent study component must be prorated for a pupil participating for less than a
8.19 full year, or its equivalent. The district must develop a continual learning plan for the pupil,
8.20 consistent with section 124D.128, subdivision 3. Each school district that has an area learning
8.21 center or alternative learning program must reserve revenue in an amount equal to at least
8.22 90 and not more than 100 percent of the district average general education revenue per pupil
8.23 unit, minus an amount equal to the product of the formula allowance according to section
8.24 126C.10, subdivision 2, times .0466, calculated without basic skills revenue, ~~local optional~~
8.25 ~~revenue~~, and transportation sparsity revenue, times the number of pupil units generated by
8.26 students attending an area learning center or alternative learning program. The amount of
8.27 reserved revenue available under this subdivision may only be spent for program costs
8.28 associated with the area learning center or alternative learning program. Basic skills revenue
8.29 generated according to section 126C.10, subdivision 4, by pupils attending the eligible
8.30 program must be allocated to the program.

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

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

9.5 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

9.6 Sec. 7. Minnesota Statutes 2022, section 126C.10, subdivision 1, is amended to read:

9.7 Subdivision 1. **General education revenue.** The general education revenue for each
 9.8 district equals the sum of the district's basic revenue, extended time revenue, gifted and
 9.9 talented revenue, declining enrollment revenue, ~~local optional~~ basic supplemental revenue,
 9.10 small schools revenue, basic skills revenue, secondary sparsity revenue, elementary sparsity
 9.11 revenue, transportation sparsity revenue, total operating capital revenue, equity revenue,
 9.12 pension adjustment revenue, and transition revenue.

9.13 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

9.14 Sec. 8. Minnesota Statutes 2022, section 126C.10, is amended by adding a subdivision to
 9.15 read:

9.16 Subd. 2f. **Basic supplemental revenue.** A district's basic supplemental revenue equals
 9.17 \$724 times the district's adjusted pupil units for that year.

9.18 Sec. 9. Minnesota Statutes 2022, section 126C.13, subdivision 4, is amended to read:

9.19 Subd. 4. **General education aid.** For fiscal year 2015 and later, a district's general
 9.20 education aid equals:

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

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

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

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

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

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

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

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

10.2 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

10.3 Sec. 10. Minnesota Statutes 2022, section 126C.17, subdivision 7a, is amended to read:

10.4 Subd. 7a. **Referendum tax base replacement aid.** For each school district that had a
 10.5 referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized
 10.6 referendum levy, the commissioner of revenue, in consultation with the commissioner of
 10.7 education, shall certify the amount of the referendum levy in taxes payable year 2001
 10.8 attributable to the portion of the referendum allowance exceeding \$415 levied against
 10.9 property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding
 10.10 the portion of the tax paid by the portion of class 2a property consisting of the house, garage,
 10.11 and surrounding one acre of land. The resulting amount must be used to reduce the district's
 10.12 referendum levy ~~or first tier local optional levy~~ amount otherwise determined, and must be
 10.13 paid to the district each year that the referendum ~~or first tier local optional~~ authority remains
 10.14 in effect, is renewed, or new referendum authority is approved. The aid payable under this
 10.15 subdivision must be subtracted from the district's referendum equalization aid under
 10.16 subdivision 7. The referendum equalization aid ~~and the first tier local optional aid~~ after the
 10.17 subtraction must not be less than zero.

10.18 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

10.19 Sec. 11. Minnesota Statutes 2022, section 126C.17, subdivision 7b, is amended to read:

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

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

11.1 for fiscal year 2015, times (3) the lesser of one or the ratio of the district's referendum market
11.2 value used for fiscal year 2015 referendum equalization calculations to the district's
11.3 referendum market value used for that year's referendum equalization calculations.

11.4 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

11.5 Sec. 12. Minnesota Statutes 2022, section 127A.47, subdivision 7, is amended to read:

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

11.10 (b) For purposes of this subdivision, the "unreimbursed cost of providing special
11.11 education and services" means the difference between: (1) the actual cost of providing
11.12 special instruction and services, including special transportation and unreimbursed building
11.13 lease and debt service costs for facilities used primarily for special education, for a pupil
11.14 with a disability, as defined in section 125A.02, or a pupil, as defined in section 125A.51,
11.15 who is enrolled in a program listed in this subdivision, minus (2) if the pupil receives special
11.16 instruction and services outside the regular classroom for more than 60 percent of the school
11.17 day, the amount of general education revenue, excluding local optional revenue, plus local
11.18 optional aid and referendum equalization aid as defined in section 125A.11, subdivision 1,
11.19 paragraph (d), attributable to that pupil for the portion of time the pupil receives special
11.20 instruction and services outside of the regular classroom, excluding portions attributable to
11.21 district and school administration, district support services, operations and maintenance,
11.22 capital expenditures, and pupil transportation, minus (3) special education aid under section
11.23 125A.76, excluding cross subsidy reduction aid under section 125A.76, subdivision 2e,
11.24 attributable to that pupil, that is received by the district providing special instruction and
11.25 services. For purposes of this paragraph, general education revenue and referendum
11.26 equalization aid attributable to a pupil must be calculated using the serving district's average
11.27 general education revenue and referendum equalization aid per adjusted pupil unit.

11.28 (c) For fiscal year 2020, special education aid paid to a resident district must be reduced
11.29 by an amount equal to 85 percent of the unreimbursed cost of providing special education
11.30 and services. For fiscal year 2021 and later, special education aid paid to a resident district
11.31 must be reduced by an amount equal to 80 percent of the unreimbursed cost of providing
11.32 special education and services.

11.33 (d) Notwithstanding paragraph (c), special education aid paid to a resident district must
11.34 be reduced by an amount equal to 100 percent of the unreimbursed cost of special education

12.1 and services provided to students at an intermediate district, cooperative, or charter school
 12.2 where the percent of students eligible for special education services is at least 70 percent
 12.3 of the charter school's total enrollment.

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

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

12.14 (g) Notwithstanding paragraph (a), general education aid paid to the resident district of
 12.15 a nonspecial education student for whom an eligible special education charter school receives
 12.16 general education aid under section 124E.20, subdivision 1, paragraph (c), must be reduced
 12.17 by an amount equal to the difference between the general education aid attributable to the
 12.18 student under section 124E.20, subdivision 1, paragraph (c), and the general education aid
 12.19 that the student would have generated for the charter school under section 124E.20,
 12.20 subdivision 1, paragraph (a). For purposes of this paragraph, "nonspecial education student"
 12.21 means a student who does not meet the definition of pupil with a disability as defined in
 12.22 section 125A.02 or the definition of a pupil in section 125A.51.

12.23 (h) An area learning center operated by a service cooperative, intermediate district,
 12.24 education district, or a joint powers cooperative may elect through the action of the
 12.25 constituent boards to charge the resident district tuition for pupils rather than to have the
 12.26 general education revenue paid to a fiscal agent school district. Except as provided in
 12.27 paragraph (f), the district of residence must pay tuition equal to at least 90 and no more than
 12.28 100 percent of the district average general education revenue per pupil unit minus an amount
 12.29 equal to the product of the formula allowance according to section 126C.10, subdivision 2,
 12.30 times .0466, calculated without compensatory revenue, ~~local optional revenue,~~ and
 12.31 transportation sparsity revenue, times the number of pupil units for pupils attending the area
 12.32 learning center.

12.33 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

13.1 Sec. 13. Minnesota Statutes 2022, section 127A.49, subdivision 2, is amended to read:

13.2 Subd. 2. **Abatements.** Whenever by virtue of chapter 278, sections 270C.86, 375.192,
13.3 or otherwise, the net tax capacity or referendum market value of any district for any taxable
13.4 year is changed after the taxes for that year have been spread by the county auditor and the
13.5 local tax rate as determined by the county auditor based upon the original net tax capacity
13.6 is applied upon the changed net tax capacities, the county auditor must, prior to February
13.7 1 of each year, certify to the commissioner of education the amount of any resulting net
13.8 revenue loss that accrued to the district during the preceding year. Each year, the
13.9 commissioner must pay an abatement adjustment to the district in an amount calculated
13.10 according to the provisions of this subdivision. This amount must be deducted from the
13.11 amount of the levy authorized by section 126C.46. The amount of the abatement adjustment
13.12 must be the product of:

13.13 (1) the net revenue loss as certified by the county auditor, times

13.14 (2) the ratio of:

13.15 (i) the sum of the amounts of the district's certified levy in the third preceding year
13.16 according to the following:

13.17 (A) section 123B.595, if the district received long-term facilities maintenance aid
13.18 according to that section for the second preceding year;

13.19 (B) section 124D.20, if the district received aid for community education programs
13.20 according to that section for the second preceding year;

13.21 (C) section 124D.135, subdivision 3, if the district received early childhood family
13.22 education aid according to section 124D.135 for the second preceding year;

13.23 (D) section 126C.17, subdivision 6, if the district received referendum equalization aid
13.24 according to that section for the second preceding year;

13.25 (E) section 126C.10, subdivision 13a, if the district received operating capital aid
13.26 according to section 126C.10, subdivision 13b, in the second preceding year;

13.27 (F) section 126C.10, subdivision 29, if the district received equity aid according to
13.28 section 126C.10, subdivision 30, in the second preceding year;

13.29 (G) section 126C.10, subdivision 32, if the district received transition aid according to
13.30 section 126C.10, subdivision 33, in the second preceding year;

13.31 (H) section 123B.53, subdivision 5, if the district received debt service equalization aid
13.32 according to section 123B.53, subdivision 6, in the second preceding year;

14.1 (I) section 123B.535, subdivision 4, if the district received natural disaster debt service
 14.2 equalization aid according to section 123B.535, subdivision 5, in the second preceding year;

14.3 (J) section 124D.22, subdivision 3, if the district received school-age care aid according
 14.4 to section 124D.22, subdivision 4, in the second preceding year; and

14.5 ~~(K) section 126C.10, subdivision 2e, paragraph (b), if the district received local optional~~
 14.6 ~~aid according to section 126C.10, subdivision 2e, paragraph (c), in the second preceding~~
 14.7 ~~year; and~~

14.8 ~~(L)~~ (K) section 122A.415, subdivision 5, if the district received alternative teacher
 14.9 compensation equalization aid according to section 122A.415, subdivision 6, paragraph (a),
 14.10 in the second preceding year; to

14.11 (ii) the total amount of the district's certified levy in the third preceding December, plus
 14.12 or minus auditor's adjustments.

14.13 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

14.14 Sec. 14. Minnesota Statutes 2022, section 127A.51, is amended to read:

14.15 **127A.51 STATEWIDE AVERAGE REVENUE.**

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

14.20 If the disparity in adjusted general revenue as measured by the ratio of the 95th percentile
 14.21 to the fifth percentile increases in any year, the commissioner shall recommend to the
 14.22 legislature options for change in the general education formula that will limit the disparity
 14.23 in adjusted general revenue to no more than the disparity for the previous school year. The
 14.24 commissioner must submit the recommended options to the education committees of the
 14.25 legislature by February 1.

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

14.30 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2025 and later.

15.1 Sec. 15. **APPROPRIATION; GENERAL EDUCATION AID.**

15.2 Subdivision 1. Department of Education. The sum indicated in this section is
15.3 appropriated from the general fund to the Department of Education in the fiscal year
15.4 designated.

15.5 Subd. 2. Additional general education revenue. For additional general education aid
15.6 required under this act:

15.7 \$ 2025

15.8 Sec. 16. **REPEALER.**

15.9 Minnesota Statutes 2022, section 126C.10, subdivision 2e, is repealed.

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.