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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 4117

02/22/2024 Authored by Norris, Youakim, Clardy, Edelson and Brand
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; modifying local optional revenue; including revenue
1.3 for unemployment costs and family paid medical leave in local optional revenue;
1.4 simplifying referendum revenue; increasing equalization aid; appropriating money;
1.5 amending Minnesota Statutes 2022, sections 126C.10, by adding subdivisions;
1.6 126C.17, subdivisions 1, 5, 6, 7; Minnesota Statutes 2023 Supplement, section
1.7 126C.10, subdivision 2e; Laws 2023, chapter 55, article 1, section 36, subdivision
1.8 2; repealing Minnesota Statutes 2022, section 126C.17, subdivision 8; Minnesota
1.9 Statutes 2023 Supplement, sections 124D.995; 126C.43, subdivision 2.

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

1.11 Section 1. Minnesota Statutes 2023 Supplement, section 126C.10, subdivision 2e, is
1.12 amended to read:

1.13 Subd. 2e. Local optional revenue. (a) For fiscal year 2024, local optional revenue for
1.14 a school district equals the sum of the district's first tier local optional revenue and second
1.15 tier local optional revenue. A district's first tier local optional revenue equals \$300 times
1.16 the adjusted pupil units of the district for that school year. A district's second tier local
1.17 optional revenue equals \$424 times the adjusted pupil units of the district for that school
1.18 year.

1.19 (b) For fiscal year 2025, a school district's local optional revenue equals \$920 times the
1.20 adjusted pupil units of the district for that year.

1.21 (c) For fiscal year 2026 and later, a school district's local optional revenue equals the
1.22 sum of:

1.23 (1) the product of the district's adjusted pupil units for that school year, \$920, and the
1.24 ratio of the general education basic formula allowance for that year to the general education
1.25 basic formula allowance for 2025;

2.1 (2) the district's total unemployment insurance costs for the previous fiscal year; and

2.2 (3) the district's paid family and medical leave expenses for the previous fiscal year
 2.3 required under chapter 268B.

2.4 ~~(b) A district's local optional levy equals the sum of the first tier local optional levy and~~
 2.5 ~~the second tier local optional levy.~~

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

2.9 ~~(d) For fiscal year 2023, a district's second tier local optional levy equals the district's~~
 2.10 ~~second tier local optional revenue times the lesser of one or the ratio of the district's~~
 2.11 ~~referendum market value per resident pupil unit to \$548,842. For fiscal year 2024, a district's~~
 2.12 ~~second tier local optional levy equals the district's second tier local optional revenue times~~
 2.13 ~~the lesser of one or the ratio of the district's referendum market value per resident pupil unit~~
 2.14 ~~to \$510,000. For fiscal year 2025, a district's second tier local optional levy equals the~~
 2.15 ~~district's second tier local optional revenue times the lesser of one or the ratio of the district's~~
 2.16 ~~referendum market value per resident pupil unit to \$587,244. For fiscal year 2026, a district's~~
 2.17 ~~second tier local optional levy equals the district's second tier local optional revenue times~~
 2.18 ~~the lesser of one or the ratio of the district's referendum market value per resident pupil unit~~
 2.19 ~~to \$642,038. For fiscal year 2027 and later, a district's second tier local optional levy equals~~
 2.20 ~~the district's second tier local optional revenue times the lesser of one or the ratio of the~~
 2.21 ~~district's referendum market value per resident pupil unit to \$671,345.~~

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

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

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

2.28 Sec. 2. Minnesota Statutes 2022, section 126C.10, is amended by adding a subdivision to
 2.29 read:

2.30 Subd. 2f. **Local optional levy.** (a) For fiscal years 2024 and 2025, a district's local
 2.31 optional levy equals the sum of the first tier local optional levy and the second tier local
 2.32 optional levy.

3.1 (b) For fiscal years 2024 and 2025, a district's first tier local optional levy equals the
 3.2 district's first tier local optional revenue times the lesser of one or the ratio of the district's
 3.3 referendum market value per resident pupil unit to \$880,000.

3.4 (c) For fiscal year 2024, a district's second tier local optional levy equals the district's
 3.5 second tier local optional revenue times the lesser of one or the ratio of the district's
 3.6 referendum market value per resident pupil unit to \$510,000. For fiscal year 2025, a district's
 3.7 second tier local optional levy equals the district's second tier local optional revenue times
 3.8 the lesser of one or the ratio of the district's referendum market value per resident pupil unit
 3.9 to \$587,244.

3.10 (d) For fiscal year 2026 and later, a district's local optional levy equals the district's local
 3.11 optional revenue times the lesser of one or the ratio of the district's referendum market value
 3.12 per resident pupil unit to \$.....

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

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

3.16 Sec. 3. Minnesota Statutes 2022, section 126C.10, is amended by adding a subdivision to
 3.17 read:

3.18 Subd. 2g. **Local optional aid.** A district's local optional aid equals its local optional
 3.19 revenue minus its local optional levy. If a district's actual levy for its local optional revenue
 3.20 is less than its maximum levy limit for that tier, the district's aid must be proportionately
 3.21 reduced.

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

3.23 Sec. 4. Minnesota Statutes 2022, section 126C.17, subdivision 1, is amended to read:

3.24 Subdivision 1. **Referendum allowance.** (a) A district's initial referendum allowance for
 3.25 fiscal year ~~2024~~ 2026 and later equals the ~~result~~ sum of ~~the following calculations:~~

3.26 (1) the district's referendum allowance for fiscal year 2025;

3.27 (2) any amounts approved after January 1, 2024; and

3.28 (3) any annual inflationary increase.

3.29 (b) The amount in paragraph (a) must be reduced by the amount of any referendum
 3.30 amounts expiring for fiscal year 2025 or later.

4.1 ~~(1) subtract \$424 from the district's allowance under Minnesota Statutes 2018, section~~
 4.2 ~~126C.17, subdivision 1, paragraph (a), clause (5);~~

4.3 ~~(2) if the result of clause (1) is less than zero, set the allowance to zero;~~

4.4 ~~(3) add to the result in clause (2) any new referendum allowance authorized between~~
 4.5 ~~July 1, 2013, and December 31, 2013, under Minnesota Statutes 2013, section 126C.17,~~
 4.6 ~~subdivision 9a;~~

4.7 ~~(4) add to the result in clause (3) any additional referendum allowance per adjusted pupil~~
 4.8 ~~unit authorized between January 1, 2014, and June 30, 2019;~~

4.9 ~~(5) subtract from the result in clause (4) any allowances expiring in fiscal year 2016,~~
 4.10 ~~2017, 2018, 2019, or 2020;~~

4.11 ~~(6) subtract \$300 from the result in clause (5); and~~

4.12 ~~(7) if the result of clause (6) is less than zero, set the allowance to zero.~~

4.13 ~~(b) A district's referendum allowance equals the sum of the district's initial referendum~~
 4.14 ~~allowance, plus any new referendum allowance authorized after July 1, 2019, minus any~~
 4.15 ~~allowances expiring in fiscal year 2021 or later, plus any inflation adjustments for fiscal~~
 4.16 ~~year 2021 and later approved by the voters prior to July 1, 2019, provided that the allowance~~
 4.17 ~~may not be less than zero. For a district with more than one allowance for fiscal year 2015~~
 4.18 ~~that expires in the same year, the reduction under paragraph (a), clauses (1) and (6), shall~~
 4.19 ~~be made first from any allowances that do not have an inflation adjustment approved by the~~
 4.20 ~~voters.~~

4.21 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2026 and later.

4.22 Sec. 5. Minnesota Statutes 2022, section 126C.17, subdivision 5, is amended to read:

4.23 Subd. 5. **Referendum equalization revenue.** ~~(a) A district's referendum equalization~~
 4.24 ~~revenue equals the sum of the first tier referendum equalization revenue and the second tier~~
 4.25 ~~referendum equalization revenue~~ district's referendum allowance for that year times its
 4.26 adjusted pupil units for that year.

4.27 ~~(b) A district's first tier referendum equalization revenue equals the district's first tier~~
 4.28 ~~referendum equalization allowance times the district's adjusted pupil units for that year.~~

4.29 ~~(c) A district's first tier referendum equalization allowance equals the lesser of the~~
 4.30 ~~district's referendum allowance under subdivision 1 or \$460.~~

5.1 ~~(d) A district's second tier referendum equalization revenue equals the district's second~~
 5.2 ~~tier referendum equalization allowance times the district's adjusted pupil units for that year.~~

5.3 ~~(e) A district's second tier referendum equalization allowance equals the lesser of the~~
 5.4 ~~district's referendum allowance under subdivision 1 or 25 percent of the formula allowance,~~
 5.5 ~~minus the sum of \$300 and the district's first tier referendum equalization allowance.~~

5.6 ~~(f) Notwithstanding paragraph (e), the second tier referendum allowance for a district~~
 5.7 ~~qualifying for secondary sparsity revenue under section 126C.10, subdivision 7, or elementary~~
 5.8 ~~sparsity revenue under section 126C.10, subdivision 8, equals the district's referendum~~
 5.9 ~~allowance under subdivision 1 minus the district's first tier referendum equalization~~
 5.10 ~~allowance.~~

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

5.12 Sec. 6. Minnesota Statutes 2022, section 126C.17, subdivision 6, is amended to read:

5.13 Subd. 6. **Referendum equalization levy.** ~~(a) A district's referendum equalization levy~~
 5.14 ~~equals the sum of the first tier referendum equalization levy and the second tier referendum~~
 5.15 ~~equalization levy. district's referendum equalization revenue times the lesser of one or the~~
 5.16 ~~ratio of the district's referendum market value per resident pupil unit to \$.....~~

5.17 ~~(b) A district's first tier referendum equalization levy equals the district's first tier~~
 5.18 ~~referendum equalization revenue times the lesser of one or the ratio of the district's~~
 5.19 ~~referendum market value per resident pupil unit to \$567,000.~~

5.20 ~~(c) A district's second tier referendum equalization levy equals the district's second tier~~
 5.21 ~~referendum equalization revenue times the lesser of one or the ratio of the district's~~
 5.22 ~~referendum market value per resident pupil unit to \$290,000.~~

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

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

5.25 Subd. 7. **Referendum equalization aid.** (a) A district's referendum equalization aid
 5.26 equals the difference between its referendum equalization revenue and levy.

5.27 (b) If a district's actual levy for ~~first or second tier~~ referendum equalization revenue is
 5.28 less than its maximum levy limit for ~~that tier~~, aid ~~shall~~ must be proportionately reduced.

5.29 (c) ~~Notwithstanding paragraph (a), the referendum equalization aid for a district must~~
 5.30 ~~not exceed: (1) 25 percent of the formula allowance minus \$300; times (2) the district's~~

6.1 ~~adjusted pupil units. A district's referendum levy is increased by the amount of any reduction~~
6.2 ~~in referendum aid under this paragraph.~~

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

6.4 Sec. 8. Laws 2023, chapter 55, article 1, section 36, subdivision 2, is amended to read:

6.5 Subd. 2. **General education aid.** (a) For general education aid under Minnesota Statutes,
6.6 section 126C.13, subdivision 4:

6.7 \$ 8,093,493,000 2024

6.8 ~~8,229,982,000~~

6.9 \$ 2025

6.10 (b) The 2024 appropriation includes \$707,254,000 for 2023 and \$7,386,239,000 for
6.11 2024.

6.12 (c) The 2025 appropriation includes \$771,521,000 for 2024 and ~~\$7,458,461,000~~ \$.....
6.13 for 2025.

6.14 Sec. 9. **REPEALER.**

6.15 (a) Minnesota Statutes 2022, section 126C.17, subdivision 8, is repealed.

6.16 (b) Minnesota Statutes 2023 Supplement, sections 124D.995; and 126C.43, subdivision
6.17 2, are repealed for fiscal year 2026 and later.

124D.995 SCHOOL UNEMPLOYMENT AID.

Subdivision 1. **Account established.** An account is established in the special revenue fund known as the school unemployment aid account.

Subd. 2. **Funds deposited in account.** Funds appropriated for school unemployment aid must be transferred to the school unemployment aid account in the special revenue fund.

Subd. 3. **Money appropriated.** (a) Subject to the availability of funds, money in the account is annually appropriated to the commissioner of education to reimburse school districts; charter schools; intermediate school districts and cooperative units under section 123A.24, subdivision 2; the Perpich Center for Arts Education; and the Minnesota State Academies for costs associated with providing unemployment benefits to school employees under section 268.085, subdivision 7, paragraph (b).

(b) The Perpich Center for Arts Education and the Minnesota State Academies may only apply to the commissioner for reimbursement of unemployment insurance amounts in excess of the amounts specifically identified in their annual agency appropriations.

(c) If the amount in the account is insufficient, the commissioner must proportionately reduce the aid payment to each recipient. Aid payments must be paid 100 percent in the current year.

Subd. 4. **Administration and monitoring.** Up to \$275,000 is annually appropriated from the account to the commissioner of education for costs associated with administering and monitoring the program under this section. This amount is in addition to any other amount specifically appropriated for this purpose.

Subd. 5. **School reimbursement.** The commissioner of education must reimburse school districts, charter schools, intermediate school districts and other cooperative units, the Perpich Center for Arts Education, and the Minnesota State Academies in the form and manner specified by the commissioner. The commissioner may establish procedures to ensure that any costs reimbursed under this section are excluded from other school revenue calculations.

Subd. 6. **Expiration.** This section expires on June 30, 2027, and any balance remaining in the account is canceled to the general fund.

126C.17 REFERENDUM REVENUE.

Subd. 8. **Unequalized referendum levy.** Each year, a district may levy an amount equal to the difference between its total referendum revenue according to subdivision 4 and its referendum equalization revenue according to subdivision 5.

126C.43 LEVIES; STATUTORY OBLIGATIONS.

Subd. 2. **Payment to unemployment insurance program trust fund by state and political subdivisions.** (a) A district may levy the amount necessary (1) to pay the district's obligations under section 268.052, subdivision 1, and (2) to pay for job placement services offered to employees who may become eligible for benefits pursuant to section 268.085 for the fiscal year the levy is certified.

(b) Districts with a balance remaining in their reserve for reemployment as of June 30, 2003, may not expend the reserved funds for future reemployment expenditures. Each year a levy reduction must be made to return these funds to taxpayers. The amount of the levy reduction must be equal to the lesser of: (1) the remaining reserved balance for reemployment; or (2) the amount of the district's current levy under paragraph (a).

(c) The amount in paragraph (a) must not include the amounts for hourly school employees during the period of the summer term.