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State of Minnesota  
HOUSE OF REPRESENTATIVES  
NINETIETH SESSION

H. F. No. **4306**

03/29/2018 Authored by Thissen and Bly  
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 programs;  
1.3 eliminating literacy aid; amending Minnesota Statutes 2016, sections 124D.98,  
1.4 subdivision 1; 125A.76, subdivisions 1, 2a; 125A.79, subdivisions 1, 5; Minnesota  
1.5 Statutes 2017 Supplement, section 125A.76, subdivision 2c; Laws 2017, First  
1.6 Special Session chapter 5, article 2, section 57, subdivision 3; article 4, section  
1.7 12, subdivision 2, as amended; repealing Minnesota Statutes 2016, section 124D.98,  
1.8 subdivisions 2, 3.

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

1.10 Section 1. Minnesota Statutes 2016, section 124D.98, subdivision 1, is amended to read:

1.11 Subdivision 1. **Literacy ~~incentive aid~~ activities.** ~~A district's literacy incentive aid equals~~  
1.12 ~~the sum of the proficiency aid under subdivision 2, and the growth aid under subdivision 3~~  
1.13 district may spend its general fund money for the purposes of its local literacy plan under  
1.14 section 120B.12, subdivision 4a.

1.15 Sec. 2. Minnesota Statutes 2016, section 125A.76, subdivision 1, is amended to read:

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

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

1.21 (c) "Essential personnel" means teachers, cultural liaisons, related services, and support  
1.22 services staff providing services to students. Essential personnel may also include special  
1.23 education paraprofessionals or clericals providing support to teachers and students by  
1.24 preparing paperwork and making arrangements related to special education compliance

2.1 requirements, including parent meetings and individualized education programs. Essential  
 2.2 personnel does not include administrators and supervisors.

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

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

2.7 (f) "Nonfederal special education expenditure" means all direct expenditures that are  
 2.8 necessary and essential to meet the district's obligation to provide special instruction and  
 2.9 services to children with a disability according to sections 124D.454, 125A.03 to 125A.24,  
 2.10 125A.259 to 125A.48, and 125A.65 as submitted by the district and approved by the  
 2.11 department under section 125A.75, subdivision 4, excluding expenditures:

2.12 (1) reimbursed with federal funds;

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

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

2.15 (4) for facilities;

2.16 (5) for pupil transportation; and

2.17 (6) for postemployment benefits.

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

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

2.25 ~~(i) "Cross subsidy reduction aid percentage" means 1.0 percent for fiscal year 2014 and~~  
 2.26 ~~2.27 percent for fiscal year 2015.~~

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

2.29 ~~(k)~~ (i) "Special education aid increase limit" means ~~\$80 for fiscal year 2016, \$100 for~~  
 2.30 ~~fiscal year 2017, and, \$180 for fiscal year 2018, \$258 for fiscal year 2019, and for fiscal~~

3.1 year 2020 and later, the sum of the special education aid increase limit for the previous  
 3.2 fiscal year and ~~\$40~~ \$78.

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

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

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

3.10 (1) the least of 62 percent of the district's old formula special education expenditures  
 3.11 for the prior fiscal year, excluding pupil transportation expenditures, 50 percent of the  
 3.12 district's nonfederal special education expenditures for the prior year, excluding pupil  
 3.13 transportation expenditures, or 56 percent of the product of the sum of the following amounts,  
 3.14 computed using prior fiscal year data, and the program growth factor:

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

3.16 (A) \$450; plus

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

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

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

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

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

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

4.1 Sec. 4. Minnesota Statutes 2017 Supplement, section 125A.76, subdivision 2c, is amended  
4.2 to read:

4.3 Subd. 2c. **Special education aid.** (a) ~~For fiscal year 2016 and later,~~ A district's special  
4.4 education aid equals the sum of the district's special education initial aid under subdivision  
4.5 2a and the district's excess cost aid under section 125A.79, subdivision 5.

4.6 ~~(b) Notwithstanding paragraph (a), for fiscal year 2016, the special education aid for a~~  
4.7 ~~school district must not exceed the sum of the special education aid the district would have~~  
4.8 ~~received for fiscal year 2016 under Minnesota Statutes 2012, sections 125A.76 and 125A.79,~~  
4.9 ~~as adjusted according to Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision~~  
4.10 ~~7, and the product of the district's average daily membership served and the special education~~  
4.11 ~~aid increase limit.~~

4.12 ~~(e)~~ (b) Notwithstanding paragraph (a), ~~for fiscal year 2017 and later,~~ the special education  
4.13 aid for a school district must not exceed the sum of: (i) the product of the district's average  
4.14 daily membership served and the special education aid increase limit and (ii) the product  
4.15 of the sum of the special education aid the district would have received for fiscal year 2016  
4.16 under Minnesota Statutes 2012, sections 125A.76 and 125A.79, as adjusted according to  
4.17 Minnesota Statutes 2012, sections 125A.11 and 127A.47, subdivision 7, the ratio of the  
4.18 district's average daily membership served for the current fiscal year to the district's average  
4.19 daily membership served for fiscal year 2016, and the program growth factor.

4.20 ~~(d)~~ (c) Notwithstanding paragraph (a), ~~for fiscal year 2016 and later~~ the special education  
4.21 aid for a school district, not including a charter school or cooperative unit as defined in  
4.22 section 123A.24, must not be less than the lesser of (1) the district's nonfederal special  
4.23 education expenditures for that fiscal year or (2) the product of the sum of the special  
4.24 education aid the district would have received for fiscal year 2016 under Minnesota Statutes  
4.25 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012,  
4.26 sections 125A.11 and 127A.47, subdivision 7, the ratio of the district's adjusted daily  
4.27 membership for the current fiscal year to the district's average daily membership for fiscal  
4.28 year 2016, and the program growth factor.

4.29 ~~(e)~~ (d) Notwithstanding subdivision 2a and section 125A.79, a charter school in its first  
4.30 year of operation shall generate special education aid based on current year data. A newly  
4.31 formed cooperative unit as defined in section 123A.24 may apply to the commissioner for  
4.32 approval to generate special education aid for its first year of operation based on current  
4.33 year data, with an offsetting adjustment to the prior year data used to calculate aid for  
4.34 programs at participating school districts or previous cooperatives that were replaced by

5.1 the new cooperative. The department shall establish procedures to adjust the prior year data  
 5.2 and fiscal year 2016 old formula aid used in calculating special education aid to exclude  
 5.3 costs that have been eliminated for districts where programs have closed or where a  
 5.4 substantial portion of the program has been transferred to a cooperative unit.

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

5.10 Sec. 5. Minnesota Statutes 2016, section 125A.79, subdivision 1, is amended to read:

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

5.13 (a) "Unreimbursed old formula special education expenditures" means:

5.14 (1) old formula special education expenditures for the prior fiscal year; minus

5.15 (2) ~~for fiscal year 2016 and later~~, the special education initial aid under section 125A.76,  
 5.16 subdivision 2a; minus

5.17 (3) ~~for fiscal year 2016 and later~~, the amount of general education revenue, excluding  
 5.18 local optional revenue, plus local optional aid and referendum equalization aid for the prior  
 5.19 fiscal year attributable to pupils receiving special instruction and services outside the regular  
 5.20 classroom for more than 60 percent of the school day for the portion of time the pupils  
 5.21 receive special instruction and services outside the regular classroom, excluding portions  
 5.22 attributable to district and school administration, district support services, operations and  
 5.23 maintenance, capital expenditures, and pupil transportation.

5.24 (b) "Unreimbursed nonfederal special education expenditures" means:

5.25 (1) nonfederal special education expenditures for the prior fiscal year; minus

5.26 (2) special education initial aid under section 125A.76, subdivision 2a; minus

5.27 (3) the amount of general education revenue, excluding local optional revenue, plus  
 5.28 local optional aid, and referendum equalization aid for the prior fiscal year attributable to  
 5.29 pupils receiving special instruction and services outside the regular classroom for more than  
 5.30 60 percent of the school day for the portion of time the pupils receive special instruction  
 5.31 and services outside of the regular classroom, excluding portions attributable to district and

6.1 school administration, district support services, operations and maintenance, capital  
6.2 expenditures, and pupil transportation.

6.3 (c) "General revenue" for a school district means the sum of the general education  
6.4 revenue according to section 126C.10, subdivision 1, excluding transportation sparsity  
6.5 revenue, local optional revenue, and total operating capital revenue. "General revenue" for  
6.6 a charter school means the sum of the general education revenue according to section  
6.7 124E.20, subdivision 1, and transportation revenue according to section 124E.23, excluding  
6.8 referendum equalization aid, transportation sparsity revenue, and operating capital revenue.

6.9 Sec. 6. Minnesota Statutes 2016, section 125A.79, subdivision 5, is amended to read:

6.10 Subd. 5. **Excess cost aid.** ~~For fiscal year 2016 and later,~~ A district's excess cost aid  
6.11 equals the greater of:

6.12 (1) ~~56~~ 61 percent of the difference between (i) the district's unreimbursed nonfederal  
6.13 special education expenditures and (ii) ~~7.0~~ 6.5 percent of the product of the ratio of \$5,831  
6.14 to the formula allowance for the prior year and the district's general revenue;

6.15 (2) ~~62~~ 61 percent of the difference between (i) the district's unreimbursed old formula  
6.16 special education expenditures and (ii) ~~2.52.0~~ 2.52.0 percent of the product of the ratio of \$5,831  
6.17 to the formula allowance for the prior year and the district's general revenue; or

6.18 (3) zero.

6.19 Sec. 7. Laws 2017, First Special Session chapter 5, article 2, section 57, subdivision 3, is  
6.20 amended to read:

6.21 Subd. 3. **Literacy incentive aid.** For literacy incentive aid under Minnesota Statutes,  
6.22 section 124D.98:

6.23 \$ 47,264,000 ..... 2018

6.24 ~~47,763,000~~

6.25 \$ 4,740,000 ..... 2019

6.26 The 2018 appropriation includes \$4,597,000 for 2017 and \$42,667,000 for 2018.

6.27 The 2019 appropriation includes \$4,740,000 for 2018 and ~~\$43,023,000~~ \$0 for 2019.

6.28 Sec. 8. Laws 2017, First Special Session chapter 5, article 4, section 12, subdivision 2, as  
6.29 amended by Laws 2017, First Special Session chapter 7, section 12, is amended to read:

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

7.1           \$ 1,341,161,000 ..... 2018

7.2           ~~1,426,827,000~~

7.3           \$ 1,469,827,000 ..... 2019

7.4           The 2018 appropriation includes \$156,403,000 for 2017 and \$1,184,758,000 for 2018.

7.5           The 2019 appropriation includes \$166,667,000 for 2018 and ~~\$1,260,160,000~~

7.6           \$1,303,160,000 for 2019.

7.7           Sec. 9. **REPEALER.**

7.8           Minnesota Statutes 2016, section 124D.98, subdivisions 2 and 3, are repealed.

**124D.98 LITERACY INCENTIVE AID.**

Subd. 2. **Proficiency aid.** The proficiency aid for each school in a district that has submitted to the commissioner its local literacy plan under section 120B.12, subdivision 4a, is equal to the product of the school's proficiency allowance times the number of third grade pupils at the school on October 1 of the previous fiscal year. A school's proficiency allowance is equal to the percentage of students in each building that meet or exceed proficiency on the third grade reading Minnesota Comprehensive Assessment, averaged across the previous three test administrations, times \$530.

Subd. 3. **Growth aid.** The growth aid for each school in a district that has submitted to the commissioner its local literacy plan under section 120B.12, subdivision 4a, is equal to the product of the school's growth allowance times the number of fourth grade pupils enrolled at the school on October 1 of the previous fiscal year. A school's growth allowance is equal to the percentage of students at that school making medium or high growth, under section 120B.299, on the fourth grade reading Minnesota Comprehensive Assessment, averaged across the previous three test administrations, times \$530.