

SENATE
STATE OF MINNESOTA
EIGHTY-EIGHTH LEGISLATURE

S.F. No. 177

(SENATE AUTHORS: SKOE, Johnson, Chamberlain, Hoffman and Jensen)

DATE	D-PG	OFFICIAL STATUS
01/31/2013	126	Introduction and first reading Referred to Finance
02/06/2013	167	Author added Jensen
02/11/2013	198	Withdrawn and re-referred to Taxes
03/07/2013	732a	Comm report: To pass as amended and re-refer to Finance

A bill for an act

1.1 relating to education finance; increasing equalization aid levels for the operating
 1.2 referendum and debt service equalization aid programs; creating education
 1.3 advancement revenue; appropriating money; amending Minnesota Statutes 2012,
 1.4 sections 123B.53, subdivision 5; 126C.01, by adding subdivisions; 126C.10,
 1.5 subdivision 1, by adding subdivisions; 126C.13, subdivision 4; 126C.17,
 1.6 subdivisions 1, 2, 6.
 1.7

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

1.9 Section 1. Minnesota Statutes 2012, section 123B.53, subdivision 5, is amended to read:

1.10 Subd. 5. **Equalized debt service levy.** (a) The equalized debt service levy of a
 1.11 district equals the sum of the first tier equalized debt service levy and the second tier
 1.12 equalized debt service levy.

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

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

1.18 (2) ~~\$3,049~~ the product of \$6,098 and the ratio of the current year adjusted net tax
 1.19 capacity equalizing factor to the adjusted net tax capacity equalizing factor as calculated
 1.20 for revenue in fiscal year 2015.

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

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

2.1 (2) ~~\$7,622~~ the product of \$7,622 and the ratio of the current year adjusted net tax
2.2 capacity equalizing factor to the adjusted net tax capacity equalizing factor as calculated
2.3 for revenue in fiscal year 2015.

2.4 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015
2.5 and later.

2.6 Sec. 2. Minnesota Statutes 2012, section 126C.01, is amended by adding a subdivision
2.7 to read:

2.8 **Subd. 2a. Adjusted net tax capacity equalizing factor.** The adjusted net tax
2.9 capacity equalizing factor equals the quotient derived by dividing the total adjusted net tax
2.10 capacity of all school districts in the state for the year before the year the levy is certified by
2.11 the total number of adjusted marginal cost pupil units in the state for the current school year.

2.12 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and later.

2.13 Sec. 3. Minnesota Statutes 2012, section 126C.01, is amended by adding a subdivision
2.14 to read:

2.15 **Subd. 3a. Referendum market value equalizing factor.** The referendum market
2.16 value equalizing factor equals the quotient derived by dividing the total referendum market
2.17 value of all school districts in the state for the year before the year the levy is certified by
2.18 the total number of resident marginal cost pupil units in the state for the current school year.

2.19 **EFFECTIVE DATE.** This section is effective for taxes payable in 2014 and later.

2.20 Sec. 4. Minnesota Statutes 2012, section 126C.10, subdivision 1, is amended to read:

2.21 Subdivision 1. **General education revenue.** The general education revenue for
2.22 each district equals the sum of the district's basic revenue, extended time revenue, gifted
2.23 and talented revenue, small schools revenue, basic skills revenue, training and experience
2.24 revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity
2.25 revenue, total operating capital revenue, education advancement revenue, equity revenue,
2.26 alternative teacher compensation revenue, and transition revenue.

2.27 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015
2.28 and later.

2.29 Sec. 5. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision
2.30 to read:

3.1 Subd. 37. **Education advancement revenue.** The education advancement revenue
3.2 for each district equals the advancement allowance times the resident marginal cost
3.3 pupil units for the school year. The advancement allowance for fiscal year 2015 and
3.4 later years is \$300.

3.5 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015
3.6 and later.

3.7 Sec. 6. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision
3.8 to read:

3.9 Subd. 39. **Education advancement levy.** To obtain education advancement revenue,
3.10 a district may levy an amount not more than the product of its education advancement
3.11 revenue for the fiscal year times the lesser of one or the ratio of its referendum market
3.12 value per resident marginal cost pupil unit to the education advancement revenue
3.13 equalizing factor. The education advancement revenue equalizing factor equals \$868,513.
3.14 If a district adopts a board resolution to levy less than the permitted levy, the district's
3.15 education advancement aid shall be reduced proportionately.

3.16 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015
3.17 and later.

3.18 Sec. 7. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision
3.19 to read:

3.20 Subd. 40. **Education advancement aid.** For fiscal year 2015 and later, a school
3.21 district's education advancement aid is the product of: (1) the difference between the
3.22 district's education advancement revenue and the education advancement levy; times (2)
3.23 the ratio of the actual amount levied to the permitted levy.

3.24 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015
3.25 and later.

3.26 Sec. 8. Minnesota Statutes 2012, section 126C.13, subdivision 4, is amended to read:

3.27 Subd. 4. **General education aid.** (a) For fiscal years ~~2007~~ 2013 and ~~later~~ 2014, a
3.28 district's general education aid is the sum of the following amounts:

3.29 (1) general education revenue, excluding equity revenue, total operating capital
3.30 revenue, alternative teacher compensation revenue, and transition revenue;

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

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

- 4.1 (4) alternative teacher compensation aid under section 126C.10, subdivision 36;
 4.2 (5) transition aid under section 126C.10, subdivision 33;
 4.3 (6) shared time aid under section 126C.01, subdivision 7;
 4.4 (7) referendum aid under section 126C.17, subdivisions 7 and 7a; and
 4.5 (8) online learning aid according to section 124D.096.

4.6 (b) For fiscal year 2015 and later, a district's general education aid is the sum of
 4.7 the following amounts:

- 4.8 (1) general education revenue, excluding equity revenue, total operating capital
 4.9 revenue, alternative teacher compensation revenue, education advancement revenue, and
 4.10 transition revenue;
 4.11 (2) operating capital aid under section 126C.10, subdivision 13b;
 4.12 (3) equity aid under section 126C.10, subdivision 30;
 4.13 (4) alternative teacher compensation aid under section 126C.10, subdivision 36;
 4.14 (5) education advancement aid under section 126C.10, subdivision 41;
 4.15 (6) transition aid under section 126C.10, subdivision 33;
 4.16 (7) shared time aid under section 126C.01, subdivision 7;
 4.17 (8) referendum aid under section 126C.17, subdivisions 7 and 7a; and
 4.18 (9) online learning aid according to section 124D.096.

4.19 Sec. 9. Minnesota Statutes 2012, section 126C.17, subdivision 1, is amended to read:

4.20 Subdivision 1. **Referendum allowance.** (a) For fiscal year 2003 and later, a district's
 4.21 initial referendum revenue allowance equals the sum of the allowance under section
 4.22 126C.16, subdivision 2, plus any additional allowance per resident marginal cost pupil
 4.23 unit authorized under subdivision 9 before May 1, 2001, for fiscal year 2002 and later,
 4.24 plus the referendum conversion allowance approved under subdivision 13, minus \$415.
 4.25 For districts with more than one referendum authority, the reduction must be computed
 4.26 separately for each authority. The reduction must be applied first to the referendum
 4.27 conversion allowance and next to the authority with the earliest expiration date. A
 4.28 district's initial referendum revenue allowance may not be less than zero.

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

4.33 ~~(e)~~ (b) For fiscal year ~~2004 and later~~ years 2013 and 2014, a district's referendum
 4.34 revenue allowance equals the sum of:

5.1 (1) the product of (i) the ratio of the resident marginal cost pupil units the district
 5.2 would have counted for fiscal year 2004 under Minnesota Statutes 2002, section 126C.05,
 5.3 to the district's resident marginal cost pupil units for fiscal year 2004, times (ii) the initial
 5.4 referendum allowance plus any additional allowance per resident marginal cost pupil unit
 5.5 authorized under subdivision 9 between April 30, 2001, and May 30, 2003, for fiscal
 5.6 year 2003 and later, plus

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

5.9 (c) For fiscal year 2015 and later, a district's referendum revenue allowance equals
 5.10 the total of:

5.11 (1) the product of (i) the ratio of the resident marginal cost pupil units the district
 5.12 would have counted for fiscal year 2004 under Minnesota Statutes 2002, section 126C.05,
 5.13 to the district's resident marginal cost pupil units for fiscal year 2004, times (ii) the initial
 5.14 referendum allowance plus any additional allowance per resident marginal cost pupil unit
 5.15 authorized under subdivision 9 between April 30, 2001, and May 30, 2003, for fiscal
 5.16 year 2003 and later, plus

5.17 (2) any additional allowance per resident marginal cost pupil unit authorized under
 5.18 subdivision 9 after May 30, 2003, for fiscal year 2005 and later, minus

5.19 (3) \$300.

5.20 A district's referendum revenue allowance may not be less than zero.

5.21 Sec. 10. Minnesota Statutes 2012, section 126C.17, subdivision 2, is amended to read:

5.22 Subd. 2. **Referendum allowance limit.** (a) Notwithstanding subdivision 1, for
 5.23 fiscal year 2007 and later years 2013 and 2014, a district's referendum allowance must
 5.24 not exceed the greater of:

5.25 (1) the sum of: (i) a district's referendum allowance for fiscal year 1994 times 1.177
 5.26 times the annual inflationary increase as calculated under paragraph ~~(b)~~ (c) plus (ii) its
 5.27 referendum conversion allowance for fiscal year 2003, minus (iii) \$215;

5.28 (2) the greater of (i): 26 percent of the formula allowance or (ii) \$1,294 times the
 5.29 annual inflationary increase as calculated under paragraph ~~(b)~~ (c); or

5.30 (3) for a newly reorganized district created after July 1, 2006, the referendum
 5.31 revenue authority for each reorganizing district in the year preceding reorganization
 5.32 divided by its resident marginal cost pupil units for the year preceding reorganization.

5.33 (b) Notwithstanding subdivision 1, for fiscal year 2015 and later, a district's
 5.34 referendum allowance must not exceed the greater of:

6.1 (1) the sum of: (i) a district's referendum allowance for fiscal year 1994 times
 6.2 1.177 times the annual inflationary increase as calculated under paragraph (c) plus (ii) its
 6.3 referendum conversion allowance for fiscal year 2003, minus (iii) \$515;

6.4 (2) the greater of: (i) 26 percent of the formula allowance minus \$300 or (ii) \$1,294
 6.5 times the annual inflationary increase as calculated under paragraph (c), minus \$300; or

6.6 (3) for a newly reorganized district created after July 1, 2006, the referendum
 6.7 revenue authority for each reorganizing district in the year preceding reorganization
 6.8 divided by its resident marginal cost pupil units for the year preceding reorganization.

6.9 (b) (c) For purposes of this subdivision, for fiscal year 2005 and later, "inflationary
 6.10 increase" means one plus the percentage change in the Consumer Price Index for
 6.11 urban consumers, as prepared by the United States Bureau of Labor Standards, for the
 6.12 current fiscal year to fiscal year 2004. For fiscal years 2009 and later, for purposes of
 6.13 paragraph (a), clause (1), and paragraph (b), clause (1), the inflationary increase equals the
 6.14 inflationary increase for fiscal year 2008 plus one-fourth of the percentage increase in the
 6.15 formula allowance for that year compared with the formula allowance for fiscal year 2008.

6.16 Sec. 11. Minnesota Statutes 2012, section 126C.17, subdivision 6, is amended to read:

6.17 Subd. 6. **Referendum equalization levy.** ~~(a) For fiscal year 2003 and later,~~

6.18 A district's referendum equalization levy equals the sum of the first tier referendum
 6.19 equalization levy and the second tier referendum equalization levy.

6.20 (b) A district's first tier referendum equalization levy equals the district's first tier
 6.21 referendum equalization revenue times the lesser of one or the ratio of the district's
 6.22 referendum market value per resident marginal cost pupil unit to ~~\$476,000~~ the product of
 6.23 \$952,000 and the ratio of the current year referendum market value equalizing factor to the
 6.24 referendum market value equalizing factor as calculated for revenue in fiscal year 2015.

6.25 (c) A district's second tier referendum equalization levy equals the district's second
 6.26 tier referendum equalization revenue times the lesser of one or the ratio of the district's
 6.27 referendum market value per resident marginal cost pupil unit to ~~\$270,000~~ the product of
 6.28 \$540,000 and the ratio of the current year referendum market value equalizing factor to the
 6.29 referendum market value equalizing factor as calculated for revenue in fiscal year 2015.

6.30 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015
 6.31 and later.

6.32 Sec. 12. **DIRECTION TO THE COMMISSIONER.**

6.33 In computing the reduction to a school district's referendum allowance, the
 6.34 commissioner of education must first reduce a district's referendum allowance with the

7.1 earliest expiration date and then, if necessary, reduce to additional referendum authority
7.2 allowances based on the next earliest expiration date.

7.3 **Sec. 13. OPERATING REFERENDUM FREEZE, FISCAL YEAR 2015.**

7.4 Notwithstanding Minnesota Statutes, section 126C.17, subdivision 9, a school district
7.5 may not authorize an increase to its operating referendum in fiscal year 2015. A school
7.6 district may reauthorize an operating referendum that is expiring in fiscal year 2015. If a
7.7 school district asks the voters to reauthorize operating referendum authority that is expiring
7.8 in fiscal year 2015, it may request a reauthorization of that expiring authority minus \$300.