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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 2388

03/17/2025 Authored by Bakeberg, Bennett, Mueller, Nadeau, Myers and others
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; replacing local optional aid and levy with basic
1.3 supplemental revenue; increasing the basic supplemental aid amount; appropriating
1.4 money; amending Minnesota Statutes 2024, sections 124E.20, subdivision 1;
1.5 126C.10, subdivisions 1, 2e; 126C.13, subdivision 4; 126C.17, subdivisions 7a,
1.6 7b.

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

1.8 Section 1. Minnesota Statutes 2024, section 124E.20, subdivision 1, is amended to read:

1.9 Subdivision 1. Revenue calculation. (a) General education revenue must be paid to a
1.10 charter school as though it were a district. The general education revenue for each adjusted
1.11 pupil unit is the state average general education revenue per pupil unit, plus the referendum
1.12 equalization aid allowance and the first and second tier local optional basic supplemental
1.13 aid allowance allowances in the pupil's district of residence, minus an amount equal to the
1.14 product of the formula allowance according to section 126C.10, subdivision 2, times .0466,
1.15 calculated without declining enrollment revenue, local optional basic supplemental revenue,
1.16 basic skills revenue, extended time revenue, pension adjustment revenue, transition revenue,
1.17 and transportation sparsity revenue, plus declining enrollment revenue, basic skills revenue,
1.18 pension adjustment revenue, and transition revenue as though the school were a school
1.19 district.

1.20 (b) For a charter school operating an extended day, extended week, or summer program,
1.21 the general education revenue in paragraph (a) is increased by an amount equal to 25 percent
1.22 of the statewide average extended time revenue per adjusted pupil unit.

1.23 (c) Notwithstanding paragraph (a), the general education revenue for an eligible special
1.24 education charter school as defined in section 124E.21, subdivision 2, equals the sum of

2.1 the amount determined under paragraph (a) and the school's unreimbursed cost as defined
 2.2 in section 124E.21, subdivision 2, for educating students not eligible for special education
 2.3 services.

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

2.5 Sec. 2. Minnesota Statutes 2024, section 126C.10, subdivision 1, is amended to read:

2.6 Subdivision 1. **General education revenue.** The general education revenue for each
 2.7 district equals the sum of the district's basic revenue, extended time revenue, gifted and
 2.8 talented revenue, declining enrollment revenue, ~~local optional~~ basic supplemental revenue,
 2.9 small schools revenue, basic skills revenue, secondary sparsity revenue, elementary sparsity
 2.10 revenue, transportation sparsity revenue, total operating capital revenue, equity revenue,
 2.11 pension adjustment revenue, and transition revenue.

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

2.13 Sec. 3. Minnesota Statutes 2024, section 126C.10, subdivision 2e, is amended to read:

2.14 Subd. 2e. ~~Local optional~~ Basic supplemental revenue. (a) ~~Local optional~~ Basic
 2.15 supplemental revenue for a school district equals the sum of the district's first tier ~~local~~
 2.16 ~~optional~~ basic supplemental revenue and, second tier ~~local optional~~ basic supplemental
 2.17 revenue, and third tier basic supplemental revenue. A district's first tier ~~local optional~~ basic
 2.18 supplemental revenue equals \$100 times the adjusted pupil units of the district for that
 2.19 school year. A district's second tier basic supplemental revenue equals \$300 times the
 2.20 adjusted pupil units of the district for that school year. A district's ~~second~~ third tier ~~local~~
 2.21 ~~optional~~ basic supplemental revenue equals \$424 times the adjusted pupil units of the district
 2.22 for that school year.

2.23 (b) A district's ~~local optional~~ basic supplemental levy equals the sum of the ~~first~~ second
 2.24 tier ~~local optional~~ basic supplemental levy and the ~~second~~ third tier ~~local optional~~ basic
 2.25 supplemental levy.

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

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

3.1 ~~the lesser of one or the ratio of the district's referendum market value per resident pupil unit~~
 3.2 ~~to \$510,000.~~ For fiscal year 2025, a district's ~~second~~ third tier ~~local optional~~ basic
 3.3 supplemental levy equals the district's ~~second~~ third tier ~~local optional~~ basic supplemental
 3.4 revenue times the lesser of one or the ratio of the district's referendum market value per
 3.5 resident pupil unit to \$626,450. For fiscal year 2026, a district's ~~second~~ third tier ~~local~~
 3.6 ~~optional~~ basic supplemental levy equals the district's ~~second~~ third tier ~~local optional~~ basic
 3.7 supplemental revenue times the lesser of one or the ratio of the district's referendum market
 3.8 value per resident pupil unit to \$642,038. For fiscal year 2027 and later, a district's ~~second~~
 3.9 third tier ~~local optional~~ basic supplemental levy equals the district's ~~second~~ third tier ~~local~~
 3.10 ~~optional~~ basic supplemental revenue times the lesser of one or the ratio of the district's
 3.11 referendum market value per resident pupil unit to \$671,345.

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

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

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

3.19 Sec. 4. Minnesota Statutes 2024, section 126C.13, subdivision 4, is amended to read:

3.20 Subd. 4. **General education aid.** ~~For fiscal year 2015 and later,~~ A district's general
 3.21 education aid equals:

3.22 (1) general education revenue, excluding operating capital revenue, equity revenue, ~~local~~
 3.23 ~~optional~~ basic supplemental revenue, and transition revenue; plus

3.24 (2) operating capital aid under section 126C.10, subdivision 13b;

3.25 (3) equity aid under section 126C.10, subdivision 30; plus

3.26 (4) transition aid under section 126C.10, subdivision 33; plus

3.27 (5) shared time aid under section 126C.01, subdivision 7; plus

3.28 (6) referendum aid under section 126C.17, subdivisions 7 and 7a; plus

3.29 (7) online learning aid under section 124D.096; plus

3.30 (8) ~~local optional~~ basic supplemental aid according to section 126C.10, subdivision 2e,
 3.31 paragraph (f).

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

4.2 Sec. 5. Minnesota Statutes 2024, section 126C.17, subdivision 7a, is amended to read:

4.3 Subd. 7a. **Referendum tax base replacement aid.** For each school district that had a
 4.4 referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized
 4.5 referendum levy, the commissioner of revenue, in consultation with the commissioner of
 4.6 education, shall certify the amount of the referendum levy in taxes payable year 2001
 4.7 attributable to the portion of the referendum allowance exceeding \$415 levied against
 4.8 property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding
 4.9 the portion of the tax paid by the portion of class 2a property consisting of the house, garage,
 4.10 and surrounding one acre of land. The resulting amount must be used to reduce the district's
 4.11 referendum levy or ~~first~~ second tier local optional basic supplemental levy amount otherwise
 4.12 determined, and must be paid to the district each year that the referendum or ~~first~~ second
 4.13 ~~tier local optional~~ basic supplemental authority remains in effect, is renewed, or new
 4.14 referendum authority is approved. The aid payable under this subdivision must be subtracted
 4.15 from the district's referendum equalization aid under subdivision 7. The referendum
 4.16 equalization aid and the ~~first~~ second tier local optional basic supplemental aid after the
 4.17 subtraction must not be less than zero.

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

4.19 Sec. 6. Minnesota Statutes 2024, section 126C.17, subdivision 7b, is amended to read:

4.20 Subd. 7b. **Referendum aid guarantee.** ~~(a) Notwithstanding subdivision 7, the sum of~~
 4.21 ~~a district's referendum equalization aid and local optional aid under section 126C.10,~~
 4.22 ~~subdivision 2e, for fiscal year 2015 must not be less than the sum of the referendum~~
 4.23 ~~equalization aid the district would have received for fiscal year 2015 under Minnesota~~
 4.24 ~~Statutes 2012, section 126C.17, subdivision 7, and the adjustment the district would have~~
 4.25 ~~received under Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a),~~
 4.26 ~~(b), and (c).~~

4.27 ~~(b)~~ Notwithstanding subdivision 7, the sum of referendum equalization aid and ~~local~~
 4.28 ~~optional~~ basic supplemental aid under section 126C.10, subdivision 2e, ~~for fiscal year 2016~~
 4.29 ~~and later,~~ for a district qualifying for additional aid under Minnesota Statutes 2014, section
 4.30 126C.10, subdivision 2e, paragraph (a), for fiscal year 2015, must not be less than the product
 4.31 of (1) the sum of the district's referendum equalization aid and local optional aid under
 4.32 Minnesota Statutes 2014, section 126C.10, subdivision 2e, for fiscal year 2015, times (2)
 4.33 the lesser of one or the ratio of the sum of the district's referendum revenue and ~~local optional~~

5.1 basic supplemental revenue for that school year to the sum of the district's referendum
 5.2 revenue and local optional revenue for fiscal year 2015, times (3) the lesser of one or the
 5.3 ratio of the district's referendum market value used for fiscal year 2015 referendum
 5.4 equalization calculations to the district's referendum market value used for that year's
 5.5 referendum equalization calculations.

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

5.7 **Sec. 7. APPROPRIATIONS; GENERAL EDUCATION AID.**

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

5.11 Subd. 2. Additional general education aid. For additional general education aid required
 5.12 under this act:

5.13 \$ 2026

5.14 \$ 2027

5.15 **Sec. 8. REVISOR INSTRUCTION.**

5.16 The revisor of statutes shall replace "local optional revenue," "local optional aid," and
 5.17 "local optional levy" with "basic supplemental revenue," "basic supplemental aid," and
 5.18 "basic supplemental levy" and correct all cross-references.