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State of Minnesota
HOUSE OF REPRESENTATIVES
NINETIETH SESSION

H. F. No. 2021

03/02/2017 Authored by Knoblach, Loon, Theis, Maye Quade and Lillie
The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act
1.2 relating to education finance; increasing funding for special education activities;
1.3 appropriating money; amending Minnesota Statutes 2016, sections 125A.76,
1.4 subdivisions 1, 2a, 2c; 125A.79, subdivision 5; repealing Minnesota Statutes 2016,
1.5 sections 125A.75, subdivision 7; 125A.76, subdivision 2b.

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

1.7 Section 1. Minnesota Statutes 2016, section 125A.76, subdivision 1, is amended to read:

1.8 Subdivision 1. **Definitions.** (a) For the purposes of this section and section 125A.79,
1.9 the definitions in this subdivision apply.

1.10 (b) "Basic revenue" has the meaning given it in section 126C.10, subdivision 2. For the
1.11 purposes of computing basic revenue pursuant to this section, each child with a disability
1.12 shall be counted as prescribed in section 126C.05, subdivision 1.

1.13 (c) "Essential personnel" means teachers, cultural liaisons, related services, and support
1.14 services staff providing services to students. Essential personnel may also include special
1.15 education paraprofessionals or clericals providing support to teachers and students by
1.16 preparing paperwork and making arrangements related to special education compliance
1.17 requirements, including parent meetings and individualized education programs. Essential
1.18 personnel does not include administrators and supervisors.

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

1.20 (e) "Program growth factor" means ~~1.046 for fiscal years 2012 through 2015~~, 1.0 for
1.21 fiscal year 2016, 1.046 for fiscal year 2017, and the product of 1.046 and the program growth
1.22 factor for the previous year for fiscal year 2018 and later.

2.1 (f) "Nonfederal special education expenditure" means all direct expenditures that are
 2.2 necessary and essential to meet the district's obligation to provide special instruction and
 2.3 services to children with a disability according to sections 124D.454, 125A.03 to 125A.24,
 2.4 125A.259 to 125A.48, and 125A.65 as submitted by the district and approved by the
 2.5 department under section 125A.75, subdivision 4, excluding expenditures:

2.6 (1) reimbursed with federal funds;

2.7 (2) reimbursed with other state aids under this chapter;

2.8 (3) for general education costs of serving students with a disability;

2.9 (4) for facilities;

2.10 (5) for pupil transportation; and

2.11 (6) for postemployment benefits.

2.12 (g) "Old formula special education expenditures" means expenditures eligible for revenue
 2.13 under Minnesota Statutes 2012, section 125A.76, subdivision 2.

2.14 (h) For the Minnesota State Academy for the Deaf and the Minnesota State Academy
 2.15 for the Blind, expenditures under paragraphs (f) and (g) are limited to the salary and fringe
 2.16 benefits of one-to-one instructional and behavior management aides and one-to-one licensed,
 2.17 certified professionals assigned to a child attending the academy, if the aides or professionals
 2.18 are required by the child's individualized education program.

2.19 ~~(i) "Cross subsidy reduction aid percentage" means 1.0 percent for fiscal year 2014 and~~
 2.20 ~~2.27 percent for fiscal year 2015.~~

2.21 ~~(j) "Cross subsidy reduction aid limit" means \$20 for fiscal year 2014 and \$48 for fiscal~~
 2.22 ~~year 2015.~~

2.23 ~~(k)~~ (i) "Special education aid increase limit" means \$80 for fiscal year 2016, \$100 for
 2.24 fiscal year 2017, \$171 for fiscal year 2018, \$214 for fiscal year 2019, \$330 for fiscal year
 2.25 2020, and, for fiscal year ~~2018~~ 2021 and later, the sum of the special education aid increase
 2.26 limit for the previous fiscal year and ~~\$40~~ \$50.

2.27 ~~(h)~~ (j) "District" means a school district, a charter school, or a cooperative unit as defined
 2.28 in section 123A.24, subdivision 2. Notwithstanding section 123A.26, cooperative units as
 2.29 defined in section 123A.24, subdivision 2, are eligible to receive special education aid under
 2.30 this section and section 125A.79.

3.1 Sec. 2. Minnesota Statutes 2016, section 125A.76, subdivision 2a, is amended to read:

3.2 Subd. 2a. **Special education initial aid.** For fiscal year ~~2016~~ 2018 and later, a district's
3.3 special education initial aid equals the sum of:

3.4 (1) the ~~least~~ lesser of ~~62 percent of the district's old formula special education~~
3.5 ~~expenditures for the prior fiscal year, excluding pupil transportation expenditures,~~ 50 percent
3.6 of the district's nonfederal special education expenditures for the prior year, excluding pupil
3.7 transportation expenditures, or ~~56~~ 57 percent of the product of the sum of the following
3.8 amounts, computed using prior fiscal year data, and the program growth factor:

3.9 (i) the product of the district's average daily membership served and the sum of:

3.10 (A) ~~\$450~~ \$467; plus

3.11 (B) ~~\$400~~ \$415 times the ratio of the sum of the number of pupils enrolled on October
3.12 1 who are eligible to receive free lunch plus one-half of the pupils enrolled on October 1
3.13 who are eligible to receive reduced-price lunch to the total October 1 enrollment; plus

3.14 (C) .008 times the district's average daily membership served; plus

3.15 (ii) ~~\$10,400~~ \$12,700 times the December 1 child count for the primary disability areas
3.16 of autism spectrum disorders, developmental delay, and severely multiply impaired; plus

3.17 (iii) ~~\$18,000~~ \$19,000 times the December 1 child count for the primary disability areas
3.18 of deaf and hard-of-hearing and emotional or behavioral disorders; plus

3.19 (iv) ~~\$27,000~~ \$27,200 times the December 1 child count for the primary disability areas
3.20 of developmentally cognitive mild-moderate, developmentally cognitive severe-profound,
3.21 physically impaired, visually impaired, and deafblind; plus

3.22 (2) the cost of providing transportation services for children with disabilities under
3.23 section 123B.92, subdivision 1, paragraph (b), clause (4).

3.24 Sec. 3. Minnesota Statutes 2016, section 125A.76, subdivision 2c, is amended to read:

3.25 Subd. 2c. **Special education aid.** (a) For fiscal year 2016 and later, a district's special
3.26 education aid equals the sum of the district's special education initial aid under subdivision
3.27 2a and the district's excess cost aid under section 125A.79, subdivision 5.

3.28 (b) Notwithstanding paragraph (a), for fiscal year 2016, the special education aid for a
3.29 school district must not exceed the sum of the special education aid the district would have
3.30 received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79,
3.31 as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision

4.1 7, and the product of the district's average daily membership served and the special education
4.2 aid increase limit.

4.3 (c) Notwithstanding paragraph (a), for fiscal year 2017 and later, the special education
4.4 aid for a school district must not exceed the sum of: (i) the product of the district's average
4.5 daily membership served and the special education aid increase limit and (ii) the product
4.6 of the sum of the special education aid the district would have received for fiscal year 2016
4.7 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to
4.8 Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, the ratio of the
4.9 district's average daily membership served for the current fiscal year to the district's average
4.10 daily membership served for fiscal year 2016, and the program growth factor.

4.11 (d) Notwithstanding paragraph (a), for fiscal year 2016 and later the special education
4.12 aid for a school district, not including a charter school or cooperative unit as defined in
4.13 section 123A.24, must not be less than the lesser of (1) the district's nonfederal special
4.14 education expenditures for that fiscal year or (2) the product of the sum of the special
4.15 education aid the district would have received for fiscal year 2016 under Minnesota Statutes
4.16 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012,
4.17 sections 125A.11 and 127A.47, subdivision 7, the ratio of the district's adjusted daily
4.18 membership for the current fiscal year to the district's average daily membership for fiscal
4.19 year 2016, and the program growth factor.

4.20 (e) Notwithstanding subdivision 2a and section 125A.79, a charter school in its first year
4.21 of operation shall generate special education aid based on current year data. A newly formed
4.22 cooperative unit as defined in section 123A.24 may apply to the commissioner for approval
4.23 to generate special education aid for its first year of operation based on current year data,
4.24 with an offsetting adjustment to the prior year data used to calculate aid for programs at
4.25 participating school districts or previous cooperatives that were replaced by the new
4.26 cooperative. The department shall establish procedures to adjust the prior year data and
4.27 fiscal year 2016 old formula aid used in calculating special education aid to exclude costs
4.28 that have been eliminated for districts where programs have closed or where a substantial
4.29 portion of the program has been transferred to a cooperative unit.

4.30 (f) The department shall establish procedures through the uniform financial accounting
4.31 and reporting system to identify and track all revenues generated from third-party billings
4.32 as special education revenue at the school district level; include revenue generated from
4.33 third-party billings as special education revenue in the annual cross-subsidy report; and
4.34 exclude third-party revenue from calculation of excess cost aid to the districts.

5.1 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2018 and later.

5.2 Sec. 4. Minnesota Statutes 2016, section 125A.79, subdivision 5, is amended to read:

5.3 Subd. 5. **Excess cost aid.** ~~For fiscal year 2016 and later,~~ (a) A district's excess cost aid
5.4 equals the greater of:

5.5 (1) ~~56 percent of the product of the excess cost aid percentage under paragraph (b) and~~
5.6 the difference between (i) the district's unreimbursed nonfederal special education
5.7 expenditures and (ii) 7.0 percent of the product of the ratio of \$5,831 to the formula allowance
5.8 for the prior year and the district's general revenue;

5.9 (2) 62 percent of the difference between (i) the district's unreimbursed old formula special
5.10 education expenditures and (ii) ~~2.5~~ 2.2 percent of the product of the ratio of \$5,831 to the
5.11 formula allowance for the prior year and the district's general revenue; or

5.12 (3) zero.

5.13 (b) The excess cost aid percentage equals 56 percent for fiscal years 2016 and 2017, 57
5.14 percent for fiscal years 2018 and 2019, and 66 percent for fiscal year 2020 and later.

5.15 Sec. 5. **APPROPRIATIONS.**

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

5.19 Subd. 2. **Special education; regular.** For special education aid under Minnesota Statutes,
5.20 section 125A.75:

5.21 \$ 1,345,295,000 2018

5.22 \$ 1,426,749,000 2019

5.23 The 2018 appropriation includes \$155,271,000 for 2017 and \$1,190,024,000 for 2018.

5.24 The 2019 appropriation includes \$167,521,000 for 2018 and \$1,259,228,000 for 2019.

5.25 Sec. 6. **REPEALER.**

5.26 Minnesota Statutes 2016, sections 125A.75, subdivision 7; and 125A.76, subdivision
5.27 2b, are repealed effective for fiscal year 2018 and later.

125A.75 SPECIAL EDUCATION PROGRAMS; APPROVAL; AID PAYMENTS; TRAVEL AID; LITIGATION COSTS.

Subd. 7. **Allocation from cooperative centers, service cooperatives, education districts, and intermediate districts.** For purposes of this section, a special education cooperative, service cooperative, education district, or an intermediate district must allocate its approved expenditures for special education programs among participating districts. Special education aid for services provided by a cooperative, service cooperative, education district, or intermediate district must be paid to the participating school districts.

125A.76 SPECIAL EDUCATION AID.

Subd. 2b. **Cross subsidy reduction aid.** For fiscal years 2014 and 2015, the cross subsidy reduction aid for a school district, not including a charter school, equals the lesser of (a) the product of the cross subsidy reduction aid limit and the district's average daily membership served or (b) the sum of the product of the cross subsidy reduction aid percentage, the district's average daily membership served, and the sum of:

- (1) \$450; plus
- (2) \$400 times the ratio of the sum of the number of pupils enrolled on October 1 who are eligible to receive free lunch plus one-half of the pupils enrolled on October 1 who are eligible to receive reduced-price lunch to the total October 1 enrollment; plus
- (3) .008 times the district's average daily membership served; plus the product of the cross subsidy aid percentage and the sum of:
 - (i) \$10,100 times the December 1 child count for the primary disability areas of autism spectrum disorders, developmental delay, and severely multiply impaired; plus
 - (ii) \$17,500 times the December 1 child count for the primary disability areas of deaf and hard-of-hearing and emotional or behavioral disorders; plus
 - (iii) \$26,000 times the December 1 child count for the primary disability areas of developmentally cognitive mild-moderate, developmentally cognitive severe-profound, physically impaired, visually impaired, and deafblind.