A bill for an act

relating to education; providing for policy and funding for early childhood through grade 12 education including general education, education excellence, special programs, facilities and technology, accounting, state agencies, pupil transportation, education finance reform, forecast adjustments, early childhood education, prevention, self-sufficiency, and lifelong learning; authorizing rulemaking; requiring reports; appropriating money; amending Minnesota Statutes 2008, sections 3.303, by adding a subdivision; 11A.16, subdivision 5; 16A.125, subdivision 5; 120A.41; 120B.021, subdivision 1; 120B.07; 120B.15; 121A.16; 121A.17, subdivision 5; 122A.16; 122A.18, subdivisions 1, 2; 122A.23, subdivision 2; 123B.12; 123B.147, subdivision 3; 123B.53, subdivision 5; 123B.57, as amended; 123B.63, subdivision 3; 123B.75, subdivision 5, by adding a subdivision; 123B.88, subdivision 13; 123B.90, subdivision 3; 123B.92, subdivision 5; 124D.09, subdivision 20; 124D.141, subdivisions 1, 2; 124D.15, subdivision 12, by adding a subdivision; 124D.20, subdivision 8; 124D.4531, as amended; 124D.59, subdivision 2; 124D.65, subdivision 5; 125A.03; 125A.21, subdivisions 2, 3, 5, 7; 125A.515, by adding a subdivision; 125A.69, subdivision 1; 125A.76, subdivision 5; 125A.79, subdivisions 1, 7; 126C.01, by adding subdivisions; 126C.05, subdivisions 1, 3, 5, 6, 8, 16, 17; 126C.10, subdivisions 1, 2, 2a, 3, 4, 6, 13, 13a, 14, 18, by adding subdivisions; 126C.126; 126C.13, subdivisions 4, 5; 126C.17, subdivisions 1, 5, 6, by adding a subdivision; 126C.20; 126C.40, subdivision 1; 126C.54; 127A.30, subdivision 2; 127A.42, subdivision 2; 127A.43; 127A.441; 127A.45, subdivisions 2, 3, 13, by adding subdivisions; 127A.51; 169.447, subdivision 2a; 169.4503, by adding a subdivision; 171.321, subdivision 2; Minnesota Statutes 2009 Supplement, sections 16A.152, subdivision 2, as amended; 120B.023, subdivision 2; 120B.30, subdivisions 1, 1a, 3, 4, by adding a subdivision; 120B.35, subdivision 3; 120B.36, subdivision 1; 122A.09, subdivision 4; 122A.40, subdivision 8; 122A.41, subdivision 5; 123B.143, subdivision 1; 123B.54; 123B.92, subdivision 1; 124D.10, subdivisions 3, 4, 4a, 6a, 8, 11, 23; 124D.15, subdivision 3; 125A.02, subdivision 1; 125A.091, subdivision 7; 125A.63, subdivisions 2, 4, 5; 126C.41, subdivision 2; 126C.44; 171.02, subdivision 2b; 256B.0625, subdivision 26; Laws 2009, chapter 79, article 5, section 60; Laws 2009, chapter 96, article 2, sections 64; 67, subdivisions 14, 17; article 4, section 12, subdivision 3; article 5, section 13, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 120B; 121A; 122A; 123A; 123B; 124D; 125A; 126C; repealing Minnesota Statutes 2008, sections 122A.24; 123B.54; 123B.57, subdivisions 3, 4, 5; 123B.591; 125A.54; 125A.76, subdivision 4; 125A.79, subdivision 6;

126C.10, subdivisions 2b, 13a, 13b, 24, 25, 26, 27, 28, 29, 30, 31, 31a, 31b, 32, 33, 34, 35, 36; 126C.12; 126C.126; 127A.46; 127A.50.

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

ARTICLE 1

GENERAL EDUCATION

Section 1. Minnesota Statutes 2008, section 11A.16, subdivision 5, is amended to read:

Subd. 5. **Calculation of income.** As of the end of each fiscal year, the state board shall calculate the investment income earned by the permanent school fund. The investment income earned by the fund shall equal the amount of interest on debt securities ~~and~~, dividends on equity securities, and interest earned on certified monthly earnings prior to the transfer to the Department of Education. Gains and losses arising from the sale of securities shall be apportioned as follows:

(a) If the sale of securities results in a net gain during a fiscal year, the gain shall be apportioned in equal installments over the next ten fiscal years to offset net losses in those years. If any portion of an installment is not needed to recover subsequent losses identified in paragraph (b) it shall be added to the principal of the fund.

(b) If the sale of securities results in a net loss during a fiscal year, the net loss shall be recovered first from the gains in paragraph (a) apportioned to that fiscal year. If these gains are insufficient, any remaining net loss shall be recovered from interest and dividend income in equal installments over the following ten fiscal years.

Sec. 2. Minnesota Statutes 2008, section 120B.07, is amended to read:

120B.07 EARLY GRADUATION.

(a) Notwithstanding any law to the contrary, any secondary school student who has completed all required courses or standards may, with the approval of the student, the student's parent or guardian, and local school officials, graduate before the completion of the school year.

(b) General education revenue attributable to the student must be paid as though the student was in attendance for the entire year unless the student participates in the early graduation achievement scholarship program under section 120B.08.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 3. **[120B.08] EARLY GRADUATION ACHIEVEMENT SCHOLARSHIP PROGRAM.**

Subdivision 1. **Participation.** A student who qualifies for early graduation under section 120B.07 is eligible to participate in the early graduation achievement scholarship program.

Subd. 2. **Scholarship amounts.** A student who participates in the early graduation achievement scholarship program is eligible for a scholarship of $2,500 if the student qualifies for graduation one semester early, $5,000 if the student qualifies for graduation two semesters early, or $7,500 if the student qualifies for graduation three or more semesters early.

Subd. 3. **Scholarship uses.** An early graduation achievement scholarship may be used at any accredited institution of higher education.

Subd. 4. **Application.** A qualifying student may apply to the commissioner of education for an early graduation achievement scholarship. The application must be in the form and manner specified by the commissioner. Upon verification of the qualifying student's course completion necessary for graduation, the department must issue the student a certificate showing the student's scholarship amount.

Subd. 5. **Enrollment verification.** A student who qualifies under this section and enrolls in an accredited higher education institution must submit a form to the commissioner verifying the student's enrollment in the higher education institution and the tuition charges for that semester. Within 15 days of receipt of a student's enrollment and tuition verification form, the commissioner must issue a scholarship check to the student in the lesser of the tuition amount for that semester or the maximum amount of the student's early graduation achievement scholarship. A student may continue to submit enrollment verification forms to the commissioner until the student has used the full amount of the student's graduation achievement scholarship.

Subd. 6. **General education money transferred.** The commissioner must transfer the amounts necessary to fund the early graduation achievement scholarships from the general education aid appropriation for that year.

EFFECTIVE DATE. This section is effective for fiscal years 2011 and later.

Sec. 4. Minnesota Statutes 2008, section 123B.63, subdivision 3, is amended to read:

Subd. 3. **Capital project levy referendum.** (a) A district may levy the local tax rate approved by a majority of the electors voting on the question to provide funds for an approved project. The election must take place no more than five years before the estimated date of commencement of the project. The referendum must be held on a date set by the board. A referendum for a project not receiving a positive review and comment

by the commissioner under section 123B.71 must be approved by at least 60 percent of the voters at the election.

(b) The referendum may be called by the school board and may be held:

(1) separately, before an election for the issuance of obligations for the project under chapter 475; or

(2) in conjunction with an election for the issuance of obligations for the project under chapter 475; or

(3) notwithstanding section 475.59, as a conjunctive question authorizing both the capital project levy and the issuance of obligations for the project under chapter 475. Any obligations authorized for a project may be issued within five years of the date of the election.

(c) The ballot must provide a general description of the proposed project, state the estimated total cost of the project, state whether the project has received a positive or negative review and comment from the commissioner, state the maximum amount of the capital project levy as a percentage of net tax capacity, state the amount that will be raised by that local tax rate in the first year it is to be levied, and state the maximum number of years that the levy authorization will apply.

The ballot must contain a textual portion with the information required in this section and a question stating substantially the following:

"Shall the capital project levy proposed by the board of ..... School District No. ..... be approved?"

If approved, the amount provided by the approved local tax rate applied to the net tax capacity for the year preceding the year the levy is certified may be certified for the number of years, not to exceed ten, approved.

(d) If the authority for an existing project is expiring and the district is proposing a new project at the same maximum tax rate, the general description on the ballot may state that the capital project levy is being renewed and that the tax rate is not being increased from the previous year's rate and the notice required under section 276.60, may be modified to read: "BY VOTING YES ON THIS BALLOT QUESTION, YOU ARE VOTING TO EXTEND THE AUTHORITY FOR AN EXPIRING CAPITAL PROJECT AT THE SAME TAX RATE."

(e) In the event a conjunctive question proposes to authorize both the capital project levy and the issuance of obligations for the project, appropriate language authorizing the issuance of obligations must also be included in the question.

(f) The district must notify the commissioner of the results of the referendum.

EFFECTIVE DATE. This section is effective for referenda conducted on or after July 1, 2010.

Sec. 5. Minnesota Statutes 2008, section 124D.09, subdivision 20, is amended to read:

Subd. 20. **Textbooks; materials.** All textbooks and equipment provided to a pupil, and paid for under subdivision 13, are the property of the pupil's postsecondary institution. Each pupil is required to return all textbooks and equipment to the postsecondary institution after the course has ended. The postsecondary institution may bill the pupil for any textbooks and equipment that are not promptly returned by the student.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 6. Minnesota Statutes 2008, section 125A.79, subdivision 1, is amended to read:

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

(a) "Unreimbursed special education cost" means the sum of the following:

(1) expenditures for teachers' salaries, contracted services, supplies, equipment, and transportation services eligible for revenue under section 125A.76; plus

(2) expenditures for tuition bills received under sections 125A.03 to 125A.24 and 125A.65 for services eligible for revenue under section 125A.76, subdivision 2; minus

(3) revenue for teachers' salaries, contracted services, supplies, equipment, and transportation services under section 125A.76; minus

(4) tuition receipts under sections 125A.03 to 125A.24 and 125A.65 for services eligible for revenue under section 125A.76, subdivision 2.

(b) "General revenue" for a school district means the sum of the general education revenue according to section 126C.10, subdivision 1, excluding alternative teacher compensation revenue, ~~plus the total qualifying referendum revenue specified in paragraph (c)~~ minus transportation sparsity revenue minus total operating capital revenue. "General revenue" for a charter school means the sum of the general education revenue according to section 124D.11, subdivision 1, and transportation revenue according to section 124D.11, subdivision 2, excluding alternative teacher compensation revenue, minus referendum equalization aid minus transportation sparsity revenue minus operating capital revenue.

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

(d) "Program growth factor" means 1.02 for fiscal year 2012 and later.

~~(e) "Total qualifying referendum revenue" means two-thirds of the district's total referendum revenue as adjusted according to section 127A.47, subdivision 7, paragraphs~~

~~(a) to (c), for fiscal year 2006, one-third of the district's total referendum revenue for fiscal year 2007, and none of the district's total referendum revenue for fiscal year 2008 and later.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2008, section 126C.10, subdivision 2a, is amended to read:

Subd. 2a. **Extended time revenue.** (a) A school district's extended time revenue is equal to the product of ~~$4,601~~ (1) the formula allowance for that year minus $523, and (2) the sum of the adjusted marginal cost pupil units of the district for each pupil in average daily membership in excess of 1.0 and less than 1.2 according to section 126C.05, subdivision 8, if the district has extended time average daily membership in the current year.

(b) A school district's extended time revenue may be used for extended day programs, extended week programs, summer school, and other programming authorized under the learning year program.

EFFECTIVE DATE. This section is effective for revenue for fiscal years 2011 and later.

Sec. 8. Minnesota Statutes 2008, section 126C.10, subdivision 13a, is amended to read:

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue ~~for fiscal year 2007 and later~~, a district may levy an amount not more than the product of its operating capital revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital equalizing factor. The operating capital equalizing factor equals ~~$22,222 for fiscal year 2006, and~~ $10,700 for fiscal ~~year~~ years 2007 through 2011, $10,915 for fiscal year 2012, and $11,029 for fiscal years 2013 and later.

EFFECTIVE DATE. This section is effective for fiscal years 2012 and later.

Sec. 9. Minnesota Statutes 2008, section 126C.10, subdivision 14, is amended to read:

Subd. 14. **Uses of total operating capital revenue.** Total operating capital revenue may be used only for the following purposes:

(1) to acquire land for school purposes;

(2) to acquire or construct buildings for school purposes;

(3) to rent or lease buildings, including the costs of building repair or improvement that are part of a lease agreement;

(4) to improve and repair school sites and buildings, and equip or reequip school buildings with permanent attached fixtures, including library media centers;

(5) for a surplus school building that is used substantially for a public nonschool purpose;

(6) to eliminate barriers or increase access to school buildings by individuals with a disability;

(7) to bring school buildings into compliance with the State Fire Code adopted according to chapter 299F;

(8) to remove asbestos from school buildings, encapsulate asbestos, or make asbestos-related repairs;

(9) to clean up and dispose of polychlorinated biphenyls found in school buildings;

(10) to clean up, remove, dispose of, and make repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01;

(11) for energy audits for school buildings and to modify buildings if the audit indicates the cost of the modification can be recovered within ten years;

(12) to improve buildings that are leased according to section 123B.51, subdivision 4;

(13) to pay special assessments levied against school property but not to pay assessments for service charges;

(14) to pay principal and interest on state loans for energy conservation according to section 216C.37 or loans made under the Douglas J. Johnson Economic Protection Trust Fund Act according to sections 298.292 to 298.298;

(15) to purchase or lease interactive telecommunications equipment;

(16) by board resolution, to transfer money into the debt redemption fund to: (i) pay the amounts needed to meet, when due, principal and interest payments on certain obligations issued according to chapter 475; or (ii) pay principal and interest on debt service loans or capital loans according to section 126C.70;

(17) to pay operating capital-related assessments of any entity formed under a cooperative agreement between two or more districts;

(18) to purchase or lease computers and related materials, copying machines, telecommunications equipment, and other noninstructional equipment;

(19) to purchase or lease assistive technology or equipment for instructional programs;

(20) to purchase textbooks;

(21) to purchase new and replacement library media resources or technology;

(22) to purchase vehicles;

(23) to purchase or lease telecommunications equipment, computers, and related equipment for integrated information management systems for:

(i) managing and reporting learner outcome information for all students under a results-oriented graduation rule;

(ii) managing student assessment, services, and achievement information required for students with individual education plans; and

(iii) other classroom information management needs; ~~and~~

(24) to pay personnel costs directly related to the acquisition, operation, and maintenance of telecommunications systems, computers, related equipment, and network and applications software; and

(25) to pay the costs directly associated with closing a school facility, including moving and storage costs.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 10. Minnesota Statutes 2008, section 126C.126, is amended to read:

126C.126 REALLOCATING GENERAL EDUCATION REVENUE FOR ALL-DAY KINDERGARTEN AND PREKINDERGARTEN.

(a) In order to provide additional revenue for an optional all-day kindergarten program, a district may reallocate general education revenue attributable to 12th grade students who have graduated early under section 120B.07 and who do not participate in the early graduation achievement scholarship program under section 120B.08.

(b) A school district may spend general education revenue on extended time kindergarten and prekindergarten programs.

EFFECTIVE DATE. This section is effective for fiscal years 2011 and later.

Sec. 11. Minnesota Statutes 2008, section 126C.17, is amended by adding a subdivision to read:

Subd. 9a. **Renewal by school board.** Notwithstanding the election requirements of subdivision 9, a school board may renew an expiring referendum by board action if:

(1) the per pupil amount of the referendum is the same as the amount expiring;

(2) the term of the renewed referendum is no longer than the initial term approved by the voters; and

(3) the school board has adopted a written resolution authorizing the renewal after holding a meeting and allowing public testimony on the proposed renewal.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 12. Minnesota Statutes 2008, section 126C.20, is amended to read:

126C.20 ANNUAL GENERAL EDUCATION AID APPROPRIATION.

There is annually appropriated from the general fund to the department the amount necessary for general education aid under section 126C.13 and the early graduation achievement scholarship program under section 120B.08. This amount must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

EFFECTIVE DATE. This section is effective for fiscal years 2011 and later.

Sec. 13. Minnesota Statutes 2009 Supplement, section 126C.41, subdivision 2, is amended to read:

Subd. 2. **Retired employee health benefits.** (a) A district may levy an amount up to the amount the district is required by the collective bargaining agreement in effect on March 30, 1992, to pay for health insurance or unreimbursed medical expenses for licensed and nonlicensed employees who have terminated services in the employing district and withdrawn from active teaching service or other active service, as applicable, before July 1, 1992, and to pay for health insurance or unreimbursed medical expenses for licensed and nonlicensed employees who have terminated services in the employing district and withdrawn from active teaching service or other active service, as applicable before July 1, 1998, only if a sunset clause is in effect for the current collective bargaining agreement. The total amount of the levy each year may not exceed $600,000.

(b) In addition to the levy authority granted under paragraph (a), a school district may levy for other postemployment benefits expenses actually paid during the previous fiscal year. For purposes of this subdivision, "postemployment benefits" means benefits giving rise to a liability under Statement No. 45 of the Government Accounting Standards Board. A district seeking levy authority under this subdivision must:

(1) create or have created an actuarial liability to pay postemployment benefits to employees or officers after their termination of service;

(2) have a sunset clause in effect for the current collective bargaining agreement as required by paragraph (a); and

(3) apply for the authority in the form and manner required by the commissioner of education.

If the total levy authority requested under this paragraph exceeds the amount established in paragraph (c), the commissioner must proportionately reduce each district's maximum levy authority under this subdivision. The commissioner may subsequently adjust each district's levy authority under this subdivision so long as the total levy authority does not exceed the maximum levy authority for that year.

(c) The maximum levy authority under paragraph (b) must not exceed the following amounts:

(1) $9,242,000 for taxes payable in 2010;

(2) $29,863,000 for taxes payable in 2011; and

(3) for taxes payable in 2012 and later, the maximum levy authority must not exceed the sum of the previous year's authority and $14,000,000.

Sec. 14. Minnesota Statutes 2009 Supplement, section 126C.44, is amended to read:

126C.44 SAFE SCHOOLS LEVY.

(a) Each district may make a levy on all taxable property located within the district for the purposes specified in this section. The maximum amount which may be levied for all costs under this section shall be equal to $30 multiplied by the district's adjusted marginal cost pupil units for the school year. The proceeds of the levy must be reserved and used for directly funding the following purposes or for reimbursing the cities and counties who contract with the district for the following purposes: (1) to pay the costs incurred for the salaries, benefits, and transportation costs of peace officers and sheriffs for liaison in services in the district's schools; (2) to pay the costs for a drug abuse prevention program as defined in section 609.101, subdivision 3, paragraph (e), in the elementary schools; (3) to pay the costs for a gang resistance education training curriculum in the district's schools; (4) to pay the costs for security in the district's schools and on school property; (5) to pay the costs for other crime prevention, drug abuse, student and staff safety, voluntary opt-in suicide prevention tools, and violence prevention measures taken by the school district; or (6) to pay costs for licensed school counselors, licensed school nurses, licensed school social workers, licensed school psychologists, and licensed alcohol and chemical dependency counselors to help provide early responses to problems. For expenditures under clause (1), the district must initially attempt to contract for services to be provided by peace officers or sheriffs with the police department of each city or the sheriff's department of the county within the district containing the school receiving the services. If a local police department or a county sheriff's department does not wish to provide the necessary services, the district may contract for these services with any other police or sheriff's department located entirely or partially within the school district's boundaries.

(b) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with safe schools activities authorized under paragraph (a) for intermediate school district programs. This authority must not exceed $10 times the adjusted marginal cost pupil units of the member districts. This authority is in addition to any other authority authorized under this section. Revenue raised under this paragraph must be transferred to the intermediate school district.

(c) A school district must set aside at least $3 per adjusted marginal cost pupil unit of the safe schools levy proceeds for the purposes authorized under paragraph (a), clause (6). The district must annually certify either that: (1) its total spending on services provided by the employees listed in paragraph (a), clause (6), is not less than the sum of its expenditures for these purposes, excluding amounts spent under this section, in the previous year plus the amount spent under this section; ~~or~~ (2) that the district's full-time equivalent number of employees listed in paragraph (a), clause (6), is not less than the number for the previous year; or (3) that the district's full-time equivalent number of employees listed in paragraph (a), clause (6), including those provided through a special education cooperative, intermediate school district, or education district, is not less than the number for the previous year.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 2

EDUCATION EXCELLENCE

Section 1. Minnesota Statutes 2008, section 120A.41, is amended to read:

120A.41 LENGTH OF SCHOOL YEAR; DAYS OF INSTRUCTION.

A school board's annual school calendar must include at least ~~the number of days of student instruction the board formally adopted as its school calendar at the beginning of the 1996-1997 school year~~ 425 hours of instruction for a kindergarten student without a disability, 935 hours of instruction for a student in grades 1 through 6, and 1,020 hours of instruction for a student in grades 7 through 12, not including summer school.

EFFECTIVE DATE. This section is effective for the 2010-2011 school year and later.

Sec. 2. Minnesota Statutes 2008, section 120B.021, subdivision 1, is amended to read:

Subdivision 1. **Required academic standards.** The following subject areas are required for statewide accountability:

(1) language arts;

(2) mathematics;

(3) science;

(4) social studies, including history, geography, economics, and government and citizenship;

(5) physical education;

(6) health ~~and physical education~~, for which locally developed academic standards apply; and

~~(6)~~ (7) the arts, for which statewide or locally developed academic standards apply, as determined by the school district. Public elementary and middle schools must offer at least three and require at least two of the following four arts areas: dance; music; theater; and visual arts. Public high schools must offer at least three and require at least one of the following five arts areas: media arts; dance; music; theater; and visual arts.

The commissioner must submit proposed standards in science and social studies to the legislature by February 1, 2004.

For purposes of applicable federal law, the academic standards for language arts, mathematics, and science apply to all public school students, except the very few students with extreme cognitive or physical impairments for whom an individualized education plan team has determined that the required academic standards are inappropriate. An individualized education plan team that makes this determination must establish alternative standards.

A school district, no later than the 2007-2008 school year, must adopt graduation requirements that meet or exceed state graduation requirements established in law or rule. A school district that incorporates these state graduation requirements before the 2007-2008 school year must provide students who enter the 9th grade in or before the 2003-2004 school year the opportunity to earn a diploma based on existing locally established graduation requirements in effect when the students entered the 9th grade. District efforts to develop, implement, or improve instruction or curriculum as a result of the provisions of this section must be consistent with sections 120B.10, 120B.11, and 120B.20.

The commissioner must include the contributions of Minnesota American Indian tribes and communities as they relate to the academic standards during the review and revision of the required academic standards.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all school districts and charter schools beginning in the 2012-2013 school

year and later. A school district or charter school is strongly encouraged to implement state physical education standards in an earlier school year than the 2012-2013 school year if it has adopted physical education standards equivalent to the standards developed by the National Association for Sport and Physical Education under section 38 on the effective date of this act, or if it is scheduled to undertake the periodic review of its local physical education standards under Minnesota Statutes, section 120B.023, subdivision 2, paragraph (g), in a school year before the 2012-2013 school year, it is strongly encouraged to implement state physical education standards consistent with section 38 in an earlier school year.

Sec. 3. Minnesota Statutes 2009 Supplement, section 120B.023, subdivision 2, is amended to read:

Subd. 2. **Revisions and reviews required.** (a) The commissioner of education must revise and appropriately embed technology and information literacy standards consistent with recommendations from school media specialists into the state's academic standards and graduation requirements and implement a review cycle for state academic standards and related benchmarks, consistent with this subdivision. During each review cycle, the commissioner also must examine the alignment of each required academic standard and related benchmark with the knowledge and skills students need for college readiness and advanced work in the particular subject area.

(b) The commissioner in the 2006-2007 school year must revise and align the state's academic standards and high school graduation requirements in mathematics to require that students satisfactorily complete the revised mathematics standards, beginning in the 2010-2011 school year. Under the revised standards:

(1) students must satisfactorily complete an algebra I credit by the end of eighth grade; and

(2) students scheduled to graduate in the 2014-2015 school year or later must satisfactorily complete an algebra II credit or its equivalent.

The commissioner also must ensure that the statewide mathematics assessments administered to students in grades 3 through 8 and 11 are aligned with the state academic standards in mathematics, consistent with section 120B.30, subdivision 1, paragraph (b). The commissioner must implement a review of the academic standards and related benchmarks in mathematics beginning in the 2015-2016 school year.

(c) The commissioner in the 2007-2008 school year must revise and align the state's academic standards and high school graduation requirements in the arts to require that students satisfactorily complete the revised arts standards beginning in the 2010-2011

school year. The commissioner must implement a review of the academic standards and related benchmarks in arts beginning in the 2016-2017 school year.

(d) The commissioner in the 2008-2009 school year must revise and align the state's academic standards and high school graduation requirements in science to require that students satisfactorily complete the revised science standards, beginning in the 2011-2012 school year. Under the revised standards, students scheduled to graduate in the 2014-2015 school year or later must satisfactorily complete a chemistry or physics credit. The commissioner must implement a review of the academic standards and related benchmarks in science beginning in the 2017-2018 school year.

(e) The commissioner in the 2009-2010 school year must revise and align the state's academic standards and high school graduation requirements in language arts to require that students satisfactorily complete the revised language arts standards beginning in the 2012-2013 school year. The commissioner must implement a review of the academic standards and related benchmarks in language arts beginning in the 2018-2019 school year.

(f) The commissioner in the 2010-2011 school year must revise and align the state's academic standards and high school graduation requirements in social studies to require that students satisfactorily complete the revised social studies standards beginning in the 2013-2014 school year. The commissioner must implement a review of the academic standards and related benchmarks in social studies beginning in the 2019-2020 school year.

(g) School districts and charter schools must revise and align local academic standards and high school graduation requirements in health, ~~physical education,~~ world languages, and career and technical education to require students to complete the revised standards beginning in a school year determined by the school district or charter school. School districts and charter schools must formally establish a periodic review cycle for the academic standards and related benchmarks in health, ~~physical education,~~ world languages, and career and technical education.

(h) The commissioner in the 2013-2014 school year and later must use the good cause exemption under section 14.388, subdivision 1, clause (3), to amend the rules governing state physical education standards to conform the state standards to changes in the standards developed by the National Association for Sport and Physical Education. Directions to the commissioner to embed technology and information literacy standards under paragraph (a) and other requirements related to state academic standards under this chapter do not apply.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all school districts and charter schools beginning in the 2012-2013 school year and later, except that paragraph (h) applies beginning in the 2013-2014 school year

and later. A school district or charter school is strongly encouraged to implement state physical education standards in an earlier school year than the 2012-2013 school year if it has adopted physical education standards equivalent to the standards developed by the National Association for Sport and Physical Education under section 38 on the effective date of this act, or if it is scheduled to undertake the periodic review of its local physical education standards under paragraph (g) in a school year before the 2012-2013 school year, it is strongly encouraged to implement state physical education standards consistent with section 38 in an earlier school year.

Sec. 4. Minnesota Statutes 2008, section 120B.15, is amended to read:

120B.15 GIFTED AND TALENTED STUDENTS PROGRAMS.

(a) School districts and charter schools may identify students, locally develop programs addressing instructional and affective needs, provide staff development, and evaluate programs to provide gifted and talented students with challenging and appropriate educational programs.

(b) School districts and charter schools may adopt guidelines for assessing and identifying students for participation in gifted and talented programs. The guidelines should include the use of:

(1) multiple and objective criteria; and

(2) assessments and procedures that are valid and reliable, fair, and based on current theory and research addressing the use of tools and methods that are sensitive to underrepresented groups, including, but not limited to, students who are low income, minority, gifted and learning disabled, and English language learners.

(c) School districts and charter schools must adopt procedures for the academic acceleration of gifted and talented students. These procedures must include how the district will:

(1) assess a student's readiness and motivation for acceleration; and

(2) match the level, complexity, and pace of the curriculum to a student to achieve the best type of academic acceleration for that student.

Sec. 5. **[120B.21] MENTAL HEALTH EDUCATION.**

The legislature encourages districts to provide instruction in mental health for students in grades 7 through 12. Instruction must be aligned with local health standards and integrated into a district's existing programs, curriculum, or the general school environment. The commissioner of education, in consultation with mental health organizations, shall provide assistance to districts including:

(1) age-appropriate model learning activities for grades 7 through 12 that address mental health components of the National Health Education Standards and the benchmarks developed by the department's quality teaching network in health and best practices in mental health education; and

(2) a directory of resources for planning and implementing age-appropriate mental health curriculum and instruction in grades 7 through 12.

Sec. 6. Minnesota Statutes 2009 Supplement, section 120B.30, subdivision 1, is amended to read:

Subdivision 1. **Statewide testing.** (a) The commissioner, with advice from experts with appropriate technical qualifications and experience and stakeholders, consistent with subdivision 1a, shall include in the comprehensive assessment system, for each grade level to be tested, state-constructed tests developed ~~from and~~ to be computer-adaptive reading and mathematics assessments for general education students that are aligned with the state's required academic standards under section 120B.021, include multiple choice questions, and be administered annually to all students in grades 3 through 8. State-developed high school tests aligned with the state's required academic standards under section 120B.021 and administered to all high school students in a subject other than writing must include multiple choice questions. The commissioner shall establish one or more months during which schools shall administer the tests to students each school year. For students enrolled in grade 8 before the 2005-2006 school year, Minnesota basic skills tests in reading, mathematics, and writing shall fulfill students' basic skills testing requirements for a passing state notation. The passing scores of basic skills tests in reading and mathematics are the equivalent of 75 percent correct for students entering grade 9 based on the first uniform test administered in February 1998. Students who have not successfully passed a Minnesota basic skills test by the end of the 2011-2012 school year must pass the graduation-required assessments for diploma under paragraph (b).

(b) The state assessment system must be aligned to the most recent revision of academic standards as described in section 120B.023 in the following manner:

(1) mathematics;

(i) grades 3 through 8 beginning in the 2010-2011 school year; and

(ii) high school level beginning in the ~~2013-2014~~ 2014-2015 school year;

(2) science; grades 5 and 8 and at the high school level beginning in the 2011-2012 school year; and

(3) language arts and reading; grades 3 through 8 and high school level beginning in the 2012-2013 school year.

(c) For students enrolled in grade 8 in the 2005-2006 school year and later, only the following options shall fulfill students' state graduation test requirements:

(1) for reading and mathematics:

(i) obtaining an achievement level equivalent to or greater than proficient as determined through a standard setting process on the Minnesota comprehensive assessments in grade 10 for reading and grade 11 for mathematics or achieving a passing score as determined through a standard setting process on the graduation-required assessment for diploma in grade 10 for reading and grade 11 for mathematics or subsequent retests;

(ii) achieving a passing score as determined through a standard setting process on the state-identified language proficiency test in reading and the mathematics test for English language learners or the graduation-required assessment for diploma equivalent of those assessments for students designated as English language learners;

(iii) achieving an individual passing score on the graduation-required assessment for diploma as determined by appropriate state guidelines for students with an individual education plan or 504 plan;

(iv) obtaining achievement level equivalent to or greater than proficient as determined through a standard setting process on the state-identified alternate assessment or assessments in grade 10 for reading and grade 11 for mathematics for students with an individual education plan; or

(v) achieving an individual passing score on the state-identified alternate assessment or assessments as determined by appropriate state guidelines for students with an individual education plan; and

(2) for writing:

(i) achieving a passing score on the graduation-required assessment for diploma;

(ii) achieving a passing score as determined through a standard setting process on the state-identified language proficiency test in writing for students designated as English language learners;

(iii) achieving an individual passing score on the graduation-required assessment for diploma as determined by appropriate state guidelines for students with an individual education plan or 504 plan; or

(iv) achieving an individual passing score on the state-identified alternate assessment or assessments as determined by appropriate state guidelines for students with an individual education plan.

(d) Students enrolled in grade 8 in any school year from the 2005-2006 school year to the 2009-2010 school year who do not pass the mathematics graduation-required

assessment for diploma under paragraph (b) are eligible to receive a high school diploma ~~with a passing state notation~~ if they:

(1) complete with a passing score or grade all state and local coursework and credits required for graduation by the school board granting the students their diploma;

(2) participate in district-prescribed academic remediation in mathematics; and

(3) fully participate in at least two retests of the mathematics GRAD test or until they pass the mathematics GRAD test, whichever comes first. A school, district, or charter school must place on the high school transcript a student's ~~highest~~ current pass status for each subject that has a required graduation assessment ~~score for each of the following assessments on the student's high school transcript: the mathematics Minnesota Comprehensive Assessment, reading Minnesota Comprehensive Assessment, and writing Graduation-Required Assessment for Diploma, and when applicable, the mathematics Graduation-Required Assessment for Diploma and reading Graduation-Required Assessment for Diploma~~.

In addition, the school board granting the students their diplomas may formally decide to include a notation of high achievement on the high school diplomas of those graduating seniors who, according to established school board criteria, demonstrate exemplary academic achievement during high school.

(e) The 3rd through 8th grade computer-adaptive assessments and high school test results shall be available to districts for diagnostic purposes affecting student learning and district instruction and curriculum, and for establishing educational accountability. The commissioner must disseminate to the public the computer-adaptive assessments and high school test results upon receiving those results.

(f) The 3rd through 8th grade computer-adaptive assessments and high school tests must be aligned with state academic standards. The commissioner shall determine the testing process and the order of administration. The statewide results shall be aggregated at the site and district level, consistent with subdivision 1a.

(g) In addition to the testing and reporting requirements under this section, the commissioner shall include the following components in the statewide public reporting system:

(1) uniform statewide testing of all students in grades 3 through 8 and at the high school level that provides appropriate, technically sound accommodations or alternate assessments;

(2) educational indicators that can be aggregated and compared across school districts and across time on a statewide basis, including average daily attendance, high school graduation rates, and high school drop-out rates by age and grade level;

(3) state results on the American College Test; and

(4) state results from participation in the National Assessment of Educational Progress so that the state can benchmark its performance against the nation and other states, and, where possible, against other countries, and contribute to the national effort to monitor achievement.

(h) Notwithstanding other law to the contrary, the commissioner must not sign a memorandum of understanding, agree to participate in a consortium or partnership, or enter into any other agreement with any other state to develop shared common assessments of K-12 academic standards without first receiving specific legislative authorization.

EFFECTIVE DATE. Paragraph (h) is effective the day following final enactment, and applies to agreements entered into after the effective date of this act. Requirements for using computer-adaptive mathematics assessments for grades 3 through 8 apply in the 2011-2012 school year and later and requirements for using computer-adaptive reading assessments for grades 3 through 8 apply in the 2013-2014 school year and later.

Sec. 7. Minnesota Statutes 2009 Supplement, section 120B.30, subdivision 1a, is amended to read:

Subd. 1a. **Statewide and local assessments; results.** (a) For purposes of this section, the following definitions have the meanings given them.

(1) "Computer-adaptive assessments" means fully adaptive assessments or partially adaptive assessments.

(2) "Fully adaptive assessments" include test items that are on-grade level and items that may be above or below a student's grade level.

(3) "Partially adaptive assessments" include two portions of test items, where one portion is limited to on-grade level test items and a second portion includes test items that are on-grade level or above or below a student's grade level.

(4) "On-grade level" test items contain subject area content that is aligned to state academic standards for the grade level of the student taking the assessment.

(5) "Above-grade level" test items contain subject area content that is above the grade level of the student taking the assessment and are considered aligned with state academic standards to the extent they are aligned with content represented in state academic standards above the grade level of the student taking the assessment. Notwithstanding the student's grade level, administering above-grade level test items to a student does not violate the requirement that state assessments must be aligned with state standards.

(6) "Below-grade level" test items contain subject area content that is below the grade level of the student taking the test and are considered aligned with state

academic standards to the extent they are aligned with content represented in state academic standards below the student's current grade level. Notwithstanding the student's grade level, administering below-grade level test items to a student does not violate the requirement that state assessments must be aligned with state standards.

(b) The commissioner must use fully adaptive assessments to the extent no net loss of federal and state funds occurs as a result of using these assessments. If a net loss of federal and state funds were to occur under this subdivision, then the commissioner must use partially adaptive assessments to meet existing federal educational accountability requirements.

(c) For purposes of conforming with existing federal educational accountability requirements, the commissioner must develop and implement computer-adaptive reading and mathematics assessments for grades 3 through 8, state-developed high school reading and mathematics tests aligned with state academic standards, and science assessments under clause (2) that districts and sites must use to monitor student growth toward achieving those standards. In developing and implementing computer-adaptive assessments, the commissioner must allow for paper-and-pencil tests that are the equivalent of computer-adaptive assessments under this section to the extent these tests are needed to accommodate the technology capacity of individual school districts. The commissioner must not develop statewide assessments for academic standards in social studies, health and physical education, and the arts. The commissioner must require:

(1) annual computer-adaptive reading and mathematics assessments in grades 3 through 8, and high school reading and mathematics tests; and

(2) annual science assessments in one grade in the grades 3 through 5 span, the grades 6 through 8 span, and a life sciences assessment in the grades 9 through 12 span, and the commissioner must not require students to achieve a passing score on high school science assessments as a condition of receiving a high school diploma.

(d) The commissioner must ensure that for annual computer-adaptive assessments:

(1) individual student performance data and achievement and summary reports are available to all schools within three school days of when students take an assessment;

(2) growth information is available for each student from the student's first assessment to each proximate assessment using a constant measurement scale;

(3) parents, teachers, and school administrators are able to use elementary and middle school student performance data to project student achievement in high school;

(4) teachers and school administrators are able to use formative information about students' academic strengths and weaknesses, to the extent it is available, to improve student instruction and indicate specific skills and knowledge that should be introduced

and developed for students at given score levels, organized by strands within subject areas, and aligned to state academic standards; and

(5) the maximum number of school districts have the opportunity to replace district-purchased computer-adaptive assessments with state-developed and state-funded computer-adaptive assessments.

~~(b)~~ (e) The commissioner must ensure that all statewide tests administered to elementary and secondary students measure students' academic knowledge and skills and not students' values, attitudes, and beliefs.

~~(c)~~ (f) Reporting of assessment results must:

(1) provide timely, useful, and understandable information on the performance of individual students, schools, school districts, and the state;

(2) include a value-added growth indicator of student achievement under section 120B.35, subdivision 3, paragraph (b); and

(3)(i) for students enrolled in grade 8 before the 2005-2006 school year, determine whether students have met the state's basic skills requirements; and

(ii) for students enrolled in grade 8 in the 2005-2006 school year and later, determine whether students have met the state's academic standards.

~~(d)~~ (g) Consistent with applicable federal law and subdivision 1, paragraph (d), clause (1), the commissioner must include appropriate, technically sound accommodations or alternative assessments for the very few students with disabilities for whom statewide assessments are inappropriate and for students with limited English proficiency.

~~(e)~~ (h) A school, school district, and charter school must administer statewide assessments under this section, as the assessments become available, to evaluate student proficiency in the context of the state's grade level academic standards. If a state assessment is not available, a school, school district, and charter school must determine locally if a student has met the required academic standards. A school, school district, or charter school may use a student's performance on a statewide assessment as one of multiple criteria to determine grade promotion or retention. A school, school district, or charter school may use a high school student's performance on a statewide assessment as a percentage of the student's final grade in a course, or place a student's assessment score on the student's transcript.

EFFECTIVE DATE. Requirements for using computer-adaptive mathematics assessments for grades 3 through 8 apply in the 2011-2012 school year and later and requirements for using computer-adaptive reading assessments for grades 3 through 8 apply in the 2013-2014 school year and later.

Sec. 8. Minnesota Statutes 2009 Supplement, section 120B.30, is amended by adding a subdivision to read:

Subd. 1b. **High school algebra end-of-course assessment.** (a) Notwithstanding subdivision 1, the commissioner shall establish a statewide high school algebra end-of-course assessment for students entering grade 8 in the 2010-2011 school year and later that provides information on the college and career readiness of Minnesota students and fulfills federal accountability requirements, consistent with this subdivision and related rules. For purposes of this subdivision, "college and career readiness" means the knowledge and skills that a high school graduate needs to do either credit-bearing coursework at a two-year or four-year college or university or career-track employment that pays a living wage, provides employment benefits, and offers clear pathways for advancement through further education and training.

(b) This statewide high school algebra end-of-course assessment must conform with the following:

(1) align with the most recently revised academic content standards under section 120B.023, subdivision 2;

(2) include both multiple-choice and open-ended items that assess the appropriate algebra knowledge and skills contained in the state's academic content standards;

(3) be designed for computer administration and scoring so that, beginning the second year a computerized test is administered and as soon as practicable during the first year a computerized test is administered, the exam results of students who take computerized tests are available to the school or district within three full school days after the exam is administered, among other design characteristics;

(4) be administered at regular intervals that align with the most common high school schedules in Minnesota;

(5) generate achievement levels established through a professionally recognized methodology;

(6) use achievement level descriptors that define a student's college and career readiness;

(7) comprise 20 percent of the student's overall course grade in the corresponding course;

(8) require a student who does not pass a high school algebra course to (i) retake the course or complete a district-authorized credit recovery class, (ii) opt, at the student's election, to retake the end-of-course assessment within a regularly scheduled administration window, and (iii) have the student select the exam score on the initial test or the retest to count as the equivalent of 20 percent of the student's overall course grade;

(9) allow an eligible student to meet this requirement through an alternative method that demonstrates the student's college and career readiness:

(i) for high school students who transfer into Minnesota from another state where the algebra course content, as applicable, is of equal or greater rigor, pass that state's high school course and graduation requirements in algebra, as applicable;

(ii) allow a student who has an active individualized education program to achieve a passing status at an individual level as prescribed by the commissioner;

(iii) waive the required exam for a high school student who is an English language learner under section 124D.59 and who has been enrolled for four or fewer years in a school in which English is the primary language of instruction; or

(iv) other alternative methods recommended by the Assessment Advisory Committee, if subsequently specifically authorized by law to allow other alternative methods;

(10) use three consecutive school years of research and analysis through the 2014-2015 school year, as prescribed by the commissioner, to calculate and report an alignment index that compares students' final grades in this course with their end-of-course assessment scores;

(11) subsequent to calculating and reporting the alignment index under clause (10), require schools that are highly misaligned for two or more consecutive school years to transmit written notice of the misalignment to all parents of students enrolled in the school, as prescribed by the commissioner; and

(12) when schools are highly misaligned for two or more consecutive years under clause (11), use school district funds under section 122A.60, subdivision 1a, paragraph (a), to correct the misalignment.

(c) The requirements of this subdivision apply to students in public schools, including charter schools, who enter grade 8 in the 2010-2011 school year or later. The commissioner may establish a transition period where students who enter grade 8 in the 2010-2011 or 2011-2012 school year graduate either under the Graduation-Required Assessment for Diploma requirements under section 120B.30, subdivision 1, or this subdivision. The commissioner may seek authority from the legislature to adjust the time line under this paragraph if circumstances such as changes in federal law governing educational accountability and assessment warrant such an adjustment.

(d) To fully implement this subdivision and enable school districts to provide intervention and support to struggling students and improve instruction for all students, the commissioner must provide districts with (1) a benchmark assessment aligned with the high school algebra end-of-course assessment, and as funding allows, may provide

districts with (2) an item bank available to teachers for creating formative assessments to help students prepare for the high school algebra end-of-course assessment.

(e) The commissioner shall expand the membership and purpose of the Assessment Advisory Committee established under section 120B.365 to include assessment experts and practitioners from both secondary and postsecondary education systems and other appropriate stakeholders to monitor the implementation of and student outcomes based on the algebra end-of-course assessment and policies and the state support available to districts, including small or rural districts, under this subdivision. This committee shall report annually by February 15 to the commissioner and the legislature on the implementation of and student outcomes based on the assessment and policies under this subdivision. Notwithstanding section 15.059, subdivision 3, committee members shall not receive compensation, per diem payments, or reimbursement for expenses.

(f) Using a solicitation process that includes a "request for proposal" process and multiple responses, the commissioner shall contract for at least two independent studies at two-year intervals to evaluate (1) the implementation of the requirements and (2) the availability and efficacy of resources to support and improve student outcomes based on student achievement data under this subdivision. The commissioner must submit the results of the first study to the education policy and finance committees of the legislature by February 15, 2015. The commissioner must submit the results of the second study to the legislature by February 15, 2017.

(g) The commissioner must not begin to develop additional statewide end-of-course exams in geometry, chemistry, or physics until specifically authorized in law to do so.

(h) A district or charter school must indicate on a student's transcript the student's level of college and career readiness in algebra under this subdivision after the levels have been established through a professionally recognized methodology.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 9. Minnesota Statutes 2009 Supplement, section 120B.30, subdivision 3, is amended to read:

Subd. 3. **Reporting.** The commissioner shall report test ~~data~~ results publicly and to stakeholders, including the performance achievement levels developed from students' unweighted test scores in each tested subject and a listing of demographic factors that strongly correlate with student performance. The test results must not include personally identifiable information as defined in Code of Federal Regulations, title 34, section 99.3. The commissioner shall also report data that compares performance results among school sites, school districts, Minnesota and other states, and Minnesota and other nations. The

commissioner shall disseminate to schools and school districts a more comprehensive report containing testing information that meets local needs for evaluating instruction and curriculum.

Sec. 10. Minnesota Statutes 2009 Supplement, section 120B.30, subdivision 4, is amended to read:

Subd. 4. **Access to tests.** Consistent with section 13.34, the commissioner must adopt and publish a policy to provide public and parental access for review of basic skills tests, Minnesota Comprehensive Assessments, or any other such statewide test and assessment which would not compromise the objectivity or fairness of the testing or examination process. Upon receiving a written request, the commissioner must make available to parents or guardians a copy of their student's actual responses to the test questions for their review.

Sec. 11. Minnesota Statutes 2009 Supplement, section 120B.35, subdivision 3, is amended to read:

Subd. 3. **State growth target; other state measures.** (a) The state's educational assessment system measuring individual students' educational growth is based on indicators of achievement growth that show an individual student's prior achievement. Indicators of achievement and prior achievement must be based on highly reliable statewide or districtwide assessments.

(b) The commissioner, in consultation with a stakeholder group that includes assessment and evaluation directors and staff and researchers must implement a model that uses a value-added growth indicator and includes criteria for identifying schools and school districts that demonstrate medium and high growth under section 120B.299, subdivisions 8 and 9, and may recommend other value-added measures under section 120B.299, subdivision 3. The model may be used to advance educators' professional development and replicate programs that succeed in meeting students' diverse learning needs. Data on individual teachers generated under the model are personnel data under section 13.43. The model must allow users to:

(1) report student growth consistent with this paragraph; and

(2) for all student categories, report and compare aggregated and disaggregated state growth data using the nine student categories identified under the federal 2001 No Child Left Behind Act and two student gender categories of male and female, respectively, following appropriate reporting practices to protect nonpublic student data.

The commissioner must report separate measures of student growth and proficiency, consistent with this paragraph.

(c) When reporting student performance under section 120B.36, subdivision 1, the commissioner annually, beginning July 1, 2011, must report two core measures indicating the extent to which current high school graduates are being prepared for postsecondary academic and career opportunities:

(1) a preparation measure indicating the number and percentage of high school graduates in the most recent school year who completed course work important to preparing them for postsecondary academic and career opportunities, consistent with the core academic subjects required for admission to Minnesota's public colleges and universities as determined by the Office of Higher Education under chapter 136A; and

(2) a rigorous coursework measure indicating the number and percentage of high school graduates in the most recent school year who successfully completed one or more college-level advanced placement, international baccalaureate, postsecondary enrollment options including concurrent enrollment, other rigorous courses of study under section 120B.021, subdivision 1a, or industry certification courses or programs.

When reporting the core measures under clauses (1) and (2), the commissioner must also analyze and report separate categories of information using the nine student categories identified under the federal 2001 No Child Left Behind Act and two student gender categories of male and female, respectively, following appropriate reporting practices to protect nonpublic student data.

(d) When reporting student performance under section 120B.36, subdivision 1, the commissioner annually, beginning July 1, 2014, must report summary data on school safety and students' engagement and connection at school. The summary data under this paragraph are separate from and must not be used for any purpose related to measuring or evaluating the performance of classroom teachers. The commissioner, in consultation with qualified experts on student engagement and connection and classroom teachers, must identify highly reliable variables that generate summary data under this paragraph. The summary data may be used at school, district, and state levels only. Any data on individuals received, collected, or created that are used to generate the summary data under this paragraph are nonpublic data under section 13.02, subdivision 9.

(e) For purposes of statewide educational accountability, the commissioner must identify and report measures that demonstrate the success of school districts, school sites, charter schools, and alternative program providers in improving the graduation outcomes of students under this paragraph. When reporting student performance under section 120B.36, subdivision 1, the commissioner, beginning July 1, 2013, must annually report

summary data on (i) the four- and six-year graduation rates of students throughout the state who are identified as at risk of not graduating or off track to graduate, including students who are eligible to participate in a program under section 123A.05 or 124D.68, among other students, and (ii) the success that school districts, school sites, charter schools, and alternative program providers experience in:

(1) identifying at-risk and off-track student populations by grade;

(2) providing successful prevention and intervention strategies for at-risk students;

(3) providing successful recuperative and recovery or reenrollment strategies for off-track students; and

(4) improving the graduation outcomes of at-risk and off-track students.

For purposes of this paragraph, a student who is at risk of not graduating is a student in eighth or ninth grade who meets one or more of the following criteria: first enrolled in an English language learners program in eighth or ninth grade and may be older than other students enrolled in the same grade; as an eighth grader, is absent from school for at least 20 percent of the days of instruction during the school year, is two or more years older than other students enrolled in the same grade, or fails multiple core academic courses; or as a ninth grader, fails multiple ninth grade core academic courses in English language arts, math, science, or social studies.

For purposes of this paragraph, a student who is off track to graduate is a student who meets one or more of the following criteria: first enrolled in an English language learners program in high school and is older than other students enrolled in the same grade; is a returning dropout; is 16 or 17 years old and two or more academic years off track to graduate; is 18 years or older and two or more academic years off track to graduate; or is 18 years or older and may graduate within one school year.

EFFECTIVE DATE. Paragraph (e) applies to data that are collected in the 2012-2013 school year and later and reported annually beginning July 1, 2013, consistent with the recommendations the commissioner receives from recognized and qualified experts on improving differentiated graduation rates, and establishing alternative routes to a standard high school diploma for at-risk and off-track students.

Sec. 12. Minnesota Statutes 2009 Supplement, section 120B.36, subdivision 1, is amended to read:

Subdivision 1. **School performance report cards.** (a) The commissioner shall report student academic performance under section 120B.35, subdivision 2; the percentages of students showing low, medium, and high growth under section 120B.35, subdivision 3, paragraph (b); school safety and student engagement and connection

under section 120B.35, subdivision 3, paragraph (d); rigorous coursework under section 120B.35, subdivision 3, paragraph (c); the four- and six-year graduation rates of at-risk and off-track students throughout the state under section 120B.35, subdivision 3, paragraph (e), and the success that school districts, school sites, charter schools, and alternative program providers experience in their efforts to improve the graduation outcomes of those students; two separate student-to-teacher ratios that clearly indicate the definition of teacher consistent with sections 122A.06 and 122A.15 for purposes of determining these ratios; staff characteristics excluding salaries; student enrollment demographics; district mobility; and extracurricular activities. The report also must indicate a school's adequate yearly progress status, and must not set any designations applicable to high- and low-performing schools due solely to adequate yearly progress status.

(b) The commissioner shall develop, annually update, and post on the department Web site school performance report cards.

(c) The commissioner must make available performance report cards by the beginning of each school year.

(d) A school or district may appeal its adequate yearly progress status in writing to the commissioner within 30 days of receiving the notice of its status. The commissioner's decision to uphold or deny an appeal is final.

(e) School performance report card data are nonpublic data under section 13.02, subdivision 9, until not later than ten days after the appeal procedure described in paragraph (d) concludes. The department shall annually post school performance report cards to its public Web site no later than September 1.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to annual reports beginning July 1, 2013.

Sec. 13. **[121A.215] LOCAL SCHOOL DISTRICT WELLNESS POLICIES; WEB SITE.**

Where available, a school district must post its current local school wellness policy on its Web site.

EFFECTIVE DATE. This section is effective August 1, 2010.

Sec. 14. Minnesota Statutes 2009 Supplement, section 122A.09, subdivision 4, is amended to read:

Subd. 4. **License and rules.** (a) The board ~~must~~ may adopt new rules and amend any existing rules to license public school teachers and interns ~~subject to~~ only under

specific legislative authority and consistent with the requirements of chapter 14. This paragraph does not prohibit the board from making technical changes or corrections to rules or repealing rules adopted by the board.

(b) The board must adopt rules requiring a person to successfully complete a skills examination in reading, writing, and mathematics as a requirement for initial teacher licensure. Such rules must require college and universities offering a board-approved teacher preparation program to provide remedial assistance to persons who did not achieve a qualifying score on the skills examination, including those for whom English is a second language.

(c) The board must adopt rules to approve teacher preparation programs. The board, upon the request of a postsecondary student preparing for teacher licensure or a licensed graduate of a teacher preparation program, shall assist in resolving a dispute between the person and a postsecondary institution providing a teacher preparation program when the dispute involves an institution's recommendation for licensure affecting the person or the person's credentials. At the board's discretion, assistance may include the application of chapter 14.

(d) The board must provide the leadership and shall adopt rules for the redesign of teacher education programs to implement a research based, results-oriented curriculum that focuses on the skills teachers need in order to be effective. The board shall implement new systems of teacher preparation program evaluation to assure program effectiveness based on proficiency of graduates in demonstrating attainment of program outcomes.

(e) The board must adopt rules requiring candidates for initial licenses to ~~successfully complete~~ pass an examination of general pedagogical knowledge and examinations of licensure-specific teaching skills. The rules shall be effective by September 1, 2001. The rules under this paragraph also must require candidates for initial licenses to teach prekindergarten or elementary students to successfully complete, as part of the examination of licensure-specific teaching skills, test items assessing the candidates' knowledge, skill, and ability in comprehensive, scientifically based reading instruction under section 122A.06, subdivision 4, and their knowledge and understanding of the foundations of reading development, the development of reading comprehension, and reading assessment and instruction, and their ability to integrate that knowledge and understanding. The rules under this paragraph also must require general education candidates for initial licenses to teach prekindergarten or elementary students to pass, as part of the examination of licensure-specific teaching skills, test items assessing the candidates' knowledge, skill, and ability in mathematics.

(f) The board must adopt rules requiring teacher educators to work directly with elementary or secondary school teachers in elementary or secondary schools to obtain periodic exposure to the elementary or secondary teaching environment.

(g) The board must grant licenses to interns and to candidates for initial licenses.

(h) The board must design and implement an assessment system which requires a candidate for an initial license and first continuing license to demonstrate the abilities necessary to perform selected, representative teaching tasks at appropriate levels.

(i) The board must receive recommendations from local committees as established by the board for the renewal of teaching licenses. Committee recommendations must be consistent with section 122A.18, subdivision 4, paragraph (b).

(j) The board must grant life licenses to those who qualify according to requirements established by the board, and suspend or revoke licenses pursuant to sections 122A.20 and 214.10. The board must not establish any expiration date for application for life licenses.

(k) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further preparation in the areas of using positive behavior interventions and in accommodating, modifying, and adapting curricula, materials, and strategies to appropriately meet the needs of individual students and ensure adequate progress toward the state's graduation rule.

(l) In adopting rules to license public school teachers who provide health-related services for disabled children, the board shall adopt rules consistent with license or registration requirements of the commissioner of health and the health-related boards who license personnel who perform similar services outside of the school.

(m) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further reading preparation, consistent with section 122A.06, subdivision 4. The rules do not take effect until they are approved by law. Teachers who do not provide direct instruction including, at least, counselors, school psychologists, school nurses, school social workers, audiovisual directors and coordinators, and recreation personnel are exempt from this section.

(n) The board must adopt rules that require all licensed teachers who are renewing their continuing license to include in their renewal requirements further preparation in understanding the key warning signs of early-onset mental illness in children and adolescents.

(o) The board, consistent with section 122A.18, subdivision 4, paragraph (b), must amend its licensure renewal rules to include professional reflection and growth in best teaching practices in the preparation requirements for relicensure under this paragraph

and paragraphs (i), (k), (m), and (n), and any other preparation requirements applicable to teachers seeking to renew their continuing license from the board.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all new and amended rules proposed by the Board of Teaching, including all new and amended rules that are not yet formally adopted, except that the amendments to paragraphs (i) and (o) apply to licensees seeking relicensure beginning June 30, 2012. This section does not affect the requirement that the Board of Teaching continue to finally adopt rules initially proposed before the effective date of this section, to implement the requirement of Laws 2003, chapter 129, article 1, section 10, and Laws 2007, chapter 146, article 2, section 34, that the board adopt rules relating to credentials for education paraprofessionals.

Sec. 15. Minnesota Statutes 2008, section 122A.16, is amended to read:

122A.16 HIGHLY QUALIFIED TEACHER DEFINED.

(a) A qualified teacher is one holding a valid license, under this chapter, to perform the particular service for which the teacher is employed in a public school.

(b) For the purposes of the federal No Child Left Behind Act, a highly qualified teacher is one who holds a valid license under this chapter to perform the particular service for which the teacher is employed in a public school or who meets the requirements of a highly objective uniform state standard of evaluation (HOUSSE).

All Minnesota teachers teaching in a core academic subject area, as defined by the federal No Child Left Behind Act, in which they are not fully licensed may complete the following HOUSSE process in the core subject area for which the teacher is requesting highly qualified status by completing an application, in the form and manner described by the commissioner, that includes:

(1) documentation of student achievement as evidenced by norm-referenced test results that are objective and psychometrically valid and reliable;

(2) evidence of local, state, or national activities, recognition, or awards for professional contribution to achievement;

(3) description of teaching experience in the teachers' core subject area in a public school under a waiver, variance, limited license or other exception; nonpublic school; and postsecondary institution;

(4) test results from the ~~Praxis II~~ subject area content test;

(5) evidence of advanced certification from the National Board for Professional Teaching Standards;

(6) evidence of the successful completion of course work or pedagogy courses; and

(7) evidence of the successful completion of high quality professional development activities.

Districts must assign a school administrator to serve as a HOUSSE reviewer to meet with teachers under this paragraph and, where appropriate, certify the teachers' applications. Teachers satisfy the definition of highly qualified when the teachers receive at least 100 of the total number of points used to measure the teachers' content expertise under clauses (1) to (7). Teachers may acquire up to 50 points only in any one clause (1) to (7). Teachers may use the HOUSSE process to satisfy the definition of highly qualified for more than one subject area.

(c) Achievement of the HOUSSE criteria is not equivalent to a license. A teacher must obtain permission from the Board of Teaching in order to teach in a public school.

Sec. 16. Minnesota Statutes 2008, section 122A.18, subdivision 1, is amended to read:

Subdivision 1. **Authority to license.** (a) The Board of Teaching must license teachers, as defined in section 122A.15, subdivision 1, except for supervisory personnel, as defined in section 122A.15, subdivision 2.

(b) The Board of School Administrators must license supervisory personnel as defined in section 122A.15, subdivision 2, except for athletic coaches.

(c) Licenses under the jurisdiction of the Board of Teaching, the Board of School Administrators, and the commissioner of education must be issued through the licensing section of the department.

(d) The Board of Teaching may approve only those teacher preparation programs that target and address identified concerns affecting students in kindergarten through grade 12. The Board of Teaching and the Department of Education, consistent with the requirements of chapter 13, must enter into an agreement to share kindergarten through grade 12 educational data solely for approving and improving teacher education programs. The Board of Teaching must ensure that this information remains confidential and is used only for this purpose. Any unauthorized disclosure is subject to a penalty under section 13.09.

(e) The Board of School Administrators may approve only those administrator preparation programs that target and address identified concerns affecting students in kindergarten through grade 12. The Board of School Administrators and the Department of Education, consistent with the requirements of chapter 13, must enter into an agreement to share kindergarten through grade 12 educational data solely for approving and improving education administration programs. The Board of School Administrators must

ensure that this information remains confidential and is used only for this purpose. Any unauthorized disclosure is subject to a penalty under section 13.09.

Sec. 17. Minnesota Statutes 2008, section 122A.18, subdivision 2, is amended to read:

Subd. 2. **Teacher and support personnel qualifications.** (a) The Board of Teaching must issue licenses under its jurisdiction to persons the board finds to be qualified and competent for their respective positions.

(b) The board must require a person to ~~successfully complete~~ pass an examination of skills in reading, writing, and mathematics before being granted an initial teaching license to provide direct instruction to pupils in prekindergarten, elementary, secondary, or special education programs. The board must require colleges and universities offering a board approved teacher preparation program to provide remedial assistance that includes a formal diagnostic component to persons enrolled in their institution who did not achieve a qualifying score on the skills examination, including those for whom English is a second language. The colleges and universities must provide assistance in the specific academic areas of deficiency in which the person did not achieve a qualifying score. School districts must provide similar, appropriate, and timely remedial assistance that includes a formal diagnostic component and mentoring to those persons employed by the district who completed their teacher education program outside the state of Minnesota, received a one-year license to teach in Minnesota and did not achieve a qualifying score on the skills examination, including those persons for whom English is a second language. The Board of Teaching shall report annually to the education committees of the legislature on the total number of teacher candidates during the most recent school year taking the skills examination, the number who achieve a qualifying score on the examination, the number who do not achieve a qualifying score on the examination, the distribution of all candidates' scores, the number of candidates who have taken the examination at least once before, and the number of candidates who have taken the examination at least once before and achieve a qualifying score.

~~(c) A person who has completed an approved teacher preparation program and obtained a one-year license to teach, but has not successfully completed the skills examination, may renew the one-year license for two additional one-year periods. Each renewal of the one-year license is contingent upon the licensee:~~

~~(1) providing evidence of participating in an approved remedial assistance program provided by a school district or postsecondary institution that includes a formal diagnostic component in the specific areas in which the licensee did not obtain qualifying scores; and~~

~~(2) attempting to successfully complete the skills examination during the period of each one-year license.~~

~~(d)~~ (c) The Board of Teaching must grant continuing licenses only to those persons who have met board criteria for granting a continuing license, which includes ~~successfully completing~~ passing the skills examination in reading, writing, and mathematics.

~~(c)~~ (d) All colleges and universities approved by the board of teaching to prepare persons for teacher licensure must include in their teacher preparation programs a common core of teaching knowledge and skills to be acquired by all persons recommended for teacher licensure. This common core shall meet the standards developed by the interstate new teacher assessment and support consortium in its 1992 "model standards for beginning teacher licensing and development." Amendments to standards adopted under this paragraph are covered by chapter 14. The board of teaching shall report annually to the education committees of the legislature on the performance of teacher candidates on common core assessments of knowledge and skills under this paragraph during the most recent school year.

(e) The Board of Teaching must:

(1) ensure that kindergarten through grade 12 teacher licensing standards are highly aligned with the state's kindergarten through grade 12 academic standards;

(2) adopt a review cycle that is consistent with the kindergarten through grade 12 academic standards review cycle under section 120B.023, subdivision 2; and

(3) review and align the teacher licensure standards with the kindergarten through grade 12 academic standards within one school year after the commissioner reviews and adopts revised kindergarten through grade 12 academic standards in a particular subject area.

(f) All teacher preparation programs approved by the Board of Teaching must require teacher candidates to complete at least one online course.

Sec. 18. Minnesota Statutes 2008, section 122A.23, subdivision 2, is amended to read:

Subd. 2. **Applicants licensed in other states.** (a) Subject to the requirements of sections 122A.18, subdivision 8, and 123B.03, the Board of Teaching must issue a teaching license or a temporary teaching license under paragraphs (b) to (e) to an applicant who holds at least a baccalaureate degree from a regionally accredited college or university and holds or held a similar out-of-state teaching license that requires the applicant to successfully complete a teacher preparation program approved by the issuing state, which includes field-specific teaching methods and student teaching or essentially equivalent experience.

(b) The Board of Teaching must issue a teaching license to an applicant who:

(1) ~~successfully completed~~ passed all exams and successfully completed human relations preparation components required by the Board of Teaching; and

(2) holds or held an out-of-state teaching license to teach the same content field and grade levels if the scope of the out-of-state license is no more than one grade level less than a similar Minnesota license.

(c) The Board of Teaching, consistent with board rules, must issue up to three one-year temporary teaching licenses to an applicant who holds or held an out-of-state teaching license to teach the same content field and grade levels, where the scope of the out-of-state license is no more than one grade level less than a similar Minnesota license, but has not ~~successfully completed~~ passed all exams and successfully completed human relations preparation components required by the Board of Teaching.

(d) The Board of Teaching, consistent with board rules, must issue up to three one-year temporary teaching licenses to an applicant who:

(1) ~~successfully completed~~ passed all exams and successfully completed human relations preparation components required by the Board of Teaching; and

(2) holds or held an out-of-state teaching license to teach the same content field and grade levels, where the scope of the out-of-state license is no more than one grade level less than a similar Minnesota license, but has not completed field-specific teaching methods or student teaching or equivalent experience.

The applicant may complete field-specific teaching methods and student teaching or equivalent experience by successfully participating in a one-year school district mentorship program consistent with board-adopted standards of effective practice and Minnesota graduation requirements.

(e) The Board of Teaching must issue a temporary teaching license for a term of up to three years only in the content field or grade levels specified in the out-of-state license to an applicant who:

(1) ~~successfully completed~~ passed all exams and successfully completed human relations preparation components required by the Board of Teaching; and

(2) holds or held an out-of-state teaching license where the out-of-state license is more limited in the content field or grade levels than a similar Minnesota license.

(f) The Board of Teaching must not issue to an applicant more than three one-year temporary teaching licenses under this subdivision.

(g) The Board of Teaching must not issue a license under this subdivision if the applicant has not attained the additional degrees, credentials, or licenses required in a particular licensure field.

Sec. 19. **[122A.245] ALTERNATIVE TEACHER PREPARATION PROGRAM AND LIMITED-TERM TEACHER LICENSE.**

Subdivision 1. **Requirements.** (a) The Board of Teaching must approve qualified teacher preparation programs under this section that are a means to acquire a two-year limited-term license and to prepare for acquiring a standard entrance license. Partnerships composed of school districts or charter schools and either:

(1) a college or university with a board-approved alternative teacher preparation program; or

(2) a nonprofit corporation formed for an education-related purpose and subject to chapter 317A and a college or university with a board-approved alternative teacher preparation program may offer this program if:

(i) a need for teachers exists based on the determination by a participating school district or charter school that in the previous school year too few qualified candidates applied for its posted, available teaching positions;

(ii) the teaching staff does not reflect the racial and cultural diversity of the student population of the district or charter school; or

(iii) the school district or charter school identifies a need to reduce or eliminate a student achievement gap based on school performance report card data under section 120B.36.

(b) To participate in this program, a candidate must:

(1) have a bachelor's degree with a minimum 3.0 grade point average, or have a bachelor's degree and meet other board-adopted criteria;

(2) pass the reading, writing, and mathematics skills examination under section 122A.18; and

(3) pass the board-approved content area and pedagogy tests.

Subd. 2. **Characteristics.** An alternative teacher preparation program under this section must include:

(1) a minimum 200-hour instructional phase that provides intensive preparation before that person assumes classroom responsibilities;

(2) a research-based and results-oriented approach focused on best teaching practices to increase student proficiency and growth measured against state academic standards;

(3) strategies to combine pedagogy and best teaching practices to better inform teachers' classroom instruction;

(4) assessment, supervision, and evaluation of the program participant to determine the participant's specific needs throughout the program and to support the participant in successfully completing the program;

(5) formal instruction and intensive peer coaching throughout the school year that provide structured guidance and regular ongoing support;

(6) high quality, sustained, intensive, and classroom-embedded staff development opportunities conducted by a mentor or by a mentorship team that may include school administrators, teachers, and postsecondary faculty members and are directed at improving student learning and achievement; and

(7) a requirement that program participants demonstrate to the local site team under subdivision 5 that they are making satisfactory progress toward acquiring a standard entrance license from the Board of Teaching.

Subd. 3. **Program approval.** The Board of Teaching must approve alternative teacher preparation programs under this section based on board-adopted criteria that reflect best practices for alternative teacher preparation programs consistent with this section. The board must permit licensure candidates to demonstrate licensure competencies in school-based settings and through other nontraditional means.

Subd. 4. **Employment conditions.** Where applicable, teachers with a limited-term license under this section are subject to the terms of the local collective bargaining agreement between the local representative of the teachers and the school board.

Subd. 5. **Approval for standard entrance license.** A local site team that may include teachers, school administrators, postsecondary faculty, and nonprofit staff must evaluate the performance of the teacher candidate using the Minnesota State Standards of Effective Practice for Teachers established in rule and submit to the board an evaluation report recommending whether or not to issue the teacher candidate a standard entrance license.

Subd. 6. **Standard entrance license.** The Board of Teaching must issue a standard entrance license to a teacher candidate under this section who successfully performs throughout the program and is recommended for licensure under subdivision 5.

Subd. 7. **Qualified teacher.** A person with a valid limited-term license under this section is the teacher of record and a qualified teacher within the meaning of section 122A.16.

Subd. 8. **Reports.** The Board of Teaching must submit an interim report on the efficacy of this program to the K-12 Education Policy and Finance committees of the legislature by February 15, 2012, and a final report by February 15, 2014.

EFFECTIVE DATE. This section is effective for the 2010-2011 school year and later.

Sec. 20. **[122A.246] ALTERNATIVE TEACHER PREPARATION PROGRAM AND LIMITED-TERM TEACHER LICENSE FOR MID-CAREER PROFESSIONALS.**

Subdivision 1. **Requirements.** (a) The Board of Teaching annually must approve qualified teacher preparation programs under this section that are a means for mid-career professionals to acquire a two-year limited-term license and to prepare for acquiring a standard entrance license. Partnerships composed of school districts or charter schools and either:

(1) a college or university with a board-approved alternative teacher preparation program; or

(2) a nonprofit corporation formed for an education-related purpose and subject to chapter 317A and a college or university with a board-approved alternative teacher preparation program may offer this program if:

(i) a need for teachers exists in a subject area identified by the department as a shortage area;

(ii) the teaching staff does not reflect the racial and cultural diversity of the student population of the district or charter school; and

(iii) the district or charter school identifies a need to reduce or eliminate a student achievement gap based on school performance report card data under section 120B.36.

(b) To participate in this program, a candidate must:

(1) have a bachelor's degree and at least ten years of professional experience in a field related to the license being sought; or

(2) hold a valid teaching license and have at least five years of classroom teaching experience.

(c) A candidate under paragraph (b), clause (1), must:

(1) pass the reading, writing, and mathematics skills examination under section 122A.18;

(2) obtain qualifying scores on board-approved content area and pedagogy tests; and

(3) before receiving a limited term license under this section, complete a minimum 200-hour instructional phase that provides intensive preparation and a full-time student teaching experience that places the candidate in the classroom under the direct supervision of a fully licensed classroom teacher for at least 12 weeks. A candidate under paragraph (b), clause (1), is declared to have met the requirements of this paragraph through the licensing process and previous classroom experience.

Subd. 2. **Characteristics.** An alternative teacher preparation program under this section must include:

(1) a research-based and results-oriented approach focused on best teaching practices to increase student proficiency and growth measured against state academic standards;

(2) strategies to combine pedagogy and best teaching practices to better inform teachers' classroom instruction;

(3) assessment, supervision, and evaluation of the program participant to determine the participant's specific needs throughout the program and to support the participant in successfully completing the program;

(4) formal instruction and intensive peer coaching throughout the school year that provide structured guidance and regular ongoing support;

(5) high quality, sustained, intensive, and classroom-embedded staff development opportunities conducted by a mentor or by a mentorship team that may include school administrators, teachers, and postsecondary faculty members and are directed at improving student learning and achievement; and

(6) a requirement that program participants demonstrate to the local site team under subdivision 5 that they are making satisfactory progress toward acquiring a standard entrance license from the Board of Teaching.

Subd. 3. **Program approval.** The Board of Teaching must approve alternative teacher preparation programs under this section based on board-adopted criteria that reflect best practices for alternative teacher preparation programs consistent with this section. The board must permit licensure candidates to demonstrate licensure competencies in school-based settings and through other nontraditional means.

Subd. 4. **Employment conditions.** (a) Each full school year that a teacher with a limited-term license teaches in a Minnesota school is one year of the teacher's first probationary employment period.

(b) Where applicable, teachers with a limited-term license under this section are subject to the terms of the local collective bargaining agreement between the local representative of the teachers and the school board.

(c) A school district or charter school must not prospectively promise to employ a teacher candidate who receives a standard entrance license under this section.

Subd. 5. **Approval for standard entrance license.** Postsecondary faculty, the supervising teacher, and other qualified staff must evaluate the performance of the teacher candidate using the Minnesota state standards of effective practice for teachers and content standards by licensure area established in rule and submit to the board an evaluation report recommending whether or not to issue the teacher candidate a standard entrance license.

Subd. 6. **Standard entrance license.** The Board of Teaching may issue a standard entrance license to a teacher candidate under this section who successfully performs under the two-year limited license and is recommended for licensure under subdivision 5.

Subd. 7. **Qualified teacher.** A person with a valid limited-term license under this section is the teacher of record and a qualified teacher within the meaning of section 122A.16.

Subd. 8. **Reports.** (a) The Board of Teaching annually must collect and report to the K-12 Education Policy and Finance Committees of the legislature alternative teacher preparation program provider data on cumulative teacher retention rates, number of licenses issued by licensure area, the locations where teachers are placed, the number of programs approved, and the demographic characteristics of the teacher candidates, among other data. The board may use these data to approve program providers under this section.

(b) The Board of Teaching must submit a report on the efficacy of this program to the K-12 Education Policy and Finance committees of the legislature by February 15, 2014.

Sec. 21. Minnesota Statutes 2009 Supplement, section 122A.40, subdivision 8, is amended to read:

Subd. 8. **Annual evaluations and peer coaching for continuing contract teachers.** (a) To improve student learning and success, a school board and an exclusive representative of the teachers in the district, consistent with paragraph (b), shall develop ~~a~~ an annual teacher evaluation and peer review process for continuing contract teachers through joint agreement. The peer review process ~~may~~ must include having trained observers serve as peer coaches or having teachers participate in professional learning communities.

(b) To develop, improve, and support qualified teachers and effective teaching practices and improve student learning and success, the annual evaluation process for continuing contract teachers must:

(1) be a collaborative effort between teachers and school administrators to develop and implement a teacher evaluation process that is based on professional teaching standards and includes both formative assessments to improve instruction through identifying teachers' strengths and weaknesses and summative assessments conducted at least once every three school years and used to make personnel decisions, consistent with clause (2);

(2) coordinate staff development activities under section 122A.60 with this evaluation process and teachers' evaluation outcomes and give teachers not meeting standards of effective practice sufficient support to improve;

(3) include in-class observations by both licensed mentor teachers and school administrators who are trained evaluators, use a valid observation framework or protocol, and periodically undergo a reliability review;

(4) provide peer coaching or have teachers participate in professional learning communities, consistent with paragraph (a);

(5) require teachers to develop and present a portfolio demonstrating evidence of reflection and professional growth, consistent with section 122A.18, subdivision 4, paragraph (b), using criteria developed by the Board of Teaching to reliably assess portfolio content, and include teachers' own performance assessment based on student work samples, student and family surveys, and videotapes of teachers' work, among other activities;

(6) demonstrate teachers' content knowledge and teaching skills; and

(7) use longitudinal data on student academic growth, student attendance, student engagement and connection, and other outcome measures as evaluation components.

EFFECTIVE DATE. This section is effective the day following final enactment and applies beginning when a district next enters into or modifies a collective bargaining agreement or by the 2011-2012 school year, whichever comes first.

Sec. 22. Minnesota Statutes 2009 Supplement, section 122A.41, subdivision 5, is amended to read:

Subd. 5. **Annual evaluations and peer coaching for continuing contract teachers.** (a) To improve student learning and success, a school board and an exclusive representative of the teachers in the district, consistent with paragraph (b), must develop ~~a~~ an annual teacher evaluation and peer review process for nonprobationary teachers through joint agreement. The peer review process ~~may~~ must include having trained observers serve as peer coaches or having teachers participate in professional learning communities.

(b) To develop, improve, and support qualified teachers and effective teaching practices and improve student learning and success, the annual evaluation process for continuing contract teachers must:

(1) be a collaborative effort between teachers and school administrators to develop and implement a teacher evaluation process that is based on professional teaching standards and includes both formative assessments to improve instruction through identifying teachers' strengths and weaknesses and summative assessments conducted at least once every three school years and used to make personnel decisions, consistent with clause (2);

(2) coordinate staff development activities under section 122A.60 with this evaluation process and teachers' evaluation outcomes and give teachers not meeting standards of effective practice sufficient support to improve;

(3) include in-class observations by both licensed mentor teachers and school administrators who are trained evaluators, use a valid observation framework or protocol, and periodically undergo a reliability review;

(4) provide peer coaching or have teachers participate in professional learning communities, consistent with paragraph (a);

(5) require teachers to develop and present a portfolio demonstrating evidence of reflection and professional growth, consistent with section 122A.18, subdivision 4, paragraph (b), using criteria developed by the Board of Teaching to reliably assess portfolio content, and include teachers' own performance assessment based on student work samples, student and family surveys, and videotapes of teachers' work, among other activities;

(6) demonstrate teachers' content knowledge and teaching skills; and

(7) use longitudinal data on student academic growth, student attendance, student engagement and connection, and other outcome measures as evaluation components.

EFFECTIVE DATE. This section is effective the day following final enactment and applies beginning when a district next enters into or modifies a collective bargaining agreement or by the 2011-2012 school year, whichever comes first.

Sec. 23. **[123A.29] EFFICIENCY PLUS ACCESS TASK FORCES.**

Subdivision 1. **Purpose.** The purpose of the efficiency plus access task forces is to facilitate greater efficiency and reduce education costs through collaboration and cooperation across school districts and other governmental agencies while maintaining or improving the learning results for students. The legislative intent is to reduce the administrative costs of education without resorting to a policy of required consolidation that reduces the number of districts or school boards and without creating fewer larger schools that require longer bus rides for students.

Subd. 2. **Required district participation.** Each district with an enrollment of fewer than 5,000 pupils in K-12 for fiscal year 2010 shall participate in an efficiency plus access task force.

Subd. 3. **Optional district and other public entity participation.** School districts with more than 5,000 pupils, charter schools, cities, townships, counties, public higher education institutions, Head Start agencies, public libraries, and other public entities are encouraged to participate in the efficiency plus access task forces.

Subd. 4. **Task force membership.** (a) Participating districts may organize the task forces using an existing education district, intermediate district, or other cooperative model. Districts may request that a service cooperative assist in establishing task forces for their service area. Districts do not need to be contiguous to form an efficiency plus access task force. Each task force shall consist of one member appointed by each district board included in the task force and one member from each entity defined in subdivision 3 that choose to participate. Districts and other public entities may decide to become members of more than one efficiency plus access task force. These appointments shall be made by August 15, 2010.

(b) Each school board shall develop a process within the district allowing teachers, students, parents, and the community to have access and opportunities to review and make recommendations to be brought forward to the efficiency plus access task force.

(c) The initial meeting of each task force shall not be later than September 30, 2010. At the initial meeting, each task force shall elect a chair and other officers it considers necessary to coordinate the work of the task force.

Subd. 5. **Task force; powers.** (a) Each task force shall review and make recommendations to the boards of the participating districts and public entities regarding how the purpose of this section can be met in the following areas:

(1) administrative services including but not limited to superintendent services, principal services, financial management, human services, facilities and grounds maintenance, food and nutrition services, research and evaluation services, transportation services, health services, information technology services, and other administrative services. Cooperation with other public agencies for the provision of administrative services should be considered;

(2) instructional and learning services including but not limited to creating a common calendar; low-attendance elective secondary courses; use of technology to replace or supplement courses currently being provided; use of technology to provide new learning opportunities through technology with an emphasis on using low-cost or no-cost learning opportunities available online; coordination with higher education so that advanced courses are provided college credit to avoid duplication between high school and postsecondary; determine how certain students can complete select high school credit requirements while in middle school; and exploring ways to utilize the learning opportunities in the community through programs such as parks and recreation, arts, libraries, and other community providers; and

(3) cooperative arrangements for shared extracurricular activities, including having the activities become the responsibility of the community recreational program.

(b) The task force shall consider creating new models of schools including project-based learning schools, online learning schools in cooperation with other education districts, service cooperatives or chartered schools, new grade 11 postsecondary models in partnership with colleges and universities, prekindergarten through primary grades in partnership with early childhood providers, and other models of schooling.

Subd. 6. **Reporting.** Each efficiency plus access task force shall file its initial planning report with the commissioner no later than October 15, 2010. The report shall include the basic information about the composition of the task force, including how input to the task force will be obtained consistent with subdivision 4, paragraph (b). Each task force shall complete its recommendations and file its report with the member school boards and commissioner no later than December 1, 2011. The report shall include recommendations pursuant to subdivision 5 and identify the financial impact of those recommendations for at least fiscal years 2013 and 2014. Each school board shall file a report with the commissioner regarding the actions it will take in response to the report no later than March 15, 2012. The report shall also include the impact on other agencies included in the task force planning.

Sec. 24. Minnesota Statutes 2009 Supplement, section 123B.143, subdivision 1, is amended to read:

Subdivision 1. **Contract; duties.** All districts maintaining a classified secondary school must employ a superintendent who shall be an ex officio nonvoting member of the school board. The authority for selection and employment of a superintendent must be vested in the board in all cases. An individual employed by a board as a superintendent shall have an initial employment contract for a period of time no longer than three years from the date of employment. Any subsequent employment contract must not exceed a period of three years. A board, at its discretion, may or may not renew an employment contract. A board must not, by action or inaction, extend the duration of an existing employment contract. Beginning 365 days prior to the expiration date of an existing employment contract, a board may negotiate and enter into a subsequent employment contract to take effect upon the expiration of the existing contract. A subsequent contract must be contingent upon the employee completing the terms of an existing contract. If a contract between a board and a superintendent is terminated prior to the date specified in the contract, the board may not enter into another superintendent contract with that same individual that has a term that extends beyond the date specified in the terminated contract. A board may terminate a superintendent during the term of an employment contract for any of the grounds specified in section 122A.40, subdivision 9 or 13. A superintendent shall

not rely upon an employment contract with a board to assert any other continuing contract rights in the position of superintendent under section 122A.40. Notwithstanding the provisions of sections 122A.40, subdivision 10 or 11, 123A.32, 123A.75, or any other law to the contrary, no individual shall have a right to employment as a superintendent based on order of employment in any district. If two or more districts enter into an agreement for the purchase or sharing of the services of a superintendent, the contracting districts have the absolute right to select one of the individuals employed to serve as superintendent in one of the contracting districts and no individual has a right to employment as the superintendent to provide all or part of the services based on order of employment in a contracting district. The superintendent of a district shall perform the following:

(1) visit and supervise the schools in the district, report and make recommendations about their condition when advisable or on request by the board;

(2) recommend to the board employment and dismissal of teachers;

(3) annually evaluate each school principal and assistant principal assigned responsibility for supervising a school building within the district, consistent with section 123B.147, subdivision 3, paragraph (b);

(4) superintend school grading practices and examinations for promotions;

~~(4)~~ (5) make reports required by the commissioner; and

~~(5)~~ (6) perform other duties prescribed by the board.

EFFECTIVE DATE. This section is effective the day following final enactment and applies beginning when a district next enters into or modifies a collective bargaining agreement or by the 2011-2012 school year, whichever comes first.

Sec. 25. Minnesota Statutes 2008, section 123B.147, subdivision 3, is amended to read:

Subd. 3. **Duties; evaluation.** (a) The principal shall provide administrative, supervisory, and instructional leadership services, under the supervision of the superintendent of schools of the district and ~~in accordance with~~ according to the policies, rules, and regulations of the school board ~~of education~~, for the planning, management, operation, and evaluation of the education program of the building or buildings to which the principal is assigned.

(b) To enhance principals' leadership skills and support and improve teachers' teaching practices, the school board and the exclusive representative of the school principals of the district must negotiate a plan for an annual evaluation of the school principals and assistant principals assigned responsibility for supervising a school building within the district. The annual evaluation process must:

(1) be designed to support and improve principals' instructional leadership defined in the plan, organizational management, and professional development, and strengthen principals' capacity in the areas of instruction, supervision, evaluation, and the development of teachers and highly effective school organizations;

(2) include formative and summative evaluations;

(3) be consistent with the principals' job description, district long-term plans and goals, and principals' own professional multiyear growth plans and goals;

(4) include on-the-job observations, team assessments and evaluations, and verbal and written feedback on performance;

(5) require feedback from teachers, support staff, students, and parents;

(6) use longitudinal data on student academic growth as an evaluation component; and

(7) be linked to professional development.

EFFECTIVE DATE. This section is effective the day following final enactment and applies beginning when a district next enters into or modifies a collective bargaining agreement or by the 2011-2012 school year, whichever comes first.

Sec. 26. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 3, is amended to read:

Subd. 3. **Authorizer.** (a) For purposes of this section, the terms defined in this subdivision have the meanings given them.

"Application" to receive approval as an authorizer means the proposal an eligible authorizer submits to the commissioner under paragraph (c) before that authorizer is able to submit any affidavit to charter to a school.

"Application" under subdivision 4 means the charter school business plan a school developer submits to an authorizer for approval to establish a charter school that documents the school developer's mission statement, school purposes, program design, financial plan, governance and management structure, and background and experience, plus any other information the authorizer requests. The application also shall include a "statement of assurances" of legal compliance prescribed by the commissioner.

"Affidavit" means a written statement the authorizer submits to the commissioner for approval to establish a charter school under subdivision 4 attesting to its review and approval process before chartering a school.

"Affidavit" means the form an authorizer submits to the commissioner that is a precondition to a charter school organizing an affiliated nonprofit building corporation under subdivision 17a.

(b) The following organizations may authorize one or more charter schools:

(1) a school board; intermediate school district school board; education district organized under sections 123A.15 to 123A.19;

(2) a charitable organization under section 501(c)(3) of the Internal Revenue Code of 1986, excluding a nonpublic sectarian or religious institution~~,~~ without an approved affidavit by the commissioner prior to July 1, 2009, and any person other than a natural person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the nonpublic sectarian or religious institution, and any other charitable organization under this clause that in the federal IRS Form 1023, Part IV, describes activities indicating a religious purpose, that:

(i) is a member of the Minnesota Council of Nonprofits or the Minnesota Council on Foundations;

(ii) is registered with the attorney general's office;

(iii) reports an end-of-year fund balance of at least $2,000,000; and

(iv) is incorporated in the state of Minnesota;

(3) a Minnesota private college, notwithstanding clause (2), that grants two- or four-year degrees and is registered with the Minnesota Office of Higher Education under chapter 136A; community college, state university, or technical college governed by the Board of Trustees of the Minnesota State Colleges and Universities; or the University of Minnesota; or

(4) a nonprofit corporation subject to chapter 317A, described in section 317A.905, and exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code of 1986, may authorize one or more charter schools if the charter school has operated for at least three years under a different authorizer and if the nonprofit corporation has existed for at least 25 years.

(5) no more than three single-purpose sponsors that are charitable, nonsectarian organizations formed under section 501(c)(3) of the Internal Revenue Code of 1986 and incorporated in the state of Minnesota whose sole purpose is to charter schools. Eligible organizations interested in being approved as a sponsor under this paragraph must submit a proposal to the commissioner that includes the provisions of paragraph (c) and a five-year financial plan. Such authorizers shall consider and approve applications using the criteria provided in subdivision 4 and shall not limit the applications it solicits, considers, or approves to any single curriculum, learning program, or method.

(c) An eligible authorizer under this subdivision must apply to the commissioner for approval as an authorizer before submitting any affidavit to the commissioner to charter a school. The application for approval as a charter school authorizer must demonstrate

the applicant's ability to implement the procedures and satisfy the criteria for chartering a school under this section. The commissioner must approve or disapprove an application within 60 business days of the application deadline. If the commissioner disapproves the application, the commissioner must notify the applicant of the deficiencies and the applicant then has 20 business days to address the deficiencies to the commissioner's satisfaction. Failing to address the deficiencies to the commissioner's satisfaction makes an applicant ineligible to be an authorizer. The commissioner, in establishing criteria for approval, must consider the applicant's:

(1) capacity and infrastructure;

(2) application criteria and process;

(3) contracting process;

(4) ongoing oversight and evaluation processes; and

(5) renewal criteria and processes.

(d) The ~~affidavit~~ application for approval to be submitted to and evaluated by the commissioner must include at least the following:

(1) how chartering schools is a way for the organization to carry out its mission;

(2) a description of the capacity of the organization to serve as a sponsor, including the personnel who will perform the sponsoring duties, their qualifications, the amount of time they will be assigned to this responsibility, and the financial resources allocated by the organization to this responsibility;

(3) a description of the application and review process the authorizer will use to make decisions regarding the granting of charters, which will include at least the following:

(i) how the statutory purposes defined in subdivision 1 are addressed;

(ii) the mission, goals, program model, and student performance expectations;

(iii) an evaluation plan for the school that includes criteria for evaluating educational, organizational, and fiscal plans;

(iv) the school's governance plan;

(v) the financial management plan; and

(vi) the administration and operations plan;

(4) a description of the type of contract it will arrange with the schools it charters that meets the provisions of subdivision 6 and defines the rights and responsibilities of the charter school for governing its educational program, controlling its funds, and making school management decisions;

(5) the process to be used for providing ongoing oversight of the school consistent with the contract expectations specified in clause (4) that assures that the schools chartered are complying with both the provisions of applicable law and rules, and with the contract;

(6) the process for making decisions regarding the renewal or termination of the school's charter based on evidence that demonstrates the academic, organizational, and financial competency of the school, including its success in increasing student achievement and meeting the goals of the charter school agreement; and

(7) an assurance specifying that the organization is committed to serving as a sponsor for the full five-year term.

A disapproved applicant under this paragraph may resubmit an application during a future application period.

(e) The authorizer must participate in department-approved training.

(f) An authorizer that chartered a school before August 1, 2009, must apply by June 30, 2011, to the commissioner for approval, under paragraph (c), to continue as an authorizer under this section. For purposes of this paragraph, an authorizer that fails to submit a timely application is ineligible to charter a school.

(g) The commissioner shall review an authorizer's performance every five years in a manner and form determined by the commissioner and may review an authorizer's performance more frequently at the commissioner's own initiative or at the request of a charter school operator, charter school board member, or other interested party. The commissioner, after completing the review, shall transmit a report with findings to the authorizer. If, consistent with this section, the commissioner finds that an authorizer has not fulfilled the requirements of this section, the commissioner may subject the authorizer to corrective action, which may include terminating the contract with the charter school board of directors of a school it chartered. The commissioner must notify the authorizer in writing of any findings that may subject the authorizer to corrective action and the authorizer then has 15 business days to request an informal hearing before the commissioner takes corrective action.

(h) The commissioner may at any time take corrective action against an authorizer, including terminating an authorizer's ability to charter a school for:

(1) failing to demonstrate the criteria under paragraph (c) under which the commissioner approved the authorizer;

(2) violating a term of the chartering contract between the authorizer and the charter school board of directors; or

(3) unsatisfactory performance as an approved authorizer.

Sec. 27. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 4, is amended to read:

Subd. 4. **Formation of school.** (a) An authorizer, after receiving an application from a school developer, may charter a licensed teacher under section 122A.18, subdivision 1, or a group of individuals that includes one or more licensed teachers under section 122A.18, subdivision 1, to operate a school subject to the commissioner's approval of the authorizer's affidavit under paragraph (b). The school must be organized and operated as a cooperative under chapter 308A or nonprofit corporation under chapter 317A and the provisions under the applicable chapter shall apply to the school except as provided in this section.

Notwithstanding sections 465.717 and 465.719, a school district, subject to this section and section 124D.11, may create a corporation for the purpose of establishing a charter school.

(b) Before the operators may establish and operate a school, the authorizer must file an affidavit with the commissioner stating its intent to charter a school. An authorizer must file a separate affidavit for each school it intends to charter. The affidavit must state the terms and conditions under which the authorizer would charter a school and how the authorizer intends to oversee the fiscal and student performance of the charter school and to comply with the terms of the written contract between the authorizer and the charter school board of directors under subdivision 6. The commissioner must approve or disapprove the authorizer's affidavit within 60 business days of receipt of the affidavit. If the commissioner disapproves the affidavit, the commissioner shall notify the authorizer of the deficiencies in the affidavit and the authorizer then has 20 business days to address the deficiencies. If the authorizer does not address deficiencies to the commissioner's satisfaction, the commissioner's disapproval is final. Failure to obtain commissioner approval precludes an authorizer from chartering the school that is the subject of this affidavit.

(c) The authorizer may prevent an approved charter school from opening for operation if, among other grounds, the charter school violates this section or does not meet the ready-to-open standards that are part of the authorizer's oversight and evaluation process or are stipulated in the charter school contract.

(d) The operators authorized to organize and operate a school, before entering into a contract or other agreement for professional or other services, goods, or facilities, must incorporate as a cooperative under chapter 308A or as a nonprofit corporation under chapter 317A and must establish a board of directors composed of at least five members who are not related parties until a timely election for members of the ongoing charter school board of directors is held according to the school's articles and bylaws under paragraph (f). A charter school board of directors must be composed of at least five

members who are not related parties. Staff members employed at the school, including teachers providing instruction under a contract with a cooperative, and all parents or legal guardians of children enrolled in the school are the voters eligible to elect the members of the school's board of directors. A charter school must notify eligible voters of the school board election dates at least 30 days before the election. Board of director meetings must comply with chapter 13D.

(e) Upon the request of an individual, the charter school must make available in a timely fashion the minutes of meetings of the board of directors, and of members and committees having any board-delegated authority; financial statements showing all operations and transactions affecting income, surplus, and deficit during the school's last annual accounting period; and a balance sheet summarizing assets and liabilities on the closing date of the accounting period. A charter school also must post on its official Web site information identifying its authorizer and indicate how to contact that authorizer and include that same information about its authorizer in other school materials that it makes available to the public.

(f) Every charter school board member shall attend department-approved training on board governance, the board's role and responsibilities, employment policies and practices, and financial management. A board member who does not begin the required training within six months of being seated and complete the required training within 12 months of being seated on the board is ineligible to continue to serve as a board member.

(g) The ongoing board must be elected before the school completes its third year of operation. Board elections must be held during a time when school is in session. The charter school board of directors shall be composed of at least five nonrelated members and include: (i) at least one licensed teacher employed and serving as a teacher at the school or a licensed teacher providing instruction under a ~~contact~~ contract between the charter school and a cooperative; (ii) the parent or legal guardian of a student enrolled in the charter school who is not employed by the charter school; and (iii) an interested community member who is not employed by the charter school and does not have a child enrolled in the school. The board may be a teacher majority board composed of teachers described in this paragraph. The chief financial officer and the chief administrator ~~are~~ may only serve as ex-officio nonvoting board members and shall not serve as a voting member of the board. Charter school employees shall not serve on the board unless item (i) applies. Contractors providing facilities, goods, or services to a charter school shall not serve on the board of directors of the charter school. Board bylaws shall outline the process and procedures for changing the board's governance model, consistent with chapter 317A. A board may change its governance model only:

(1) by a majority vote of the board of directors and the licensed teachers employed by the school, including licensed teachers providing instruction under a contract between the school and a cooperative; and

(2) with the authorizer's approval.

Any change in board governance must conform with the board structure established under this paragraph.

(h) The granting or renewal of a charter by an authorizer must not be conditioned upon the bargaining unit status of the employees of the school.

(i) The granting or renewal of a charter school by an authorizer must not be contingent on the charter school being required to contract, lease, or purchase services from the authorizer. Any potential contract, lease, or purchase of service from an authorizer must be disclosed to the commissioner, accepted through an open bidding process, and be a separate contract from the charter contract. The school must document the open bidding process. An authorizer must not enter into a contract to provide management and financial services for a school that it authorizes, unless the school documents that it received at least two competitive bids.

(j) An authorizer may permit the board of directors of a charter school to expand the operation of the charter school to additional sites or to add additional grades at the school beyond those described in the authorizer's original affidavit as approved by the commissioner only after submitting a supplemental affidavit for approval to the commissioner in a form and manner prescribed by the commissioner. The supplemental affidavit must show that:

(1) the expansion proposed by the charter school is supported by need and projected enrollment;

(2) the charter school expansion is warranted, at a minimum, by longitudinal data demonstrating students' improved academic performance and growth on statewide assessments under chapter 120B;

(3) the charter school is fiscally sound and has the financial capacity to implement the proposed expansion; and

(4) the authorizer finds that the charter school has the management capacity to carry out its expansion.

(k) The commissioner shall have 30 business days to review and comment on the supplemental affidavit. The commissioner shall notify the authorizer of any deficiencies in the supplemental affidavit and the authorizer then has 30 business days to address, to the commissioner's satisfaction, any deficiencies in the supplemental affidavit. The school

may not expand grades or add sites until the commissioner has approved the supplemental affidavit. The commissioner's approval or disapproval of a supplemental affidavit is final.

Sec. 28. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 4a, is amended to read:

Subd. 4a. **Conflict of interest.** (a) An individual ~~is prohibited from serving~~ must not serve as a member of the charter school board of directors if ~~the~~ that individual, an immediate family member, or the individual's partner is an owner, an employee or agent of, or a contractor who contracts with a for-profit or nonprofit entity, or an individual, and with whom the charter school contracts, directly or indirectly, for professional services, goods, or facilities. A violation of this prohibition renders a contract voidable at the option of the commissioner or the charter school board of directors. A member of a charter school board of directors who violates this prohibition is individually liable to the charter school for any damage caused by the violation.

(b) No member of the board of directors, employee, officer, or agent of a charter school shall participate in selecting, awarding, or administering a contract if a conflict of interest exists. A conflict exists when:

(1) the board member, employee, officer, or agent;

(2) the immediate family of the board member, employee, officer, or agent;

(3) the partner of the board member, employee, officer, or agent; or

(4) an organization that employs, or is about to employ any individual in clauses (1) to (3),

has a financial or other interest in the entity with which the charter school is contracting. A violation of this prohibition renders the contract void.

(c) Any employee, agent, or board member of the authorizer who participates in the initial review, approval, ongoing oversight, evaluation, or the charter renewal or nonrenewal process or decision is ineligible to serve on the board of directors of a school chartered by that authorizer.

(d) An individual may serve as a member of the board of directors if no conflict of interest under paragraph (a) exists.

(e) A charter school board member or employee may receive remuneration such as a fee-for-service as part of a financial transaction involving a charter school only if the remuneration is payment for services rendered that are in addition to the services the board member or employee already agreed to provide to the charter school and the board of directors formally approves the remuneration.

(f) The conflict of interest provisions under this subdivision do not apply to compensation paid to a teacher employed by the charter school who also serves as a member of the board of directors.

~~(f)~~ (g) The conflict of interest provisions under this subdivision do not apply to a teacher who provides services to a charter school through a cooperative formed under chapter 308A when the teacher also serves on the charter school board of directors.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 29. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 6a, is amended to read:

Subd. 6a. **Audit report.** (a) The charter school must submit an audit report to the commissioner and its authorizer by December 31 each year.

(b) The charter school, with the assistance of the auditor conducting the audit, must include with the report a copy of all charter school agreements for corporate management services. If the entity that provides the professional services to the charter school is exempt from taxation under section 501 of the Internal Revenue Code of 1986, that entity must file with the commissioner by February 15 a copy of the annual return required under section 6033 of the Internal Revenue Code of 1986.

(c) If the commissioner receives an audit report indicating that a material weakness exists in the financial reporting systems of a charter school, the charter school must submit a written report to the commissioner explaining how the material weakness will be resolved. An entity, as a condition of providing financial services to a charter school, must agree to make available information about a charter school's financial audit to the commissioner upon request.

Sec. 30. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 11, is amended to read:

Subd. 11. **Employment and other operating matters.** (a) A charter school must employ or contract with necessary teachers, as defined by section 122A.15, subdivision 1, who hold valid licenses to perform the particular service for which they are employed in the school. The charter school's state aid may be reduced under section 127A.43 if the school employs a teacher who is not appropriately licensed or approved by the board of teaching. The school may employ necessary employees who are not required to hold teaching licenses to perform duties other than teaching and may contract for other services. The school may discharge teachers and nonlicensed employees. The charter school board is subject to section 181.932. When offering employment to a prospective

employee, a charter school must give that employee a written description of the terms and conditions of employment and the school's personnel policies. The terms and conditions of employment must include an annual teacher evaluation that is substantively consistent with section 122A.40, subdivision 8, paragraph (b). Teacher evaluations do not create an expectation of continuing employment.

(b) A person, without holding a valid administrator's license, may perform administrative, supervisory, or instructional leadership duties. The board of directors shall establish qualifications for persons that hold administrative, supervisory, or instructional leadership roles. The qualifications shall include at least the following areas: instruction and assessment; human resource and personnel management; financial management; legal and compliance management; effective communication; and board, authorizer, and community relationships. The board of directors shall use those qualifications as the basis for job descriptions, hiring, and performance evaluations, substantively consistent with section 123B.147, subdivision 3, paragraph (b), of those who hold administrative, supervisory, or instructional leadership roles. Performance evaluations do not create an expectation of continuing employment. The board of directors and an individual who does not hold a valid administrative license and who serves in an administrative, supervisory, or instructional leadership position shall develop a professional development plan. Documentation of the implementation of the professional development plan of these persons shall be included in the school's annual report.

(c) The board of directors also shall decide matters related to the operation of the school, including budgeting, curriculum and operating procedures.

EFFECTIVE DATE. This section is effective for the 2011-2012 school year and later.

Sec. 31. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 23, is amended to read:

Subd. 23. **Causes for nonrenewal or termination of charter school contract.** (a) The duration of the contract with an authorizer must be for the term contained in the contract according to subdivision 6. The authorizer may or may not renew a contract at the end of the term for any ground listed in paragraph (b). An authorizer may unilaterally terminate a contract during the term of the contract for any ground listed in paragraph (b). At least 60 days before not renewing or terminating a contract, the authorizer shall notify the board of directors of the charter school of the proposed action in writing. The notice shall state the grounds for the proposed action in reasonable detail and that the charter school's board of directors may request in writing an informal hearing before the

authorizer within 15 business days of receiving notice of nonrenewal or termination of the contract. Failure by the board of directors to make a written request for a hearing within the 15-business-day period shall be treated as acquiescence to the proposed action. Upon receiving a timely written request for a hearing, the authorizer shall give ten business days' notice to the charter school's board of directors of the hearing date. The authorizer shall conduct an informal hearing before taking final action. The authorizer shall take final action to renew or not renew a contract no later than 20 business days before the proposed date for terminating the contract or the end date of the contract.

(b) A contract may be terminated or not renewed upon any of the following grounds:

(1) failure to meet the requirements for pupil performance contained in the contract;

(2) failure to meet generally accepted standards of fiscal management;

(3) violations of law; or

(4) other good cause shown.

If a contract is terminated or not renewed under this paragraph, the school must be dissolved according to the applicable provisions of chapter 308A or 317A.

(c) If the sponsor and the charter school board of directors mutually agree to terminate or not renew the contract, a change in sponsors is allowed if the commissioner approves the transfer to a different eligible authorizer to authorize the charter school. Both parties must jointly submit their intent in writing to the commissioner to mutually terminate the contract. The sponsor that is a party to the existing contract at least must inform the approved different eligible sponsor about the fiscal and operational status and student performance of the school. Before the commissioner determines whether to approve a transfer of authorizer, the commissioner first must determine whether the charter school and prospective new authorizer can identify and effectively resolve those circumstances causing the previous authorizer and the charter school to mutually agree to terminate the contract. If no transfer of sponsor is approved, the school must be dissolved according to applicable law and the terms of the contract.

(d) The commissioner, after providing reasonable notice to the board of directors of a charter school and the existing authorizer, and after providing an opportunity for a public hearing under chapter 14, may terminate the existing contract between the authorizer and the charter school board if the charter school has a history of:

(1) failure to meet pupil performance requirements ~~contained in the contract~~ consistent with state law;

(2) financial mismanagement or failure to meet generally accepted standards of fiscal management; or

(3) ~~repeated or major~~ violations of the law.

(e) If the commissioner terminates a charter school contract under subdivision 3, paragraph (g), the commissioner shall provide the charter school with information about other eligible authorizers.

Sec. 32. **[124D.101] VACANT BUILDING INVENTORY.**

The Department of Administration and the Department of Education annually shall publish a list of state and district-owned buildings and parts of buildings that are vacant and unused and that may be suitable for operating a charter school. The Department of Education shall make the list available to charter school applicants and operators. The list shall include the building address, a brief building description, and building name. Nothing in this section requires a building owner to sell or lease a listed building or a part of a building to a charter school, any other school, or any other prospective buyer or tenant. School districts, upon request, must provide the Department of Education with the information it needs to compile the vacant building list under this section.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 33. Laws 2009, chapter 96, article 2, section 64, is amended to read:

Sec. 64. **RESERVED REVENUE FOR STAFF DEVELOPMENT; TEMPORARY SUSPENSION.**

(a) Notwithstanding Minnesota Statutes, section 122A.61, subdivision 1, for fiscal years 2010 and 2011 only, a school district or charter school may use revenue reserved for staff development under Minnesota Statutes, section 122A.61, subdivision 1, according to the requirements of general education revenue under Minnesota Statutes, section 126C.13, subdivision 5.

(b) On June 30, 2010, a school district may permanently transfer any balance from the reserved account for staff development to the undesignated general fund balance.

Sec. 34. Laws 2009, chapter 96, article 2, section 67, subdivision 14, is amended to read:

Subd. 14. **Collaborative urban educator.** For the collaborative urban educator grant program:

$ 528,000 2010

$ 528,000 2011

$210,000 each year is for the Southeast Asian teacher program at Concordia University, St. Paul; $159,000 each year is for the collaborative urban educator program at the University of St. Thomas; and $159,000 each year is for the Center for Excellence in

Urban Teaching at Hamline University. Grant recipients must collaborate with urban and nonurban school districts. Any balance in the first year does not cancel but is available in the second year.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 35. Laws 2009, chapter 96, article 2, section 67, subdivision 17, is amended to read:

Subd. 17. **Education Planning and Assessment System (EPAS) program.** For the Educational Planning and Assessment System (EPAS) program under Minnesota Statutes, section 120B.128:

$ 829,000 2010

$ ~~829,000~~ 638,000 2011

Any balance in the first year does not cancel but is available in the second year.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 36. **IMPLEMENTING DIFFERENTIATED GRADUATION RATE MEASURES AND EXPLORING ALTERNATIVE ROUTES TO A STANDARD DIPLOMA FOR AT-RISK AND OFF-TRACK STUDENTS.**

(a) To implement the requirements of Minnesota Statutes, section 120B.35, subdivision 3, paragraph (e), the commissioner of education must convene a group of recognized and qualified experts on improving differentiated graduation rates and establishing alternative routes to a standard high school diploma for at-risk and off-track students throughout the state. The commissioner must assist the group, as requested, to explore and recommend to the commissioner and the legislature (i) research-based measures that demonstrate the relative success of school districts, school sites, charter schools, and alternative program providers in improving the graduation outcomes of at-risk and off-track students, and (ii) state options for establishing alternative routes to a standard diploma consistent with the educational accountability system under Minnesota Statutes, chapter 120B. When proposing alternative routes to a standard diploma, the group also must identify highly reliable variables that generate summary data to comply with Minnesota Statutes, section 120B.35, subdivision 3, paragraph (e), including: who initiates the request for an alternative route; who approves the request for an alternative route; the parameters of the alternative route process, including whether a student first must fail a regular, state-mandated exam; and the comparability of the academic and achievement criteria reflected in the alternative route and the standard route for a standard

diploma. The group is also encouraged to identify the data, time lines, and methods needed to evaluate and report on the alternative routes to a standard diploma once they are implemented and the student outcomes that result from those routes.

(b) The commissioner must convene the first meeting of this group by September 15, 2010. Group members must include: one administrator of, one teacher from, and one parent of a student currently enrolled in a state-approved alternative program selected by the Minnesota Association of Alternative Programs; one representative selected by the Minnesota Online Learning Alliance; one representative selected by the Metropolitan Federation of Alternative Schools; one representative selected by the Minnesota Association of Charter Schools; one representative selected by the Minnesota School Board Association; one representative selected by Education Minnesota; one representative selected by the Association of Metropolitan School Districts; one representative selected by the Minnesota Rural Education Association; two faculty members selected by the dean of the college of education at the University of Minnesota with expertise in serving and assessing at-risk and off-track students; two Minnesota State Colleges and Universities faculty members selected by the Minnesota State Colleges and Universities chancellor with expertise in serving and assessing at-risk and off-track students; one currently serving superintendent from a school district selected by the Minnesota Association of School Administrators; one currently serving high school principal selected by the Minnesota Association of Secondary School Principals; and two public members selected by the commissioner. The group may seek input from representatives of other interested stakeholders and organizations with expertise to help inform the group's work. The group must meet at least quarterly. Group members do not receive compensation or reimbursement of expenses for participating in this group. The group expires February 16, 2012.

(c) The group, by February 15, 2012, must develop and submit to the commissioner and the education policy and finance committees of the legislature recommendations and legislation, consistent with this section and Minnesota Statutes, section 120B.35, subdivision 3, paragraph (e), for:

(1) measuring and reporting differentiated graduation rates for at-risk and off-track students throughout the state and the success and costs that school districts, school sites, charter schools, and alternative program providers experience in identifying and serving at-risk or off-track student populations; and

(2) establishing alternative routes to a standard diploma.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to school report cards beginning July 1, 2013.

Sec. 37. **RULEMAKING AUTHORITY.**

The commissioner of education shall adopt rules consistent with chapter 14 that provide English language proficiency standards for instruction of students identified as limited English proficient under Minnesota Statutes, sections 124D.58 to 124D.64. The English language proficiency standards must encompass the language domains of listening, speaking, reading, and writing. The English language proficiency standards must reflect social and academic dimensions of acquiring a second language that are accepted of English language learners in prekindergarten through grade 12. The English language proficiency standards must address the specific contexts for language acquisition in the areas of social and instructional settings as well as academic language encountered in language arts, mathematics, science, and social studies. The English language proficiency standards must express the progression of language development through language proficiency levels. The English language proficiency standards must be implemented for all limited English proficient students beginning in the 2011-2012 school year and assessed beginning in the 2012-2013 school year.

Sec. 38. **DEPARTMENT OF EDUCATION.**

Subdivision 1. **Recess guidelines.** The department is encouraged to develop voluntary school district guidelines that promote high quality recess practices and foster student behaviors that lead students to increase their activity levels, improve their social skills, and misbehave less.

Subd. 2. **Common course catalogue.** The department is encouraged to include in the Minnesota common course catalogue all district physical education classes and physical education graduation requirements.

Subd. 3. **Standards adoption.** Notwithstanding Minnesota Statutes, sections 120B.021, subdivision 2, and 120B.023, any statutory criteria required when reviewing or revising standards and benchmarks, any requirements governing the content of statewide standards, and any other law to the contrary, the commissioner of education shall initially adopt the most recent standards developed by the National Association for Sport and Physical Education for physical education in kindergarten through grade 12.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 39. **HEALTHY KIDS AWARDS PROGRAM.**

Subdivision 1. **Recognition.** The healthy kids awards program rewards kindergarten through grade 12 students for their nutritional well-being and physical activity. In addition to the physical and nutritional education students receive in physical education classes,

the program is intended to integrate physical activity and nutritional education into nonphysical education classes, recess, and extracurricular activities throughout the day. Interested schools must agree to participate from October through May of each school year.

Subd. 2. **School district participation.** School districts annually by September 15 may submit to the commissioner of education a letter of intent to participate in a healthy kids awards program from October to May during the current school year. The commissioner must recognize on the school performance report card under Minnesota Statutes, section 120B.36, those schools and districts that affirm to the commissioner, as prescribed by the commissioner, that at least 75 percent of students in the school or district are physically active for at least 60 minutes each school day. The time students spend participating in a physical education class counts toward the daily 60-minute requirement.

EFFECTIVE DATE. This section is effective the day following final enactment and applies beginning in the 2010-2011 school year and later.

Sec. 40. **ADVISORY TASK FORCE ON SCHOOL DESEGREGATION AND INTEGRATION.**

Subdivision 1. **Establishment; purpose; membership.** (a) An advisory task force on school desegregation and integration is established to develop recommendations and legislation for the legislature on: (i) addressing the findings and recommendations in the 2005 Minnesota legislative auditor's report on school district integration revenue, (ii) amending Minnesota's school desegregation rule, and (iii) specifying the purpose, use, and allocation of integration revenue under Minnesota Statutes, section 124D.86. The task force shall consist of education stakeholders interested in addressing school desegregation and integration policies, integration revenue uses, and the academic achievement gap among groups of students. The 17-member task force consists of the commissioner of education or the commissioner's designee and the following:

(1) one member appointed by and serving at the pleasure of the Minnesota Indian Affairs Council;

(2) one member appointed by and serving at the pleasure of the Council on Asian-Pacific Minnesotans;

(3) one member appointed by and serving at the pleasure of the Council on Black Minnesotans;

(4) one member appointed by and serving at the pleasure of the Chicano Latino Affairs Council;

(5) three public members appointed by the speaker of the house who are currently serving as school district superintendents, collaborative coordinators, or school board

members, with one public member from each of the following: an urban school district, a suburban school district, and a rural school district, and where at least one of the three public members is also from a metropolitan integration district;

(6) four current members of the house of representatives appointed by the speaker of the house, with two from each political party, and where two members are from the seven-county metropolitan area and two members are from rural Minnesota;

(7) three public members appointed by the senate Subcommittee on Committees of the Committee on Rules and Administration who are currently serving as school district superintendents, collaborative coordinators, or school board members, with one public member from each of the following: an urban school district, a suburban school district, and a rural school district, and where at least one of the three public members is also from a rural integration collaborative district; and

(8) two current members of the senate appointed by the senate Subcommittee on Committees of the Committee on Rules and Administration, with one from each political party, and where one member is from the seven-county metropolitan area and the second member is from rural Minnesota.

(b) Task force members shall be appointed by July 1, 2010. Task force members shall be represented by the designated appointee of each named organization. The task force shall seek input from nonmember organizations such as the Institute on Race and Poverty, the Minneapolis Urban League, the Minnesota Minority Education Partnership, the National Association for the Advancement of Colored People, and the Office of the State Demographer, among other organizations whose expertise can help inform the work of the task force.

(c) The commissioner of education shall convene the first meeting of the task force by September 15, 2010. Task force members shall elect one member to serve as the task force chair. The task force may invite representatives of other interested education stakeholders and organizations to participate in task force meetings. The task force must meet at least monthly.

(d) Upon request, the commissioner of education shall provide assistance to the task force.

(e) Task force members do not receive compensation or reimbursement of expenses from the task force for service on the task force.

Subd. 2. **Duties; report.** (a) The task force shall develop recommendations and legislation for addressing the findings and recommendations in the 2005 Minnesota legislative auditor's report on school district integration revenue, amending Minnesota's school desegregation rule, and Minnesota Statutes, section 124D.86, governing the use

and allocation of integration revenue. These recommendations and legislation may address but are not limited to:

(1) access to integrated and equitable learning environments that enhance achievement and opportunities for all students;

(2) changing demographics among Minnesota students reflected in the increasing numbers of students of color, new immigrants, and English language learners;

(3) cultural proficiency training for teachers;

(4) the impact of school choice laws on state and local school desegregation and integration efforts; and

(5) financial and other resources that enable schools and school districts to provide staff development training, magnet schools, and other interdistrict collaborative initiatives that enhance student achievement.

(b) By January 15, 2011, the task force shall submit to the legislative committees and divisions with jurisdiction over early childhood through grade 12 education policy and finance a report and accompanying legislation that reflect the substance of the recommendation of the task force.

Subd. 3. **Expiration.** The task force expires on January 16, 2011.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 41. **ASSESSMENT ADVISORY COMMITTEE; RECOMMENDATIONS.**

(a) The Assessment Advisory Committee must develop recommendations for alternative methods by which students satisfy the high school algebra end-of-course requirements under Minnesota Statutes, section 120B.30, subdivision 1b, paragraph (b), clause (9), and demonstrate their college and career readiness. The Assessment Advisory Committee, among other alternative methods and if consistent with federal educational accountability law, must consider allowing students to:

(1) achieve the mathematics college readiness score on the American College Test (ACT) or Scholastic Aptitude Test (SAT) exam;

(2) achieve a college-credit score on a College-Level Examination Program (CLEP) for algebra;

(3) achieve a score on an equivalent Advanced Placement or International Baccalaureate exam that would earn credit at a four-year college or university; or

(4) pass a credit-bearing course in college algebra or a more advanced course in that subject with a grade of C or better under Minnesota Statutes, section 124D.09, including Minnesota Statutes, section 124D.09, subdivision 10.

(b) The Assessment Advisory Committee, in the context of the high school algebra end-of-course assessment under Minnesota Statutes, section 120B.30, subdivision 1b, may develop recommendations on integrating universal design principles to improve access to learning and assessments for all students, more accurately understand what students know and can do, provide Minnesota with more cost-effective assessments, and provide educators with more valid inferences about students' achievement levels.

(c) The Assessment Advisory Committee, for purposes of fully implementing the high school algebra end-of-course assessment under Minnesota Statutes, section 120B.30, subdivision 1b, also must develop recommendations for:

(1) calculating the alignment index, including how questions about validity and reliability are resolved; and

(2) defining "misaligned" and "highly misaligned" and when and under what specific circumstances misalignments occur.

(d) By February 15, 2011, the Assessment Advisory Committee must submit its recommendations under this section to the education commissioner and the education policy and finance committees of the legislature.

(e) The commissioner must not implement any element of any recommendation under paragraphs (a) to (d) related to the high school algebra end-of-course assessment under Minnesota Statutes, section 120B.30, subdivision 1b, without first receiving specific legislative authority to do so.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 42. **PERSISTENTLY LOWEST-ACHIEVING SCHOOL DESIGNATION; FEDERAL SCHOOL IMPROVEMENT GRANTS.**

For purposes of federal school improvement grants under the American Recovery and Reinvestment Act, and unless the chief administrator of a school voluntarily agrees to the designation in writing, the department must not use a school's high school graduation rate as a basis to designate a high school chartered under Minnesota Statutes, section 124D.10, or an alternative learning program established under Minnesota Statutes, section 123A.05, to serve and reengage students who were expelled, dropped out, or are otherwise not enrolled in school, among other students, as a persistently lowest-achieving school if on December 15 at least 70 percent of the students who, at the time they enroll in the school, are two or more years older than the average statewide age of other students enrolled in the same grade, lack a sufficient number of high school credits to graduate on time, or are otherwise eligible to participate in the graduation incentives program under Minnesota Statutes, section 124D.68.

EFFECTIVE DATE. This section is effective the day following final enactment and applies retroactively from January 1, 2010.

Sec. 43. **REPEALER.**

Minnesota Statutes 2008, section 122A.24, is repealed.

EFFECTIVE DATE. This section is effective August 1, 2010.

ARTICLE 3

SPECIAL PROGRAMS

Section 1. Minnesota Statutes 2009 Supplement, section 125A.02, subdivision 1, is amended to read:

Subdivision 1. **Child with a disability.** "Child with a disability" means a child identified under federal and state special education law as ~~having a hearing impairment, blindness, visual disability,~~ deaf or hard-of-hearing, blind or visually impaired, deafblind, or having a speech or language impairment, a physical ~~disability~~ impairment, other health ~~impairment~~ disability, ~~mental~~ developmental cognitive disability, ~~emotional/behavioral~~ an emotional or behavioral disorder, specific learning disability, autism spectrum disorder, traumatic brain injury, or severe multiple ~~disabilities~~ impairments, ~~or deafblind disability~~ and who needs special education and related services, as determined by the rules of the commissioner~~, is a child with a disability~~. A licensed physician, an advanced practice nurse, or a licensed psychologist is qualified to make a diagnosis and determination of attention deficit disorder or attention deficit hyperactivity disorder for purposes of identifying a child with a disability.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 2. Minnesota Statutes 2008, section 125A.03, is amended to read:

125A.03 SPECIAL INSTRUCTION FOR CHILDREN WITH A DISABILITY.

(a) ~~As defined~~ Except as provided in paragraph (b), every district must provide or make available special ~~instruction~~ education and related services, either within the district or in another district, for ~~all children~~ every child with a disability~~, including providing required services under Code of Federal Regulations, title 34, section 300.121, paragraph (d), to those children suspended or expelled from school for more than ten school days in that school year,~~ who ~~are residents~~ is a resident of the district ~~and who are disabled as set forth in section 125A.02~~ from birth until that child becomes 21 years old or receives

a regular high school diploma, whichever comes first. ~~For purposes of state and federal special education laws,~~ The phrase "special ~~instruction~~ education and related services" ~~in the state Education Code~~ means a free ~~and~~ appropriate public education provided to an eligible child with ~~disabilities and includes special education and related services defined in the Individuals with Disabilities Education Act, subpart A, section 300.24~~ a disability.

(b) ~~Notwithstanding any age limits in laws to the contrary, special instruction and services must be provided from birth until July 1 after the child with a disability becomes 21 years old but shall not extend beyond secondary school or its equivalent, except as provided in section 124D.68, subdivision 2.~~ If a child with a disability becomes 21 years old during the school year, the district shall continue to make available special education and related services until the last day of the school year, or until the day the child receives a regular high school diploma, whichever comes first.

(c) For purposes of this section and section 121A.41, subdivision 7, paragraph (a), clause (2), "school year" means the days of student instruction designated by the school board as the regular school year in the annual calendar adopted under section 120A.41.

(d) A district shall identify, locate, and evaluate children with a disability in the district who are in need of special education and related services. Local health, education, and social service agencies must refer children under age five who are known to need or suspected of needing special ~~instruction~~ education and related services to the school district. ~~Districts with less than the minimum number of eligible children with a disability as determined by the commissioner must cooperate with other districts to maintain a full range of programs for education and services for children with a disability. This section does not alter the compulsory attendance requirements of section 120A.22.~~

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 3. **[125A.031] RESOLVING DISPUTES AMONG DISTRICTS.**

If districts dispute which district is responsible for providing or making available special education and related services to a child with a disability who is not currently enrolled in a district because the child's district of residence is disputed, the district in which that child first tries to enroll shall provide or make available special education and related services to the child until the commissioner is notified and expeditiously resolves the dispute. For purposes of this section, "district" means a school district or a charter school.

Sec. 4. Minnesota Statutes 2009 Supplement, section 125A.091, subdivision 7, is amended to read:

Subd. 7. **Conciliation conference.** A parent must have an opportunity to meet with appropriate district staff in at least one conciliation conference if the parent objects to any proposal of which the parent receives notice under subdivision 3a. A district must offer to hold a conciliation conference within two business days after receiving a parent's objection to a proposal or refusal in the prior written notice. The district must hold the conciliation conference within ten calendar days from the date the district receives ~~a~~ the parent's objection ~~to a proposal or refusal in the prior written notice~~. Except as provided in this section, all discussions held during a conciliation conference are confidential and are not admissible in a due process hearing. Within five school days after the final conciliation conference, the district must prepare and provide to the parent a conciliation conference memorandum that describes the district's final proposed offer of service. This memorandum is admissible in evidence in any subsequent proceeding.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to all conciliation conferences required after that date.

Sec. 5. Minnesota Statutes 2008, section 125A.21, subdivision 2, is amended to read:

Subd. 2. **Third party reimbursement.** (a) Beginning July 1, 2000, districts shall seek reimbursement from insurers and similar third parties for the cost of services provided by the district whenever the services provided by the district are otherwise covered by the child's health coverage. Districts shall request, but may not require, the child's family to provide information about the child's health coverage when a child with a disability begins to receive services from the district of a type that may be reimbursable, and shall request, but may not require, updated information after that as needed.

(b) For children enrolled in medical assistance under chapter 256B or MinnesotaCare under chapter 256L who have no other health coverage, a district shall provide an initial written notice to the enrolled child's parent or legal representative of its intent to seek reimbursement from medical assistance or MinnesotaCare for the individual education plan health-related services provided by the district. The notice shall include:

(1) the right of the parent or legal representative to request a copy of all records concerning individualized education program health-related services disclosed by the district to any third party;

(2) the right of the parent or legal representative to withdraw consent for disclosing a child's records at any time without consequence, including consent that was initially given as part of the application process for MinnesotaCare or medical assistance under section 256B.08, subdivision 1; and

(3) a decision to revoke consent for schools to share information from education records does not impact a parent's eligibility for MinnesotaCare or medical assistance.

(c) The district shall give the parent or legal representative annual written notice of:

(1) the district's intent to seek reimbursement from medical assistance or MinnesotaCare for individual education plan health-related services provided by the district;

(2) the right of the parent or legal representative to request a copy of all records concerning individual education plan health-related services disclosed by the district to any third party; and

(3) the right of the parent or legal representative to withdraw consent for disclosure of a child's records at any time without consequence, including consent that was initially given as part of the application process for MinnesotaCare or medical assistance under section 256B.08, subdivision 1.

The written notice shall be provided as part of the written notice required by Code of Federal Regulations, title 34, section 300.504.

(d) In order to access the private health care coverage of a child who is covered by private health care coverage in whole or in part, a district must:

(1) obtain annual written informed consent from the parent or legal representative, in compliance with subdivision 5; and

(2) inform the parent or legal representative that a refusal to permit the district or state Medicaid agency to access their private health care coverage does not relieve the district of its responsibility to provide all services necessary to provide free and appropriate public education at no cost to the parent or legal representative.

(e) If the commissioner of human services obtains federal approval to exempt covered individual education plan health-related services from the requirement that private health care coverage refuse payment before medical assistance may be billed, paragraphs (b), (c), and (d) shall also apply to students with a combination of private health care coverage and health care coverage through medical assistance or MinnesotaCare.

(f) In the event that Congress or any federal agency or the Minnesota legislature or any state agency establishes lifetime limits, limits for any health care services, cost-sharing provisions, or otherwise provides that individual education plan health-related services impact benefits for persons enrolled in medical assistance or MinnesotaCare, the amendments to this subdivision adopted in 2002 are repealed on the effective date of any federal or state law or regulation that imposes the limits. In that event, districts must obtain informed consent consistent with this subdivision as it existed prior to the 2002 amendments and subdivision 5, before seeking reimbursement for children enrolled in

medical assistance under chapter 256B or MinnesotaCare under chapter 256L who have no other health care coverage.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2008, section 125A.21, subdivision 3, is amended to read:

Subd. 3. **Use of reimbursements.** Of the reimbursements received, districts may:

(1) retain an amount sufficient to compensate the district for its administrative costs of obtaining reimbursements;

(2) regularly obtain from education- and health-related entities training and other appropriate technical assistance designed to improve the district's ability to ~~determine which services are reimbursable and to seek timely reimbursement in a cost-effective manner~~ access third-party payments for individualized education program health-related services; or

(3) reallocate reimbursements for the benefit of students with ~~special needs~~ individualized education programs or individual family service plans in the district.

Sec. 7. Minnesota Statutes 2008, section 125A.21, subdivision 5, is amended to read:

Subd. 5. **Informed consent.** When obtaining informed consent, consistent with sections 13.05, subdivision 4, paragraph (d)~~; and~~, 256B.77, subdivision 2, paragraph (p), and Code of Federal Regulations, title 34, parts 99 and 300, to bill health plans for covered services, the school district must notify the legal representative (1) that the cost of the person's private health insurance premium may increase due to providing the covered service in the school setting, (2) that the school district may pay certain enrollee health plan costs, including but not limited to, co-payments, coinsurance, deductibles, premium increases or other enrollee cost-sharing amounts for health and related services required by an individual service plan, or individual family service plan, and (3) that the school's billing for each type of covered service may affect service limits and prior authorization thresholds. The informed consent may be revoked in writing at any time by the person authorizing the billing of the health plan.

Sec. 8. Minnesota Statutes 2008, section 125A.21, subdivision 7, is amended to read:

Subd. 7. **District disclosure of information.** A school district may disclose information contained in a student's individual education plan, consistent with section 13.32, subdivision 3, paragraph (a), and Code of Federal Regulations, title 34, part 99; including records of the student's diagnosis and treatment, to a health plan company only with the signed and dated consent of the student's parent, or other legally authorized

individual. The school district shall disclose only that information necessary for the health plan company to decide matters of coverage and payment. A health plan company may use the information only for making decisions regarding coverage and payment, and for any other use permitted by law.

Sec. 9. Minnesota Statutes 2008, section 125A.515, is amended by adding a subdivision to read:

Subd. 3a. **Students without a disability from other states.** A school district need not provide education services under this section to an out-of-state student without an individualized education program who lacks a tuition agreement or other agreement by the placing authority to pay for the services.

EFFECTIVE DATE. This section is effective July 1, 2010, for fiscal years 2011 and later.

Sec. 10. Minnesota Statutes 2009 Supplement, section 125A.63, subdivision 2, is amended to read:

Subd. 2. **Programs.** The Department of Education, through the resource centers must offer summer institutes or other training programs and other educational strategies throughout the state for deaf or hard-of-hearing, blind or visually impaired, and multiply disabled pupils. The resource centers must also offer workshops for teachers, and leadership development for teachers.

A program offered through the resource centers must promote and develop education programs offered by school districts or other organizations. The program must assist school districts or other organizations to develop innovative programs.

Sec. 11. Minnesota Statutes 2009 Supplement, section 125A.63, subdivision 4, is amended to read:

Subd. 4. **Advisory committees.** (a) The commissioner shall establish an advisory committee for each resource center. The advisory committees shall develop recommendations regarding the resource centers and submit an annual report to the commissioner on the form and in the manner prescribed by the commissioner.

(b) The advisory committee for the Resource Center for the Deaf and Hard of Hearing shall meet periodically at least four times per year and submit an annual report to the commissioner, the education policy and finance committees of the legislature, and the Commission of Deaf, DeafBlind, and Hard of Hearing Minnesotans. The report must, at least:

(1) identify and report the aggregate, data-based education outcomes for children with the primary disability classification of deaf and hard of hearing, consistent with the commissioner's child count reporting practices, the commissioner's state and local outcome data reporting system by district and region, ~~and~~ the school performance report cards under section 120B.36, subdivision 1, and relevant IDEA Parts B and C mandated reporting data; ~~and~~

(2) describe the implementation of a data-based plan for improving the education outcomes of deaf and hard of hearing children that is premised on evidence-based best practices, and provide a cost estimate for ongoing implementation of the plan~~.~~; and

(3) include the recommendations for improving the developmental outcomes of children birth to age 3 and the data underlying those recommendations that the coordinator identifies under subdivision 5.

Sec. 12. Minnesota Statutes 2009 Supplement, section 125A.63, subdivision 5, is amended to read:

Subd. 5. **Statewide hearing loss early education intervention coordinator.** (a) The coordinator shall:

(1) collaborate with the early hearing detection and intervention coordinator for the Department of Health, the director of the Department of Education Resource Center for Deaf and Hard-of-Hearing, and the Department of Health Early Hearing Detection and Intervention Advisory Council;

(2) coordinate and support Department of Education early hearing detection and intervention teams;

(3) leverage resources by serving as a liaison between interagency early intervention committees; part C coordinators from the Departments of Education, Health, and Human Services; Department of Education regional low-incidence facilitators; service coordinators from school districts; Minnesota children with special health needs in the Department of Health; public health nurses; child find; Department of Human Services Deaf and Hard-of-Hearing Services Division; and others as appropriate;

(4) identify, support, and promote culturally appropriate and evidence-based early intervention practices for infants with hearing loss, and provide training, outreach, and use of technology to increase consistency in statewide service provision;

(5) identify culturally appropriate specialized reliable and valid instruments to assess and track the progress of children with hearing loss and promote their use;

(6) ensure that early childhood providers, parents, and members of the individual family service and intervention plan are provided with child progress data resulting from specialized assessments;

(7) educate early childhood providers and teachers of the deaf and hard-of-hearing to use developmental data from specialized assessments to plan and adjust individual family service plans; and

(8) make recommendations that would improve educational outcomes to the early hearing detection and intervention committee, the commissioners of education and health, the Commission of Deaf, DeafBlind and Hard-of-Hearing Minnesotans, and the advisory council of the Minnesota Department of Education Resource Center for the Deaf and Hard-of-Hearing.

(b) The Department of Education must provide aggregate data regarding outcomes ~~of deaf and hard-of-hearing~~ children with hearing loss who receive early intervention services within the state in accordance with the state performance plan.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2008, section 125A.69, subdivision 1, is amended to read:

Subdivision 1. ~~**Two kinds**~~ **Admissions.** ~~There are two kinds of~~ Admission to the Minnesota State Academies is described in this section.

(a) A pupil who is deaf, hard of hearing, or blind-deaf, may be admitted to the Academy for the Deaf. A pupil who is blind or visually impaired, blind-deaf, or multiply disabled may be admitted to the Academy for the Blind. For a pupil to be admitted, two decisions must be made under sections 125A.03 to 125A.24 and 125A.65.

(1) It must be decided by the individual education planning team that education in regular or special education classes in the pupil's district of residence cannot be achieved satisfactorily because of the nature and severity of the deafness or blindness or visual impairment respectively.

(2) It must be decided by the individual education planning team that the academy provides the most appropriate placement within the least restrictive alternative for the pupil.

(b) A deaf or hard of hearing child or a visually impaired pupil may be admitted to get socialization skills or on a short-term basis for skills development.

(c) A parent of a child who resides in Minnesota and who meets the disability criteria for being deaf or hard-of-hearing, blind or visually impaired, or multiply disabled may apply to place the child in the Minnesota State Academies. Academy staff must review the application to determine whether the Minnesota State Academies is an appropriate

placement for the child. If academy staff determine that the Minnesota State Academies is an appropriate placement, the staff must invite the individualized education program team at the child's resident school district to participate in a meeting to arrange a trial placement of between 60 and 90 calendar days at the Minnesota State Academies. If the child's parent consents to the trial placement, the Minnesota State Academies is the responsible serving school district and incur all due process obligations under law and the child's resident school district is responsible for any transportation included in the child's individualized education program during the trial placement. Before the trial placement ends, academy staff must convene an individualized education program team meeting to determine whether to continue the child's placement at the Minnesota State Academies or that another placement is appropriate. If the individualized education program team and the parent are unable to agree on the child's placement, the child's placement reverts to the placement in the child's individualized education program that immediately preceded the trial placement. If the parent and individualized education program team agree to continue the placement beyond the trial period, the transportation and due process responsibilities are the same as those described for the trial placement under this paragraph.

EFFECTIVE DATE. This section is effective for the 2010-2011 school year and later.

Sec. 14. Minnesota Statutes 2009 Supplement, section 256B.0625, subdivision 26, is amended to read:

Subd. 26. **Special education services.** (a) Medical assistance covers medical services identified in a recipient's individualized education plan and covered under the medical assistance state plan. Covered services include occupational therapy, physical therapy, speech-language therapy, clinical psychological services, nursing services, school psychological services, school social work services, personal care assistants serving as management aides, assistive technology devices, transportation services, health assessments, and other services covered under the medical assistance state plan. Mental health services eligible for medical assistance reimbursement must be provided or coordinated through a children's mental health collaborative where a collaborative exists if the child is included in the collaborative operational target population. The provision or coordination of services does not require that the individual education plan be developed by the collaborative.

The services may be provided by a Minnesota school district that is enrolled as a medical assistance provider or its subcontractor, and only if the services meet all the requirements otherwise applicable if the service had been provided by a provider other

than a school district, in the following areas: medical necessity, physician's orders, documentation, personnel qualifications, and prior authorization requirements. The nonfederal share of costs for services provided under this subdivision is the responsibility of the local school district as provided in section 125A.74. Services listed in a child's individual education plan are eligible for medical assistance reimbursement only if those services meet criteria for federal financial participation under the Medicaid program.

(b) Approval of health-related services for inclusion in the individual education plan does not require prior authorization for purposes of reimbursement under this chapter. The commissioner may require physician review and approval of the plan not more than once annually or upon any modification of the individual education plan that reflects a change in health-related services.

(c) Services of a speech-language pathologist provided under this section are covered notwithstanding Minnesota Rules, part 9505.0390, subpart 1, item L, if the person:

(1) holds a masters degree in speech-language pathology;

(2) is licensed by the Minnesota Board of Teaching as an educational speech-language pathologist; and

(3) either has a certificate of clinical competence from the American Speech and Hearing Association, has completed the equivalent educational requirements and work experience necessary for the certificate or has completed the academic program and is acquiring supervised work experience to qualify for the certificate.

(d) Medical assistance coverage for medically necessary services provided under other subdivisions in this section may not be denied solely on the basis that the same or similar services are covered under this subdivision.

(e) The commissioner shall develop and implement package rates, bundled rates, or per diem rates for special education services under which separately covered services are grouped together and billed as a unit in order to reduce administrative complexity.

(f) The commissioner shall develop a cost-based payment structure for payment of these services. Only costs reported through designated Department of Education data systems in distinct service categories may be included in the cost-based payment structure. The commissioner shall reimburse claims submitted based on an interim rate, and shall settle at a final rate once the department has determined it. The commissioner shall notify the school district of the final rate. The school district has 60 days to appeal the final rate. To appeal the final rate, the school district shall file a written appeal request to the commissioner within 60 days of the date the final rate determination was mailed. The appeal request shall specify (1) the disputed items and (2) the name and address of the person to contact regarding the appeal.

(g) Effective July 1, 2000, medical assistance services provided under an individual education plan or an individual family service plan by local school districts shall not count against medical assistance authorization thresholds for that child.

(h) Nursing services as defined in section 148.171, subdivision 15, and provided as an individual education plan health-related service, are eligible for medical assistance payment if they are otherwise a covered service under the medical assistance program. Medical assistance covers the administration of prescription medications by a licensed nurse who is employed by or under contract with a school district when the administration of medications is identified in the child's individualized education plan. The simple administration of medications alone is not covered under medical assistance when administered by a provider other than a school district or when it is not identified in the child's individualized education plan.

Sec. 15. Laws 2009, chapter 79, article 5, section 60, is amended to read:

Sec. 60. Minnesota Statutes 2008, section 256L.05, is amended by adding a subdivision to read:

Subd. 1c. **Open enrollment and streamlined application and enrollment process.** (a) The commissioner and local agencies working in partnership must develop a streamlined and efficient application and enrollment process for medical assistance and MinnesotaCare enrollees that meets the criteria specified in this subdivision.

(b) The commissioners of human services and education shall provide recommendations to the legislature by January 15, 2010, on the creation of an open enrollment process for medical assistance and MinnesotaCare that is coordinated with the public education system. The recommendations must:

(1) be developed in consultation with medical assistance and MinnesotaCare enrollees and representatives from organizations that advocate on behalf of children and families, low-income persons and minority populations, counties, school administrators and nurses, health plans, and health care providers;

(2) be based on enrollment and renewal procedures best practices, including express lane eligibility as required under subdivision 1d;

(3) simplify the enrollment and renewal processes wherever possible; and

(4) establish a process:

(i) to disseminate information on medical assistance and MinnesotaCare to all children in the public education system, including prekindergarten programs; and

(ii) for the commissioner of human services to enroll children and other household members who are eligible.

The commissioner of human services in coordination with the commissioner of education shall implement an open enrollment process by August 1, 2010, to be effective beginning with the 2010-2011 school year.

(c) The commissioner and local agencies shall develop an online application process for medical assistance and MinnesotaCare.

(d) The commissioner shall develop an application that is easily understandable and does not exceed four pages in length.

(e) The commissioner of human services shall present to the legislature, by January 15, 2010, an implementation plan for the open enrollment period and online application process.

(f) To ensure parity between all providers of medical services in the ability to seek reimbursement from MinnesotaCare or medical assistance, the commissioner of human services, in consultation with the commissioner of education, shall include on new or revised enrollment forms consent authorization language for all providers of medical services to the parent's child or children, including schools, by incorporating language on the enrollment form that is consistent with federal data practices laws requiring consent before a school may release information from individual educational records. The consent language shall include a statement that the medical services providers may share with the commissioner of human services medical or other information in the possession of the provider that is necessary for the provider to be reimbursed by MinnesotaCare or medical assistance. The consent language also shall state that information may be shared from a child's individual educational records and that the parent may revoke the consent for schools to share information from educational records at any time. The commissioner shall include substantially similar consent authorization language on each of its other enrollment forms as they are scheduled for review, revision, or replacement.

EFFECTIVE DATE. This section is effective July 1, 2010, or upon federal approval, which must be requested by the commissioner, whichever is later.

Sec. 16. **SPECIAL EDUCATION REPORT.**

As the agency charged with administering and enforcing federal and state special education laws and making special education aid payments, the Department of Education must identify and report by February 15, 2011, to the committees of the house of representatives and senate with primary jurisdiction over kindergarten through grade 12 education the specific circumstances under which a school district or other entity, consistent with federal and state law, must provide special education and related services

to a child with a disability and thereby receives payment for providing the special education and related services.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 17. **THIRD-PARTY BILLING.**

To allow the cost effective billing of medical assistance for covered services that are not reimbursed by other legally liable third parties, the commissioner of human services must:

(1) summarize and document school district efforts to secure reimbursement from legally liable third parties; and

(2) request permission from the Centers for Medicare and Medicaid Services to allow school districts to bill Medicaid alone, without first billing private payers, when:

(i) a child has both public and private coverage; and

(ii) documentation demonstrates that the private payer involved does not reimburse for individualized education program health-related services.

Sec. 18. **REVISOR'S INSTRUCTION.**

The revisor of statutes shall substitute the term "individualized education program" or similar terms for "individual education plan" or similar terms wherever they appear in Minnesota Statutes and Minnesota Rules referring to the requirements relating to the federal Individuals with Disabilities Education Act. The revisor shall also make grammatical changes related to the changes in terms.

Sec. 19. **REPEALER.**

Minnesota Statutes 2008, section 125A.54, is repealed.

ARTICLE 4

FACILITIES AND TECHNOLOGY

Section 1. Minnesota Statutes 2008, section 123B.57, as amended by Laws 2009 chapter 96, article 4, section 2, is amended to read:

123B.57 CAPITAL EXPENDITURE; HEALTH AND SAFETY.

Subdivision 1. **Health and safety ~~program~~ revenue application.** (a) To receive health and safety revenue for any fiscal year a district must submit to the commissioner ~~an~~ a capital expenditure health and safety revenue application ~~for aid and levy~~ by the date determined by the commissioner. ~~The application may be for hazardous substance~~

~~removal, fire and life safety code repairs, labor and industry regulated facility and equipment violations, and health, safety, and environmental management, including indoor air quality management.~~ The application must include a health and safety ~~program~~ budget adopted and confirmed by the school district board as being consistent with the district's health and safety policy under subdivision 2. The ~~program~~ budget must include the estimated cost~~, per building,~~ of the program per Uniform Financial Accounting and Reporting Standards (UFARS) finance code, by fiscal year. Upon approval through the adoption of a resolution by each of an intermediate district's member school district boards and the approval of the Department of Education, a school district may include its proportionate share of the costs of health and safety projects for an intermediate district in its application.

(b) Health and safety projects with an estimated cost of $500,000 or more per site are not eligible for health and safety revenue. Health and safety projects with an estimated cost of $500,000 or more per site that meet all other requirements for health and safety funding, are eligible for alternative facilities bonding and levy revenue according to section 123B.59. A school board shall not separate portions of a single project into components to qualify for health and safety revenue, and shall not combine unrelated projects into a single project to qualify for alternative facilities bonding and levy revenue.

(c) The commissioner of education shall not make eligibility for health and safety revenue contingent on a district's compliance status, level of program development, or training. The commissioner shall not mandate additional performance criteria such as training, certifications, or compliance evaluations as a prerequisite for levy approval.

Subd. 2. ~~**Contents of program**~~ **Health and safety policy.** To qualify for health and safety revenue, a ~~district~~ school board must adopt a health and safety ~~program~~ policy. The ~~program~~ policy must include ~~plans, where applicable, for hazardous substance removal, fire and life safety code repairs, regulated facility and equipment violations, and~~ provisions for implementing a health and safety program that complies with health, safety, and environmental ~~management,~~ regulations and best practices including indoor air quality management.

~~(a) A hazardous substance plan must contain provisions for the removal or encapsulation of asbestos from school buildings or property, asbestos-related repairs, cleanup and disposal of polychlorinated biphenyls found in school buildings or property, and cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel, oil, and special fuel, as defined in section 296A.01. If a district has already developed a plan for the removal or encapsulation of asbestos as required by the federal Asbestos Hazard Emergency Response Act of 1986, the district~~

~~may use a summary of that plan, which includes a description and schedule of response actions, for purposes of this section. The plan must also contain provisions to make modifications to existing facilities and equipment necessary to limit personal exposure to hazardous substances, as regulated by the federal Occupational Safety and Health Administration under Code of Federal Regulations, title 29, part 1910, subpart Z; or is determined by the commissioner to present a significant risk to district staff or student health and safety as a result of foreseeable use, handling, accidental spill, exposure, or contamination.~~

~~(b) A fire and life safety plan must contain a description of the current fire and life safety code violations, a plan for the removal or repair of the fire and life safety hazard, and a description of safety preparation and awareness procedures to be followed until the hazard is fully corrected.~~

~~(c) A facilities and equipment violation plan must contain provisions to correct health and safety hazards as provided in Department of Labor and Industry standards pursuant to section 182.655.~~

~~(d) A health, safety, and environmental management plan must contain a description of training, record keeping, hazard assessment, and program management as defined in section 123B.56.~~

~~(e) A plan to test for and mitigate radon produced hazards.~~

~~(f) A plan to monitor and improve indoor air quality.~~

Subd. 3. **Health and safety revenue.** A district's health and safety revenue for a fiscal year equals the district's alternative facilities levy under section 123B.59, subdivision 5, paragraph (b), plus the greater of zero or:

(1) the sum of (a) the total approved cost of the district's hazardous substance plan for fiscal years 1985 through 1989, plus (b) the total approved cost of the district's health and safety program for fiscal year 1990 through the fiscal year to which the levy is attributable, excluding expenditures funded with bonds issued under section 123B.59 or 123B.62, or chapter 475; certificates of indebtedness or capital notes under section 123B.61; levies under section 123B.58, 123B.59, 123B.63, or 126C.40, subdivision 1 or 6; and other federal, state, or local revenues, minus

(2) the sum of (a) the district's total hazardous substance aid and levy for fiscal years 1985 through 1989 under sections 124.245 and 275.125, subdivision 11c, plus (b) the district's health and safety revenue under this subdivision, for years before the fiscal year to which the levy is attributable.

Subd. 4. **Health and safety levy.** To receive health and safety revenue, a district may levy an amount equal to the district's health and safety revenue as defined in

subdivision 3 multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the adjusted marginal cost pupil units in the district for the school year to which the levy is attributable, to $2,935.

Subd. 5. **Health and safety aid.** A district's health and safety aid is the difference between its health and safety revenue and its health and safety levy. If a district does not levy the entire amount permitted, health and safety aid must be reduced in proportion to the actual amount levied. Health and safety aid may not be reduced as a result of reducing a district's health and safety levy according to section 123B.79.

Subd. 6. **Uses of health and safety revenue.** ~~(a)~~ Health and safety revenue may be used only for approved expenditures necessary to correct fire and life safety hazards~~, or for the~~; design, purchase, installation, maintenance, and inspection of fire protection and alarm equipment; purchase or construction of appropriate facilities for the storage of combustible and flammable materials; inventories and facility modifications not related to a remodeling project to comply with lab safety requirements under section 121A.31; inspection, testing, repair, removal or encapsulation, and disposal of ~~asbestos from school buildings or property owned or being acquired by the district, asbestos-related repairs,~~ asbestos-containing building materials; cleanup and disposal of polychlorinated biphenyls ~~found in school buildings or property owned or being acquired by the district, or the~~; cleanup and disposal of hazardous and infectious wastes; cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01~~, Minnesota~~; correction of occupational safety and health administration regulated ~~facility and equipment~~ hazards~~,~~; indoor air quality inspections, investigations, and testing; mold abatement~~,~~; upgrades or replacement of mechanical ventilation systems to meet American Society of Heating, Refrigerating and Air Conditioning Engineers standards and State Mechanical Code~~,~~; design, materials, and installation of local exhaust ventilation systems, including required make up air for controlling regulated hazardous substances; correction of Department of Health Food Code ~~and~~ violations; correction of swimming pool hazards excluding depth correction~~,~~; playground safety inspections and the installation of impact surfacing materials; bleacher repair or rebuilding to comply with the order of a building code inspector under section 326B.112; testing and mitigation of elevated radon hazards; lead in water, paint, soil, and toys testing; copper in water testing; cleanup after major weather-related disasters or flooding; reduction of excessive organic and inorganic levels in wells and well capping of abandoned wells; installation and testing of boiler backflow valves to prevent contamination of potable water; vaccinations, titers, and preventative supplies for

bloodborne pathogen compliance; costs to comply with the Janet B. Johnson Parents' Right To Know Act; and health, safety, and environmental management costs associated with implementing the district's health and safety program including costs to establish and operate safety committees, in school buildings or property owned or being acquired by the district. Testing and calibration activities are permitted for existing mechanical ventilation systems at intervals no less than every five years. ~~Health and safety revenue must not be used to finance a lease purchase agreement, installment purchase agreement, or other deferred payments agreement. Health and safety revenue must not be used for the construction of new facilities or the purchase of portable classrooms, for interest or other financing expenses, or for energy efficiency projects under section 123B.65. The revenue may not be used for a building or property or part of a building or property used for postsecondary instruction or administration or for a purpose unrelated to elementary and secondary education.~~

Subd. 6a. **Restrictions on health and safety revenue.** ~~(b)~~ Notwithstanding ~~paragraph (a)~~ subdivision 6, health and safety revenue must not be used to finance a lease purchase agreement, installment purchase agreement, or other deferred payments agreement, for the construction of new facilities, remodeling of existing facilities, or the purchase of portable classrooms, for interest or other financing expenses, or for energy efficiency projects under section 123B.65, for a building or property or part of a building or property used for postsecondary instruction or administration or for a purpose unrelated to elementary and secondary education, for replacement of building materials or facilities including roof, walls, windows, internal fixtures and flooring, nonhealth and safety costs associated with demolition of facilities, structural repair or replacement of facilities due to unsafe conditions, violence prevention and facility security, ergonomics, or for building and heating, ventilating and air conditioning supplies, maintenance, and cleaning activities. All assessments, investigations, inventories, and support equipment not leading to the engineering or construction of a project shall be included in the health, safety, and environmental management costs in subdivision 8, paragraph (a).

Subd. 6b. **Health and safety projects.** (a) Health and safety revenue applications defined in subdivision 1 must be accompanied by a description of each project for which funding is being requested. Project descriptions must provide enough detail for an auditor to determine if the work qualifies for revenue. For projects other than fire and life safety projects, playground projects, and health, safety, and environmental management activities, a project description does not need to include itemized details such as material types, room locations, square feet, names, or license numbers. The commissioner shall

approve only projects that comply with subdivisions 6 and 8, as defined by the Department of Education.

(b) Districts may request funding for allowable projects based on self-assessments, safety committee recommendations, insurance inspections, management assistance reports, fire marshal orders, or other mandates. Notwithstanding subdivision 1, paragraph (b), and subdivision 8, paragraph (b), for projects under $500,000, individual project size for projects authorized by this subdivision is not limited and may include related work in multiple facilities. Health and safety management costs from subdivision 8 may be reported as a single project.

(c) All costs directly related to a project shall be reported in the appropriate Uniform Financial Accounting and Reporting Standards (UFARS) finance code.

(d) For fire and life safety egress and all other projects exceeding $20,000, cited under Minnesota Fire Code, a fire marshal plan review is required.

(e) Districts shall update project estimates with actual expenditures for each fiscal year. If a project's final cost is significantly higher than originally approved, the commissioner may request additional supporting information.

Subd. 6c. **Appeals process.** In the event a district is denied funding approval for a project the district believes complies with subdivisions 6 and 8, and is not otherwise excluded, a district may appeal the decision. All such requests must be in writing. The commissioner shall respond in writing. A written request must contain the following: project number; description and amount; reason for denial; unresolved questions for consideration; reasons for reconsideration; and a specific statement of what action the district is requesting.

Subd. 7. **Proration.** In the event that the health and safety aid available for any year is prorated, a district having its aid prorated may levy an additional amount equal to the amount not paid by the state due to proration.

Subd. 8. **Health, safety, and environmental management cost.** (a) "Health, safety, and environmental management" is defined in section 123B.56.

(b) A district's cost for health, safety, and environmental management is limited to the lesser of:

(1) actual cost to implement their plan; or

(2) an amount determined by the commissioner, based on enrollment, building age, and size.

~~(b)~~ (c) The department may contract with regional service organizations, private contractors, Minnesota Safety Council, or state agencies to provide management assistance to school districts for health and safety capital projects. Management assistance

is the development of written programs for the identification, recognition and control of hazards, and prioritization and scheduling of district health and safety capital projects. The ~~department~~ commissioner shall not mandate management assistance or exclude private contractors from the opportunity to provide any health and safety services to school districts.

~~(c) Notwithstanding paragraph (b), the department may approve revenue, up to the limit defined in paragraph (a) for districts having an approved health, safety, and environmental management plan that uses district staff to accomplish coordination and provided services.~~

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 2. **[126C.75] FIBER OPTIC INFRASTRUCTURE GRANT PROGRAM.**

Subdivision 1. **Creation of accounts.** Two public school fiber optic infrastructure accounts are created, one in the general fund and one in the bond proceeds fund. Money in these accounts may only be used for capital costs of fiber optic infrastructure for eligible public school projects.

Subd. 2. **Program purpose.** The fiber optic infrastructure grant program is established to provide the capital investment needed to bridge the gap between the federal Schools and Libraries Program of the Universal Service Fund, commonly known as "E-Rate," and the total cost of fiber optic infrastructure that will better public school buildings to support 21st century learning capacity at each district school.

Subd. 3. **General eligibility; state general obligation bond funds.** Article XI, section 5, clause (a), of the Minnesota Constitution requires that state general obligation bonds be issued to finance only the acquisition or betterment of public land, buildings, and other public improvements of a capital nature. The legislature has determined that many fiber optic infrastructure projects will constitute betterments and capital improvements within the meaning of the Minnesota Constitution and capital expenditures under generally accepted accounting principles, and will be financed more efficiently and economically under this section than by direct appropriations for specific projects.

Subd. 4. **Definitions.** For purposes of this section:

(1) "school district" means an independent, common, special, or intermediate school district or a charter school.

(2) "fiber optic infrastructure" means the land, buildings, fiber optic connection cable, and end point hardware, including routers and switches. It does not include computers, telephones, or cameras.

Subd. 5. **Grant program established.** The commissioner shall make grants to school districts for fiber optic infrastructure projects.

Subd. 6. **Eligible costs for grants.** (a) "Eligible cost" for use of state general obligation bond fund money means the acquisition of land or permanent easements; preparation of land on which the fiber optic infrastructure will be located, including demolition of structures and remediation of any hazardous conditions on the land; and predesign, design, acquisition, and installation of publicly owned fiber optic infrastructure in this state with a useful life of at least ten years that supports public school district facility operation, administration, and instruction; the unpaid principal on debt issued by the school district for a fiber optic infrastructure project, or the amount necessary to pay in a lump sum all lease payments due if payment results in the school district owning the fiber optic infrastructure. All uses under this paragraph must be for publicly owned property.

(b) "Eligible cost" for use of any other source of money will be determined by limitations imposed on that source, but may include the costs of leases and reimbursement of the costs of purchase and installation of fiber optic infrastructure.

Subd. 7. **Application.** The commissioner must develop forms and procedures for soliciting and reviewing applications for grants under this section. At a minimum, a school district must include the following information in its application:

(1) a resolution adopted by its school board certifying that the money required to be supplied by the school district to complete the project is available and committed;

(2) a detailed and specific description of the project and an estimate, along with necessary supporting evidence, of the total costs for the project;

(3) an assessment of the need for and benefits of the project;

(4) a timeline indicating the major milestones of the project and their anticipated completion dates; and

(5) any additional information or material the commissioner prescribes.

Subd. 8. **Criteria for grants.** The commissioner must develop the criteria that will be used to award grants if grant applications exceed available resources.

Subd. 9. **Cancellation of grant.** If, five years after execution of a grant agreement, the commissioner determines that the grantee has not proceeded in a timely manner with implementation of the project funded, the commissioner must cancel the grant and the grantee must repay to the commissioner all grant money paid to the grantee. Section 16A.642 applies to any appropriations made to the commissioner under this section that have not been awarded to grantees.

Subd. 10. **Report.** By January 15 of each year, the commissioner must submit to the commissioner of management and budget and the chairs of the legislative committees

or divisions with jurisdiction over education policy, education finance, and capital investment, a list of the projects that have been funded with money under this program during the preceding calendar year, as well as a list of those priority projects for which state bond proceeds fund appropriations will be sought during that year's legislative session.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. **HEALTH AND SAFETY POLICY.**

Notwithstanding Minnesota Statutes, section 123B.57, subdivision 2, a school board that has not yet adopted a health and safety policy by September 30, 2010, may submit an application for health and safety revenue for taxes payable in 2011 in the form and manner specified by the commissioner of education.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 5

ACCOUNTING

Section 1. Minnesota Statutes 2009 Supplement, section 16A.152, subdivision 2, as amended by Laws 2010, chapter 215, article 11, section 15, is amended to read:

Subd. 2. **Additional revenues; priority.** (a) If on the basis of a forecast of general fund revenues and expenditures, the commissioner of management and budget determines that there will be a positive unrestricted budgetary general fund balance at the close of the biennium, the commissioner of management and budget must allocate money to the following accounts and purposes in priority order:

(1) the cash flow account established in subdivision 1 until that account reaches $350,000,000;

(2) the budget reserve account established in subdivision 1a until that account reaches $653,000,000;

(3) the amount necessary to increase the aid payment schedule for school district aids and credits payments in section 127A.45 to not more than 90 percent rounded to the nearest tenth of a percent without exceeding the amount available and with any remaining funds deposited in the budget reserve;

(4) the amount necessary to restore all or a portion of the net aid reductions under section 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75, subdivision 5, ~~paragraph (b), and Laws 2003, First Special Session chapter 9, article 5, section 34, as amended by Laws 2003, First Special Session chapter 23, section 20,~~ by the same amount;

(5) to the state airports fund, the amount necessary to restore the amount transferred from the state airports fund under Laws 2008, chapter 363, article 11, section 3, subdivision 5; and

(6) to the fire safety account in the special revenue fund, the amount necessary to restore transfers from the account to the general fund made in Laws 2010.

(b) The amounts necessary to meet the requirements of this section are appropriated from the general fund within two weeks after the forecast is released or, in the case of transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations schedules otherwise established in statute.

(c) The commissioner of management and budget shall certify the total dollar amount of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education. The commissioner of education shall increase the aid payment percentage and reduce the property tax shift percentage by these amounts and apply those reductions to the current fiscal year and thereafter.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2008, section 123B.12, is amended to read:

123B.12 INSUFFICIENT FUNDS TO PAY ORDERS.

(a) In the event that a district or a cooperative unit defined in section 123A.24, subdivision 2, has insufficient funds to pay its usual lawful current obligations, subject to section 471.69, the board may enter into agreements with banks or any person to take its orders. Any order drawn, after having been presented to the treasurer for payment and not paid for want of funds shall be endorsed by the treasurer by putting on the back thereof the words "not paid for want of funds," giving the date of endorsement and signed by the treasurer. A record of such presentment, nonpayment and endorsement shall be made by the treasurer. The treasurer shall serve a written notice upon the payee or the payee's assignee, personally, or by mail, when the treasurer is prepared to pay such orders. The notice may be directed to the payee or the payee's assignee at the address given in writing by such payee or assignee to such treasurer, at any time prior to the service of such notice. No order shall draw any interest if such address is not given when the same is unknown to the treasurer, and no order shall draw any interest after the service of such notice.

(b) A district may enter, subject to section 471.69, into ~~a~~ an unsecured line of credit agreement with a financial institution. The amount of credit available must not exceed ~~95~~ 380 percent of average expenditure per month of operating expenditures in the previous

fiscal year. Any amount advanced must be repaid no later than ~~45~~ 120 days after the day of advancement.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2008, section 123B.75, is amended by adding a subdivision to read:

Subd. 1a. **Definition.** For the purpose of this section, "school district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to fiscal years 2010 and later.

Sec. 4. Minnesota Statutes 2008, section 123B.75, subdivision 5, is amended to read:

Subd. 5. **Levy recognition.** (a) ~~"School district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district.~~

~~(b)~~ For fiscal ~~year 2004 and later~~ years 2009 and 2010, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or

(2) the sum of:

(i) 31 percent of the referendum levy certified according to section 126C.17, in calendar year 2000; and

(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, paragraph (a), and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6; plus

(iii) zero percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, not including the levy portions that are assumed by the state, that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to item (ii).

(b) For fiscal year 2011 and later years, in June of each year, the school district must recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the sum of May, June, and July school district tax settlement revenue received in that calendar year, plus general education aid according to section 126C.13, subdivision 4, received in July and August of that calendar year; or

(2) the sum of:

(i) the greater of 47.8 percent of the referendum levy certified according to section 126C.17, in the prior calendar year or 31 percent of the referendum levy certified according to section 126C.17, in calendar year 2000; plus

(ii) the entire amount of the levy certified in the prior calendar year according to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6; plus

(iii) 47.8 percent of the amount of the levy certified in the prior calendar year for the school district's general and community service funds, plus or minus auditor's adjustments, not including the levy portions that are assumed by the state, that remains after subtracting the referendum levy certified according to section 126C.17 and the amount recognized according to clause (ii).

Sec. 5. Minnesota Statutes 2008, section 126C.54, is amended to read:

126C.54 REPAYMENT; MATURITY DATE OF CERTIFICATES; INTEREST.

(a) The proceeds of the current tax levies and future state aid receipts or other school funds which may become available must be applied to the extent necessary to repay such certificates and the full faith and credit of the district shall be pledged to payment of the certificates. Certificates issued in anticipation of receipt of aids shall mature not later than the anticipated date of receipt of the aids as estimated by the commissioner, but in no event later than three months after the close of the school year in which issued. Certificates issued in anticipation of receipt of taxes shall mature not later than the anticipated date of receipt in full of the taxes, but in no event later than three months after the close of the calendar year in which issued. The certificates must be sold at not less than par. The certificates must bear interest after maturity until paid at the rate they bore before maturity and any interest accruing before or after maturity must be paid from any available school funds.

(b) Notwithstanding any contrary provision in paragraph (a), if the certificates are issued as taxable obligations on which the interest is includable in gross income for federal

income tax purposes, certificates issued in anticipation of receipt of aids shall mature not later than 12 months after the close of the school year in which issued and certificates issued in anticipation of receipt of taxes shall mature not later than 12 months after the close of the calendar year in which issued. Any certificate issued under this section with a maturity in excess of 12 months must be repaid with money from the general fund.

Sec. 6. Minnesota Statutes 2008, section 127A.42, subdivision 2, is amended to read:

Subd. 2. **Violations of law.** The commissioner may reduce or withhold the district's state aid for any school year whenever the board of the district authorizes or permits violations of law within the district by:

(1) employing a teacher who does not hold a valid teaching license or permit in a public school;

(2) noncompliance with a mandatory rule of general application promulgated by the commissioner in accordance with statute, unless special circumstances make enforcement inequitable, impose an extraordinary hardship on the district, or the rule is contrary to the district's best interests;

(3) the district's continued performance of a contract made for the rental of rooms or buildings for school purposes or for the rental of any facility owned or operated by or under the direction of any private organization, if the contract has been disapproved, the time for review of the determination of disapproval has expired, and no proceeding for review is pending;

(4) any practice which is a violation of sections 1 and 2 of article 13 of the Constitution of the state of Minnesota;

(5) failure to reasonably provide for a resident pupil's school attendance under Minnesota Statutes;

(6) noncompliance with state laws prohibiting discrimination because of race, color, creed, religion, national origin, sex, age, marital status, status with regard to public assistance or disability, as defined in sections 363A.08 to 363A.19 and 363A.28, subdivision 10; or

(7) using funds contrary to the statutory purpose of the funds.

The reduction or withholding must be made in the amount and upon the procedure provided in this section, or, in the case of the violation stated in clause (1), upon the procedure provided in section 127A.43.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 7. Minnesota Statutes 2008, section 127A.43, is amended to read:

127A.43 DISTRICT EMPLOYMENT OF UNLICENSED TEACHERS; AID REDUCTION.

When a district employs one or more teachers who do not hold a valid teaching license, state aid shall be ~~withheld~~ reduced in the proportion that the number of such teachers is to the total number of teachers employed by the district, multiplied by 60 percent of the basic revenue, as defined in section 126C.10, subdivision 2, of the district for the year in which the employment occurred.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 8. Minnesota Statutes 2008, section 127A.441, is amended to read:

127A.441 AID REDUCTION; LEVY REVENUE RECOGNITION CHANGE.

Each year, the state aids payable to any school district for that fiscal year that are recognized as revenue in the school district's general and community service funds shall be adjusted by an amount equal to (1) the amount the district recognized as revenue for the prior fiscal year pursuant to section 123B.75, subdivision 5, paragraph (a) or (b), minus (2) the amount the district recognized as revenue for the current fiscal year pursuant to section 123B.75, subdivision 5, paragraph (a) or (b). For purposes of making the aid adjustments under this section, the amount the district recognizes as revenue for either the prior fiscal year or the current fiscal year pursuant to section 123B.75, subdivision 5, paragraph (b), shall not include any amount levied pursuant to section 124D.86, subdivision 4, for school districts receiving revenue under sections 124D.86, subdivision 3, clauses (1), (2), and (3); 126C.41, subdivisions 1, 2, and 3, paragraphs (b), (c), and (d); 126C.43, subdivision 2; 126C.457; and 126C.48, subdivision 6. Payment from the permanent school fund shall not be adjusted pursuant to this section. The school district shall be notified of the amount of the adjustment made to each payment pursuant to this section.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to fiscal years 2010 and later.

Sec. 9. Minnesota Statutes 2008, section 127A.45, subdivision 2, is amended to read:

Subd. 2. **Definitions.** (a) ~~The term~~ "Other district receipts" means payments by county treasurers pursuant to section 276.10, apportionments from the school endowment fund pursuant to section 127A.33, apportionments by the county auditor pursuant to section 127A.34, subdivision 2, and payments to school districts by the commissioner of revenue pursuant to chapter 298.

(b) ~~The term~~ "Cumulative amount guaranteed" means the product of

(1) the cumulative disbursement percentage shown in subdivision 3; times

(2) the sum of

(i) the current year aid payment percentage of the estimated aid and credit entitlements paid according to subdivision 13; plus

(ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus

(iii) the other district receipts.

(c) ~~The term~~ "Payment date" means the date on which state payments to districts are made by the electronic funds transfer method. If a payment date falls on a Saturday, a Sunday, or a weekday which is a legal holiday, the payment shall be made on the immediately preceding business day. The commissioner may make payments on dates other than those listed in subdivision 3, but only for portions of payments from any preceding payment dates which could not be processed by the electronic funds transfer method due to documented extenuating circumstances.

(d) The current year aid payment percentage equals ~~90~~ 73.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to fiscal years 2010 and later.

Sec. 10. Minnesota Statutes 2008, section 127A.45, subdivision 3, is amended to read:

Subd. 3. **Payment dates and percentages.** (a) ~~For fiscal year 2004 and later,~~ The commissioner shall pay to a district on the dates indicated an amount computed as follows: the cumulative amount guaranteed minus the sum of ~~(a)~~ (1) the district's other district receipts through the current payment, and ~~(b)~~ (2) the aid and credit payments through the immediately preceding payment. For purposes of this computation, the payment dates and the cumulative disbursement percentages are as follows:

	Payment date	Percentage
Payment 1	July 15:	5.5
Payment 2	July 30:	8.0
Payment 3	August 15:	17.5
Payment 4	August 30:	20.0
Payment 5	September 15:	22.5
Payment 6	September 30:	25.0
Payment 7	October 15:	27.0
Payment 8	October 30:	30.0
Payment 9	November 15:	32.5
Payment 10	November 30:	36.5
Payment 11	December 15:	42.0
Payment 12	December 30:	45.0

Payment 13	January 15:	50.0
Payment 14	January 30:	54.0
Payment 15	February 15:	58.0
Payment 16	February 28:	63.0
Payment 17	March 15:	68.0
Payment 18	March 30:	74.0
Payment 19	April 15:	78.0
Payment 20	April 30:	85.0
Payment 21	May 15:	90.0
Payment 22	May 30:	95.0
Payment 23	June 20:	100.0

~~(b) In addition to the amounts paid under paragraph (a), for fiscal year 2004, the commissioner shall pay to a district on the dates indicated an amount computed as follows:~~

~~Payment 3~~	~~August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392~~
~~Payment 4~~	~~August 30: one-third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits~~
~~Payment 6~~	~~September 30: one-third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits~~
~~Payment 8~~	~~October 30: one-third of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits~~

~~(c)~~ (b) In addition to the amounts paid under paragraph (a), ~~for fiscal year 2005 and later,~~ the commissioner shall pay to a district on the dates indicated an amount computed as follows:

Payment 3	August 15: the final adjustment for the prior fiscal year for the state paid property tax credits established in section 273.1392
Payment 4	August 30: 30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 6	September 30: 40 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits
Payment 8	October 30: 30 percent of the final adjustment for the prior fiscal year for all aid entitlements except state paid property tax credits

EFFECTIVE DATE. This section is effective the day following final enactment and applies to fiscal years 2010 and later.

Sec. 11. Minnesota Statutes 2008, section 127A.45, is amended by adding a subdivision to read:

Subd. 6a. **Cash flow adjustment.** The board of directors of any charter school serving fewer than 150 students where the percentage of students eligible for special education services equals 100 percent of the charter school's total enrollment may request that the commissioner of education accelerate the school's cash flow under this section.

The commissioner must approve a properly submitted request within 30 days of its receipt. The commissioner must accelerate the school's regular special education aid payments according to the schedule in the school's request and modify the payments to the school under subdivision 3 accordingly. A school must not receive current payments of regular special education aid exceeding 90 percent of its estimated aid entitlement for the fiscal year. The commissioner must delay the special education aid payments to all other school districts and charter schools in proportion to each district or charter school's total share of regular special education aid such that the overall aid payment savings from the aid payment shift remains unchanged for any fiscal year.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to school district or charter school payments made on or after that date.

Sec. 12. Minnesota Statutes 2008, section 127A.45, is amended by adding a subdivision to read:

Subd. 7b. **Advance final payment.** (a) Notwithstanding subdivisions 3 and 7, a school district or charter school exceeding its expenditure limitations under section 123B.83 as of June 30 of the prior fiscal year may receive a portion of its final payment for the current fiscal year on June 20, if requested by the district or charter school. The amount paid under this subdivision must not exceed the lesser of:

(1) the difference between 90 percent and the current year payment percentage in subdivision 2, paragraph (d), in the current fiscal year times the sum of the district or charter school's general education aid plus the aid adjustment in section 127A.50 for the current fiscal year; or

(2) the amount by which the district's or charter school's net negative unreserved general fund balance as of June 30 of the prior fiscal year exceeds 2.5 percent of the district or charter school's expenditures for that fiscal year.

(b) The state total advance final payment under this subdivision for any year must not exceed $7,500,000. If the amount request exceeds $7,500,000, the advance final payment for each eligible district must be reduced proportionately.

EFFECTIVE DATE. This section is effective the day following final enactment and applies to fiscal years 2010 and later.

Sec. 13. Minnesota Statutes 2008, section 127A.45, subdivision 13, is amended to read:

Subd. 13. **Aid payment percentage.** Except as provided in subdivisions 11, 12, 12a, and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A,

120B, 121A, 122A, 123A, 123B, 124D, 125A, 125B, 126C, 134, and section 273.1392, shall be paid at the current year aid payment percentage of the estimated entitlement during the fiscal year of the entitlement. ~~For the purposes of this subdivision, a district's estimated entitlement for special education excess cost aid under section 125A.79 for fiscal year 2005 equals 70 percent of the district's entitlement for the second prior fiscal year.~~ For the purposes of this subdivision, a district's estimated entitlement for special education excess cost aid under section 125A.79 for fiscal year 2006 and later equals 74.0 percent of the district's entitlement for the current fiscal year. The final adjustment payment, according to subdivision 9, must be the amount of the actual entitlement, after adjustment for actual data, minus the payments made during the fiscal year of the entitlement.

Sec. 14. Minnesota Statutes 2008, section 127A.45, is amended by adding a subdivision to read:

Subd. 17. **Payment to creditors.** Except where otherwise specifically authorized, state education aid payments shall be made only to the school district, charter school, or other education organization earning state aid revenues as a result of providing education services.

Sec. 15. **FUND TRANSFERS.**

Subdivision 1. **Fiscal years 2010 and 2011 only.** (a) Notwithstanding Minnesota Statutes, section 123B.80, subdivision 3, for fiscal years 2010 and 2011 only, the commissioner must approve a request for a fund transfer if the transfer does not increase state aid obligations to the district or result in additional property tax authority for the district. This section does not permit transfers from the community service fund.

(b) A school board may approve a fund transfer under paragraph (a) only after adopting a resolution stating the fund transfer will not diminish instructional opportunities for students.

Subd. 2. **Hayfield.** Notwithstanding Minnesota Statutes, section 123B.79 or 123B.80, on June 30, 2010, Independent School District No. 203, Hayfield, may permanently transfer up to $75,000 from its reserved for operating capital account to its undesignated general fund balance.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 16. **REPEALER.**

Minnesota Statutes 2008, section 127A.46, is repealed.

EFFECTIVE DATE. This section is effective July 1, 2010.

ARTICLE 6

STATE AGENCIES

Section 1. Minnesota Statutes 2008, section 3.303, is amended by adding a subdivision to read:

Subd. 11. **Permanent school fund land management analyst.** The commission shall undertake activities that are necessary to advise the legislature and to monitor the executive branch on issues related to the management of permanent school fund lands. The commission may hire a lead analyst and other staff as necessary for this purpose. The commission shall:

(1) monitor management of permanent school fund lands;

(2) analyze the benefits derived from the fund;

(3) actively participate in the work of the permanent school fund advisory committee under section 127A.30;

(4) provide oversight to ensure that the state fulfills its fiduciary responsibilities to the permanent school fund as specified by the Minnesota Constitution and Minnesota Statutes; and

(5) make effective recommendations to the permanent school fund advisory committee and the finance divisions and committees of the house of representatives and the senate.

The purpose of this function is to maximize the long-term economic returns to the school trust lands consistent with the goals of section 127A.31.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 2. Minnesota Statutes 2008, section 16A.125, subdivision 5, is amended to read:

Subd. 5. **Forest trust lands.** (a) The term "state forest trust fund lands" as used in this subdivision, means public land in trust under the Constitution set apart as "forest lands under the authority of the commissioner" of natural resources as defined by section 89.001, subdivision 13.

(b) The commissioner of management and budget shall credit the revenue from the forest trust fund lands to the forest suspense account. The account must specify the trust funds interested in the lands and the respective receipts of the lands.

(c) After a fiscal year, the commissioner of management and budget shall certify the total costs incurred for forestry during that year under appropriations for the protection,

improvement, administration, and management of state forest trust fund lands and construction and improvement of forest roads to enhance the forest value of the lands. The certificate must specify the trust funds interested in the lands. The commissioner of natural resources shall supply the commissioner of management and budget with the information needed for the certificate.

(d) After a fiscal year, the commissioner shall distribute the receipts credited to the suspense account during that fiscal year as follows:

(1) the amount of the certified costs incurred by the state for forest management, forest improvement, and road improvement during the fiscal year shall be transferred to the forest management investment account established under section 89.039, including the costs associated with the Legislative Coordinating Commission's permanent school fund land management activities;

(2) the balance of the certified costs incurred by the state during the fiscal year shall be transferred to the general fund; and

(3) the balance of the receipts shall then be returned prorated to the trust funds in proportion to their respective interests in the lands which produced the receipts.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 3. Minnesota Statutes 2008, section 127A.30, subdivision 2, is amended to read:

Subd. 2. **Duties.** The advisory committee, in conjunction with the Legislative Coordinating Commission, shall review the policies of the Department of Natural Resources and current statutes on management of school trust fund lands at least annually and shall recommend necessary changes in statutes, policy, and implementation in order to ensure provident utilization of the permanent school fund lands. By January 15 of each year, the advisory committee shall submit a report to the legislature with recommendations for the oversight and management of school trust lands to secure long-term economic return for the permanent school fund, consistent with sections 92.121 and 127A.31. The committee's annual report may include recommendations to:

(1) manage the school trust lands efficiently;

(2) reduce the management expenditures of school trust lands and maximize the revenues deposited in the permanent school trust fund;

(3) manage the sale, exchange, and commercial leasing of school trust lands to maximize the revenues deposited in the permanent school trust fund and retain the value from the long-term appreciation of the school trust lands; and

(4) manage the school trust lands to maximize the long-term economic return for the permanent school trust fund while maintaining sound natural resource conservation and management principles.

EFFECTIVE DATE. This section is effective July 1, 2011.

Sec. 4. **DEPARTMENT OF EDUCATION; APPROPRIATIONS.**

(a) The appropriation to the Department of Education under Laws 2009, chapter 96, article 7, section 3, subdivision 2, is reduced by $250,000 in fiscal year 2010 and by $487,000 in fiscal year 2011.

(b) $24,000 in fiscal year 2010 and $23,000 in fiscal year 2011 are transferred from the department's special revenue fund to the general fund.

(c) The base appropriation for the Department of Education for fiscal year 2012 and later is $18,983,000.

(d) The appropriations for fiscal year 2011 under Laws 2009, chapter 96, article 7, section 3, subdivision 2, paragraphs (b) and (g), are reduced by $4,000 for the Minnesota Children's Museum and by $1,000 for the Duluth Children's Museum respectively.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 5. **PERPICH CENTER FOR ARTS EDUCATION; APPROPRIATION.**

$19,000 in fiscal year 2010 and $11,000 in fiscal year 2011 are transferred from the Perpich Center's special revenue fund to the general fund.

EFFECTIVE DATE. This section is effective the day following final enactment.

ARTICLE 7

PUPIL TRANSPORTATION

Section 1. Minnesota Statutes 2008, section 123B.88, subdivision 13, is amended to read:

Subd. 13. **Area learning center pupils; transport between buildings.** Districts may provide bus transportation between buildings along school bus routes when space is available, for pupils attending programs at an area learning center. The transportation is ~~only~~ permitted between schools ~~and~~ if it does not increase the district's expenditures for transportation. The cost of these services shall be considered part of the authorized cost ~~for nonregular transportation~~ for the purpose of section 123B.92.

Sec. 2. Minnesota Statutes 2008, section 123B.90, subdivision 3, is amended to read:

Subd. 3. **Model training program.** The commissioner shall develop and maintain a comprehensive ~~model~~ list of school bus safety training ~~program~~ instructional materials for pupils who ride the bus that includes bus safety curriculum for both classroom and practical instruction ~~and age-appropriate instructional materials~~.

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 3. Minnesota Statutes 2009 Supplement, section 123B.92, subdivision 1, is amended to read:

Subdivision 1. **Definitions.** For purposes of this section and section 125A.76, the terms defined in this subdivision have the meanings given to them.

(a) "Actual expenditure per pupil transported in the regular and excess transportation categories" means the quotient obtained by dividing:

(1) the sum of:

(i) all expenditures for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2), plus

(ii) an amount equal to one year's depreciation on the district's school bus fleet and mobile units computed on a straight line basis at the rate of 15 percent per year for districts operating a program under section 124D.128 for grades 1 to 12 for all students in the district and 12-1/2 percent per year for other districts of the cost of the fleet, plus

(iii) an amount equal to one year's depreciation on the district's type III vehicles, as defined in section 169.011, subdivision 71, which must be used a majority of the time for pupil transportation purposes, computed on a straight line basis at the rate of 20 percent per year of the cost of the type three school buses by:

(2) the number of pupils eligible for transportation in the regular category, as defined in paragraph (b), clause (1), and the excess category, as defined in paragraph (b), clause (2).

(b) "Transportation category" means a category of transportation service provided to pupils as follows:

(1) Regular transportation is:

(i) transportation to and from school during the regular school year for resident elementary pupils residing one mile or more from the public or nonpublic school they attend, and resident secondary pupils residing two miles or more from the public or nonpublic school they attend, excluding desegregation transportation and noon kindergarten transportation; but with respect to transportation of pupils to and from nonpublic schools, only to the extent permitted by sections 123B.84 to 123B.87;

(ii) transportation of resident pupils to and from language immersion programs;

(iii) transportation of a pupil who is a custodial parent and that pupil's child between the pupil's home and the child care provider and between the provider and the school, if the home and provider are within the attendance area of the school;

(iv) transportation to and from or board and lodging in another district, of resident pupils of a district without a secondary school; and

(v) transportation to and from school during the regular school year required under subdivision 3 for nonresident elementary pupils when the distance from the attendance area border to the public school is one mile or more, and for nonresident secondary pupils when the distance from the attendance area border to the public school is two miles or more, excluding desegregation transportation and noon kindergarten transportation.

For the purposes of this paragraph, a district may designate a licensed day care facility, school day care facility, respite care facility, the residence of a relative, ~~or~~ the residence of a person chosen by the pupil's parent or guardian, or an after-school program for children operated by a political subdivision of the state, as the home of a pupil for part or all of the day, if requested by the pupil's parent or guardian, and if that facility ~~or~~, residence, or program is within the attendance area of the school the pupil attends.

(2) Excess transportation is:

(i) transportation to and from school during the regular school year for resident secondary pupils residing at least one mile but less than two miles from the public or nonpublic school they attend, and transportation to and from school for resident pupils residing less than one mile from school who are transported because of extraordinary traffic, drug, or crime hazards; and

(ii) transportation to and from school during the regular school year required under subdivision 3 for nonresident secondary pupils when the distance from the attendance area border to the school is at least one mile but less than two miles from the public school they attend, and for nonresident pupils when the distance from the attendance area border to the school is less than one mile from the school and who are transported because of extraordinary traffic, drug, or crime hazards.

(3) Desegregation transportation is transportation within and outside of the district during the regular school year of pupils to and from schools located outside their normal attendance areas under a plan for desegregation mandated by the commissioner or under court order.

(4) "Transportation services for pupils with disabilities" is:

(i) transportation of pupils with disabilities who cannot be transported on a regular school bus between home or a respite care facility and school;

(ii) necessary transportation of pupils with disabilities from home or from school to other buildings, including centers such as developmental achievement centers, hospitals, and treatment centers where special instruction or services required by sections 125A.03 to 125A.24, 125A.26 to 125A.48, and 125A.65 are provided, within or outside the district where services are provided;

(iii) necessary transportation for resident pupils with disabilities required by sections 125A.12, and 125A.26 to 125A.48;

(iv) board and lodging for pupils with disabilities in a district maintaining special classes;

(v) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, and necessary transportation required by sections 125A.18, and 125A.26 to 125A.48, for resident pupils with disabilities who are provided special instruction and services on a shared-time basis or if resident pupils are not transported, the costs of necessary travel between public and private schools or neutral instructional sites by essential personnel employed by the district's program for children with a disability;

(vi) transportation for resident pupils with disabilities to and from board and lodging facilities when the pupil is boarded and lodged for educational purposes; ~~and~~

(vii) transportation of pupils for a curricular field trip activity on a school bus equipped with a power lift when the power lift is required by a student's disability or section 504 plan; and

(viii) services described in clauses (i) to ~~(vi)~~ (vii), when provided for pupils with disabilities in conjunction with a summer instructional program that relates to the pupil's individual education plan or in conjunction with a learning year program established under section 124D.128.

For purposes of computing special education initial aid under section 125A.76, subdivision 2, the cost of providing transportation for children with disabilities includes (A) the additional cost of transporting a homeless student from a temporary nonshelter home in another district to the school of origin, or a formerly homeless student from a permanent home in another district to the school of origin but only through the end of the academic year; and (B) depreciation on district-owned school buses purchased after July 1, 2005, and used primarily for transportation of pupils with disabilities, calculated according to paragraph (a), clauses (ii) and (iii). Depreciation costs included in the disabled transportation category must be excluded in calculating the actual expenditure per pupil transported in the regular and excess transportation categories according to paragraph (a).

(5) "Nonpublic nonregular transportation" is:

(i) transportation from one educational facility to another within the district for resident pupils enrolled on a shared-time basis in educational programs, excluding transportation for nonpublic pupils with disabilities under clause (4);

(ii) transportation within district boundaries between a nonpublic school and a public school or a neutral site for nonpublic school pupils who are provided pupil support services pursuant to section 123B.44; and

(iii) late transportation home from school or between schools within a district for nonpublic school pupils involved in after-school activities.

(c) "Mobile unit" means a vehicle or trailer designed to provide facilities for educational programs and services, including diagnostic testing, guidance and counseling services, and health services. A mobile unit located off nonpublic school premises is a neutral site as defined in section 123B.41, subdivision 13.

EFFECTIVE DATE. This section is effective for revenue for fiscal years 2011 and later.

Sec. 4. Minnesota Statutes 2008, section 123B.92, subdivision 5, is amended to read:

Subd. 5. **District reports.** (a) Each district must report data to the department as required by the department to account for transportation expenditures.

(b) Salaries and fringe benefits of district employees whose primary duties are other than transportation, including central office administrators and staff, building administrators and staff, teachers, social workers, school nurses, and instructional aides, must not be included in a district's transportation expenditures, except that a district may include salaries and benefits according to paragraph (c) for (1) an employee designated as the district transportation director, (2) an employee providing direct support to the transportation director, or (3) an employee providing direct transportation services such as a bus driver or bus aide.

(c) Salaries and fringe benefits of the district employees listed in paragraph (b), clauses (1), (2), and (3), who work part time in transportation and part time in other areas must not be included in a district's transportation expenditures unless the district maintains documentation of the employee's time spent on pupil transportation matters in the form and manner prescribed by the department.

(d) Pupil transportation expenditures, excluding expenditures for capital outlay, leased buses, student board and lodging, crossing guards, and aides on buses, must be allocated among transportation categories based on cost-per-mile, cost-per-student, cost-per-hour, or cost-per-route, regardless of whether the transportation services are provided on district-owned or contractor-owned school buses. Expenditures for school

bus driver salaries and fringe benefits may either be directly charged to the appropriate transportation category or may be allocated among transportation categories based on cost-per-mile, cost-per-student, cost-per-hour, or cost-per-route. Expenditures by private contractors or individuals who provide transportation exclusively in one transportation category must be charged directly to the appropriate transportation category. Transportation services provided by contractor-owned school bus companies incorporated under different names but owned by the same individual or group of individuals must be treated as the same company for cost allocation purposes.

(e) Notwithstanding paragraph (d), districts contracting for transportation services are exempt from the standard cost allocation method for authorized and nonauthorized transportation categories if: (1) the district bids its contracts separately for authorized and nonauthorized transportation categories and for special transportation separate from regular and excess transportation; (2) the district receives bids or quotes from more than one vendor for these transportation categories; and (3) the district's cost-per-mile, cost-per-hour, or cost-per-route does not vary more than ten percent among categories, excluding salaries and fringe benefits of bus aides. If the costs reported by the district for contractor-owned operations vary by more than ten percent among categories, the department shall require the district to reallocate its transportation costs, excluding salaries and fringe benefits of bus aides, among all categories.

EFFECTIVE DATE. This section is effective for revenue for fiscal years 2011 and later.

Sec. 5. Minnesota Statutes 2008, section 169.447, subdivision 2a, is amended to read:

Subd. 2a. **Passenger lap and shoulder belts.** (a) In addition to the requirements in section 169.4501, subdivision 1~~,~~:

(1) a school bus may be equipped with an approved lap belt or an approved lap and shoulder belt installed for each passenger-seating position on the bus; and

(2) a school motor coach manufactured after July 1, 2012, must be equipped with an approved lap belt or an approved lap and shoulder belt installed for each passenger-seating position.

(b) The design and installation of lap belts and lap and shoulder belts required under ~~this~~ paragraph (a) must meet the standards of the commissioner established under this paragraph ~~(b)~~.

~~(b)~~ The commissioner shall consider all concerns necessary to properly integrate lap belts or lap and shoulder belts into the current compartmentalization safety system and prescribe standards for the design and installation of lap and shoulder belts required

under paragraph (a). The standards are not subject to chapter 14 and are specifically not subject to section 14.386.

(c) This subdivision does not apply to specially equipped school buses under section 169.4504.

(d) A passenger on a school bus or school motor coach equipped with lap belts or lap and shoulder belts must use these lap belts or lap and shoulder belts unless the passenger, or if the passenger is a minor, the passenger's parent or guardian, has notified the school district in writing that the passenger does not intend to wear the lap belt or lap and shoulder belt.

(e) In an action for personal injury or wrongful death against a school district, a school bus or school motor coach operator under contract with a school district, or any agent or employee of a school district or operator, or against a volunteer, no such person or entity shall be held liable solely because the injured party was not wearing a safety belt; provided, however, that nothing contained herein shall be construed to grant immunity from liability for failure to:

(1) maintain in operating order any equipment required by statute, rule, or school district policy; or

(2) comply with an applicable statute, rule, or school district policy.

(f) In an action for personal injury or wrongful death, a school district, a school bus or school motor coach contract operator, any agent or employee of a school district or operator, or a volunteer is not liable for failing to assist any child with the adjustment, fastening, unfastening, or other use of the lap belt or lap and shoulder belt.

(g) For purposes of this subdivision, "school motor coach" means a bus that has an elevated passenger deck located over a baggage compartment, when the vehicle is used to transport pupils to or from school-related activities, by (1) the school or (2) someone under an agreement with the school or a school district, including operation under charter carrier authority.

EFFECTIVE DATE. This section is effective July 1, 2012.

Sec. 6. Minnesota Statutes 2008, section 169.4503, is amended by adding a subdivision to read:

Subd. 28. **Crossing control arm.** All buses manufactured for use in Minnesota after January 1, 2013, shall be equipped with a crossing control arm mounted at the right front corner of the bumper. The crossing control arm shall be automatically activated whenever the bus is stopped with the flashing red signals in use.

Sec. 7. Minnesota Statutes 2009 Supplement, section 171.02, subdivision 2b, is amended to read:

Subd. 2b. **Exception for type III vehicle drivers.** (a) Notwithstanding subdivision 2, the holder of a class A, B, C, or D driver's license, without a school bus endorsement, may operate a type III vehicle described in section 169.011, subdivision 71, paragraph (h), under the conditions in paragraphs (b) through (o).

(b) The operator is an employee of the entity that owns, leases, or contracts for the school bus.

(c) The operator's employer has adopted and implemented a policy that provides for annual training and certification of the operator in:

(1) safe operation of a type III vehicle;

(2) understanding student behavior, including issues relating to students with disabilities;

(3) encouraging orderly conduct of students on the bus and handling incidents of misconduct appropriately;

(4) knowing and understanding relevant laws, rules of the road, and local school bus safety policies;

(5) handling emergency situations;

(6) proper use of seat belts and child safety restraints;

(7) performance of pretrip vehicle inspections;

(8) safe loading and unloading of students, including, but not limited to:

(i) utilizing a safe location for loading and unloading students at the curb, on the nontraffic side of the roadway, or at off-street loading areas, driveways, yards, and other areas to enable the student to avoid hazardous conditions;

(ii) refraining from loading and unloading students in a vehicular traffic lane, on the shoulder, in a designated turn lane, or a lane adjacent to a designated turn lane;

(iii) avoiding a loading or unloading location that would require a pupil to cross a road, or ensuring that the driver or an aide personally escort the pupil across the road if it is not reasonably feasible to avoid such a location; ~~and~~

(iv) placing the type III vehicle in "park" during loading and unloading; and

(v) escorting a pupil across the road under clause (iii) only after the motor is stopped, the ignition key is removed, the brakes are set, and the vehicle is otherwise rendered immobile; and

(9) compliance with paragraph (k), concerning reporting certain convictions to the employer within ten days of the date of conviction.

(d) A background check or background investigation of the operator has been conducted that meets the requirements under section 122A.18, subdivision 8, or 123B.03 for school district employees; section 144.057 or chapter 245C for day care employees; or section 171.321, subdivision 3, for all other persons operating a ~~type A or~~ type III vehicle under this subdivision.

(e) Operators shall submit to a physical examination as required by section 171.321, subdivision 2.

(f) The operator's employer requires preemployment drug ~~and alcohol~~ testing of applicants for operator positions. Current operators must comply with the employer's policy under section 181.951, subdivisions 2, 4, and 5. Notwithstanding any law to the contrary, the operator's employer may use a Breathalyzer or similar device to fulfill random or reasonable suspicion alcohol testing requirements.

(g) The operator's driver's license is verified annually by the entity that owns, leases, or contracts for the ~~school bus~~ type III vehicle as required under section 171.321, subdivision 5.

(h) A person who sustains a conviction, as defined under section 609.02, of violating section 169A.25, 169A.26, 169A.27, or 169A.31, or whose driver's license is revoked under sections 169A.50 to 169A.53 of the implied consent law, or who is convicted of violating or whose driver's license is revoked under a similar statute or ordinance of another state, is precluded from operating a type III vehicle for five years from the date of conviction.

(i) A person who has ever been convicted of a disqualifying offense as defined in section 171.3215, subdivision 1, paragraph (c), may not operate a type III vehicle under this subdivision.

(j) A person who sustains a conviction, as defined under section 609.02, of a moving offense in violation of chapter 169 within three years of the first of three other moving offenses is precluded from operating a type III vehicle for one year from the date of the last conviction.

(k) An operator who sustains a conviction as described in paragraph (h), (i), or (j) while employed by the entity that owns, leases, or contracts for the school bus, shall report the conviction to the employer within ten days of the date of the conviction.

(l) Students riding the type III vehicle must have training required under section 123B.90, subdivision 2.

(m) Documentation of meeting the requirements listed in this subdivision must be maintained under separate file at the business location for each type III vehicle operator. The business manager, school board, governing body of a nonpublic school, or any

other entity that owns, leases, or contracts for the type III vehicle operating under this subdivision is responsible for maintaining these files for inspection.

(n) The type III vehicle must bear a current certificate of inspection issued under section 169.451.

(o) An employee of a school or of a school district, who is not employed for the sole purpose of operating a type III vehicle, is exempt from paragraphs (e) and (f).

(p) Notwithstanding any law to the contrary, any person who conducts testing under paragraph (f) is exempt from section 181.953, subdivisions 9 and 10, paragraph (b).

EFFECTIVE DATE. This section is effective July 1, 2010.

Sec. 8. Minnesota Statutes 2008, section 171.321, subdivision 2, is amended to read:

Subd. 2. **Rules.** (a) The commissioner of public safety shall prescribe rules governing (1) the physical qualifications of school bus drivers and tests required to obtain a school bus endorsement and (2) the physical qualifications of type III vehicle drivers. The rules for physical qualifications of type III vehicle drivers are not subject to chapter 14 and section 14.386 does not apply.

(b) The rules under paragraph (a) must provide that an applicant for a school bus endorsement or renewal is exempt from the physical qualifications and medical examination required to operate a school bus upon providing evidence of being medically examined and certified within the preceding 24 months as physically qualified to operate a commercial motor vehicle, pursuant to Code of Federal Regulations, title 49, part 391, subpart E, or rules of the commissioner of transportation incorporating those federal regulations. The commissioner shall accept physical examinations for school bus drivers conducted by medical examiners authorized as provided by Code of Federal Regulations, title 49, chapter 3, part 391, subpart E.

~~(b)~~ (c) The commissioner of public safety, in conjunction with the commissioner of education, shall adopt rules prescribing a training program for Head Start bus drivers. The program must provide for initial classroom and behind-the-wheel training, and annual in-service training. The program must provide training in defensive driving, human relations, emergency and accident procedures, vehicle maintenance, traffic laws, and use of safety equipment. The program must provide that the training will be conducted by the contract operator for a Head Start agency, the Head Start grantee, a licensed driver training school, or by another person or entity approved by both commissioners.

(d) The commissioner may exempt a type III vehicle driver from the physical qualifications required to operate a type III vehicle upon receiving evidence of the driver having been medically examined and certified within the preceding 24 months as

physically qualified to operate a commercial motor vehicle as provided for applicants for a school bus endorsement under paragraph (b).

ARTICLE 8

EDUCATION FINANCE REFORM

Section 1. Minnesota Statutes 2008, section 123B.53, subdivision 5, is amended to read:

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

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

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

(2) ~~$3,200~~ 100 percent of the statewide adjusted net tax capacity equalizing factor.

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

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

(2) ~~$8,000~~ 200 percent of the statewide adjusted net tax capacity equalizing factor.

EFFECTIVE DATE. This section is effective for taxes payable in 2013 and later.

Sec. 2. **[123B.555] SCHOOL BOND AGRICULTURAL CREDIT.**

Subdivision 1. **Eligibility.** All class 2a, 2b, and 2c property under section 273.13, subdivision 23, except for property consisting of the house, garage, and immediately surrounding one acre of land of an agricultural homestead, is eligible to receive the credit under this section.

Subd. 2. **Credit amount.** For each qualifying property, the school bond agricultural credit is equal to 66 percent of the property's eligible net tax capacity multiplied by the school debt tax rate determined under section 275.08, subdivision 1b.

Subd. 3. **Credit reimbursements.** The county auditor shall determine the tax reductions allowed under this section within the county for each taxes payable year and shall certify that amount to the commissioner of revenue as a part of the abstracts of tax lists submitted under section 275.29. Any prior year adjustments shall also be certified on

the abstracts of tax lists. The commissioner shall review the certifications for accuracy, and may make such changes as are deemed necessary, or return the certification to the county auditor for correction. The credit under this section must be used to reduce the school district net tax capacity-based property tax as provided in section 273.1393.

Subd. 4. **Payment.** The commissioner of revenue shall certify the total of the tax reductions granted under this section for each taxes payable year within each school district to the commissioner of education, who shall pay the reimbursement amounts to each school district as provided in section 273.1392.

EFFECTIVE DATE. This section is effective for taxes payable in 2013 and later.

Sec. 3. Minnesota Statutes 2008, section 124D.4531, as amended by Laws 2009, chapter 88, article 2, section 1, is amended to read:

124D.4531 CAREER AND TECHNICAL ~~LEVY~~ AID.

Subdivision 1. **Career and technical ~~levy~~ aid.** (a) A district with a career and technical program approved under this section ~~for the fiscal year in which the levy is certified may levy an amount~~ is eligible for aid equal to the lesser of:

(1) ~~$80~~ $240 times the district's average daily membership in grades 10 through 12 for the current fiscal year ~~in which the levy is certified~~; or

(2) 25 percent of approved expenditures in the previous fiscal year ~~in which the levy is certified~~ for the following:

(i) salaries paid to essential, licensed personnel providing direct instructional services to students in that fiscal year for services rendered in the district's approved career and technical education programs;

(ii) contracted services provided by a public or private agency other than a Minnesota school district or cooperative center under subdivision 7;

(iii) necessary travel between instructional sites by licensed career and technical education personnel;

(iv) necessary travel by licensed career and technical education personnel for vocational student organization activities held within the state for instructional purposes;

(v) curriculum development activities that are part of a five-year plan for improvement based on program assessment;

(vi) necessary travel by licensed career and technical education personnel for noncollegiate credit-bearing professional development; and

(vii) specialized vocational instructional supplies.

(b) Up to ten percent of a district's career and technical ~~levy~~ aid may be spent on equipment purchases. Districts using the career and technical ~~levy~~ aid for equipment purchases must report to the department on the improved learning opportunities for students that result from the investment in equipment.

~~(c) The district must recognize the full amount of this levy as revenue for the fiscal year in which it is certified.~~

Subd. 2. **Allocation from cooperative centers and intermediate districts.** For purposes of this section, a cooperative center or an intermediate district must allocate its approved expenditures for career and technical education programs among participating districts.

Subd. 3. **~~Levy~~ Aid guarantee.** Notwithstanding subdivision 1, the career and technical education ~~levy~~ aid for a district is not less than the lesser of:

(1) the district's career and technical education ~~levy authority~~ revenue for the previous fiscal year; or

(2) 100 percent of the approved expenditures for career and technical programs included in subdivision 1, paragraph (b), for the prior fiscal year ~~in which the levy is certified~~.

Subd. 4. **District reports.** Each district or cooperative center must report data to the department for all career and technical education programs as required by the department ~~to implement the career and technical levy formula~~.

Subd. 5. **Allocation from districts participating in agreements for secondary education or interdistrict cooperation.** For purposes of this section, a district with a career and technical program approved under this section that participates in an agreement under section 123A.30 or 123A.32 must allocate its levy authority under this section among participating districts.

EFFECTIVE DATE. This section is effective for aid payments for fiscal year 2014 and thereafter.

Sec. 4. Minnesota Statutes 2008, section 124D.59, subdivision 2, is amended to read:

Subd. 2. **Pupil of limited English proficiency.** (a) "Pupil of limited English proficiency" means a pupil in kindergarten through grade 12 who meets the following requirements:

(1) the pupil, as declared by a parent or guardian first learned a language other than English, comes from a home where the language usually spoken is other than English, or usually speaks a language other than English; and

(2) the pupil is determined by developmentally appropriate measures, which might include observations, teacher judgment, parent recommendations, or developmentally appropriate assessment instruments, to lack the necessary English skills to participate fully in classes taught in English.

(b) Notwithstanding paragraph (a), a pupil in grades 4 through 12 who was enrolled in a Minnesota public school on the dates during the previous school year when a commissioner provided assessment that measures the pupil's emerging academic English was administered, shall not be counted as a pupil of limited English proficiency in calculating limited English proficiency pupil units under section 126C.05, subdivision 17, and shall not generate state limited English proficiency aid under section 124D.65, subdivision 5, unless the pupil scored below the state cutoff score on an assessment measuring emerging academic English provided by the commissioner during the previous school year.

(c) Notwithstanding paragraphs (a) and (b), a pupil in kindergarten through grade 12 shall not be counted as a pupil of limited English proficiency in calculating limited English proficiency pupil units under section 126C.05, subdivision 17, and shall not generate state limited English proficiency aid under section 124D.65, subdivision 5, if~~:~~

~~(1)~~ the pupil is not enrolled during the current fiscal year in an educational program for pupils of limited English proficiency in accordance with sections 124D.58 to 124D.64~~;~~ ~~or~~.

~~(2) the pupil has generated five or more years of average daily membership in Minnesota public schools since July 1, 1996.~~

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 5. Minnesota Statutes 2008, section 124D.65, subdivision 5, is amended to read:

Subd. 5. **School district LEP revenue.** (a) A district's limited English proficiency programs revenue equals the product of: (1) ~~$700 in fiscal year 2004 and later times~~ .2; (2) the basic formula allowance for that year; and (3) the greater of 20 or the adjusted marginal cost average daily membership of eligible pupils of limited English proficiency enrolled in the district during the current fiscal year.

(b) A pupil ceases to generate state limited English proficiency aid in the school year following the school year in which the pupil attains the state cutoff score on a commissioner-provided assessment that measures the pupil's emerging academic English.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 6. Minnesota Statutes 2008, section 125A.76, subdivision 5, is amended to read:

Subd. 5. **School district special education aid.** A school district's special education aid ~~for fiscal year 2008 and later~~ equals ~~the state total special education aid times the ratio of the district's~~ its initial special education aid ~~to the state total initial special education aid~~.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 7. Minnesota Statutes 2008, section 125A.79, subdivision 7, is amended to read:

Subd. 7. **District special education excess cost aid.** A district's special education excess cost aid ~~for fiscal year 2002 and later~~ equals ~~the state total special education excess cost aid times the ratio of the district's~~ its initial excess cost aid ~~to the state total initial excess cost aid~~.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 8. Minnesota Statutes 2008, section 126C.01, is amended by adding a subdivision to read:

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

EFFECTIVE DATE. This section is effective for taxes payable in 2013 and later.

Sec. 9. Minnesota Statutes 2008, section 126C.01, is amended by adding a subdivision to read:

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

EFFECTIVE DATE. This section is effective for taxes payable in 2013.

Sec. 10. Minnesota Statutes 2008, section 126C.01, is amended by adding a subdivision to read:

Subd. 5a. **Location equity index.** (a) A school district's location equity index equals each district's composite wage level divided by the statewide average wage for the same period. The composite wage level for a school district equals the sum of 50 percent of the district's county wage level and 50 percent of the district's economic development region composite wage level. The composite wage level is computed by using the most recent three-year weighted wage data.

(b) A school district's location equity index must not be less than .9 or greater than 1.05.

(c) The commissioner of education annually must recalculate the indexes in this section. For purposes of this subdivision, the commissioner must locate a school district with boundaries that cross county borders in the county that generates the highest location equity index for that district.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 11. Minnesota Statutes 2008, section 126C.05, subdivision 1, is amended to read:

Subdivision 1. **Pupil unit.** Pupil units for each Minnesota resident pupil under the age of 21 or who meets the requirements of section 120A.20, subdivision 1, paragraph (c), in average daily membership enrolled in the district of residence, in another district under sections 123A.05 to 123A.08, 124D.03, 124D.08, or 124D.68; in a charter school under section 124D.10; or for whom the resident district pays tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65, shall be counted according to this subdivision.

(a) A prekindergarten pupil with a disability who is enrolled in a program approved by the commissioner and has an individual education plan is counted as the ratio of the number of hours of assessment and education service to 825 times 1.25 with a minimum average daily membership of 0.28, but not more than 1.25 pupil units.

(b) A prekindergarten pupil who is assessed but determined not to be disabled is counted as the ratio of the number of hours of assessment service to 825 times 1.25.

(c) A kindergarten pupil with a disability who is enrolled in a program approved by the commissioner is counted as the ratio of the number of hours of assessment and education services required in the fiscal year by the pupil's individual education program plan to 875, but not more than one.

(d) A kindergarten pupil who is not included in paragraph (c) is counted as ~~.612~~ 1.0 pupil units.

(e) A pupil who is in any of grades 1 to 3 is counted as ~~1.115~~ 1.0 pupil units for fiscal year 2000 and thereafter.

(f) A pupil who is any of grades 4 to 6 is counted as ~~1.06~~ 1.0 pupil units for fiscal year 1995 and thereafter.

(g) A pupil who is in any of grades 7 to 12 is counted as ~~1.3~~ 1.0 pupil units.

(h) A pupil who is in the postsecondary enrollment options program is counted as ~~1.3~~ 1.0 pupil units.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 12. Minnesota Statutes 2008, section 126C.05, subdivision 3, is amended to read:

Subd. 3. **Compensation revenue pupil units.** Compensation revenue pupil units ~~for fiscal year 1998 and thereafter~~ must be computed according to this subdivision.

(a) The compensation revenue concentration percentage for each ~~building in a~~ district equals the product of 100 times the ratio of:

(1) ~~the sum of~~ the number of pupils enrolled in the ~~building~~ district eligible to receive free ~~lunch plus one-half of the pupils eligible to receive reduced priced~~ or reduced-price lunch on October 1 of the previous fiscal year; to

(2) the number of pupils enrolled in the ~~building~~ district on October 1 of the previous fiscal year.

(b) The compensation revenue pupil weighting factor ~~for a building~~ equals the ~~lesser of one or the quotient obtained by dividing the building's~~ compensation revenue concentration percentage ~~by 80.0~~.

(c) The compensation revenue pupil units for a ~~building~~ district equals the product of:

(1) ~~the sum of~~ the number of pupils enrolled in the ~~building~~ district eligible to receive free ~~lunch and one-half of the pupils eligible to receive reduced priced~~ or reduced-price lunch on October 1 of the previous fiscal year; times

(2) the compensation revenue pupil weighting factor for the ~~building; times~~

~~(3) .60~~ district.

(d) Notwithstanding paragraphs (a) to (c), for charter schools and contracted alternative programs in the first year of operation, compensation revenue pupil units shall be computed using data for the current fiscal year. If the charter school or contracted alternative program begins operation after October 1, compensatory revenue pupil units shall be computed based on pupils enrolled on an alternate date determined by the

commissioner, and the compensation revenue pupil units shall be prorated based on the ratio of the number of days of student instruction to 170 days.

(e) The percentages in this subdivision must be based on the count of individual pupils and not on a building average or minimum.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 13. Minnesota Statutes 2008, section 126C.05, subdivision 5, is amended to read:

Subd. 5. **Adjusted pupil units.** ~~(a)~~ Adjusted pupil units for a district or charter school means the sum of:

(1) the number of pupil units served, according to subdivision 7, plus

(2) pupil units according to subdivision 1 for whom the district or charter school pays tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65, minus

(3) pupil units according to subdivision 1 for whom the district or charter school receives tuition under section 123A.18, 123A.22, 123A.30, 123A.32, 123A.44, 123A.488, 123B.88, subdivision 4, 124D.04, 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65.

~~(b) Adjusted marginal cost pupil units means the greater of:~~

~~(1) the sum of .77 times the pupil units defined in paragraph (a) for the current school year and .23 times the pupil units defined in paragraph (a) for the previous school year; or~~

~~(2) the number of adjusted pupil units defined in paragraph (a) for the current school year.~~

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 14. Minnesota Statutes 2008, section 126C.05, subdivision 6, is amended to read:

Subd. 6. **Resident pupil units.** ~~(a)~~ Resident pupil units for a district means the number of pupil units according to subdivision 1 residing in the district.

~~(b) Resident marginal cost pupil units means the greater of:~~

~~(1) the sum of .77 times the pupil units defined in paragraph (a) for the current year and .23 times the pupil units defined in paragraph (a) for the previous school year; or~~

~~(2) the number of resident pupil units defined in paragraph (a) for the current school year.~~

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 15. Minnesota Statutes 2008, section 126C.05, subdivision 8, is amended to read:

Subd. 8. **Average daily membership.** (a) Membership for pupils in grades kindergarten through 12 and for prekindergarten pupils with disabilities shall mean the number of pupils on the current roll of the school, counted from the date of entry until withdrawal. The date of withdrawal shall mean the day the pupil permanently leaves the school or the date it is officially known that the pupil has left or has been legally excused. However, a pupil, regardless of age, who has been absent from school for 15 consecutive school days during the regular school year or for five consecutive school days during summer school or intersession classes of flexible school year programs without receiving instruction in the home or hospital shall be dropped from the roll and classified as withdrawn. Nothing in this section shall be construed as waiving the compulsory attendance provisions cited in section 120A.22. Average daily membership equals the sum for all pupils of the number of days of the school year each pupil is enrolled in the district's schools divided by the number of days the schools are in session. Days of summer school or intersession classes of flexible school year programs are only included in the computation of membership for pupils with a disability not appropriately served primarily in the regular classroom. A student must not be counted as more than 1.2 pupils in average daily membership under this section. When the initial total average daily membership exceeds 1.2 for a pupil enrolled in more than one school district during the fiscal year, each district's average daily membership must be reduced proportionately.

(b) A student must not be counted as more than one pupil in average daily membership except for purposes of section 126C.10, subdivision 2a.

(c) For purposes of section 126C.10, subdivision 2a, only, a pupil's average daily membership is counted as 1.0 once a kindergarten or elementary pupil has received 960 hours of instruction during the school year and as 1.0 once a secondary student has received 1,050 hours of instruction during the school year.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 16. Minnesota Statutes 2008, section 126C.05, subdivision 16, is amended to read:

Subd. 16. **Free and reduced-price lunches.** The commissioner shall determine the number of children eligible to receive either a free or reduced-price lunch on October 1 each year. Children enrolled ~~in a building~~ on October 1 and determined to be eligible to

receive free or reduced-price lunch by December 15 of that school year shall be counted as eligible on October 1 for purposes of subdivision 3. The commissioner may use federal definitions for these purposes and may adjust these definitions as appropriate. The commissioner may adopt reporting guidelines to assure accuracy of data counts and eligibility. Districts shall use any guidelines adopted by the commissioner.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 17. Minnesota Statutes 2008, section 126C.05, subdivision 17, is amended to read:

Subd. 17. **LEP pupil units.** (a) Limited English proficiency pupil units ~~for fiscal year 2004 and thereafter shall be determined according to this subdivision.~~

~~(b) The limited English proficiency concentration percentage for a district equals the product of 100 times the ratio of:~~

~~(1)~~ means the number of eligible pupils of limited English proficiency in average daily membership enrolled in the district during the current fiscal year~~; to~~.

~~(2) the number of pupils in average daily membership enrolled in the district.~~

~~(c) The limited English proficiency pupil units for each eligible pupil of limited English proficiency in average daily membership equals the lesser of one or the quotient obtained by dividing the limited English proficiency concentration percentage for the pupil's district of enrollment by 11.5.~~

~~(d)~~ (b) Limited English proficiency pupil units shall be counted by the district of enrollment.

~~(e)~~ (c) Notwithstanding paragraph ~~(d)~~ (b), for the purposes of this subdivision, pupils enrolled in a cooperative or intermediate school district shall be counted by the district of residence.

~~(f)~~ (d) For the purposes of this subdivision, the terms defined in section 124D.59 have the same meaning.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 18. **[126C.09] EDUCATION FUNDING FRAMEWORK.**

Subdivision 1. **Basic formula framework; general classroom funding.** The general classroom funding for each school district equals the sum of the district's general education basic revenue, extended time revenue, compensatory revenue, LEP revenue, referendum replacement revenue, and special education revenue.

Subd. 2. **District instructional services.** A school district's instructional services revenue equals the sum of its operating sparsity revenue, location equity revenue, and declining enrollment revenue.

Subd. 3. **District support services.** A school district's support services revenue equals the sum of its operating capital revenue, alternative facilities revenue, integration revenue, and transportation revenue.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 19. Minnesota Statutes 2008, section 126C.10, subdivision 1, is amended to read:

Subdivision 1. **General education revenue.** (a) For fiscal year 2006 ~~and later~~ through 2013, the general education revenue for each district equals the sum of the district's basic revenue, extended time revenue, gifted and talented revenue, basic skills revenue, training and experience revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity revenue, total operating capital revenue, equity revenue, alternative teacher compensation revenue, and transition revenue.

(b) For fiscal years 2014 and later, a school district's general education revenue equals the sum of its basic revenue, extended time revenue, declining enrollment revenue, basic skills revenue, location equity revenue, referendum replacement revenue, secondary sparsity revenue, elementary sparsity revenue, transportation revenue, and total operating capital revenue.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 20. Minnesota Statutes 2008, section 126C.10, subdivision 2, is amended to read:

Subd. 2. **Basic revenue.** (a) The basic revenue for each district equals the formula allowance times the adjusted ~~marginal cost~~ pupil units for the school year.

(b) The formula allowance for fiscal year 2007 is $4,974. The formula allowance for fiscal year 2008 is $5,074 and the formula allowance for fiscal year 2009 ~~and subsequent years~~ is $5,124.

(c) The formula allowance for fiscal year 2014 is $7,500. The formula allowance for fiscal year 2015 and later equals the formula allowance for the previous year times the sum of 1.0 and the greater of zero or the ratio of implicit price deflator, as defined in section 275.70, subdivision 2, for the most recent year to the implicit price deflator for the previous year.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 21. Minnesota Statutes 2008, section 126C.10, subdivision 2a, is amended to read:

Subd. 2a. **Extended time revenue.** (a) A school district's extended time revenue is equal to the product of ~~$4,601~~ the formula allowance for that year and the sum of the adjusted ~~marginal cost~~ pupil units of the district for each pupil in average daily membership in excess of 1.0 and less than 1.2 according to section 126C.05, subdivision 8.

(b) A school district's extended time revenue may be used for extended day programs, extended week programs, summer school, and other programming authorized under the learning year program.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 22. Minnesota Statutes 2008, section 126C.10, is amended by adding a subdivision to read:

Subd. 2c. **Declining enrollment revenue.** A school district's declining enrollment revenue equals the greater of zero or the product of: (1) the basic formula allowance for that year; and (2) the difference between the mean average adjusted pupil units for the three preceding years and the adjusted pupil units for the current year.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 23. Minnesota Statutes 2008, section 126C.10, is amended by adding a subdivision to read:

Subd. 2d. **Location equity revenue.** A school district's location equity revenue equals the product of:

(1) .50;

(2) the basic formula allowance for that year;

(3) the district's adjusted pupil units for that year; and

(4) the district's location equity index minus .9.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 24. Minnesota Statutes 2008, section 126C.10, is amended by adding a subdivision to read:

Subd. 2e. **Referendum replacement revenue.** A school district's referendum replacement revenue equals $500 times the district's adjusted pupil units for that year.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 25. Minnesota Statutes 2008, section 126C.10, subdivision 3, is amended to read:

Subd. 3. **Compensatory education revenue.** (a) The compensatory education revenue for each ~~building in the~~ district equals the greater of: (1) $2,500 times the district's enrollment of students eligible for free or reduced-price meals under section 126C.05, subdivision 3, paragraph (a), clause (1); or (2) 40 percent of the formula allowance ~~minus $415~~ times the compensation revenue pupil units computed according to section 126C.05, subdivision 3. Revenue shall be paid to the district and must be allocated according to section 126C.15, subdivision 2.

(b) When the district contracting with an alternative program under section 124D.69 changes prior to the start of a school year, the compensatory revenue generated by pupils attending the program shall be paid to the district contracting with the alternative program for the current school year, and shall not be paid to the district contracting with the alternative program for the prior school year.

(c) When the fiscal agent district for an area learning center changes prior to the start of a school year, the compensatory revenue shall be paid to the fiscal agent district for the current school year, and shall not be paid to the fiscal agent district for the prior school year.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 26. Minnesota Statutes 2008, section 126C.10, subdivision 4, is amended to read:

Subd. 4. **Basic skills revenue.** A school district's basic skills revenue equals the sum of:

(1) compensatory revenue under subdivision 3; plus

(2) limited English proficiency revenue under section 124D.65, subdivision 5~~; plus~~.

~~(3) $250 times the limited English proficiency pupil units under section 126C.05, subdivision 17.~~

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 27. Minnesota Statutes 2008, section 126C.10, subdivision 6, is amended to read:

Subd. 6. **Definitions.** The definitions in this subdivision apply only to subdivisions 7 and 8.

(a) "High school" means a public secondary school, except a charter school under section 124D.10, that has pupils enrolled in at least the 10th, 11th, and 12th grades. If there is no high school in the district and the school is at least ~~19~~ 15 miles from the next nearest school, the commissioner must designate one school in the district as a high school for the purposes of this section.

(b) "Secondary average daily membership" means, for a district that has only one high school, the average daily membership of pupils served in grades 7 through 12. For a district that has more than one high school, "secondary average daily membership" for each high school means the product of the average daily membership of pupils served in grades 7 through 12 in the high school, times the ratio of six to the number of grades in the high school.

(c) "Attendance area" means the total surface area of the district, in square miles, divided by the number of high schools in the district. For a district that does not operate a high school and is less than ~~19~~ 15 miles from the nearest operating high school, the attendance area equals zero.

(d) "Isolation index" for a high school means the square root of 55 percent of the attendance area plus the distance in miles, according to the usually traveled routes, between the high school and the nearest high school. For a district in which there is located land defined in section 84A.01, 84A.20, or 84A.31, the distance in miles is the sum of:

(1) the square root of one-half of the attendance area; and

(2) the distance from the border of the district to the nearest high school.

(e) "Qualifying high school" means a high school that has an isolation index greater than 23 and that has secondary average daily membership of less than 400.

(f) "Qualifying elementary school" means a public elementary school, except a charter school under section 124D.10, that is located ~~19~~ 15 miles or more from the nearest elementary school or from the nearest elementary school within the district and, in either case, has an elementary average daily membership of an average of 20 or fewer per grade.

(g) "Elementary average daily membership" means, for a district that has only one elementary school, the average daily membership of pupils served in kindergarten through grade 6. For a district that has more than one elementary school, "average daily membership" for each school means the average daily membership of pupils served in kindergarten through grade 6 multiplied by the ratio of seven to the number of grades in the elementary school.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 28. Minnesota Statutes 2008, section 126C.10, subdivision 13, is amended to read:

Subd. 13. **Total operating capital and technology revenue.** (a) Total operating capital revenue for a district equals: (1) $50 times the adjusted pupil units for the school year for technology purposes; (2) for any district not participating in the alternative facilities program under section 123B.59, $600 times the adjusted pupil units for deferred maintenance and health and safety purposes under sections 123B.57 and 123B.59; (3) the amount determined under paragraph (b) or (c)~~, plus $73~~; and (4) $100 times the adjusted ~~marginal cost~~ pupil units for the school year. The revenue must be placed in a reserved account in the general fund and may only be used according to subdivision 14.

(b) Capital revenue for a district equals $100 times the district's maintenance cost index times its adjusted ~~marginal cost~~ pupil units for the school year.

(c) The revenue for a district that operates a program under section 124D.128, is increased by an amount equal to $30 times the number of ~~marginal cost~~ adjusted pupil units served at the site where the program is implemented.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 29. Minnesota Statutes 2008, section 126C.10, subdivision 14, is amended to read:

Subd. 14. **Uses of total operating capital revenue.** Technology revenue may only be used for purposes in clauses (18), (19), (21), (23), and (24). Total operating capital revenue may be used only for the following purposes:

(1) to acquire land for school purposes;

(2) to acquire or construct buildings for school purposes;

(3) to rent or lease buildings, including the costs of building repair or improvement that are part of a lease agreement;

(4) to improve and repair school sites and buildings, and equip or reequip school buildings with permanent attached fixtures, including library media centers;

(5) for a surplus school building that is used substantially for a public nonschool purpose;

(6) to eliminate barriers or increase access to school buildings by individuals with a disability;

(7) to bring school buildings into compliance with the State Fire Code adopted according to chapter 299F;

(8) to remove asbestos from school buildings, encapsulate asbestos, or make asbestos-related repairs;

(9) to clean up and dispose of polychlorinated biphenyls found in school buildings;

(10) to clean up, remove, dispose of, and make repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296A.01;

(11) for energy audits for school buildings and to modify buildings if the audit indicates the cost of the modification can be recovered within ten years;

(12) to improve buildings that are leased according to section 123B.51, subdivision 4;

(13) to pay special assessments levied against school property but not to pay assessments for service charges;

(14) to pay principal and interest on state loans for energy conservation according to section 216C.37 or loans made under the Douglas J. Johnson Economic Protection Trust Fund Act according to sections 298.292 to 298.298;

(15) to purchase or lease interactive telecommunications equipment;

(16) by board resolution, to transfer money into the debt redemption fund to: (i) pay the amounts needed to meet, when due, principal and interest payments on certain obligations issued according to chapter 475; or (ii) pay principal and interest on debt service loans or capital loans according to section 126C.70;

(17) to pay operating capital-related assessments of any entity formed under a cooperative agreement between two or more districts;

(18) to purchase or lease computers and related materials, copying machines, telecommunications equipment, and other noninstructional equipment;

(19) to purchase or lease assistive technology or equipment for instructional programs;

(20) to purchase textbooks;

(21) to purchase new and replacement library media resources or technology;

(22) to purchase vehicles;

(23) to purchase or lease telecommunications equipment, computers, and related equipment for integrated information management systems for:

(i) managing and reporting learner outcome information for all students under a results-oriented graduation rule;

(ii) managing student assessment, services, and achievement information required for students with individual education plans; and

(iii) other classroom information management needs; and

(24) to pay personnel costs directly related to the acquisition, operation, and maintenance of telecommunications systems, computers, related equipment, and network and applications software.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014.

Sec. 30. Minnesota Statutes 2008, section 126C.10, subdivision 18, is amended to read:

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

(i) Multiply the formula allowance according to subdivision 2, by .1469.

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

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

(iv) Multiply the formula allowance according to subdivision 2, by .0485.

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

~~(b) Transportation sparsity revenue is equal to the transportation sparsity allowance times the adjusted marginal cost pupil units.~~

EFFECTIVE DATE. This section is effective for fiscal year 2014 and later.

Sec. 31. Minnesota Statutes 2008, section 126C.10, is amended by adding a subdivision to read:

Subd. 18a. **Transportation revenue.** (a) A school district's transportation revenue equals the sum of its transportation sparsity revenue, hazardous transportation revenue, and bus purchase revenue.

(b) A school district's transportation sparsity revenue equals its transportation sparsity allowance times its adjusted pupil units for that year.

(c) A school district's hazardous transportation aid equals the amount necessary to provide transportation services to students facing hazardous transportation conditions. A district's hazardous transportation aid must not exceed 20 percent of the district's total regular to and from school transportation costs for that year. For any year, a school district may receive aid under this paragraph only after the school board has considered the comprehensive plan for hazardous transportation submitted by the district's pupil transportation safety committee at a regularly scheduled meeting of the school board. The

comprehensive plan may not be adopted until after the board has allowed the public reasonable time to testify on the plan.

(d) A school district's bus purchase revenue equals five percent of the district's spending on transportation services for the previous fiscal year.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 32. **[126C.115] INNOVATION REVENUE.**

(a) A school district must use its innovation revenue to implement evidence-based innovation premised on research-based curriculum and instruction and other education programs and practices, including best teaching practices, that are known to improve academic performance for diverse groups of students. If a school district demonstrates low growth and needs to improve students' current achievement and educational growth, as measured by a growth-based value-added system under section 120B.35, the school district must submit a plan to the commissioner, developed in consultation with interested parents, that describes how the district proposes to use its innovation revenue to supplement state reading requirements under section 120B.12, subdivision 1, and state math and science requirements under section 120B.023, subdivision 2, paragraphs (b) and (d), and improve student outcomes. The plan must:

(1) identify specific education goals, consistent with this section, and the indicators to demonstrate progress toward achieving those goals, which may include a value-added assessment model under sections 120B.35 and 120B.362;

(2) supplement current district initiatives that may transform district programs, practices, and processes sufficient to significantly improve student outcomes, which may include, among other initiatives, an organizational assessment and performance improvement process under section 120B.3625; and

(3) demonstrate how innovation revenue helps narrow and eliminate differences in student academic achievement in reading, math, and science based on student measures of mobility, attendance, race and ethnicity, gender, English language learner status, eligibility for free or reduced price lunch, and special education, among other outcomes.

(b) After transmitting its plan to the commissioner, a district must spend its innovation revenue effectively and efficiently, consistent with its plan. A school district that submits an innovation revenue plan under paragraph (a) must report annually by June 30 to the commissioner and post on the district's official Web site reliable and accessible information and supporting longitudinal data showing the amount of progress the district made in the immediately preceding school year and previous school years in realizing its

innovation revenue goals. The commissioner must analyze the data from the annual district reports and post the analysis on the department's official Web site.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 33. Minnesota Statutes 2008, section 126C.13, subdivision 4, is amended to read:

Subd. 4. **General education aid.** ~~For fiscal years 2007 and later,~~ A district's general education aid ~~is the sum of the following amounts~~ equals its:

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

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

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

~~(4) alternative teacher compensation aid under section 126C.10, subdivision 36;~~

~~(5) transition aid under section 126C.10, subdivision 33~~ for that year;

~~(6)~~ (2) shared time aid under section 126C.01, subdivision 7;

~~(7)~~ (3) referendum aid under section 126C.17, subdivisions 7 and 7a; and

~~(8)~~ (4) online learning aid according to section 124D.096.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 34. Minnesota Statutes 2008, section 126C.13, subdivision 5, is amended to read:

Subd. 5. **Uses of revenue.** ~~Except as provided in sections 126C.10, subdivision 14; 126C.12; and 126C.15,~~ (a) General education revenue may be used during the regular school year and the summer for general and special school purposes and for prekindergarten programs except as limited by paragraph (b).

(b) General education revenue set-asides include:

(1) 1.0 percent of basic revenue must be used only for gifted and talented activities consistent with section 120B.15;

(2) 5.0 percent of basic revenue must be used only to implement a district's innovative revenue program activities under section 126C.115;

(3) basic skills revenue must be used according to section 126C.15; and

(4) operating capital revenue must be spent according to section 126C.10, subdivision 14.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 35. Minnesota Statutes 2008, section 126C.17, subdivision 1, is amended to read:

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

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

~~(c) For fiscal year 2004 and later,~~ A district's referendum revenue allowance equals the sum of:

(1) the ~~product of (i) the ratio of the resident marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002, section 126C.05, to the district's resident marginal cost pupil units for fiscal year 2004, times (ii) the~~ greater of zero or the district's initial referendum allowance ~~plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and May 30, 2003,~~ for fiscal year ~~2003 and later~~ 2014 less $500, plus

(2) any additional allowance per resident ~~marginal cost~~ pupil unit authorized under subdivision 9 after May 30, ~~2003~~ 2012, for fiscal year ~~2005~~ 2014 and later.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 36. Minnesota Statutes 2008, section 126C.17, subdivision 5, is amended to read:

Subd. 5. **Referendum equalization revenue.** (a) ~~For fiscal year 2003 and later,~~ A district's referendum equalization revenue equals the sum of the first tier referendum equalization revenue and the second tier referendum equalization revenue.

~~(b) A district's first tier referendum equalization revenue equals the district's first tier referendum equalization allowance times the district's resident marginal cost pupil units for that year.~~

~~(c) For fiscal year 2006, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or $500. For~~

~~fiscal year 2007, a district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or $600.~~

~~For fiscal year 2008 and later,~~ (b) A district's first tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or $700.

~~(d)~~ (c) A district's second tier referendum equalization revenue equals the district's second tier referendum equalization allowance times the district's resident marginal cost pupil units for that year.

~~(c) For fiscal year 2006, a district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 18.6 percent of the formula allowance, minus the district's first tier referendum equalization allowance. For fiscal year 2007 and later,~~ (d) A district's second tier referendum equalization allowance equals the lesser of the district's referendum allowance under subdivision 1 or 26 percent of the formula allowance, minus the district's first tier referendum equalization allowance.

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

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014.

Sec. 37. Minnesota Statutes 2008, section 126C.17, subdivision 6, is amended to read:

Subd. 6. **Referendum equalization levy.** (a) ~~For fiscal year 2003 and later,~~ A district's referendum equalization levy equals the sum of the first tier referendum equalization levy and the second tier referendum equalization levy.

(b) A district's first tier referendum equalization levy equals the district's first tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to ~~$476,000~~ 100 percent of the statewide referendum market value equalizing factor.

(c) A district's second tier referendum equalization levy equals the district's second tier referendum equalization revenue times the lesser of one or the ratio of the district's referendum market value per resident marginal cost pupil unit to ~~$270,000~~ 60 percent of the statewide referendum market value equalizing factor.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014.

Sec. 38. Minnesota Statutes 2008, section 126C.20, is amended to read:

126C.20 ANNUAL GENERAL EDUCATION AID APPROPRIATION.

There is annually appropriated from the general fund to the department the ~~amount~~ amounts necessary for: (1) general education aid; (2) special education aid; (3) debt service aid; and (4) the school bond agricultural credit. ~~This amount~~ These amounts must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 39. Minnesota Statutes 2008, section 126C.40, subdivision 1, is amended to read:

Subdivision 1. **To lease building or land.** (a) When an independent or a special school district or a group of independent or special school districts finds it economically advantageous to rent or lease a building or land for any instructional ~~purposes~~ or administrative purpose, or for school storage or furniture repair, and it determines that the operating capital revenue authorized under section 126C.10, subdivision 13, is insufficient for this purpose, it may apply to the commissioner for permission to make an additional capital expenditure levy for this purpose. An application for permission to levy under this subdivision must contain financial justification for the proposed levy, the terms and conditions of the proposed lease, and a description of the space to be leased and its proposed use.

(b) The criteria for approval of applications to levy under this subdivision must include: the reasonableness of the price, the appropriateness of the space to the proposed activity, the feasibility of transporting pupils to the leased building or land, conformity of the lease to the laws and rules of the state of Minnesota, and the appropriateness of the proposed lease to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than the cost to the district of renting or leasing a building or land for approved purposes. The proceeds of this levy must not be used for custodial or other maintenance services. A district may not levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself.

(c) For agreements finalized after July 1, 1997, a district may not levy under this subdivision for the purpose of leasing: (1) a newly constructed building used primarily for regular kindergarten, elementary, or secondary instruction; or (2) a newly constructed building addition or additions used primarily for regular kindergarten, elementary, or

secondary instruction that contains more than 20 percent of the square footage of the previously existing building.

(d) Notwithstanding paragraph (b), a district may levy under this subdivision for the purpose of leasing or renting a district-owned building or site to itself only if the amount is needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, and the levy meets the requirements of paragraph (c). A levy authorized for a district by the commissioner under this paragraph may be in the amount needed by the district to make payments required by a lease purchase agreement, installment purchase agreement, or other deferred payments agreement authorized by law, provided that any agreement include a provision giving the school districts the right to terminate the agreement annually without penalty.

(e) The total levy under this subdivision for a district for any year must not exceed $150 times the resident pupil units for the fiscal year to which the levy is attributable.

(f) For agreements for which a review and comment have been submitted to the Department of Education after April 1, 1998, the term "instructional purpose" as used in this subdivision excludes expenditures on stadiums.

(g) The commissioner of education may authorize a school district to exceed the limit in paragraph (e) if the school district petitions the commissioner for approval. The commissioner shall grant approval to a school district to exceed the limit in paragraph (e) for not more than five years if the district meets the following criteria:

(1) the school district has been experiencing pupil enrollment growth in the preceding five years;

(2) the purpose of the increased levy is in the long-term public interest;

(3) the purpose of the increased levy promotes colocation of government services; and

(4) the purpose of the increased levy is in the long-term interest of the district by avoiding over construction of school facilities.

(h) A school district that is a member of an intermediate school district may include in its authority under this section the costs associated with leases of administrative and classroom space for intermediate school district programs. This authority must not exceed ~~$43~~ $50 times the adjusted marginal cost pupil units of the member districts. This authority is in addition to any other authority authorized under this section.

(i) In addition to the allowable capital levies in paragraph (a), a district that is a member of the "Technology and Information Education Systems" data processing joint board, that finds it economically advantageous to enter into a lease purchase agreement for

a building for a group of school districts or special school districts for staff development purposes, may levy for its portion of lease costs attributed to the district within the total levy limit in paragraph (e).

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014 and later.

Sec. 40. Minnesota Statutes 2008, section 127A.51, is amended to read:

127A.51 STATEWIDE AVERAGE REVENUE.

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

If the disparity in adjusted general revenue as measured by the ratio of the 95th percentile to the fifth percentile increases in any year, the commissioner shall recommend to the legislature options for change in the general education formula that will limit the disparity in adjusted general revenue to no more than the disparity for the previous school year. The commissioner must submit the recommended options to the education committees of the legislature by January 15.

For purposes of this section and section 126C.10, adjusted general revenue means:

(1) for fiscal year 2002, the sum of basic revenue under section 126C.10, subdivision 2; supplemental revenue under section 126C.10, subdivisions 9 and 12; transition revenue under section 126C.10, subdivision 20; referendum revenue under section 126C.17; and equity revenue under section 126C.10, subdivisions 24a and 24b; ~~and~~

(2) for fiscal year 2003 ~~and later~~ through 2013, the sum of basic revenue under section 126C.10, subdivision 2; referendum revenue under section 126C.17; and equity revenue under section 126C.10, subdivisions 24a and 24b~~.~~; and

(3) for fiscal year 2014 and later, the sum of basic revenue under section 126C.10, subdivision 2, and referendum revenue under section 126C.17.

EFFECTIVE DATE. This section is effective for fiscal year 2014 and later.

Sec. 41. **PHASE-IN.**

Subdivision 1. **Baseline revenue.** A school district's baseline revenue equals the revenue amounts for the aid appropriations calculated under Minnesota Statutes, section

126C.20, calculated using the current year's data and the revenue formulas in place in Minnesota Statutes 2008.

Subd. 2. **New revenue.** A school district's new revenue equals the revenue amounts for the aid appropriations calculated under Minnesota Statutes, section 126C.20, calculated using the current year's data and the revenue formulas in place under this act.

Subd. 3. **Phase-in schedule.** A school district's revenue amounts for the revenue formulas listed in subdivisions 1 and 2 equals the district's baseline revenue plus the percent of the difference specified in subdivision 6 multiplied by the number of years of the phase in specified in subdivision 7.

Subd. 4. **Aid.** A school district's aid entitlement for the formulas listed under this act equals the district's baseline aid plus the phase-in percentage times the new aid amounts calculated under this act.

Subd. 5. **Levy.** A school district levy for the formulas listed in this act equals the levy for the same formulas calculated under Minnesota Statutes 2008, and the phase-in percentage times the new revenue amounts for the levy calculated under this act.

Subd. 6. **Percentage.** The phase-in percentage equals 25 percent.

Subd. 7. **Years of phase-in.** The new revenue under this section is phased in over four years.

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 42. **REVISOR'S INSTRUCTION.**

In the year 2014 and subsequent editions of Minnesota Statutes, the revisor of statutes shall change all references to "adjusted marginal cost pupil units" to "adjusted pupil units" and all references to "resident marginal cost pupil units" to "resident pupil units."

EFFECTIVE DATE. This section is effective July 1, 2013.

Sec. 43. **REPEALER.**

Minnesota Statutes 2008, sections 123B.54; 123B.57, subdivisions 3, 4, and 5; 123B.591; 125A.76, subdivision 4; 125A.79, subdivision 6; 126C.10, subdivisions 2b, 13a, 13b, 24, 25, 26, 27, 28, 29, 30, 31, 31a, 31b, 32, 33, 34, 35, and 36; 126C.12; 126C.126; and 127A.50, are repealed.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2014.

ARTICLE 9

FORECAST ADJUSTMENTS

Section 1. Minnesota Statutes 2009 Supplement, section 123B.54, is amended to read:

123B.54 DEBT SERVICE APPROPRIATION.

(a) ~~$9,109,000 in fiscal year 2009, $7,948,000~~ $6,608,000 in fiscal year 2010, ~~$9,275,000~~ $8,465,000 in fiscal year 2011, ~~$9,574,000~~ $16,900,000 in fiscal year 2012, and ~~$8,904,000~~ $19,175,000 in fiscal year 2013 and later are appropriated from the general fund to the commissioner of education for payment of debt service equalization aid under section 123B.53.

(b) The appropriations in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Laws 2009, chapter 96, article 4, section 12, subdivision 3, is amended to read:

Subd. 3. **Debt service equalization.** For debt service aid according to Minnesota Statutes, section 123B.53, subdivision 6:

	~~7,948,000~~		
$	6,608,000	.....	2010
	~~9,275,000~~		
$	8,465,000	.....	2011

The 2010 appropriation includes $851,000 for 2009 and ~~$7,097,000~~ $5,757,000 for 2010.

The 2011 appropriation includes ~~$788,000~~ $2,128,000 for 2010 and ~~$8,487,000~~ $6,337,000 for 2011.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Laws 2009, chapter 96, article 5, section 13, subdivision 4, is amended to read:

Subd. 4. **Kindergarten milk.** For kindergarten milk aid under Minnesota Statutes, section 124D.118:

	~~1,098,000~~		
$	1,104,000	.....	2010
	~~1,120,000~~		
$	1,126,000	.....	2011

ARTICLE 10

EARLY CHILDHOOD EDUCATION, PREVENTION, SELF-SUFFICIENCY, AND LIFELONG LEARNING

Section 1. Minnesota Statutes 2008, section 121A.16, is amended to read:

121A.16 EARLY CHILDHOOD HEALTH AND DEVELOPMENT SCREENING; PURPOSE.

The legislature finds that early detection of children's health and developmental problems can reduce their later need for costly care, minimize their physical and educational disabilities, and aid in their rehabilitation. The purpose of sections 121A.16 to 121A.19 is to assist parents and communities in improving the health of Minnesota children and in planning educational and health programs. Charter schools that elect to provide a screening program must comply with the requirements of sections 121A.16 to 121A.19.

Sec. 2. Minnesota Statutes 2008, section 121A.17, subdivision 5, is amended to read:

Subd. 5. **Developmental screening program information.** The board must inform each resident family with a child eligible to participate in the developmental screening program, and a charter school that provides screening must inform families that apply for admission to the charter school, about the availability of the program and the state's requirement that a child receive a developmental screening or provide health records indicating that the child received a comparable developmental screening from a public or private health care organization or individual health care provider not later than 30 days after the first day of attending kindergarten in a public school. A school district must inform all resident families with eligible children under age seven, and a charter school that provides screening must inform families that apply for admission to the charter school, that their children may receive a developmental screening conducted either by the school district or by a public or private health care organization or individual health care provider and that the screening is not required if a statement signed by the child's parent or guardian is submitted to the administrator or other person having general control and supervision of the school that the child has not been screened.

Sec. 3. Minnesota Statutes 2009 Supplement, section 124D.10, subdivision 8, is amended to read:

Subd. 8. **Federal, state, and local requirements.** (a) A charter school shall meet all federal, state, and local health and safety requirements applicable to school districts.

(b) A school must comply with statewide accountability requirements governing standards and assessments in chapter 120B.

(c) A school sponsored by a school board may be located in any district, unless the school board of the district of the proposed location disapproves by written resolution.

(d) A charter school must be nonsectarian in its programs, admission policies, employment practices, and all other operations. A sponsor may not authorize a charter school or program that is affiliated with a nonpublic sectarian school or a religious institution. A charter school student must be released for religious instruction, consistent with section 120A.22, subdivision 12, clause (3).

(e) Charter schools must not be used as a method of providing education or generating revenue for students who are being home-schooled.

(f) The primary focus of a charter school must be to provide a comprehensive program of instruction for at least one grade or age group from five through 18 years of age. Instruction may be provided to people younger than five years and older than 18 years of age.

(g) A charter school may not charge tuition.

(h) A charter school is subject to and must comply with chapter 363A and section 121A.04.

(i) A charter school is subject to and must comply with the Pupil Fair Dismissal Act, sections 121A.40 to 121A.56, and the Minnesota Public School Fee Law, sections 123B.34 to 123B.39.

(j) A charter school is subject to the same financial audits, audit procedures, and audit requirements as a district. Audits must be conducted in compliance with generally accepted governmental auditing standards, the Federal Single Audit Act, if applicable, and section 6.65. A charter school is subject to and must comply with sections 15.054; 118A.01; 118A.02; 118A.03; 118A.04; 118A.05; 118A.06; 471.38; 471.391; 471.392; and 471.425. The audit must comply with the requirements of sections 123B.75 to 123B.83, except to the extent deviations are necessary because of the program at the school. Deviations must be approved by the commissioner and authorizer. The Department of Education, state auditor, legislative auditor, or authorizer may conduct financial, program, or compliance audits. A charter school determined to be in statutory operating debt under sections 123B.81 to 123B.83 must submit a plan under section 123B.81, subdivision 4.

(k) A charter school is a district for the purposes of tort liability under chapter 466.

(l) A charter school must comply with chapters 13 and 13D; and sections 120A.22, subdivision 7; 121A.75; and 260B.171, subdivisions 3 and 5.

(m) A charter school is subject to the Pledge of Allegiance requirement under section 121A.11, subdivision 3.

(n) A charter school offering online courses or programs must comply with section 124D.095.

(o) A charter school and charter school board of directors are subject to chapter 181.

(p) A charter school must comply with section 120A.22, subdivision 7, governing the transfer of students' educational records and sections 138.163 and 138.17 governing the management of local records.

(q) A charter school that provides early childhood health and developmental screening must comply with sections 121A.16 to 121A.19.

Sec. 4. Minnesota Statutes 2008, section 124D.141, subdivision 1, is amended to read:

Subdivision 1. **Membership; duties.** Two members of the house of representatives, one appointed by the speaker and one appointed by the minority leader; and two members of the senate appointed by the Subcommittee on Committees of the Committee on Rules and Administration, including one member of the minority; the commissioner of health or the commissioner's designee; and two parents with a child under age six, shall be added to the membership of the State Advisory Council on Early Education and Care. The council must fulfill the duties required under the federal Improving Head Start for School Readiness Act of 2007 as provided in Public Law 110-134.

Sec. 5. Minnesota Statutes 2008, section 124D.141, subdivision 2, is amended to read:

Subd. 2. **Additional duties.** The following duties are added to those assigned to the council under federal law:

(1) make recommendations on the most efficient and effective way to leverage state and federal funding streams for early childhood and child care programs;

(2) make recommendations on how to coordinate or colocate early childhood and child care programs in one state Office of Early Learning~~.~~; The council shall establish a task force to develop these recommendations. The task force shall include two nonexecutive branch or nonlegislative branch representatives from the council; six representatives from the early childhood caucus; two representatives each from the Departments of Education, Human Services, and Health; one representative each from a local public health agency, a local county human services agency, and a school district; and two representatives from the private nonprofit organizations that support early childhood programs in Minnesota. In developing recommendations in coordination with existing efforts of the council, the task force shall consider how to:

(i) consolidate and coordinate resources and public funding streams for early childhood education and child care, and ensure the accountability and coordinated development of all early childhood education and child care services to children from birth to kindergarten entrance;

(ii) create a seamless transition from early childhood programs to kindergarten;

(iii) encourage family choice by ensuring a mixed system of high-quality public and private programs, with local points of entry, staffed by well-qualified professionals;

(iv) ensure parents a decisive role in the planning, operation, and evaluation of programs that aid families in the care of children;

(v) provide consumer education and accessibility to early childhood education and child care resources;

(vi) advance the quality of early childhood education and child care programs in order to support the healthy development of children and preparation for their success in school;

(vii) develop a seamless service delivery system with local points of entry for early childhood education and child care programs administered by local, state, and federal agencies;

(viii) ensure effective collaboration between state and local child welfare programs and early childhood mental health programs and the Office of Early Learning;

(ix) develop and manage an effective data collection system to support the necessary functions of a coordinated system of early childhood education and child care in order to enable accurate evaluation of its impact;

(x) respect and be sensitive to family values and cultural heritage; and

(xi) establish the administrative framework for and promote the development of early childhood education and child care services in order to provide that these services, staffed by well-qualified professionals, are available in every community for all families that express a need for them.

In addition, the task force must consider the following responsibilities for transfer to the Office of Early Learning:

(A) responsibilities of the commissioner of education for early childhood education programs and financing under sections 119A.50 to 119A.535, 121A.16 to 121A.19, and 124D.129 to 124D.2211;

(B) responsibilities of the commissioner of human services for child care assistance, child care development, and early childhood learning and child protection facilities programs and financing under chapter 119B and section 256E.37; and

(C) responsibilities of the commissioner of health for family home visiting programs and financing under section 145A.17.

Any costs incurred by the council in making these recommendations will be paid from private funds. If no private funds are received, the council will not proceed in making these recommendations. The council will report its recommendations to the governor and the legislature by January 15, 2011;

(3) review program evaluations regarding high-quality early childhood programs; ~~and~~

(4) make recommendations to the governor and legislature, including proposed legislation on how to most effectively create a high-quality early childhood system in Minnesota in order to improve the educational outcomes of children so that all children are school-ready by 2020~~.~~;

(5) make recommendations to the governor and the legislature by March 1, 2011, on the creation and implementation of a statewide school readiness report card to monitor progress toward the goal of having all children ready for kindergarten by the year 2020. The recommendations shall include what should be measured including both children and system indicators, what benchmarks should be established to measure state progress toward the goal, and how frequently the report card should be published. In making their recommendations, the council shall consider the indicators and strategies for Minnesota's early childhood system report, the Minnesota school readiness study, developmental assessment at kindergarten entrance, and the work of the council's accountability committee. Any costs incurred by the council in making these recommendations will be paid from private funds. If no private funds are received, the council will not proceed in making these recommendations; and

(6) make recommendations to the governor and the legislature on how to screen earlier and comprehensively assess children for school readiness in order to provide increased early interventions and increase the number of children ready for kindergarten. In formulating their recommendations, the council shall consider:

(i) ways to interface with parents of children who are not participating in early childhood education or care programs;

(ii) ways to interface with family child care providers, child care centers, and school-based early childhood and Head Start programs;

(iii) if there are age-appropriate and culturally sensitive screening and assessment tools for three-, four-, and five-year-olds;

(iv) the role of the medical community in screening;

(v) incentives for parents to have children screened at an earlier age;

(vi) incentives for early education and care providers to comprehensively assess children in order to improve instructional practice;

(vii) how to phase in increases in screening and assessment over time;

(viii) how the screening and assessment data will be collected and used and who will have access to the data;

(ix) how to monitor progress toward the goal of having 50 percent of three-year-old children screened and 50 percent of five-year-old children assessed for school readiness by 2015 and 100 percent of three-year-old children screened and five-year-old children assessed for school readiness by 2020; and

(x) costs to meet these benchmarks.

The council shall consider the screening instruments and comprehensive assessment tools used in Minnesota early childhood education and care programs and kindergarten. The council may survey early childhood education and care programs in the state to determine the screening and assessment tools being used or rely on previously collected survey data, if available. For purposes of this subdivision, "school readiness" is defined as the child's skills, knowledge, and behaviors at kindergarten entrance in these areas of child development: social; self-regulation; cognitive, including language, literacy, and mathematical thinking; and physical. For purposes of this subdivision, "screening" is defined as the activities used to identify a child who may need further evaluation to determine delay in development or disability. For purposes of this subdivision, "assessment" is defined as the activities used to determine a child's level of performance in order to promote the child's learning and development. Any costs incurred by the council in making these recommendations will be paid from private funds. If no private funds are received, the council will not proceed in making these recommendations. The council will report its recommendations to the governor and legislature by January 15, 2012, with an interim report on February 15, 2011.

Sec. 6. Minnesota Statutes 2009 Supplement, section 124D.15, subdivision 3, is amended to read:

Subd. 3. **Program requirements.** A school readiness program provider must:

(1) assess each child's cognitive skills with a comprehensive child assessment instrument when the child enters and again before the child leaves the program to inform program planning and parents and promote kindergarten readiness;

(2) provide comprehensive program content and intentional instructional practice aligned with the state early childhood learning guidelines and kindergarten standards and based on early childhood research and professional practice that is focused on children's

cognitive, social, emotional, and physical skills and development and prepares children for the transition to kindergarten, including early literacy skills;

(3) coordinate appropriate kindergarten transition with parents and kindergarten teachers;

~~(4) arrange for early childhood screening and appropriate referral;~~

~~(5)~~ (4) involve parents in program planning and decision making;

~~(6)~~ (5) coordinate with relevant community-based services;

~~(7)~~ (6) cooperate with adult basic education programs and other adult literacy programs;

~~(8)~~ (7) ensure staff-child ratios of one-to-ten and maximum group size of 20 children with the first staff required to be a teacher; and

~~(9)~~ (8) have teachers knowledgeable in early childhood curriculum content, assessment, and instruction.

Sec. 7. Minnesota Statutes 2008, section 124D.15, subdivision 12, is amended to read:

Subd. 12. **Program fees.** A district must adopt a sliding fee schedule based on a family's income but must waive a fee for a participant unable to pay. School districts must use school readiness aid for eligible children. Children who do not meet the eligibility requirements in subdivision 15 may participate on a fee-for-service basis.

Sec. 8. Minnesota Statutes 2008, section 124D.15, is amended by adding a subdivision to read:

Subd. 15. **Eligibility.** A child is eligible to participate in a school readiness program if the child:

(1) is at least three years old on September 1;

(2) has completed health and developmental screening within 90 days of program enrollment under sections 121A.16 to 121A.19; and

(3) has one or more of the following risk factors:

(i) qualifies for free or reduced-price lunch;

(ii) is an English language learning child;

(iii) is homeless;

(iv) has an individualized education program (IEP) or an individual interagency intervention plan (IIIP);

(v) is identified, through health and developmental screenings under sections 121A.16 to 121A.19, with a potential risk factor that may influence learning; or

(vi) is defined as at risk by the school district.

Sec. 9. Minnesota Statutes 2008, section 124D.20, subdivision 8, is amended to read:

Subd. 8. **Uses of general revenue.** (a) General community education revenue may be used for:

(1) nonvocational, recreational, and leisure time activities and programs;

(2) programs for adults with disabilities, if the programs and budgets are approved by the department;

(3) adult basic education programs, according to section 124D.52;

(4) summer programs for elementary and secondary pupils;

(5) implementation of a youth development plan;

(6) implementation of a youth service program;

(7) early childhood family education programs, according to section 124D.13; ~~and~~

(8) school readiness programs, according to section 124D.15; and

(9) extended day programs, according to section 124D.19, subdivision 11.

~~(9)~~ (b) In addition to money from other sources, a district may use up to ten percent of its community education revenue for equipment that is used exclusively in community education programs. This revenue may be used only for the following purposes:

~~(i)~~ (1) to purchase or lease computers and related materials;

~~(ii)~~ (2) to purchase or lease equipment for instructional programs; and

~~(iii)~~ (3) to purchase textbooks and library books.

~~(b)~~ (c) General community education revenue must not be used to subsidize the direct activity costs for adult enrichment programs. Direct activity costs include, but are not limited to, the cost of the activity leader or instructor, cost of materials, or transportation costs.

APPENDIX
Article locations in H2431-1

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122A.24 ALTERNATIVE PREPARATION LICENSING FOR TEACHERS.

Subdivision 1. **Requirements.** (a) A preparation program that is an alternative to the postsecondary teacher preparation program as a means to acquire an entrance license is established. The program may be offered in any instructional field.

(b) To participate in the alternative preparation program, the candidate must:

(1) have a bachelor's degree;

(2) pass an examination of skills in reading, writing, and mathematics as required by section 122A.18;

(3) have been offered a job to teach in a school district, group of districts, or an education district approved by the Board of Teaching to offer an alternative preparation licensure program;

(4)(i) have a college major in the subject area to be taught; or

(ii) have five years of experience in a field related to the subject to be taught; and

(5) document successful experiences working with children.

(c) An alternative preparation license is of one year duration and is issued by the Board of Teaching to participants on admission to the alternative preparation program.

(d) The Board of Teaching must ensure that one of the purposes of this program is to enhance the school desegregation/integration policies adopted by the state.

Subd. 2. **Characteristics.** The alternative preparation program has the following characteristics:

(1) staff development conducted by a resident mentorship team made up of administrators, teachers, and postsecondary faculty members;

(2) an instruction phase involving intensive preparation of a candidate for licensure before the candidate assumes responsibility for a classroom;

(3) formal instruction and peer coaching during the school year;

(4) assessment, supervision, and evaluation of a candidate to determine the candidate's specific needs and to ensure satisfactory completion of the program;

(5) a research based and results oriented approach focused on skills teachers need to be effective;

(6) assurance of integration of education theory and classroom practices; and

(7) the shared design and delivery of staff development between school district personnel and postsecondary faculty.

Subd. 3. **Program approval.** (a) The Board of Teaching must approve alternative preparation programs based on criteria adopted by the board.

(b) The board shall permit demonstration of licensure competencies in school-based and other nontraditional pathways to teacher licensure.

Subd. 4. **Approval for standard entrance license.** The resident mentorship team must prepare for the Board of Teaching an evaluation report on the performance of the alternative preparation licensee during the school year and a positive or negative recommendation on whether the alternative preparation licensee shall receive a standard entrance license.

Subd. 5. **Standard entrance license.** The Board of Teaching must issue a standard entrance license to an alternative preparation licensee who has successfully completed the school year in the alternative preparation program and who has received a positive recommendation from the licensee's mentorship team.

Subd. 6. **Qualified teacher.** A person with a valid alternative preparation license is a qualified teacher within the meaning of section 122A.16.

123B.54 DEBT SERVICE APPROPRIATION.

(a) $9,109,000 in fiscal year 2009, $7,948,000 in fiscal year 2010, $9,275,000 in fiscal year 2011, $9,574,000 in fiscal year 2012, and $8,904,000 in fiscal year 2013 and later are appropriated from the general fund to the commissioner of education for payment of debt service equalization aid under section 123B.53.

(b) The appropriations in paragraph (a) must be reduced by the amount of any money specifically appropriated for the same purpose in any year from any state fund.

123B.57 CAPITAL EXPENDITURE; HEALTH AND SAFETY.

Subd. 3. **Health and safety revenue.** A district's health and safety revenue for a fiscal year equals the district's alternative facilities levy under section 123B.59, subdivision 5, paragraph (b), plus the greater of zero or:

(1) the sum of (a) the total approved cost of the district's hazardous substance plan for fiscal years 1985 through 1989, plus (b) the total approved cost of the district's health and safety program for fiscal year 1990 through the fiscal year to which the levy is attributable, excluding expenditures funded with bonds issued under section 123B.59 or 123B.62, or chapter 475; certificates of indebtedness or capital notes under section 123B.61; levies under section 123B.58, 123B.59, 123B.63, or 126C.40, subdivision 1 or 6; and other federal, state, or local revenues, minus

(2) the sum of (a) the district's total hazardous substance aid and levy for fiscal years 1985 through 1989 under sections 124.245 and 275.125, subdivision 11c, plus (b) the district's health and safety revenue under this subdivision, for years before the fiscal year to which the levy is attributable.

Subd. 4. **Health and safety levy.** To receive health and safety revenue, a district may levy an amount equal to the district's health and safety revenue as defined in subdivision 3 multiplied by the lesser of one, or the ratio of the quotient derived by dividing the adjusted net tax capacity of the district for the year preceding the year the levy is certified by the adjusted marginal cost pupil units in the district for the school year to which the levy is attributable, to $2,935.

Subd. 5. **Health and safety aid.** A district's health and safety aid is the difference between its health and safety revenue and its health and safety levy. If a district does not levy the entire amount permitted, health and safety aid must be reduced in proportion to the actual amount levied. Health and safety aid may not be reduced as a result of reducing a district's health and safety levy according to section 123B.79.

123B.591 DEFERRED MAINTENANCE REVENUE.

Subdivision 1. **Eligibility.** An independent or special school district that does not qualify to participate in the alternative facilities bonding and levy under section 123B.59, subdivision 1, paragraph (a), is eligible to receive deferred maintenance revenue.

Subd. 2. **Deferred maintenance revenue.** The deferred maintenance revenue for an eligible school district equals the product of $60 times the adjusted marginal cost pupil units for the school year times the lesser of one or the ratio of the district's average age of building space to 35 years.

Subd. 3. **Deferred maintenance levy.** To obtain deferred maintenance revenue for fiscal year 2008 and later, a district may levy an amount not more than the product of its deferred maintenance revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to $5,900.

Subd. 4. **Deferred maintenance aid.** For fiscal year 2008 and later, a district's deferred maintenance aid equals its deferred maintenance revenue minus its deferred maintenance levy times the ratio of the actual amount levied to the permitted levy.

Subd. 5. **Reserve account.** Deferred maintenance revenue must be maintained in a reserve account within the general fund. Deferred maintenance revenue may be used only for expenditures that would be eligible for alternative facilities bonding and levy revenue under section 123B.59, subdivision 2, paragraph (a), if the district qualified for that revenue under section 123B.59, subdivision 1, paragraph (a).

125A.54 INTERAGENCY OFFICE ON TRANSITION SERVICES.

The commissioner must establish an Interagency Office on Transition Services to:

(1) gather and coordinate data on transition services for secondary age pupils with a disability;

(2) provide information, consultation, and technical assistance to state and local agencies involved in the delivery of services to pupils with a disability in transition from secondary school programs to employment and postsecondary training programs;

(3) assist agencies in establishing local interagency agreements to assure the necessary services for efficient and appropriate transition from school to work or postsecondary training programs; and

(4) assist regions and local areas in planning interagency in-service training to develop and improve transition services.

125A.76 SPECIAL EDUCATION REVENUE.

Subd. 4. **State total special education aid.** The state total special education aid equals $529,247,000 for fiscal year 2007, $694,063,000 for fiscal year 2008, $719,470,000 for fiscal year 2009, $735,693,000 for fiscal year 2010, and $786,586,000 for fiscal year 2011. The state total special education aid for later fiscal years equals:

(1) the state total special education aid for the preceding fiscal year; times

(2) the program growth factor; times

(3) the greater of one, or the ratio of the state total average daily membership for the current fiscal year to the state total average daily membership for the preceding fiscal year.

125A.79 SPECIAL EDUCATION EXCESS COST AID.

Subd. 6. **State total special education excess cost aid.** The state total special education excess cost aid equals $104,700,000 for fiscal year 2007, $110,641,000 for fiscal year 2008, $110,918,000 for fiscal year 2009, $110,847,000 for fiscal year 2010, and $110,892,000 for fiscal year 2011. The state total special education excess cost aid for later fiscal years equals:

(1) the state total special education excess cost aid for the preceding fiscal year; times

(2) the program growth factor; times

(3) the greater of one, or the ratio of the state total average daily membership for the current fiscal year to the state total average daily membership for the preceding fiscal year.

126C.10 GENERAL EDUCATION REVENUE.

Subd. 2b. **Gifted and talented revenue.** Gifted and talented revenue for each district equals the district's adjusted marginal cost pupil units for that school year times $12 for fiscal year 2008 and later. A school district must reserve gifted and talented revenue and, consistent with section 120B.15, must spend the revenue only to:

(1) identify gifted and talented students;

(2) provide education programs for gifted and talented students; or

(3) provide staff development to prepare teachers to best meet the unique needs of gifted and talented students.

Subd. 13a. **Operating capital levy.** To obtain operating capital revenue for fiscal year 2007 and later, a district may levy an amount not more than the product of its operating capital revenue for the fiscal year times the lesser of one or the ratio of its adjusted net tax capacity per adjusted marginal cost pupil unit to the operating capital equalizing factor. The operating capital equalizing factor equals $22,222 for fiscal year 2006, and $10,700 for fiscal year 2007 and later.

Subd. 13b. **Operating capital aid.** A district's operating capital aid equals its operating capital revenue minus its operating capital levy times the ratio of the actual amount levied to the permitted levy.

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

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

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

(b) Equity revenue for a qualifying district that receives referendum revenue under 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 units.

(g) A district that does not qualify for revenue under paragraph (f) qualifies for equity revenue equal to $46 times its adjusted marginal cost pupil units.

Subd. 25. **Regional equity gap.** The regional equity gap equals the difference between the value of the school district at or immediately above the fifth percentile of adjusted general

revenue per adjusted marginal cost pupil unit and the value of the school district at or immediately above the 95th percentile of adjusted general revenue per adjusted marginal cost pupil unit.

Subd. 26. **District equity gap.** A district's equity gap equals the greater of zero or the difference between the district's adjusted general revenue and the value of the school district at or immediately above the regional 95th percentile of adjusted general revenue per adjusted marginal cost pupil unit.

Subd. 27. **District equity index.** A district's equity index equals the ratio of the sum of the district equity gap amount to the regional equity gap amount.

Subd. 28. **Equity region.** For the purposes of computing equity revenue under subdivision 24, a district whose administrative offices on July 1, 1999, is located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington County is part of the metro equity region. Districts whose administrative offices on July 1, 1999, are not located in Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington County are part of the rural equity region.

Subd. 29. **Equity levy.** To obtain equity revenue for fiscal year 2005 and later, a district may levy an amount not more than the product of its equity revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident marginal cost pupil unit to $476,000.

Subd. 30. **Equity aid.** A district's equity aid equals its equity revenue minus its equity levy times the ratio of the actual amount levied to the permitted levy.

Subd. 31. **Transition revenue.** (a) A district's transition allowance equals the greater of zero or the product of the ratio of the number of adjusted marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002 to the district's adjusted marginal cost pupil units for fiscal year 2004, times the difference between: (1) the lesser of the district's general education revenue per adjusted marginal cost pupil unit for fiscal year 2003 or the amount of general education revenue the district would have received per adjusted marginal cost pupil unit for fiscal year 2004 according to Minnesota Statutes 2002, and (2) the district's general education revenue for fiscal year 2004 excluding transition revenue divided by the number of adjusted marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002.

(b) A district's transition revenue for fiscal years 2006 through 2009 equals the sum of the product of the district's transition allowance times the district's adjusted marginal cost pupil units plus the district's transition for prekindergarten revenue under subdivision 31a.

(c) A district's transition revenue for fiscal year 2010 and later equals the sum of the product of the district's transition allowance times the district's adjusted marginal cost pupil units plus the district's transition for prekindergarten revenue under subdivision 31a plus the district's transition for tuition reciprocity revenue under subdivision 31c.

Subd. 31a. **Transition for prekindergarten revenue.** For fiscal year 2007 and later, a school district's transition for prekindergarten revenue equals the sum of (1) the amount of referendum revenue under section 126C.17 and general education revenue, excluding transition revenue, for fiscal year 2004 attributable to pupils four or five years of age on September 1, 2003, enrolled in a prekindergarten program implemented by the district before July 1, 2003, and reported as kindergarten pupils under section 126C.05, subdivision 1, for fiscal year 2004, plus (2) the amount of compensatory education revenue under subdivision 3 for fiscal year 2005 attributable to pupils four years of age on September 1, 2003, enrolled in a prekindergarten program implemented by the district before July 1, 2003, and reported as kindergarten pupils under section 126C.05, subdivision 1, for fiscal year 2004 multiplied by .04.

Subd. 31b. **Uses of transition for prekindergarten revenue.** A school district that receives revenue under subdivision 31a must reserve that revenue for prekindergarten programs serving students who turn age four by September 1 and who will enter kindergarten the following year.

Subd. 32. **Transition levy.** To obtain transition revenue for fiscal year 2005 and later, a district may levy an amount not more than the product of its transition revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident marginal cost pupil unit to $476,000.

Subd. 33. **Transition aid.** (a) For fiscal year 2004, a district's transition aid equals its transition revenue.

(b) For fiscal year 2005 and later, a district's transition aid equals its transition revenue minus its transition levy times the ratio of the actual amount levied to the permitted levy.

Subd. 34. **Basic alternative teacher compensation aid.** (a) For fiscal years 2007, 2008, and 2009, the basic alternative teacher compensation aid for a school district with a plan approved under section 122A.414, subdivision 2b, equals 73.1 percent of the alternative teacher compensation revenue under section 122A.415, subdivision 1. The basic alternative teacher

compensation aid for an intermediate school district or charter school with a plan approved under section 122A.414, subdivisions 2a and 2b, if the recipient is a charter school, equals $260 times the number of pupils enrolled in the school on October 1 of the previous fiscal year, or on October 1 of the current fiscal year for a charter school in the first year of operation, times the ratio of the sum of the alternative teacher compensation aid and alternative teacher compensation levy for all participating school districts to the maximum alternative teacher compensation revenue for those districts under section 122A.415, subdivision 1.

(b) For fiscal years 2010 and later, the basic alternative teacher compensation aid for a school with a plan approved under section 122A.414, subdivision 2b, equals 65 percent of the alternative teacher compensation revenue under section 122A.415, subdivision 1. The basic alternative teacher compensation aid for an intermediate school district or charter school with a plan approved under section 122A.414, subdivisions 2a and 2b, if the recipient is a charter school, equals $260 times the number of pupils enrolled in the school on October 1 of the previous year, or on October 1 of the current year for a charter school in the first year of operation, times the ratio of the sum of the alternative teacher compensation aid and alternative teacher compensation levy for all participating school districts to the maximum alternative teacher compensation revenue for those districts under section 122A.415, subdivision 1.

(c) Notwithstanding paragraphs (a) and (b) and section 122A.415, subdivision 1, the state total basic alternative teacher compensation aid entitlement must not exceed $75,636,000 for fiscal year 2007 and later. The commissioner must limit the amount of alternative teacher compensation aid approved under section 122A.415 so as not to exceed these limits.

Subd. 35. **Alternative teacher compensation levy.** For fiscal year 2007 and later, the alternative teacher compensation levy for a district receiving basic alternative teacher compensation aid equals the product of (1) the difference between the district's alternative teacher compensation revenue and the district's basic alternative teacher compensation aid times (2) the lesser of one or the ratio of the district's adjusted net tax capacity per adjusted pupil unit to $5,913.

Subd. 36. **Alternative teacher compensation aid.** (a) For fiscal year 2007 and later, a district's alternative teacher compensation equalization aid equals the district's alternative teacher compensation revenue minus the district's basic alternative teacher compensation aid minus the district's alternative teacher compensation levy. If a district does not levy the entire amount permitted, the alternative teacher compensation equalization aid must be reduced in proportion to the actual amount levied.

(b) A district's alternative teacher compensation aid equals the sum of the district's basic alternative teacher compensation aid and the district's alternative teacher compensation equalization aid.

126C.12 LEARNING AND DEVELOPMENT REVENUE AMOUNT AND USE.

Subdivision 1. **Revenue.** Of a district's general education revenue for fiscal year 2000 and thereafter each school district shall reserve an amount equal to the formula allowance multiplied by the following calculation:

(1) the sum of adjusted marginal cost pupils in average daily membership, according to section 126C.05, subdivision 5, in kindergarten times .057; plus

(2) the sum of adjusted marginal cost pupils in average daily membership, according to section 126C.05, subdivision 5, in grades 1 to 3 times .115; plus

(3) the sum of adjusted marginal cost pupils in average daily membership, according to section 126C.05, subdivision 5, in grades 4 to 6 times .06.

Subd. 2. **Definitions.** (a) "Classroom teacher" means a public employee licensed by the board of teaching who is authorized to teach all subjects to children in any grade in kindergarten through grade 6 and whose duties are full-time regular classroom instruction, excluding a teacher for whom federal aids are received or for whom categorical aids are received under section 125A.76 or who is an itinerant teacher or provides instruction outside of the regular classroom. Except as provided in section 122A.68, subdivision 6, classroom teacher does not include supervisory and support personnel defined in section 122A.15. A classroom teacher whose duties are less than full-time instruction must be included as an equivalent only for the number of hours of instruction in kindergarten through grade 3.

(b) "Class size" means the districtwide ratio at each grade level of the number of full-time students in kindergarten through grade 3 served at least 40 percent of the time in regular classrooms to the number of full-time classroom teachers in kindergarten through grade 3, determined as of October 1 of each school year.

Subd. 3. **Instruction contact time.** Instruction may be provided by a classroom teacher or by a team of classroom teachers, or by a teacher resident supervised by a classroom teacher.

The district must maximize classroom teacher to learner average instructional contact time in the core subjects of reading and mathematics.

Subd. 4. **Revenue use.** (a) Revenue must be used to reduce and maintain the district's average class size in kindergarten through grade 3 to a level of 17 to 1 on average in each of the respective grades.

(b) A district must not increase the districtwide class sizes in other grades as a result of reducing class sizes in kindergarten through grade 3. Revenue may not be used to provide instructor preparation. A district may use a portion of the revenue reserved under this section to employ up to the same number of full-time equivalent education assistants or aides as the district employed during the 1992-1993 school year under Minnesota Statutes 1992, section 124.331, subdivision 2, through fiscal year 2002. Beginning in fiscal year 2003, class size reduction revenue may only be reserved to employ classroom teachers contributing to lower class sizes in kindergarten through grade 3.

Subd. 5. **Additional revenue use.** If the board of a district determines that the district has achieved and is maintaining the class sizes specified in subdivision 4, the board may use the revenue to reduce class size in grades 4, 5, and 6, provide all-day, everyday kindergarten, prepare and use individualized learning plans, improve program offerings, purchase instructional material, services, or technology, or provide staff development needed for reduced class sizes.

Subd. 6. **Annual report.** By December 1 of each year, districts receiving revenue under subdivision 1 shall make available to the public a report on the amount of revenue the district has received and the use of the revenue. This report shall be in the form and manner determined by the commissioner and shall include the district average class sizes in kindergarten through grade 6 as of October 1 of the current school year and the class sizes for each site serving kindergarten through grade 6 students in the district. A copy of the report shall be filed with the commissioner by December 15.

126C.126 REALLOCATING GENERAL EDUCATION REVENUE FOR ALL-DAY KINDERGARTEN AND PREKINDERGARTEN.

(a) In order to provide additional revenue for an optional all-day kindergarten program, a district may reallocate general education revenue attributable to 12th grade students who have graduated early under section 120B.07.

(b) A school district may spend general education revenue on extended time kindergarten and prekindergarten programs.

127A.46 CHANGE IN PAYMENT OF AIDS AND CREDITS.

If the commissioner of management and budget determines that modifications in the payment schedule would reduce the need for state short-term borrowing, the commissioner shall modify payments to districts according to this section. The modifications must begin no sooner than September 1 of each fiscal year, and must remain in effect until no later than May 30 of that same fiscal year. In calculating the payment to a district pursuant to section 127A.45, subdivision 3, the commissioner may subtract the sum specified in that subdivision, plus an additional amount no greater than the following:

(1) the net cash balance in each of the district's operating funds on June 30 of the preceding fiscal year; minus

(2) the product of $150 times the number of resident pupil units in the preceding fiscal year; minus

(3) the amount of payments made by the county treasurer during the preceding fiscal year, pursuant to section 276.11, which is considered revenue for the current school year. However, no additional amount shall be subtracted if the total of the net unappropriated fund balances in the district's four operating funds on June 30 of the preceding fiscal year, is less than the product of $350 times the number of resident pupil units in the preceding fiscal year. The net cash balance must include all cash and investments, less certificates of indebtedness outstanding, and orders not paid for want of funds.

A district may appeal the payment schedule established by this section according to the procedures established in section 127A.45, subdivision 4.

127A.50 AID ADJUSTMENTS DUE TO CHANGES IN EMPLOYER RETIREMENT CONTRIBUTION RATES.

Subdivision 1. **Aid adjustment.** Beginning in fiscal year 1998 and each year thereafter, the commissioner of education shall adjust state aid payments to school operating funds for

Independent School District No. 625 and Independent School District No. 709 by the net amount of clauses (1) and (2), for Special School District No. 1 by the net amount of clauses (1), (2), and (4), and for all other districts, including charter schools, but excluding any education organizations that are prohibited from receiving direct state aids under section 123A.26 or 125A.75, subdivision 7, by the net amount of clauses (1), (2), (3), and (4):

(1) a decrease equal to each district's share of the fiscal year 1997 adjustment effected under Minnesota Statutes 1996, section 124.2139;

(2) an increase equal to one percent of the salaries paid to members of the general plan of the Public Employees Retirement Association in fiscal year 1997, multiplied by 0.35 for fiscal year 1998 and 0.70 each year thereafter;

(3) a decrease equal to 2.34 percent of the salaries paid to members of the Teachers Retirement Association in fiscal year 1997; and

(4) an increase equal to 0.5 percent of the salaries paid to members of the Teachers Retirement Association in fiscal year 2007.

Subd. 2. **Appropriation.** The amounts necessary to pay any positive net adjustments under this section to any school district are appropriated annually from the general fund to the commissioner of education.

Subd. 3. **Limits on adjustments and potential reductions.** Increases to any school districts under subdivision 1, clause (2), and decreases under subdivision 1, clauses (1) and (3), are limited to the fiscal year 1999 amounts. The commissioner of education may permanently reduce the adjustments to school districts under subdivision 1, clauses (1) and (2), in the same manner as prescribed for nonschool jurisdictions under section 273.1385, subdivision 2. The commissioner may, from time to time, require that the most recent fiscal year payroll information be certified by the executive director of the Teachers Retirement Association. For any school district where the newly certified Teachers Retirement Association payroll is significantly lower than the fiscal 1997 amount as determined by the commissioner, the commissioner shall recalculate the lower reduction under subdivision 1, clause (3), and shall permanently reduce the adjustment amount in subsequent years.

Subd. 4. **Effect of reorganizations.** The commissioner of education shall reapportion the aid adjustments to school districts under this section to account for significant changes in boundaries or consolidations, as determined by the commissioner. If a school district is dissolved, or a school district function thereof is assumed by either the state or a nonpublic organization, adjustments for all or the appropriate fraction of the total payroll under this section must terminate.

Subd. 5. **Adjustment termination.** All adjustments under this section terminate on June 30, 2020.