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State of Minnesota

# HOUSE OF REPRESENTATIVES

**NINETY-FOURTH SESSION**

**H. F. No. 1028**

02/17/2025 Authored by Pérez-Vega; Lee, K.; Hussein; Hollins; Clardy and others
The bill was read for the first time and referred to the Committee on Education Finance

A bill for an act

relating to education; education finance; increasing school district funding; increasing the general education basic formula allowance; increasing special education cross subsidy aid; increasing funding for the school unemployment aid account in the special revenue fund; increasing English learner cross subsidy aid; increasing safe schools revenue; linking extended time revenue to the general education basic formula allowance; increasing equalization aid for debt service levies, local optional revenue, and the operating referendum; calculating a school's compensatory revenue eligibility on the basis of both direct certification and the application of education benefits; authorizing a school board to renew a voter-approved operating referendum more than one time; appropriating money; amending Minnesota Statutes 2024, sections 123B.53, subdivision 5; 124D.65, subdivision 5a; 125A.76, subdivision 2e; 126C.10, subdivisions 2, 2a, 2e, 3b; 126C.17, subdivisions 6, 9b; 126C.44, subdivision 1.

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

Section 1. Minnesota Statutes 2024, 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) ~~$3,400 in fiscal year 2016, $4,430 in fiscal year 2017, and the greater of $4,430 or~~ 55.33 percent of the initial equalizing factor ~~in fiscal year 2018~~ for fiscal years 2025 and 2026 and ... percent of the initial equalizing factor for fiscal year 2027 and later.

(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 in fiscal years 2016 and 2017, and the greater of $8,000 or~~ 100 percent of the initial equalizing factor in fiscal ~~year 2018~~ years 2025 and 2026 and ... percent of the initial equalizing factor for fiscal year 2027 and later.

(d) For the purposes of this subdivision, the initial 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 all school districts in the state in the year before the year the levy is certified.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2027 and later.

Sec. 2. Minnesota Statutes 2024, section 124D.65, subdivision 5a, is amended to read:

Subd. 5a. **English learner cross subsidy aid.** (a) ~~For fiscal year 2027 and later,~~ A district's English learner cross subsidy aid equals ~~25 percent of~~ the English learner cross subsidy aid percentage for that year times the district's English learner cross subsidy calculated under paragraph (b).

(b) A district's English learner cross subsidy equals the greater of zero or the difference between the district's expenditures for qualifying English learner services for the second previous year and the district's English learner revenue under subdivision 5 for the second previous year. For the purposes of this subdivision, "qualifying English learner services" means the services necessary to implement the language instruction educational program for students identified as English learners under sections 124D.58 to 124D.65. Only expenditures that both address the English language development standards in Minnesota Rules, parts 3501.1200 and 3501.1210, which may include home language instruction, and are supplemental to the cost of core content instruction may be included as expenditures for qualifying English learner services. Expenditures do not include costs related to construction, indirect costs, core content instruction, or core administrative personnel.

(c) The English learner cross subsidy aid percentage equals 90 percent for fiscal year 2027 and later.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2027 and later.

Sec. 3. Minnesota Statutes 2024, section 125A.76, subdivision 2e, is amended to read:

Subd. 2e. **Cross subsidy reduction aid.** (a) A school district's annual cross subsidy reduction aid equals the school district's initial special education cross subsidy for the previous fiscal year times the cross subsidy aid factor for that fiscal year.

(b) The cross subsidy aid factor equals 6.43 percent for fiscal year 2023; 44 percent for fiscal years 2024, 2025, and 2026; and ~~50~~ 90 percent for fiscal year 2027 and later.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2027 and later.

Sec. 4. Minnesota Statutes 2024, 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 pupil units for the school year. ~~The formula allowance for fiscal year 2023 is $6,863.~~ The formula allowance for fiscal year 2024 is $7,138. The formula allowance for fiscal year 2025 is $7,281.

(b) The formula allowance for fiscal ~~year~~ years 2026 and ~~later~~ 2027 must be rounded to the nearest whole dollar and equals the formula allowance for the previous fiscal year times the greater of:

(1) ~~1.02~~ 1.04; or

(2) one plus the rate of change in inflation calculated in paragraph ~~(c)~~ (d) but not to exceed ~~1.03~~ 1.05.

(c) The formula allowance for fiscal year 2028 and later must be rounded to the nearest whole dollar and equals the formula allowance for the previous fiscal year times the greater of:

(1) 1.02; or

(2) one plus the rate of change in inflation calculated in paragraph (d) but not to exceed 1.03.

~~(c)~~ (d) In January of the calendar year in which the formula allowance begins, the commissioner of education must calculate the rate of change in inflation equal to the change in the Consumer Price Index for all urban consumers as published by the Bureau of Labor

Statistics of the Department of Labor for the average of the fourth calendar quarter of the second prior fiscal year compared to the average of the fourth calendar quarter of the immediately prior fiscal year.

~~(d)~~ (e) The commissioner must publish the formula allowance by the end of February of each year.

~~(e)~~ (f) It is the policy and purpose of the legislature to fund its public schools consistent with its constitutional obligations. To this purpose, the legislature may enact additional increases in the general education basic formula allowance.

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

Sec. 5. Minnesota Statutes 2024, section 126C.10, subdivision 2a, is amended to read:

Subd. 2a. **Extended time revenue.** (a) For fiscal year 2026 and later, a school district's extended time allowance equals $5,117 ~~for fiscal year 2023 and later~~ times the basic formula allowance for the current school year to $7,281.

(b) A school district's extended time revenue is equal to the product of the extended time allowance in paragraph (a) and the sum of the adjusted 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.

(c) Extended time revenue for pupils placed in an on-site education program at the Prairie Lakes Education Center or the Lake Park School, located within the borders of Independent School District No. 347, Willmar, for instruction provided after the end of the preceding regular school year and before the beginning of the following regular school year equals membership hours divided by the minimum annual instructional hours in section 126C.05, subdivision 15, not to exceed 0.20, times the pupil unit weighting in section 126C.05, subdivision 1, times the extended time allowance in paragraph (a).

(d) A school district qualifies for extended time revenue for instruction provided after the end of the preceding regular school year and before the beginning of the following regular school year for (1) every pupil attending a day treatment program, and (2) every pupil placed in a children's residential facility, whether the education services are provided on-site or off-site. Extended time revenue under this paragraph equals total membership hours in summer instruction divided by the minimum annual instructional hours in section 126C.05, subdivision 15, not to exceed 0.20, times the pupil unit weighting in section 126C.05, subdivision 1, times the extended time allowance.

(e) For purposes of this subdivision, "children's residential facility" means a residential facility for children, including a psychiatric residential treatment facility, licensed by the Department of Human Services or the Department of Corrections and subject to Minnesota Rules, chapter 2960, or an inpatient hospitalization that includes mental health services.

(f) For purposes of this subdivision, "day treatment program" means:

(1) a site-based structured mental health program consisting of psychotherapy for three or more individuals and individual or group skills training provided by a team, under the treatment supervision of a mental health professional; or

(2) any other day treatment program designated by the commissioner of education consistent with the Minnesota Automated Reporting Student System manual, procedure 27.

(g) A school district's extended time revenue may be used for extended day programs, extended week programs, summer school, vacation break academies such as spring break academies and summer term academies, and other programming authorized under the learning year program.

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

Sec. 6. Minnesota Statutes 2024, section 126C.10, subdivision 2e, is amended to read:

Subd. 2e. **Local optional revenue.** (a) ~~Local optional revenue for a school district equals the sum of the district's first tier local optional revenue and second tier local optional revenue.~~ A school district's local optional allowance for fiscal year 2027 and later equals $957.

(b) A district's ~~first tier~~ local optional revenue equals ~~$300~~ the local optional allowance times the adjusted pupil units of the district for that school year. ~~A district's second tier local optional revenue equals $424 times the adjusted pupil units of the district for that school year~~.

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

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

~~(d) For fiscal year 2023, a district's second tier local optional levy equals the district's second tier local optional revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to $548,842. For fiscal year 2024, a district's second tier local optional levy equals the district's second tier local optional revenue times~~

~~the lesser of one or the ratio of the district's referendum market value per resident pupil unit to $510,000. For fiscal year 2025, a district's second tier local optional levy equals the district's second tier local optional revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to $626,450. For fiscal year 2026, a district's second tier local optional levy equals the district's second tier local optional revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to $642,038. For fiscal year 2027 and later, a district's second tier local optional levy equals the district's second tier local optional revenue times the lesser of one or the ratio of the district's referendum market value per resident pupil unit to $671,345.~~

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

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

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

Sec. 7. Minnesota Statutes 2024, section 126C.10, subdivision 3b, is amended to read:

Subd. 3b. **Free and reduced-price meals.** Beginning October 1, 2024, the commissioner shall determine the number of children eligible by means of direct certification and through the application of educational benefits to receive either a free or reduced-price meal on October 1 each year. Children enrolled in a building on October 1 and determined to be eligible by means of direct certification or through the application of educational benefits to receive free or reduced-price meals by December 15 of that school year shall be counted as eligible on October 1 for purposes of subdivision 3. The commissioner must use federal definitions for these purposes. The commissioner may adopt reporting guidelines to assure accuracy of data counts and eligibility. Districts must use any guidelines adopted by the commissioner.

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

Sec. 8. Minnesota Statutes 2024, section 126C.17, subdivision 6, is amended to read:

Subd. 6. **Referendum equalization levy.** (a) 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 pupil unit to $567,000 for fiscal years 2025 and 2026 and $..... for fiscal year 2027 and later.

(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 pupil unit to $290,000 for fiscal years 2025 and 2026 and $..... for fiscal year 2027 and later.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2027 and later.

Sec. 9. Minnesota Statutes 2024, section 126C.17, subdivision 9b, is amended to read:

Subd. 9b. **Renewal by school board.** (a) 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, or for an expiring referendum that was adjusted annually by the rate of inflation, the same as the per pupil amount of the expiring referendum, adjusted annually for inflation in the same manner as if the expiring referendum had continued;

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

(3) the school board, having taken a recorded vote, has adopted a written resolution authorizing the renewal after holding a meeting and allowing public testimony on the proposed renewal~~; and~~.

~~(4) the expiring referendum has not been previously renewed under this subdivision.~~

(b) The resolution must be adopted by the school board ~~by June 15 of any calendar year and~~ on or after July 1 of the second fiscal year prior to the fiscal year in which the referendum expires, but no later than June 15 of the fiscal year prior to the fiscal year in which the referendum expires. The resolution becomes effective 60 days after its adoption.

(c) A referendum expires in the last fiscal year in which the referendum generates revenue for the school district. A school board may renew an expiring referendum under this subdivision not more than two fiscal years before the referendum expires.

(d) A district renewing an expiring referendum under this subdivision must submit a copy of the adopted resolution to the commissioner and to the county auditor no later than

~~September 1~~ August 15 of the ~~calendar year in which the written resolution is adopted~~ fiscal year prior to the fiscal year in which the referendum expires.

**EFFECTIVE DATE.** This section is effective July 1, 2025.

Sec. 10. Minnesota Statutes 2024, section 126C.44, subdivision 1, is amended to read:

Subdivision 1. **Safe schools revenue for school districts.** A school district's safe schools revenue equals ~~its safe schools levy~~ $..... times its adjusted pupil units for the current school year.

**EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2027 and later.

Sec. 11. **APPROPRIATIONS; DEPARTMENT OF EDUCATION.**

Subdivision 1. **Department of Education.** The sums indicated in this section are appropriated from the general fund to the Department of Education in the fiscal years designated.

Subd. 2. **Debt service equalization aid.** For additional debt service equalization aid under Minnesota Statutes, section 123B.54:

$ ..... ..... 2027

Subd. 3. **Additional general education aid.** For additional general education aid:

$ ..... ..... 2026

$ ..... ..... 2027

Subd. 4. **Special education aid.** For special education aid under Minnesota Statutes, sections 125A.76 and 125A.79:

$ ..... ..... 2027

Subd. 5. **Safe schools aid.** For safe schools aid under Minnesota Statutes, section 126C.44:

$ ..... ..... 2027

Subd. 6. **Unemployment aid for hourly workers over the summer term.** (a) For school unemployment aid for fiscal years 2026 and 2027 under Minnesota Statutes, section 124D.995:

$ ..... ..... 2026

(b) This appropriation is subject to the requirements under Minnesota Statutes, section 124D.995.