

1.1 A bill for an act
1.2 relating to education; providing cost-of-living revenue; requiring a study
1.3 to examine the operating cost differential of school districts in the state;
1.4 appropriating money; amending Minnesota Statutes 2006, section 126C.10,
1.5 subdivisions 1, 24, by adding a subdivision.

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

1.7 Section 1. Minnesota Statutes 2006, section 126C.10, subdivision 1, is amended to read:

1.8 Subdivision 1. **General education revenue.** For fiscal year 2006 and later,
1.9 the general education revenue for each district equals the sum of the district's basic
1.10 revenue, extended time revenue, gifted and talented revenue, basic skills revenue, training
1.11 and experience revenue, secondary sparsity revenue, elementary sparsity revenue,
1.12 transportation sparsity revenue, total operating capital revenue, equity revenue, alternative
1.13 teacher compensation revenue under section 122A.415, ~~and~~ transition revenue, and
1.14 cost-of-living revenue.

1.15 Sec. 2. Minnesota Statutes 2006, section 126C.10, subdivision 24, is amended to read:

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

1.17 (1) the school district's adjusted marginal cost pupil unit amount of basic revenue,
1.18 supplemental revenue, transition revenue, and referendum revenue is less than the value of
1.19 the school district at or immediately above the 95th percentile of school districts in its
1.20 equity region for those revenue categories; and

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

1.23 (b) Equity revenue for a qualifying district that receives referendum revenue under
1.24 section 126C.17, subdivision 4, equals the product of (1) the district's adjusted marginal

cost pupil units for that year; times (2) the sum of (i) \$13, plus (ii) \$75, times the school district's equity index computed under subdivision 27.

(c) Equity revenue for a qualifying district that does not receive referendum revenue under section 126C.17, subdivision 4, equals the product of the district's adjusted marginal cost pupil units for that year times \$13.

(d) A school district's equity revenue is increased by the greater of zero or an amount equal to the district's resident marginal cost pupil units times the difference between ten percent of the statewide average amount of referendum revenue per resident marginal cost pupil unit for that year and the district's referendum revenue per resident marginal cost pupil unit. A school district's revenue under this paragraph must not exceed \$100,000 for that year.

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

(f) For fiscal year 2007 and later, notwithstanding paragraph (a), clause (2), a school district that has per pupil referendum revenue below the 95th percentile qualifies for additional equity revenue equal to \$46 times its adjusted marginal cost pupil unit.

(g) A district that does not qualify for revenue under paragraph (f) qualifies for equity revenue equal to ~~one-half of the per pupil allowance in paragraph (f)~~ \$46 times its adjusted marginal cost pupil units.

Sec. 3. Minnesota Statutes 2006, section 126C.10, is amended by adding a subdivision to read:

Subd. 37. **Cost-of-living revenue.** For fiscal year 2008 and later, a school district that is located in the metro equity region under subdivision 28 is eligible for cost-of-living revenue equal to the formula allowance multiplied by .02 times the district's adjusted marginal cost pupil units for that year.

Sec. 4. **OPERATING COST DIFFERENTIAL STUDY; REQUEST FOR PROPOSAL.**

(a) The commissioner of education must request a proposal for a study to determine the differential cost of operating a school district in Minnesota using sound economic and statistical reasoning.

(b) The commissioner shall award the contract to an independent firm that has extensive experience working with econometric models in various sectors and markets.

(c) The commissioner shall award the contract by September 15, 2007.

3.1 Sec. 5. **OPERATING COST DIFFERENTIAL STUDY.**

3.2 (a) The contractor shall identify the true cost of operating a school district in
3.3 different regions across the state. As part of the study, the contractor shall:

3.4 (1) consider all districts in the state individually and regionally based on
3.5 demography, economic region, geography, and any other region as determined by the
3.6 contractor to better illustrate the cost differential observed;

3.7 (2) examine the economic factors that contribute to the costs underlying the basic
3.8 operation of a school district, including land costs, salaries, hourly wages, health care
3.9 costs, transportation costs, energy costs, telecommunication costs, sparsity, housing prices,
3.10 administrative costs, and any other factor that the contractor believes, through sound
3.11 economic reasoning, contributes to the underlying cost of operating a school district; and

3.12 (3) construct a study that controls for factors that vary across school districts
3.13 in the state, including class size, teacher credentials and education, limited English
3.14 proficiency, poverty, mobility, athletic opportunities available to each student, Advanced
3.15 Placement course offerings, postsecondary education options, International Baccalaureate
3.16 opportunities, College in the Schools offerings, foreign language options, academic clubs,
3.17 extracurricular opportunities, and any other criteria for which the contractor believes,
3.18 through sound economic reasoning, differentially alters the quality or the operating cost
3.19 of a school district.

3.20 (b) The contractor must report on the findings to the legislative committees having
3.21 jurisdiction over kindergarten through grade 12 education before December 15, 2008.

3.22 Sec. 6. **APPROPRIATIONS.**

3.23 Subdivision 1. **Department of Education.** The sum indicated in this section is
3.24 appropriated from the general fund to the Department of Education for the fiscal year
3.25 designated.

3.26 Subd. 2. **General education.** For a cost-of-living increase on the formula allowance:

3.27 \$ 2008

3.28 Subd. 3. **Operating cost differential contract.** For a contract to determine the
3.29 differential cost of operating a school district through different regions in the state:

3.30 \$ 250,000 2008