

A bill for an act

relating to education finance; modifying the school finance system; creating a new education funding framework; amending Minnesota Statutes 2006, sections 123B.53, subdivision 5; 123B.57, subdivision 4; 123B.59, subdivision 1; 123B.591, subdivisions 2, 3; 124D.59, subdivision 2; 124D.65, subdivision 5; 125A.79, subdivision 7; 126C.01, by adding subdivisions; 126C.05, subdivisions 3, 5, 6, 8, 16, 17; 126C.10, subdivisions 1, 2a, 3, 4, 6, 13, 18, by adding subdivisions; 126C.13, subdivision 5; 126C.17, subdivision 1; 126C.20; 126C.40, subdivision 1; Minnesota Statutes 2007 Supplement, sections 125A.76, subdivision 5; 126C.05, subdivision 1; 126C.10, subdivision 2; 126C.13, subdivision 4; proposing coding for new law in Minnesota Statutes, chapters 123B; 126C; repealing Minnesota Statutes 2006, sections 126C.10, subdivisions 13a, 13b, 25, 26, 27, 28, 29, 30, 31, 31a, 31b, 32, 33, 35, 36; 126C.12; 127A.50; Minnesota Statutes 2007 Supplement, sections 123B.54; 125A.76, subdivision 4; 125A.79, subdivision 6; 126C.10, subdivisions 2b, 24, 34; 126C.126.

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

Section 1. Minnesota Statutes 2006, 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~~ 150 percent of the statewide adjusted net tax capacity equalizing factor.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and later.

Sec. 2. **[123B.555] SCHOOL BOND AGRICULTURAL CREDIT.**

Subdivision 1. Eligibility. All class 2 property under section 273.13, subdivision 23, except for (1) property consisting of the house, garage, and immediately surrounding one acre of land of an agricultural homestead, and (2) property classified under section 273.13, subdivision 23, paragraph (b), clause (4), 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 20 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 2009 and later.

Sec. 3. Minnesota Statutes 2006, section 123B.57, subdivision 4, is amended to read:

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~~ 100 percent of the statewide tax capacity equalizing factor.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and later.

Sec. 4. Minnesota Statutes 2006, section 123B.59, subdivision 1, is amended to read:

Subdivision 1. **To qualify.** ~~(a)~~ An independent or special school district qualifies to participate in the alternative facilities bonding and levy program if the district has:

~~(1) more than 66 students per grade;~~

~~(2) over 1,850,000 square feet of space and the average age of building space is 15 years or older or over 1,500,000 square feet and the average age of building space is 35 years or older;~~

~~(3)~~ insufficient funds from projected health and safety revenue and capital facilities revenue to meet the requirements for deferred maintenance, to make accessibility improvements, or to make fire, safety, or health repairs; and

~~(4)~~ (2) a ten-year facility plan approved by the commissioner according to subdivision 2.

~~(b) An independent or special school district not eligible to participate in the alternative facilities bonding and levy program under paragraph (a) qualifies for limited participation in the program if the district has:~~

~~(1) one or more health and safety projects with an estimated cost of \$500,000 or more per site that would qualify for health and safety revenue except for the project size limitation in section 123B.57, subdivision 1, paragraph (b); and~~

~~(2) insufficient funds from capital facilities revenue to fund those projects.~~

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2010 and later.

Sec. 5. Minnesota Statutes 2006, section 123B.591, subdivision 2, is amended to read:

Subd. 2. **Deferred maintenance revenue.** The deferred maintenance revenue for an eligible school district equals the product of ~~\$60~~ \$100 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.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2010 and later.

Sec. 6. Minnesota Statutes 2006, section 123B.591, subdivision 3, is amended to read:

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

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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~~ 100 percent of the statewide adjusted net tax capacity equalizing factor.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and later.

Sec. 7. Minnesota Statutes 2006, 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.~~

5.1 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
5.2 and later.

5.3 Sec. 8. Minnesota Statutes 2006, section 124D.65, subdivision 5, is amended to read:

5.4 Subd. 5. **School district LEP revenue.** (a) A district's limited English proficiency
5.5 programs revenue equals the product of: (1) ~~\$700 in fiscal year 2004 and later times .2;~~
5.6 (2) the basic formula allowance for that year; and (3) the greater of 20 or the adjusted
5.7 marginal cost average daily membership of eligible pupils of limited English proficiency
5.8 enrolled in the district during the current fiscal year.

5.9 (b) A pupil ceases to generate state limited English proficiency aid in the school
5.10 year following the school year in which the pupil attains the state cutoff score on a
5.11 commissioner-provided assessment that measures the pupil's emerging academic English.

5.12 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
5.13 and later.

5.14 Sec. 9. Minnesota Statutes 2007 Supplement, section 125A.76, subdivision 5, is
5.15 amended to read:

5.16 Subd. 5. **School district special education aid.** A school district's special education
5.17 aid ~~for fiscal year 2008 and later equals the state total special education aid times the ratio~~
5.18 ~~of the district's its initial special education aid to the state total initial special education aid.~~

5.19 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
5.20 and later.

5.21 Sec. 10. Minnesota Statutes 2006, section 125A.79, subdivision 7, is amended to read:

5.22 Subd. 7. **District special education excess cost aid.** A district's special education
5.23 excess cost aid ~~for fiscal year 2002 and later equals the state total special education excess~~
5.24 ~~cost aid times the ratio of the district's its initial excess cost aid to the state total initial~~
5.25 ~~excess cost aid.~~

5.26 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
5.27 and later.

5.28 Sec. 11. Minnesota Statutes 2006, section 126C.01, is amended by adding a subdivision
5.29 to read:

5.30 Subd. 2a. **Adjusted net tax capacity equalizing factor.** The adjusted net tax
5.31 capacity equalizing factor equals the quotient derived by dividing the total adjusted net

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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 marginal cost pupil units in the state for the current school year.

EFFECTIVE DATE. This section is effective for taxes payable in 2009 and later.

Sec. 12. Minnesota Statutes 2006, section 126C.01, is amended by adding a subdivision to read:

Subd. 12. Location equity index. (a) A school district's wage 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 80 percent of the district's county wage level and 20 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 with the coefficient weights set at 0.83 for the most recent year, 0.33 for the prior year, and -0.16 for the second prior year.

(b) a school district's housing equity index equals the ratio of each district's county median home value to the statewide median home value.

(c) a school district's location equity index equals the greater of one, or the sum of (i) 0.65 times the district's wage equity index, and (ii) 0.35 times the district's housing equity index.

(d) 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 2010 and later.

Sec. 13. Minnesota Statutes 2007 Supplement, 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,

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7.1 124D.05, 125A.03 to 125A.24, 125A.51, or 125A.65, shall be counted according to this
7.2 subdivision.

7.3 (a) A prekindergarten pupil with a disability who is enrolled in a program approved
7.4 by the commissioner and has an individual education plan is counted as the ratio of the
7.5 number of hours of assessment and education service to 825 times 1.25 with a minimum
7.6 average daily membership of 0.28, but not more than 1.25 pupil units.

7.7 (b) A prekindergarten pupil who is assessed but determined not to be disabled is
7.8 counted as the ratio of the number of hours of assessment service to 825 times 1.25.

7.9 (c) A kindergarten pupil with a disability who is enrolled in a program approved
7.10 by the commissioner is counted as the ratio of the number of hours of assessment and
7.11 education services required in the fiscal year by the pupil's individual education program
7.12 plan to 875, but not more than one.

7.13 (d) A kindergarten pupil who is not included in paragraph (c) is counted as ~~1.12~~ 1.0
7.14 pupil units.

7.15 (e) A pupil who is in any of grades 1 to 3 is counted as ~~1.115~~ 1.0 pupil units for
7.16 fiscal year 2000 and thereafter.

7.17 (f) A pupil who is any of grades 4 to 6 is counted as ~~1.06~~ 1.0 pupil units for fiscal
7.18 year 1995 and thereafter.

7.19 (g) A pupil who is in any of grades 7 to 12 is counted as ~~1.3~~ 1.0 pupil units.

7.20 (h) A pupil who is in the postsecondary enrollment options program is counted as
7.21 ~~1.3~~ 1.0 pupil units.

7.22 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
7.23 and later.

7.24 Sec. 14. Minnesota Statutes 2006, section 126C.05, subdivision 3, is amended to read:

7.25 Subd. 3. **Compensation revenue pupil units.** Compensation revenue pupil units
7.26 ~~for fiscal year 1998 and thereafter~~ must be computed according to this subdivision.

7.27 (a) The compensation revenue concentration percentage for each ~~building in a~~
7.28 district equals the product of 100 times the ratio of:

7.29 (1) ~~the sum of~~ the number of pupils enrolled in the building district eligible to
7.30 receive free ~~lunch plus one-half of the pupils eligible to receive~~ or reduced priced lunch on
7.31 October 1 of the previous fiscal year; to

7.32 (2) the number of pupils enrolled in the building district on October 1 of the
7.33 previous fiscal year.

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(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~~ or reduced priced 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 2010 and later.

Sec. 15. Minnesota Statutes 2006, 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~~

9.1 ~~(2) the number of adjusted pupil units defined in paragraph (a) for the current school~~
9.2 ~~year.~~

9.3 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
9.4 and later.

9.5 Sec. 16. Minnesota Statutes 2006, section 126C.05, subdivision 6, is amended to read:

9.6 Subd. 6. **Resident pupil units.** (a) Resident pupil units for a district means the
9.7 number of pupil units according to subdivision 1 residing in the district.

9.8 ~~(b) Resident marginal cost pupil units means the greater of:~~

9.9 ~~(1) the sum of .77 times the pupil units defined in paragraph (a) for the current year~~
9.10 ~~and .23 times the pupil units defined in paragraph (a) for the previous school year; or~~

9.11 ~~(2) the number of resident pupil units defined in paragraph (a) for the current school~~
9.12 ~~year.~~

9.13 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
9.14 and later.

9.15 Sec. 17. Minnesota Statutes 2006, section 126C.05, subdivision 8, is amended to read:

9.16 Subd. 8. **Average daily membership.** (a) Membership for pupils in grades
9.17 kindergarten through 12 and for prekindergarten pupils with disabilities shall mean the
9.18 number of pupils on the current roll of the school, counted from the date of entry until
9.19 withdrawal. The date of withdrawal shall mean the day the pupil permanently leaves
9.20 the school or the date it is officially known that the pupil has left or has been legally
9.21 excused. However, a pupil, regardless of age, who has been absent from school for 15
9.22 consecutive school days during the regular school year or for five consecutive school days
9.23 during summer school or intersession classes of flexible school year programs without
9.24 receiving instruction in the home or hospital shall be dropped from the roll and classified
9.25 as withdrawn. Nothing in this section shall be construed as waiving the compulsory
9.26 attendance provisions cited in section 120A.22. Average daily membership equals the
9.27 sum for all pupils of the number of days of the school year each pupil is enrolled in the
9.28 district's schools divided by the number of days the schools are in session. Days of
9.29 summer school or intersession classes of flexible school year programs are only included
9.30 in the computation of membership for pupils with a disability not appropriately served
9.31 primarily in the regular classroom. A student must not be counted as more than 1.2 pupils
9.32 in average daily membership under this section. When the initial total average daily

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10.1 membership exceeds 1.2 for a pupil enrolled in more than one school district during the
10.2 fiscal year, each district's average daily membership must be reduced proportionately.

10.3 (b) A student must not be counted as more than one pupil in average daily
10.4 membership except for purposes of section 126C.10, subdivision 2a.

10.5 (c) For purposes of section 126C.10, subdivision 2a, only, a pupil's average daily
10.6 membership is counted as 1.0 once a kindergarten or elementary pupil has received 960
10.7 hours of instruction during the school year and as 1.0 once a secondary student has
10.8 received 1,050 hours of instruction during the school year.

10.9 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
10.10 and later.

10.11 Sec. 18. Minnesota Statutes 2006, section 126C.05, subdivision 16, is amended to read:

10.12 Subd. 16. **Free and reduced priced lunches.** The commissioner shall determine
10.13 the number of children eligible to receive either a free or reduced priced lunch on October
10.14 1 each year. Children enrolled ~~in a building~~ on October 1 and determined to be eligible to
10.15 receive free or reduced price lunch by December 15 of that school year shall be counted
10.16 as eligible on October 1 for purposes of subdivision 3. The commissioner may use
10.17 federal definitions for these purposes and may adjust these definitions as appropriate.
10.18 The commissioner may adopt reporting guidelines to assure accuracy of data counts and
10.19 eligibility. Districts shall use any guidelines adopted by the commissioner.

10.20 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
10.21 and later.

10.22 Sec. 19. Minnesota Statutes 2006, section 126C.05, subdivision 17, is amended to read:

10.23 Subd. 17. **LEP pupil units.** (a) Limited English proficiency pupil units ~~for fiscal~~
10.24 ~~year 2004 and thereafter shall be determined according to this subdivision.~~

10.25 ~~(b) The limited English proficiency concentration percentage for a district equals the~~
10.26 ~~product of 100 times the ratio of:~~

10.27 ~~(1) means~~ the number of eligible pupils of limited English proficiency in average
10.28 daily membership enrolled in the district during the current fiscal year; ~~to~~

10.29 ~~(2) the number of pupils in average daily membership enrolled in the district.~~

10.30 ~~(c) The limited English proficiency pupil units for each eligible pupil of limited~~
10.31 ~~English proficiency in average daily membership equals the lesser of one or the quotient~~
10.32 ~~obtained by dividing the limited English proficiency concentration percentage for the~~
10.33 ~~pupil's district of enrollment by 11.5.~~

11.1 ~~(d)~~ (b) Limited English proficiency pupil units shall be counted by the district of
11.2 enrollment.

11.3 ~~(e)~~ (c) Notwithstanding paragraph ~~(d)~~ (b), for the purposes of this subdivision,
11.4 pupils enrolled in a cooperative or intermediate school district shall be counted by the
11.5 district of residence.

11.6 ~~(f)~~ (d) For the purposes of this subdivision, the terms defined in section 124D.59
11.7 have the same meaning.

11.8 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
11.9 and later.

11.10 Sec. 20. **[126C.09] EDUCATION FUNDING FRAMEWORK.**

11.11 Subdivision 1. **Basic formula framework; general classroom funding.** The
11.12 general classroom funding for each school district equals the sum of the district's general
11.13 education basic revenue, extended time revenue, compensatory revenue, LEP revenue,
11.14 referendum replacement revenue, and special education revenue.

11.15 Subd. 2. **District instructional services.** A school district's instructional services
11.16 revenue equals the sum of its operating sparsity revenue, location equity revenue, and
11.17 declining enrollment revenue.

11.18 Subd. 3. **District support services.** A school district's support services revenue
11.19 equals the sum of its operating capital revenue, deferred maintenance revenue, health
11.20 and safety revenue, alternative facilities revenue, integration revenue, and transportation
11.21 revenue.

11.22 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
11.23 and later.

11.24 Sec. 21. Minnesota Statutes 2006, section 126C.10, subdivision 1, is amended to read:

11.25 Subdivision 1. **General education revenue.** (a) For fiscal year 2006 ~~and later~~
11.26 through 2009, the general education revenue for each district equals the sum of the
11.27 district's basic revenue, extended time revenue, gifted and talented revenue, basic skills
11.28 revenue, training and experience revenue, secondary sparsity revenue, elementary sparsity
11.29 revenue, transportation sparsity revenue, total operating capital revenue, equity revenue,
11.30 alternative teacher compensation revenue, and transition revenue.

11.31 (b) For fiscal years 2010 and later, a school district's general education revenue
11.32 equals the sum of its basic revenue, extended time revenue, declining enrollment revenue,
11.33 basic skills revenue, location equity revenue, referendum replacement revenue, secondary

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12.1 sparsity revenue, elementary sparsity revenue, transportation revenue, and total operating
12.2 capital revenue.

12.3 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
12.4 and later.

12.5 Sec. 22. Minnesota Statutes 2007 Supplement, section 126C.10, subdivision 2, is
12.6 amended to read:

12.7 Subd. 2. **Basic revenue.** (a) The basic revenue for each district equals the formula
12.8 allowance times the adjusted ~~marginal cost~~ pupil units for the school year.

12.9 (b) The formula allowance for fiscal year 2007 is \$4,974. The formula allowance for
12.10 fiscal year 2008 is \$5,074 and the formula allowance for fiscal year 2009 ~~and subsequent~~
12.11 ~~years~~ is \$5,124.

12.12 (c) The formula allowance for fiscal year 2010 is \$7,500. The formula allowance
12.13 for fiscal year 2011 and later equals the formula allowance for the previous year times
12.14 the sum of 1 and the greater of zero or the ratio of implicit price deflator, as defined in
12.15 section 275.70, subdivision 2, for the most recent year to the implicit price deflator for
12.16 the previous year.

12.17 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
12.18 and later.

12.19 Sec. 23. Minnesota Statutes 2006, section 126C.10, subdivision 2a, is amended to read:

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

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

12.27 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
12.28 and later.

12.29 Sec. 24. Minnesota Statutes 2006, section 126C.10, is amended by adding a
12.30 subdivision to read:

12.31 Subd. 2c. **Declining enrollment revenue.** A school district's declining enrollment
12.32 revenue equals the greater of zero or the product of: (1) the basic formula allowance for

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13.1 that year; and (2) the difference between the mean average adjusted pupil units for the
13.2 three preceding years and the adjusted pupil units for the current year.

13.3 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
13.4 and later.

13.5 Sec. 25. Minnesota Statutes 2006, section 126C.10, is amended by adding a
13.6 subdivision to read:

13.7 Subd. 2d. **Location equity revenue.** A school district's location equity revenue
13.8 equals the product of:

13.9 (1) .50;

13.10 (2) the basic formula allowance for that year;

13.11 (3) the district's adjusted marginal cost pupil units for that year; and

13.12 (4) the district's location equity index minus one.

13.13 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
13.14 and later.

13.15 Sec. 26. Minnesota Statutes 2006, section 126C.10, is amended by adding a
13.16 subdivision to read:

13.17 Subd. 2e. **Referendum replacement revenue.** A school district's referendum
13.18 replacement revenue equals \$500 times the district's adjusted pupil units for that year.

13.19 **EFFECTIVE DATE.** This section is effective for fiscal year 2010 and later.

13.20 Sec. 27. Minnesota Statutes 2006, section 126C.10, subdivision 3, is amended to read:

13.21 Subd. 3. **Compensatory education revenue.** (a) The compensatory education
13.22 revenue for each ~~building in the~~ district equals the greater of: (1) \$2,500 times the district's
13.23 enrollment of students eligible for free or reduced price meals under section 126C.05,
13.24 subdivision 3, paragraph (a), clause (1); or (2) 40 percent of the formula allowance ~~minus~~
13.25 ~~\$415~~ times the compensation revenue pupil units computed according to section 126C.05,
13.26 subdivision 3. Revenue shall be paid to the district and must be allocated according to
13.27 section 126C.15, subdivision 2.

13.28 (b) When the district contracting with an alternative program under section 124D.69
13.29 changes prior to the start of a school year, the compensatory revenue generated by pupils
13.30 attending the program shall be paid to the district contracting with the alternative program
13.31 for the current school year, and shall not be paid to the district contracting with the
13.32 alternative program for the prior school year.

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14.1 (c) When the fiscal agent district for an area learning center changes prior to the start
14.2 of a school year, the compensatory revenue shall be paid to the fiscal agent district for the
14.3 current school year, and shall not be paid to the fiscal agent district for the prior school year.

14.4 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
14.5 and later.

14.6 Sec. 28. Minnesota Statutes 2006, section 126C.10, subdivision 4, is amended to read:

14.7 Subd. 4. **Basic skills revenue.** A school district's basic skills revenue equals the
14.8 sum of:

14.9 (1) compensatory revenue under subdivision 3; plus

14.10 (2) limited English proficiency revenue under section 124D.65, subdivision 5; ~~plus~~

14.11 ~~(3) \$250 times the limited English proficiency pupil units under section 126C.05,~~
14.12 ~~subdivision 17.~~

14.13 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
14.14 and later.

14.15 Sec. 29. Minnesota Statutes 2006, section 126C.10, subdivision 6, is amended to read:

14.16 Subd. 6. **Definitions.** The definitions in this subdivision apply only to subdivisions
14.17 7 and 8.

14.18 (a) "High school" means a public secondary school, except a charter school under
14.19 section 124D.10, that has pupils enrolled in at least the 10th, 11th, and 12th grades. If
14.20 there is no high school in the district and the school is at least ~~19~~ 15 miles from the next
14.21 nearest school, the commissioner must designate one school in the district as a high school
14.22 for the purposes of this section.

14.23 (b) "Secondary average daily membership" means, for a district that has only one
14.24 high school, the average daily membership of pupils served in grades 7 through 12. For a
14.25 district that has more than one high school, "secondary average daily membership" for
14.26 each high school means the product of the average daily membership of pupils served in
14.27 grades 7 through 12 in the high school, times the ratio of six to the number of grades
14.28 in the high school.

14.29 (c) "Attendance area" means the total surface area of the district, in square miles,
14.30 divided by the number of high schools in the district. For a district that does not operate
14.31 a high school and is less than 19 miles from the nearest operating high school, the
14.32 attendance area equals zero.

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(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 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 2010 and later.

Sec. 30. Minnesota Statutes 2006, section 126C.10, subdivision 13, is amended to read:

Subd. 13. **Total operating capital revenue.** (a) Total operating capital revenue for a district equals the amount determined under paragraph (b) or (c), plus ~~\$73~~ \$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 2010 and later.

Sec. 31. Minnesota Statutes 2006, 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 2010 and later.

Sec. 32. Minnesota Statutes 2006, 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 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 2010 and later.

Sec. 33. [126C.115] INNOVATION REVENUE.

A school district must use its innovation revenue to incorporate peer-reviewed, research-based measures and practices to improve academic performance. If a school district's student growth in academic performance as measured by a growth-based, value-added system is below the established progress levels, the district must file a plan with the commissioner describing the district's proposed uses of its innovation revenue. Once the plan has been approved, the district must spend its innovation revenue in accordance with that plan.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2010 and later.

Sec. 34. Minnesota Statutes 2007 Supplement, 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 2010 and later.

Sec. 35. Minnesota Statutes 2006, 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;

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(2) 1.5 percent of basic revenue must be used only to implement a district's innovative revenue program activities under section 126C.115;

(3) 0.5 percent of basic revenue must be spent for career and technical services in the same manner as funds raised under section 124D.4531;

(4) basic skills revenue must be used according to section 126C.15; and

(5) operating capital revenue must be spent according to section 126C.10, subdivision 14.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2010 and later.

Sec. 36. Minnesota Statutes 2006, 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 2010 less \$500, plus~~

~~(2) any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 after May 30, 2003 2008, for fiscal year 2005 2010 and later.~~

19.1 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
19.2 and later.

19.3 Sec. 37. Minnesota Statutes 2006, section 126C.20, is amended to read:

19.4 **126C.20 ANNUAL GENERAL EDUCATION AID APPROPRIATION.**

19.5 There is annually appropriated from the general fund to the department the ~~amount~~
19.6 amounts necessary for: (1) general education aid; (2) special education aid; (3) debt
19.7 service aid; and (4) the school bond agricultural credit. ~~This amount~~ These amounts must
19.8 be reduced by the amount of any money specifically appropriated for the same purpose
19.9 in any year from any state fund.

19.10 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
19.11 and later.

19.12 Sec. 38. Minnesota Statutes 2006, section 126C.40, subdivision 1, is amended to read:

19.13 Subdivision 1. **To lease building or land.** (a) When an independent or a special
19.14 school district or a group of independent or special school districts finds it economically
19.15 advantageous to rent or lease a building or land for any instructional ~~purposes or~~
19.16 administrative purpose, or for school storage or furniture repair, and it determines that
19.17 the operating capital revenue authorized under section 126C.10, subdivision 13, is
19.18 insufficient for this purpose, it may apply to the commissioner for permission to make
19.19 an additional capital expenditure levy for this purpose. An application for permission to
19.20 levy under this subdivision must contain financial justification for the proposed levy, the
19.21 terms and conditions of the proposed lease, and a description of the space to be leased
19.22 and its proposed use.

19.23 (b) The criteria for approval of applications to levy under this subdivision must
19.24 include: the reasonableness of the price, the appropriateness of the space to the proposed
19.25 activity, the feasibility of transporting pupils to the leased building or land, conformity
19.26 of the lease to the laws and rules of the state of Minnesota, and the appropriateness of
19.27 the proposed lease to the space needs and the financial condition of the district. The
19.28 commissioner must not authorize a levy under this subdivision in an amount greater than
19.29 the cost to the district of renting or leasing a building or land for approved purposes.
19.30 The proceeds of this levy must not be used for custodial or other maintenance services.
19.31 A district may not levy under this subdivision for the purpose of leasing or renting a
19.32 district-owned building or site to itself.

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(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 ~~\$100~~ \$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

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21.1 exceed ~~\$25~~ \$50 times the adjusted marginal cost pupil units of the member districts. This
21.2 authority is in addition to any other authority authorized under this section.

21.3 (i) In addition to the allowable capital levies in paragraph (a), a district that is a
21.4 member of the "Technology and Information Education Systems" data processing joint
21.5 board, that finds it economically advantageous to enter into a lease purchase agreement for
21.6 a building for a group of school districts or special school districts for staff development
21.7 purposes, may levy for its portion of lease costs attributed to the district within the total
21.8 levy limit in paragraph (e).

21.9 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010
21.10 and later.

21.11 Sec. 39. **REVISOR'S INSTRUCTION.**

21.12 In the next and subsequent editions of Minnesota Statutes, the Revisor of Statutes
21.13 shall change all references to "adjusted marginal cost pupil units" to "adjusted pupil units"
21.14 and all references to "resident marginal cost pupil units" to "resident pupil units."

21.15 **EFFECTIVE DATE.** This section is effective July 1, 2009.

21.16 Sec. 40. **REPEALER.**

21.17 (a) Minnesota Statutes 2006, sections 126C.10, subdivisions 13a, 13b, 25, 26, 27,
21.18 28, 29, 30, 31, 31a, 31b, 32, 33, 35, and 36; 126C.12; and 127A.50, are repealed.

21.19 (b) Minnesota Statutes 2007 Supplement, sections 123B.54; 125A.76, subdivision 4;
21.20 125A.79, subdivision 6; 126C.10, subdivisions 2b, 24, and 34; and 126C.126, are repealed.

21.21 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2010.

123B.54 DEBT SERVICE APPROPRIATION.

(a) \$14,813,000 in fiscal year 2008, \$11,124,000 in fiscal year 2009, \$8,866,000 in fiscal year 2010, and \$6,631,000 in fiscal year 2011 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.

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, supplemental 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.

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(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 year 2006 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.

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

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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 and later, the basic alternative teacher compensation aid for a school district 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 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) 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.

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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.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

APPENDIX

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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.