

Subd. 2. STATE AUDIT. The state auditor shall conduct an audit of the school's finances for fiscal years 1989 and 1990. A preliminary or, if completed, a final report for fiscal year 1989 shall be submitted by February 15, 1990, to the White Earth reservation tribal council, the Pine Point Indian education committee, and the education committees of the legislature.

Subd. 3. EVALUATION. The department of education shall conduct a management and program evaluation of the school and make recommendations about continuing the school. The council shall cooperate with and make available any information requested by the department. The evaluation and recommendations shall be submitted to the education committees of the legislature by January 1, 1991.

Presented to the governor May 19, 1989

Signed by the governor May 22, 1989, 8:45 p.m.

#### CHAPTER 222—H.F.No. 141

*An act relating to education; correcting, clarifying, and changing certain education statutes; amending Minnesota Statutes 1988, sections 120.062, subdivisions 1 and 12; 120.075, subdivision 5; 120.0751, subdivision 6; 120.0752, subdivision 4; 121.904, subdivision 4a; 121.912, subdivision 1; 123.3515, subdivision 9; 123.36, subdivision 13; 123.705, subdivision 1; 124.155, subdivision 2; 124.214, subdivisions 2 and 3; 124.225, subdivisions 1, 4b, 7a, 7b, 8a, 8b, 8i, 8j, 8k, 8l, 10, and by adding a subdivision; 124.2445; 124.245, subdivision 6; 124.575, subdivision 1; 124A.24; 126.22, subdivisions 2 and 3; and 275.125, subdivisions 5b, 5c, 5e, 9, and 11d; Laws 1987, chapter 398, article 6, section 19, subdivision 9.*

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

Section 1. Minnesota Statutes 1988, section 120.062, subdivision 1, is amended to read:

Subdivision 1. **CERTAIN DISTRICTS EXCLUDED.** For the 1989-1990 school year only, this section applies to a district that has more than 1,000 actual pupil units in kindergarten through grade 12 during the 1987-1988 school year.

Sec. 2. Minnesota Statutes 1988, section 120.062, subdivision 12, is amended to read:

Subd. 12. **GENERAL EDUCATION AID.** Adjustments to general education aid, capital expenditure facilities aid, and equipment aid for the resident and nonresident districts shall be made according to ~~section~~ sections 124A.036, subdivision 5, and 124.245, subdivision 6, respectively.

Sec. 3. Minnesota Statutes 1988, section 120.075, subdivision 5, is amended to read:

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Subd. 5. General education aid, capital expenditure facilities aid, capital expenditure equipment aid, and transportation aid attributable to pupils covered by programs under this section must be paid according to sections 124A.036, subdivision 5, 124.245, subdivision 6, and 124.225, subdivision 8; ~~respectively~~.

Sec. 4. Minnesota Statutes 1988, section 120.0751, subdivision 6, is amended to read:

Subd. 6. **AID.** General education aid, capital expenditure facilities aid, capital expenditure equipment aid, and transportation aid for pupils covered by programs under this section must be paid according to sections 124A.036, subdivision 5, 124.245, subdivision 6, and 124.225, subdivision 8; ~~respectively~~.

Sec. 5. Minnesota Statutes 1988, section 120.0752, subdivision 4, is amended to read:

Subd. 4. General education aid, capital expenditure facilities aid, capital expenditure equipment aid, and transportation aid for pupils covered by programs under this section must be paid according to sections 124A.036, subdivision 5, 124.245, subdivision 6, and 124.225, subdivision 8; ~~respectively~~.

Sec. 6. Minnesota Statutes 1988, section 121.904, subdivision 4a, is amended to read:

Subd. 4a. **LEVY RECOGNITION.** (a) "School district tax settlement revenue" means the current, delinquent, and manufactured home property tax receipts collected by the county and distributed to the school district, including distributions made pursuant to section 279.37, subdivision 7, and excluding the amount levied pursuant to section 275.125, subdivision 9a, and Laws 1976, chapter 20, section 4.

(b) In June of each year, the school district shall recognize as revenue, in the fund for which the levy was made, the lesser of:

(1) the June and July school district tax settlement revenue received in that calendar year; or

(2) the sum of the state aids and credits enumerated in section 124.155, subdivision 2, which are for the fiscal year payable in that fiscal year plus 27 percent of the amount of the levy certified in the prior calendar year according to section 124A.03, subdivision 2, plus or minus auditor's adjustments, not including levy portions that are assumed by the state; or

(3) 27 percent of the amount of the levy certified in the prior calendar year, plus or minus auditor's adjustments, not including levy portions that are assumed by the state, which remains after subtracting, by fund, the amounts levied for the following purposes:

(i) reducing or eliminating projected deficits in the reserved fund balance accounts for unemployment insurance and bus purchases;

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(ii) statutory operating debt pursuant to section 275.125, subdivision 9a, and Laws 1976, chapter 20, section 4; and

(iii) retirement and severance pay pursuant to section 275.125, subdivision 6a, and Laws 1975, chapter 261, section 4; and

(iv) amounts levied for bonds issued and interest thereon, amounts levied for debt service loans and capital loans, amounts levied for down payments under section 124.82, subdivision 3, amounts levied for education district bonds under section 122.96, subdivision 5, and amounts levied pursuant to section 275.125, subdivision 14a.

(c) In July of each year, the school district shall recognize as revenue that portion of the school district tax settlement revenue received in that calendar year and not recognized as revenue for the previous fiscal year pursuant to clause (b).

(d) All other school district tax settlement revenue shall be recognized as revenue in the fiscal year of the settlement. Portions of the school district levy assumed by the state, including prior year adjustments and the amount to fund the school portion of the reimbursement made pursuant to section 273.425, shall be recognized as revenue in the fiscal year beginning in the calendar year for which the levy is payable.

Sec. 7. Minnesota Statutes 1988, section 121.912, subdivision 1, is amended to read:

Subdivision 1. **LIMITATIONS.** Except as provided in this subdivision, sections 121.9121, 123.36, 124.243, 475.61, and 475.65, a school district may not permanently transfer money from (1) an operating fund to a nonoperating fund; (2) a nonoperating fund to another nonoperating fund; or (3) a nonoperating fund to an operating fund. Permanent transfers may be made from any fund to any other fund to correct for prior fiscal years' errors discovered after the books have been closed for that year. Permanent transfers may be made from the general fund to any other operating funds according to section 10 or if the resources of the other fund are not adequate to finance approved expenditures from that other fund. Permanent transfers may also be made from the general fund to eliminate deficits in another fund when that other fund is being discontinued. When a district discontinues operation of a district-owned bus fleet or a substantial portion of a fleet, permanent transfers may be made from the fund balance account entitled "pupil transportation fund reserved for bus purchases" to the capital expenditure fund, with the approval of the commissioner. The levy sum of the levies authorized pursuant to sections 124.243 ~~and~~, 124.244, and 124.83, shall be reduced by an amount equal to the amount transferred. Any school district may transfer any amount from the undesignated fund balance account in its transportation fund to any other operating fund or to the reserved fund balance account for bus purchases in its transportation fund.

Sec. 8. Minnesota Statutes 1988, section 123.3515, subdivision 9, is amended to read:

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Subd. 9. **AID.** General education aid, capital expenditure facilities aid, capital expenditure equipment aid, and transportation aid attributable to pupils covered by programs under this section must be paid according to sections 124A.036, subdivision 5, 124.245, subdivision 6, and 124.225, subdivision 8, respectively.

Sec. 9. Minnesota Statutes 1988, section 123.36, subdivision 13, is amended to read:

Subd. 13. **PROCEEDS OF SALE OR EXCHANGE.** Proceeds of the sale or exchange of school buildings or real property of the school district shall be used as provided in this subdivision.

(1) In districts with outstanding bonds, the proceeds of the sale or exchange shall first be deposited in the debt retirement fund of the district in an amount sufficient to meet when due that percentage of the principal and interest payments for outstanding bonds which is ascribable to the payment of expenses necessary and incidental to the construction or purchase of the particular building or property which is sold.

(2) After satisfying the requirements of clause (1), a district with outstanding bonds may deposit proceeds of the sale or exchange in its capital expenditure fund if the amount deposited is used for the following:

(a) for expenditures for the removal of asbestos from school buildings or property or for asbestos encapsulation, if the method for asbestos removal or encapsulation is approved by the department of education;

(b) for expenditures for the cleanup of polychlorinated biphenyls, if the method for cleanup is approved by the department of education;

(c) for capital expenditures for the betterment, as defined in section 475.51, subdivision 8, of district-owned school buildings, other than as provided in clause (a); or

(d) to replace the building or property sold.

The amount of the proceeds used for the purposes specified in clauses (a) and (b) shall be deducted from the levy limitation computed for the levy authorized in section ~~275.125, subdivision 11~~ 124.83, subdivision 4, in the first year after the deposit and from levy limitations computed for this levy in succeeding years until the entire amount is deducted.

(3) In a district with outstanding bonds, the amount of the proceeds of the sale or exchange remaining after the application of clauses (1) and (2), which is sufficient to meet when due that percentage of the principal and interest payments for the district's outstanding bonds which is not governed by clause (1), shall be deposited in the debt retirement fund.

(4) Any proceeds of the sale or exchange remaining in districts with out-

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standing bonds after the application of clauses (1), (2), and (3), and all proceeds of the sale or exchange in districts without outstanding bonds shall be deposited in the capital expenditure fund of the district.

(5) Notwithstanding clauses (2) and (3), a district with outstanding bonds may deposit in its capital expenditure fund and use for any lawful capital expenditure without the reduction of any levy limitation the same percentage of the proceeds of the sale or exchange of a building or property as the percentage of the initial cost of purchasing or constructing the building or property which was paid using revenue from the capital expenditure fund.

(6) Every district which sells or exchanges a building or property shall report to the commissioner in the form and at the time the commissioner prescribes on the disposition of the proceeds of the sale or exchange.

Sec. 10. Minnesota Statutes 1988, section 123.705, subdivision 1, is amended to read:

Subdivision 1. **AID AMOUNTS.** The state shall pay each school district for the cost of screening services provided according to sections 123.701 to 123.705 an amount equal to \$8.15 per child screened. If this amount of aid is not sufficient, the district may permanently transfer from the general fund an amount that, when added to the aid, is sufficient.

Sec. 11. Minnesota Statutes 1988, section 124.155, subdivision 2, is amended to read:

Subd. 2. **ADJUSTMENT TO AIDS.** The amount specified in subdivision 1 shall be used to adjust the following state aids and credits in the order listed:

- (a) general education aid authorized in section 124A.23;
- (b) secondary vocational aid authorized in section 124.573;
- (c) special education aid authorized in section 124.32;
- (d) secondary vocational aid for handicapped children authorized in section 124.574;
- (e) aid for pupils of limited English proficiency authorized in section 124.273;
- (f) transportation aid authorized in section 124.225;
- (g) community education programs aid authorized in section 124.271;
- (h) adult education aid authorized in section 124.26;
- (i) early childhood family education aid authorized in section 124.2711;
- (j) capital expenditure aid authorized in sections 124.243, 124.244, and ~~124.245~~ 124.83;

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(k) homestead credit under section 273.13 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter;

(l) agricultural credit under section 273.132 for taxes payable in 1989 and under section 273.1398 for taxes payable in 1990 and thereafter; and

(m) transition aid and disparity reduction aid authorized in section 273.1398;

(n) attached machinery aid authorized in section 273.138, subdivision 3.

The commissioner of education shall schedule the timing of the adjustments to state aids and credits specified in subdivision 1, as close to the end of the fiscal year as possible.

Sec. 12. Minnesota Statutes 1988, section 124.214, subdivision 2, is amended to read:

Subd. 2. **ABATEMENTS.** Whenever by virtue of chapter 278, sections 270.07, 375.192, or otherwise, the gross tax capacity of any school district for any taxable year is changed after the taxes for that year have been spread by the county auditor and the tax capacity rate as determined by the county auditor based upon the original gross tax capacity is applied upon the changed gross tax capacities, the county auditor shall, prior to February 1 of each year, certify to the commissioner of education the amount of any resulting net revenue loss that accrued to the school district during the preceding year. Each year, the commissioner shall pay an abatement adjustment to the district in an amount calculated according to the provisions of this subdivision. This amount shall be deducted from the amount of the levy authorized by section 275.48. The abatement adjustment shall be recognized as revenue in the fiscal year in which it is received. The amount of the abatement adjustment shall be the product of:

(1) the net revenue loss as certified by the county auditor, times

(2) the ratio of:

(a) the sum of the amounts of the district's certified levy in the preceding October according to the following:

(i) section 124A.23 if the district receives general education aid according to that section;

(ii) section 275.125, subdivisions 5 and 5c, if the district receives transportation aid according to section 124.225;

(iii) section 124.243, if the district receives capital expenditure facilities aid according to that section;

(iv) section 124.244, if the district receives capital expenditure equipment aid according to that section;

~~(iv)~~ (v) ~~section 275.125, subdivision 4e~~ section 124.83, if the district receives ~~hazardous substance~~ health and safety aid according to that section 124.245;

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~~(+)~~ (vi) section 275.125, subdivision 8, clauses (a) and (b), if the district receives community education aid according to section 124.271;

~~(+)~~ (vii) section 275.125, subdivision 8b, if the district receives early childhood family education aid according to section 124.2711; and

~~(+)~~ (viii) section 275.125, subdivision 6f, if the district receives exceptional need aid according to section 124.217;

(b) to the total amount of the district's certified levy in the preceding October, plus or minus auditor's adjustments.

Sec. 13. Minnesota Statutes 1988, section 124.214, subdivision 3, is amended to read:

Subd. 3. **EXCESS TAX INCREMENT.** If a return of excess tax increment is made to a school district pursuant to section 469.176, subdivision 2, or upon decertification of a tax increment district, the school district's aid and levy limitations must be adjusted for the fiscal year in which the excess tax increment is paid under the provisions of this subdivision.

(a) An amount must be subtracted from the school district's aid for the current fiscal year equal to the product of:

(1) the amount of the payment of excess tax increment to the school district, times

(2) the ratio of:

(A) the sum of the amounts of the school district's certified levy for the fiscal year in which the excess tax increment is paid according to the following:

(i) section 124A.23 if the district receives general education aid according to that section;

(ii) section 275.125, subdivisions 5 and 5c, if the school district receives transportation aid according to section 124.225;

(iii) section ~~124.244~~ 124.243, if the district receives capital expenditure facilities aid according to that section;

(iv) section 124.244, if the district receives capital expenditure equipment aid according to that section;

(v) ~~section 275.125, subdivision 11e~~ 124.83, if the district receives ~~hazardous substance health and safety~~ aid according to ~~that~~ that section ~~124.245~~;

~~(+)~~ (vi) section 275.125, subdivision 8, clauses (a) and (b), if the district receives community education aid according to section 124.271;

~~(+)~~ (vii) section 275.125, subdivision 8b, if the district receives early childhood family education aid according to section 124.2711; and

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(vii) (viii) section 275.125, subdivision 6f, if the district receives exceptional need aid according to section 124.217;

(B) to the total amount of the school district's certified levy for the fiscal year, plus or minus auditor's adjustments.

(b) An amount must be subtracted from the school district's levy limitation for the next levy certified equal to the difference between:

- (1) the amount of the distribution of excess increment, and
- (2) the amount subtracted from aid pursuant to clause (a).

If the aid and levy reductions required by this subdivision cannot be made to the aid for the fiscal year specified or to the levy specified, the reductions must be made from aid for subsequent fiscal years, and from subsequent levies. The school district shall use the payment of excess tax increment to replace the aid and levy revenue reduced under this subdivision.

This subdivision applies only to the total amount of excess increments received by a school district for a calendar year that exceeds \$25,000.

Sec. 14. Minnesota Statutes 1988, section 124.225, subdivision 1, is amended to read:

Subdivision 1. **DEFINITIONS.** For purposes of this section, the terms defined in this subdivision have the meanings given to them.

(a) "FTE" means a transported full-time equivalent pupil whose transportation is authorized for aid purposes by section 124.223.

(b) "Authorized cost for regular transportation" means the sum of:

(1) all expenditures for transportation in the regular category, as defined in clause (e)(1), for which aid is authorized in section 124.223, plus

(2) an amount equal to one year's depreciation on the district's school bus fleet and mobile units computed on a straight line basis at the rate of 12-1/2 percent per year of the cost of the fleet, plus

(3) an amount equal to one year's depreciation on district school buses reconditioned by the department of corrections computed on a straight line basis at the rate of 33-1/3 percent per year of the cost to the district of the reconditioning, plus

(4) an amount equal to one year's depreciation on the district's type three school buses, as defined in section 169.44, subdivision 15, which were purchased after July 1, 1982, for authorized transportation of pupils, with the prior approval of the commissioner, computed on a straight line basis at the rate of 20 percent per year of the cost of the type three school buses.

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(c) "Adjusted authorized predicted cost per FTE" means the authorized cost predicted by a multiple regression formula determined by the department of education, and adjusted pursuant to subdivision 7a.

(d) "~~Aid entitlement per FTE~~ Regular transportation allowance" means the adjusted authorized predicted cost per FTE, inflated pursuant to subdivision 7b.

(e) "Transportation category" means a category of transportation service provided to pupils.

~~(1) For the purposes of this section, transportation categories for the 1986-1987 and 1987-1988 school years are as follows:~~

~~(i) regular transportation is transportation services provided during the regular school year under section 124.223, clauses (1) and (2), excluding transportation between schools under section 124.223, clause (1); and~~

~~(ii) nonregular transportation is transportation services provided between schools under section 124.223, clause (1); and transportation services provided under section 124.223, clauses (3), (4), (5), (6), (7), (8), (9), and (10).~~

~~(2) For purposes of this section, for the 1988-1989 school year and after:~~

~~(i) (1) regular transportation is transportation services provided during the regular school year under section 124.223, clauses (1) and (2), excluding the following transportation services provided under section 124.223, clause (1): transportation between schools; noon transportation to and from school for kindergarten pupils attending half-day sessions; late transportation home from school for pupils involved in after school activities; transportation of pupils to and from schools located outside their normal attendance areas under the provisions of a plan for desegregation mandated by the state board of education or under court order; and~~

~~(ii) (2) nonregular transportation is transportation services provided under section 124.223, clause (1), that are excluded from the regular category, and transportation services provided under section 124.223, clauses (3), (4), (5), (6), (7), (8), (9), and (10); and~~

~~(3) excess transportation is transportation to and from school for secondary pupils residing at least one mile but less than two miles from the public school they could attend or from the nonpublic school actually attended, and transportation to and from school for pupils residing less than one mile from school who are transported because of extraordinary traffic hazards.~~

(f) "Mobile unit" means a vehicle or trailer designed to provide facilities for educational programs and services, including diagnostic testing, guidance and counseling services, and health services. A mobile unit located off nonpublic school premises is a neutral site as defined in section 123.932, subdivision 9.

(g) "Current year" means the school year for which aid will be paid.

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(h) "Base year" means the second school year preceding the school year for which aid will be paid.

(i) "Base cost" for the 1984-1985 and 1985-1986 base years means the authorized regular transportation cost per FTE in the base year in the regular transportation category, excluding summer school transportation. Base cost for the 1986-1987 base year and after means the ratio of:

(1) the sum of:

(i) the authorized cost in the base year for regular transportation as defined in clause (b), plus

(ii) the actual cost in the base year for excess transportation ~~to and from school of secondary pupils who live more than one mile but less than two miles from the public school that they could attend or from the nonpublic school actually attended;~~ plus

(iii) the actual cost in the base year for transportation costs which are necessary because of extraordinary traffic hazards as defined in paragraph (c), clause (3),

(2) to the sum of:

(i) the number of FTE pupils transported in the regular category in the base year, plus

(ii) the number of secondary FTE pupils transported ~~to and from school in the base year who live more than one mile but less than two miles from the public school that they could attend or from the nonpublic school actually attended;~~ plus

(iii) the number of FTE pupils residing less than one mile from school who were transported ~~to and from school in the base year because of extraordinary traffic hazards in the excess category.~~

(j) "Predicted base cost" means the base cost as predicted by subdivision 3.

Sec. 15. Minnesota Statutes 1988, section 124.225, subdivision 4b, is amended to read:

Subd. 4b. **FORMULA TERMS.** ~~(a) To predict the logarithm of the base cost for each district pursuant to subdivision 3 for the 1985-1986 base year, the multiple regression formula shall use the following terms for each district:~~

~~(1) the logarithm of the lesser of (a) the number of authorized FTE's per square mile transported by the district in the regular transportation category; or (b) 200;~~

~~(2) whether the district is nonrural, based upon criteria established by the department of education; and~~

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(3) the logarithm of the percentage of all FTE's transported in the regular category using buses that are not owned by the district.

(b) To predict the logarithm of the base cost for each district according to subdivision 3 for the 1986-1987 base year and thereafter, the multiple regression formula shall use the following terms for each district:

(1) the logarithm of the lesser of:

(A) 200; or

(B) the quotient obtained by dividing the sum of:

(i) the number of FTE pupils transported in the regular category in the base year, plus

(ii) the number of secondary FTE pupils transported to and from school in the base year who live more than one mile but less than two miles from the public school that they could attend or from the nonpublic school actually attended, plus

(iii) the number of FTE pupils residing less than one mile from school who were transported to and from school in the base year because of extraordinary traffic hazards in the excess category,

(C) by the area of the district in square miles;

(2) whether the district is nonrural, based upon criteria established by the department of education; and

(3) the logarithm of the percentage of all FTE's transported in the regular category using buses that are not owned by the district.

Sec. 16. Minnesota Statutes 1988, section 124.225, subdivision 7a, is amended to read:

Subd. 7a. **BASE YEAR SOFTENING FORMULA.** Each district's predicted base cost determined for each school year according to subdivision 3 shall be adjusted as provided in this ~~clause~~ subdivision to determine the district's adjusted authorized predicted cost per FTE for that year.

(a) If the base cost of the district is within five percent of the predicted base cost, the district's adjusted authorized predicted cost per FTE shall be equal to the base cost.

(b) If the base cost of the district is more than five percent greater than the predicted base cost, the district's adjusted authorized predicted cost per FTE shall be equal to 105 percent of the predicted base cost, plus 40 percent of the difference between (i) the base cost, and (ii) 105 percent of the predicted base cost. However, in no case shall a district's adjusted authorized predicted cost per FTE be less than 80 percent of base cost.

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(c) If the base cost of the district is more than five percent less than the predicted base cost, the district's adjusted authorized predicted cost per FTE shall be equal to 95 percent of the predicted base cost, minus 40 percent of the difference between (i) 95 percent of predicted base cost, and (ii) the base cost. However, in no case shall a district's adjusted authorized predicted cost per FTE be more than 120 percent of base cost.

Sec. 17. Minnesota Statutes 1988, section 124.225, subdivision 7b, is amended to read:

Subd. 7b. **INFLATION FACTORS.** The adjusted authorized predicted cost per FTE determined for a district under subdivision 7a for the base year shall be increased by ~~6.0 percent to determine the district's aid entitlement per FTE for the 1986-1987 school year, by 4.9 percent to determine the district's aid entitlement per FTE for the 1987-1988 school year, and by 4.1 percent to determine the district's aid entitlement per FTE~~ regular transportation allowance for the 1988-1989 school year.

Sec. 18. Minnesota Statutes 1988, section 124.225, is amended by adding a subdivision to read:

Subd. 7c. TRANSPORTATION REVENUE. A district's transportation revenue for each school year equals the sum of its regular transportation revenue under subdivision 8b and its actual cost in the current year for nonregular transportation as defined in subdivision 1, paragraph (c), clause (2).

Sec. 19. Minnesota Statutes 1988, section 124.225, subdivision 8a, is amended to read:

Subd. 8a. **TRANSPORTATION AID.** (a) For the 1988-1989 and 1989-1990 school year and thereafter years, a district's transportation aid is equal to the sum of its basic regular transportation aid revenue under subdivision 8b, its nonregular transportation aid under subdivision 8i, and its nonregular transportation levy equalization aid under subdivision 8j, minus its contracted services aid reduction under subdivision 8k and minus its basic transportation levy limitation for the levy attributable to that school year under section 275.125, subdivision 5.

(b) For the 1990-1991 school year and after, a district's transportation aid equals the product of:

(1) the difference between the transportation revenue and the sum of:

(i) the basic transportation levy for that school year under section 275.125, subdivision 5, plus

(ii) the nonregular transportation levy for that school year under section 275.125, subdivision 5c, plus

(iii) the contracted services aid reduction under subdivision 8k, times

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(2) the ratio of the sum of the actual amounts levied under section 275.125, subdivisions 5 and 5c, to the sum of the permitted levies under those subdivisions.

(c) If the total appropriation for transportation aid for any fiscal year is insufficient to pay all districts the full amount of aid earned, the department of education shall reduce each district's aid in proportion to the number of resident pupils in average daily membership in the district to the state total average daily membership, and shall reduce the transportation levy of off-formula districts in the same proportion.

Sec. 20. Minnesota Statutes 1988, section 124.225, subdivision 8b, is amended to read:

Subd. 8b. **BASIC AID COMPUTATION REGULAR TRANSPORTATION REVENUE.** A district's basic transportation aid regular transportation revenue pursuant to this section for each school year shall equal the district's aid entitlement per FTE regular transportation allowance determined according to subdivision 7b, times the total number of authorized FTE's transported in the regular category in the district in the current school year.

Sec. 21. Minnesota Statutes 1988, section 124.225, subdivision 8i, is amended to read:

Subd. 8i. **NONREGULAR TRANSPORTATION AID.** (a) A district's nonregular transportation aid ~~shall be determined according to this subdivision.~~

(b) ~~For the 1986-1987 and 1987-1988 school years, nonregular transportation aid shall equal (1) 20 percent of the first \$10 of actual cost in the current year for nonregular transportation services per total pupil unit, plus 40 percent of the next \$10 of actual cost in the current year for nonregular transportation services per total pupil unit, plus 60 percent of the actual cost in the current year for nonregular transportation services per total pupil unit which exceeds \$20, times (2) the number of total pupil units in the district in the current year.~~

(e) ~~For the 1988-1989 school year and thereafter, nonregular transportation aid equals (1) 60 percent of the actual cost in the current year for nonregular transportation services per total pupil unit which exceeds \$30, times (2) the number of total pupil units in the district in the current year.~~

Sec. 22. Minnesota Statutes 1988, section 124.225, subdivision 8j, is amended to read:

Subd. 8j. **NONREGULAR TRANSPORTATION LEVY EQUALIZATION AID.** ~~For the 1984-1985 school year and each year thereafter,~~ A district's nonregular transportation levy equalization aid shall be determined pursuant to this subdivision.

(a) Unreimbursed nonregular transportation revenue shall equal the actual cost in the current year for nonregular transportation services, minus the district's nonregular transportation aid computed pursuant to subdivision 8i.

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(b) The nonregular transportation levy is the levy authorized by section 275.125, subdivision 5c.

(c) Nonregular transportation levy equalization aid for a district shall equal the product of (1) its unreimbursed nonregular transportation revenue, minus the nonregular transportation levy limitation for that year, times (2) the ratio of the district's actual nonregular transportation levy to its nonregular transportation levy limitation.

Sec. 23. Minnesota Statutes 1988, section 124.225, subdivision 8k, is amended to read:

Subd. 8k. **CONTRACTED SERVICES AID REDUCTION.** ~~For the 1984-1985 school year and~~ Each year thereafter, each a district's transportation aid shall be reduced according to the provisions of this subdivision, if the district contracted for some or all of the transportation services provided in the regular category. The department of education shall compute this subtraction by conducting the multiple regression analysis specified in subdivision 3 and computing the district's aid under two circumstances, once including the coefficient of the factor specified in subdivision 4b, clause (3), and once excluding the coefficient of that factor. The aid subtraction shall equal the difference between the district's aid computed under these two circumstances.

Sec. 24. Minnesota Statutes 1988, section 124.225, subdivision 8l, is amended to read:

Subd. 8l. **ALTERNATIVE ATTENDANCE PROGRAMS.** A district that serves enrolls nonresident pupils in programs under sections 120.062, 120.075, 120.0751, 120.0752, 123.3515, 126.22, and 129B.52 to 129B.55 shall provide authorized transportation to the pupil within the attendance area for the school that the pupil attends. The state shall pay transportation aid attributable to the pupil to the servicing nonresident district according to this section. The resident district ~~of the pupil's residence~~ need not provide or pay for transportation between the pupil's residence and the district's border.

Sec. 25. Minnesota Statutes 1988, section 124.225, subdivision 10, is amended to read:

Subd. 10. **DEPRECIATION.** Any school district ~~which that~~ owns school buses or mobile units shall transfer annually from the undesignated fund balance account in its transportation fund to the reserved fund balance account for bus purchases in its transportation fund at least an amount equal to 12-1/2 percent of the original cost of each type one or type two bus or mobile unit until the original cost of each type one or type two bus or mobile unit is fully amortized, plus 20 percent of the original cost of each type three bus included in the district's authorized cost under the provisions of subdivision 1, ~~clause paragraph~~ (b), clause (4), until the original cost of each type three bus is fully amortized, plus 33-1/3 percent of the cost to the district as of July 1 of each year for school bus reconditioning done by the department of corrections until the cost of the

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reconditioning is fully amortized; provided, if the district's transportation aid or levy is reduced pursuant to subdivision 8a because the appropriation for that year is insufficient, this amount shall be reduced in proportion to the reduction pursuant to subdivision 8a as a percentage of the ~~sum of~~

~~(1) the district's total transportation aid without the reduction pursuant to subdivision 8a; plus~~

~~(2) the district's basic transportation levy limitation under section 275.125, subdivision 5; plus~~

~~(3) the district's contract services aid reduction under subdivision 8k; plus~~

~~(4) the district's nonregular transportation levy limitation under section 275.125, subdivision 5e district's transportation revenue under subdivision 7c.~~

Sec. 26. Minnesota Statutes 1988, section 124.2445, is amended to read:

**124.2445 PURCHASE OF CERTAIN EQUIPMENT.**

The board of a school district may issue certificates of indebtedness or capital notes subject to the school district debt limits to purchase vehicles other than school buses, computers, telephone systems, cable equipment, photocopy and office equipment, technological equipment for instruction, and other capital equipment having an expected useful life at least as long as the terms of the certificates or notes. The certificates or notes must be payable in not more than five years and must be issued on the terms and in the manner determined by the board. The certificates or notes may be issued by resolution and without the requirement for an election. A tax levy must be made for the payment of the principal and interest on the certificates or notes, in accordance with section 475.61, as in the case of bonds. That tax levy for each year must not exceed the amount of the district's capital expenditure equipment levy under section 124.244 for the year the initial debt service levies are certified. The district's capital expenditure levy under section 124.244 for each year must be reduced by the amount of the tax levies for debt service certified for each year for payment of the principal and interest on the certificates or notes as required by section 475.61.

Sec. 27. Minnesota Statutes 1988, section 124.245, subdivision 6, is amended to read:

Subd. 6. **ALTERNATIVE ATTENDANCE PROGRAMS.** The capital expenditure facilities aid under section 124.243 and the capital expenditure equipment aid under section 124.244 for districts must be adjusted for each pupil, excluding a handicapped pupil as defined in section 120.03, attending a nonresident district under sections 120.062, 120.075, 120.0751, 120.0752, 123.3515, 126.22, and 129B.52 to 129B.55. The adjustments must be made according to this subdivision.

(a) ~~capital expenditure~~ Aid paid to a district of the pupil's residence must be

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reduced by an amount equal to the revenue amount per actual pupil unit of the resident district times the number of pupil units of pupils enrolled in nonresident districts.

(b) ~~capital expenditure~~ Aid paid to a district serving nonresidents ~~in programs listed in subdivision 4~~ must be increased by an amount equal to the revenue amount per actual pupil unit of the nonresident district times the number of pupil units of nonresident pupils enrolled in the district.

(c) If the amount of the reduction to be made from the ~~capital expenditure~~ aid of a district is greater than the amount of ~~capital expenditure~~ aid otherwise due the district, the excess reduction must be made from other state aids due the district.

Sec. 28. Minnesota Statutes 1988, section 124.575, subdivision 1, is amended to read:

Subdivision 1. **ELIGIBILITY.** A secondary vocational cooperative established under section 123.351 is eligible for secondary vocational cooperative revenue if it meets the size requirements specified in section ~~122.96~~ 122.91, subdivision 3, and the cooperative offers programs authorized under section 123.351, subdivision 4, paragraph (b), clause (1), and clause (2) or (3). The pupil units of a district that is a member of intermediate school district No. 287, 916, or 917 may not be used to obtain revenue under this section. The pupil units of a district may not be used to obtain revenue under this section and section 124.2721.

Sec. 29. Minnesota Statutes 1988, section 124A.24, is amended to read:

**124A.24 GENERAL EDUCATION LEVY EQUITY.**

If a district's general education levy is determined according to section 124A.23, subdivision 3, an amount must be deducted from state aid authorized in this chapter and chapter 124, receivable for the same school year, and from other state payments receivable for the same school year authorized in ~~sections 273.115; 273.116; 273.123, subdivision 6; 273.13, subdivision 15a; and Laws 1983, chapter 342, article 8; section 8~~ chapter 273. The aid in section 124.646 must not be reduced.

The amount of the deduction equals the difference between:

(1) the general education tax capacity rate, according to section 124A.23, times the district's adjusted gross tax capacity used to determine the general education aid for the same school year; and

(2) the district's general education revenue, excluding supplemental revenue, for the same school year, according to section 124A.22.

However, for fiscal year 1989, the amount of the deduction shall be one-fourth of the difference between clauses (1) and (2); for fiscal year 1990, the

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amount of the deduction shall be one-third of the difference between clauses (1) and (2); for fiscal year 1991, the amount of the deduction shall be one-half of the difference between clauses (1) and (2); for fiscal year 1992, the amount of the deduction shall be four-sixths of the difference between clauses (1) and (2); and for fiscal year 1993, the amount of the deduction shall be five-sixths of the difference between clauses (1) and (2).

Sec. 30. Minnesota Statutes 1988, section 126.22, subdivision 2, is amended to read:

Subd. 2. **ELIGIBLE PUPILS.** The following pupils are eligible to participate in the high school graduation incentives program:

(a) any pupil who is between the ages of 12 and 16 and who:

(1) is at least two grade levels below the performance level for pupils of the same age in a locally determined achievement test; or

(2) is at least one year behind in obtaining credits for graduation; or

(3) is pregnant or is a parent; or

(4) has been assessed as chemically dependent; or

(5) has been absent from attendance at school without lawful excuse for more than 15 consecutive school days in the preceding or current school year;

(b) any pupil who is between the ages of 16 and 19 who is attending school, and who is at least two grade levels below the performance level for pupils of the same age in a locally determined achievement test, or is at least one year behind in obtaining credits for graduation, or is pregnant or is a parent, or has been assessed as chemically dependent; or

(c) any person between 16 and 21 years of age who has not attended a high school program for at least 15 consecutive school days, excluding those days when school is not in session, and who is at least two grade levels below the performance level for pupils of the same age in a locally determined achievement test, or is at least one year behind in obtaining credits for graduation, or has been assessed as chemically dependent; or

(d) any person who is at least 21 years of age and who:

(1) has received less than 14 years of public or nonpublic education, beginning at age 5;

(2) has already completed the studies ordinarily required in the 10th grade but has not completed the requirements for a high school diploma or the equivalent; and

(3) at the time of application, (i) is eligible for unemployment compensation benefits or has exhausted the benefits, (ii) is eligible for or is receiving income

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maintenance and support services, as defined in section 268.0111, subdivision 5, or (iii) is eligible for services under the displaced homemaker program, state wage-subsidy program, or any programs under the federal Jobs Training Partnership Act or its successor.

Notwithstanding section 127.27, subdivision 7, the provisions of section 127.29, subdivision 1, do not apply to ~~pupils~~ a pupil under age 17 and older 21 who ~~participate~~ participates in the high school graduation incentives program.

Sec. 31. Minnesota Statutes 1988, section 126.22, subdivision 3, is amended to read:

Subd. 3. **ELIGIBLE PROGRAMS.** (a) A pupil who is eligible according to subdivision 2, clause (a), (b), (c), or (d) may enroll in any program approved by the state board of education under Minnesota Rules, part 3500.3500, including area learning centers under sections 129B.52 to 129B.55, or according to section 121.11, subdivision 12.

(b) A pupil who is eligible according to subdivision 2, clause (b), (c), or (d), may enroll in ~~secondary school courses upon a resolution passed by a school board approving enrollment,~~ or may enroll in post-secondary courses under section 123.3514.

(c) A pupil who is eligible under subdivision 2, clause (a), (b), (c), or (d), may enroll in any public secondary education program. However, a person who is eligible according to subdivision 2, clause (d), may enroll only if the school board has adopted a resolution approving the enrollment.

An eligible institution providing eligible programs as defined in this subdivision may contract with an entity providing adult basic education programs under the community education program contained in section 121.88 for actual program costs.

Sec. 32. Minnesota Statutes 1988, section 275.125, subdivision 5b, is amended to read:

Subd. 5b. **TRANSPORTATION LEVY OFF-FORMULA ADJUSTMENT.** In any fiscal year, if the basic transportation levy under subdivision 5 in a district attributable to ~~a particular that~~ fiscal year exceeds the transportation aid computation under section 124.225, subdivisions 8b, 8i, 8j, and 8k the difference between (1) the district's transportation revenue under section 124.225, subdivision 7c, and (2) the sum of the district's permitted nonregular levy under subdivision 5c, the contracted services aid reduction under section 124.225, subdivision 8k, and the amount of any reduction due to insufficient appropriation under section 124.225, subdivision 8a, the district's levy limitation shall be adjusted as provided in this subdivision. In the year following each fiscal year, the district's transportation levy shall be reduced by an amount equal to the difference between (1) the amount of the basic transportation levy under subdivision 5; and (2) the sum of the district's transportation aid computation pursuant to section 124.225, subdivisions 8b, 8i, 8j, and 8k, and the amount of any

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subtraction made from special state aids pursuant to section 124.2138, subdivision 2; less the amount of any aid reduction due to an insufficient appropriation as provided in section 124.225, subdivision 8a transportation levy in the next fiscal year shall be reduced by the amount of this excess.

Sec. 33. Minnesota Statutes 1988, section 275.125, subdivision 5c, is amended to read:

Subd. 5c. **NONREGULAR TRANSPORTATION LEVY.** A school district may also make a levy for unreimbursed nonregular transportation costs pursuant to this subdivision. The amount of the levy shall ~~not exceed the product of~~ be the result of the following computation:

(a) ~~the district's unreimbursed nonregular transportation revenue determined pursuant to section 124.225, subdivision 8j, clause (a), times~~

(b) ~~the lesser of~~

(i) ~~one, or~~

(ii) ~~the ratio of the district's adjusted gross tax capacity for the preceding year per total pupil unit in the school year to which the levy is attributable, to \$83,800.~~

(a) Multiply the number of total pupil units in the district in the current year by 60 percent of the actual cost in the current year for nonregular transportation services per total pupil unit which exceeds \$30.

(b) Subtract the result in paragraph (a) from the district's total actual cost in the current year for nonregular transportation services.

(c) Multiply the result in paragraph (b) by the lesser of one or the ratio of (1) the quotient derived by dividing the adjusted gross tax capacity of the district for the year preceding the year the levy is certified by the total pupil units in the district for the school year to which the levy is attributable, to (2) \$10,261.

Sec. 34. Minnesota Statutes 1988, section 275.125, subdivision 5e, is amended to read:

Subd. 5e. **EXCESS TRANSPORTATION LEVY.** A school district may make a levy for excess transportation costs according to this subdivision. The amount of the levy shall be the result of the following computation:

(a) Multiply the base cost computed using data for the current school year according to section 124.225, subdivision 1, paragraph (i), by the ~~sum of the number of secondary FTE pupils transported to and from school in the current year who live more than one mile but less than two miles from the public school which they could attend or the nonpublic school actually attended; plus the number of FTE pupils residing less than one mile from school who were transported to and from school in the current year due to extraordinary traffic hazards~~ number of FTE pupils transported in the excess category in the district in the current school year.

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(b) Add to the result in paragraph (a) the actual cost in the current year of other related services that are necessary because of extraordinary traffic hazards.

Sec. 35. Minnesota Statutes 1988, section 275.125, subdivision 9, is amended to read:

Subd. 9. **LEVY REDUCTIONS; TACONITE.** (1) Reductions in levies pursuant to subdivision 10, and section 273.138, shall be made prior to the reductions in clause (2).

(2) Notwithstanding any other law to the contrary, districts which received payments pursuant to sections 298.018; 298.23 to 298.28, except an amount distributed under section 298.28, subdivision 4, paragraph (c), clause (ii); 298.34 to 298.39; 298.391 to 298.396; 298.405; and any law imposing a tax upon severed mineral values, or recognized revenue pursuant to section 477A.15; shall not include a portion of these aids in their permissible levies pursuant to those sections, but instead shall reduce the permissible levies authorized by this section and chapters 124 and 124A by the greater of the following:

(a) an amount equal to 50 percent of the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year; or

(b) an amount equal to the total dollar amount of the payments received pursuant to those sections or revenue recognized pursuant to section 477A.15 in the previous fiscal year less the product of the same dollar amount of payments or revenue times the ratio of the maximum levy allowed the district under Minnesota Statutes 1986, sections 124A.03, subdivision 2, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, and 124A.14, subdivision 5a, to the total levy allowed the district under this section and Minnesota Statutes 1986, sections 124A.03, 124A.06, subdivision 3a, 124A.08, subdivision 3a, 124A.10, subdivision 3a, 124A.12, subdivision 3a, 124A.14, subdivision 5a, and 124A.20, subdivision 2, for levies certified in 1986.

(3) No reduction pursuant to this subdivision shall reduce the levy made by the district pursuant to section 124A.23, to an amount less than the amount raised by a levy of 12.5 mills times the adjusted gross tax capacity of that district for the preceding year as determined by the commissioner. The amount of any increased levy authorized by referendum pursuant to section 124A.03, subdivision 2, shall not be reduced pursuant to this subdivision. The amount of any levy authorized by subdivision 4, to make payments for bonds issued and for interest thereon, shall not be reduced pursuant to this subdivision.

(4) Before computing the reduction pursuant to this subdivision of the capital expenditure facilities levy authorized by section ~~124.244, subdivision 2, and subdivisions 11e, 12, and 12a~~ 124.243, the capital expenditure equipment levy authorized by section 124.244, the health and safety levy authorized by section 124.83, and subdivision 12a, and the community education levy autho-

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ized by subdivisions 8 and 8b, the commissioner shall ascertain from each affected school district the amount it proposes to levy ~~for capital expenditures pursuant to section 124.244, subdivision 2, and subdivisions 11c, 12, and 12a, and for community education pursuant to subdivisions 8 and 8b under each section or subdivision.~~ The reduction of the ~~capital expenditure levy and the community education levy~~ shall be computed on the basis of the amount so ascertained.

(5) Notwithstanding any law to the contrary, any amounts received by districts in any fiscal year pursuant to sections 298.018; 298.23 to 298.28; 298.34 to 298.39; 298.391 to 298.396; 298.405; or any law imposing a tax on severed mineral values; and not deducted from general education aid pursuant to section 124A.035, subdivision 5, clause (2), and not applied to reduce levies pursuant to this subdivision shall be paid by the district to the St. Louis county auditor in the following amount by March 15 of each year, the amount required to be subtracted from the previous fiscal year's general education aid pursuant to section 124A.035, subdivision 5, which is in excess of the general education aid earned for that fiscal year. The county auditor shall deposit any amounts received pursuant to this clause in the St. Louis county treasury for purposes of paying the taconite homestead credit as provided in section 273.135.

Sec. 36. Minnesota Statutes 1988, section 275.125, subdivision 11d, is amended to read:

Subd. 11d. **EXTRA CAPITAL EXPENDITURE LEVY FOR LEASING BUILDINGS.** When a district finds it economically advantageous to rent or lease a building for a secondary vocational cooperative program and it determines that the capital expenditure facilities revenues authorized under section 124.243 are insufficient for this purpose, it may apply to the commissioner for permission to make an additional capital expenditure levy for this purpose. An application for permission to levy under this subdivision must contain financial justification for the proposed levy, the terms and conditions of the proposed lease, and a description of the space to be leased and its proposed use. The criteria for approval of applications to levy under this subdivision must include: the reasonableness of the price, the appropriateness of the space to the proposed activity, the feasibility of transporting pupils to the leased building, conformity of the lease to the laws and rules of the state of Minnesota, and the appropriateness of the proposed lease to the space needs and the financial condition of the district. The commissioner must not authorize a levy under this subdivision in an amount greater than the cost to the district of renting or leasing a building for approved purposes. The proceeds of this levy must not be used for leasing or renting a facility owned by a the district making the levy or for custodial or other maintenance services.

Sec. 37. Laws 1987, chapter 398, article 6, section 19, subdivision 9, is amended to read:

Subd. 9. **MAXIMUM EFFORT SCHOOL LOAN FUND.** For the maximum effort school loan fund there is appropriated:

\$1,615,200 ..... 1988,

\$2,025,100 ..... 1989.

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These appropriations shall be placed in the loan repayment account of the maximum effort school loan fund for the payment of the principal and interest on school loan bonds, as provided in Minnesota Statutes, section 124.46, to the extent that money in the fund is not sufficient to pay when due the full amount of principal and interest due on school loan bonds. The purpose of these appropriations is to ensure that sufficient money is available in the fund to prevent a statewide property tax levy as would otherwise be required pursuant to Minnesota Statutes, section 124.46, subdivision 3. Notwithstanding the provisions of Minnesota Statutes, section 124.39, subdivision 5, any amount of the appropriation made in this section which is not needed to pay when due the principal and interest due on school loan bonds shall not be transferred to the debt service loan account of the maximum effort school loan fund but instead shall cancel and revert to the general fund.

Any unexpended balance in fiscal year 1988 does not cancel but is available for fiscal year 1989.

Sec. 38. INSTRUCTION TO REVISOR.

In subsequent editions of Minnesota Statutes, the revisor of statutes is requested to change the heading of section 124.245, from "HAZARDOUS SUBSTANCE REVENUE" to "ADJUSTMENTS TO CAPITAL EXPENDITURE AIDS."

Sec. 39. EFFECTIVE DATE.

Sections 1, 6, 7, 9, 10, 11, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 28, 29, 30, 31, 32, 33, 34, 36, and 37 are effective the day following final enactment. Sections 2, 3, 4, 5, 8, 12, 13, 27, 35, and 38 are effective for the 1989-1990 school year and thereafter.

Presented to the governor May 19, 1989

Signed by the governor May 22, 1989, 8:35 p.m.

CHAPTER 223—H.F.No. 456

*An act relating to human rights; allowing results of job evaluation systems as evidence in discrimination actions; amending Minnesota Statutes 1988, sections 43A.05, by adding a subdivision; and 471.997.*

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

Section 1. Minnesota Statutes 1988, section 43A.05, is amended by adding a subdivision to read:

Subd. 7. HUMAN RIGHTS. The commissioner of human rights or any

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