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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FIRST SESSION

H. F. No. **4569**

04/17/2020 Authored by Runbeck
The bill was read for the first time and referred to the Education Finance Division

1.1 A bill for an act
1.2 relating to education finance; authorizing special education aid to include an on-site
1.3 education program adjustment; amending Minnesota Statutes 2018, section
1.4 125A.76, by adding a subdivision; Minnesota Statutes 2019 Supplement, sections
1.5 125A.76, subdivision 2c; 127A.47, subdivision 7.

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

1.7 Section 1. Minnesota Statutes 2019 Supplement, section 125A.76, subdivision 2c, is
1.8 amended to read:

1.9 Subd. 2c. **Special education aid.** (a) ~~For fiscal year 2020 and later,~~ A district's special
1.10 education aid equals the sum of the district's special education initial aid under subdivision
1.11 2a, the district's cross subsidy reduction aid under subdivision 2e, the district's on-site
1.12 education program adjustment aid under subdivision 2f, and the district's excess cost aid
1.13 under section 125A.79, subdivision 5.

1.14 (b) Notwithstanding paragraph (a), for fiscal year 2020, the special education aid for a
1.15 school district, excluding the cross subsidy reduction aid under subdivision 2e, must not
1.16 exceed the greater of:

1.17 (i) the sum of 56 percent of the district's nonfederal special education expenditures plus
1.18 100 percent of the district's cost of providing transportation services for children with
1.19 disabilities under section 123B.92, subdivision 1, paragraph (b), clause (4), plus the
1.20 adjustment under sections 125A.11 and 127A.47, subdivision 7; or

1.21 (ii) the sum of: (A) the product of the district's average daily membership served and
1.22 the special education aid increase limit and (B) the product of the sum of the special education
1.23 aid the district would have received for fiscal year 2016 under Minnesota Statutes 2012,

2.1 sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012, sections
2.2 125A.11 and 127A.47, subdivision 7, the ratio of the district's average daily membership
2.3 served for the current fiscal year to the district's average daily membership served for fiscal
2.4 year 2016, and the program growth factor.

2.5 (c) Notwithstanding paragraph (a), for fiscal year 2020 and later the special education
2.6 aid, excluding the cross subsidy reduction aid under subdivision 2e, for a school district,
2.7 not including a charter school or cooperative unit as defined in section 123A.24, must not
2.8 be less than the lesser of (1) the sum of 90 percent for fiscal year 2020, 85 percent for fiscal
2.9 year 2021, 80 percent for fiscal year 2022, and 75 percent for fiscal year 2023 and later of
2.10 the district's nonfederal special education expenditures plus 100 percent of the district's cost
2.11 of providing transportation services for children with disabilities under section 123B.92,
2.12 subdivision 1, paragraph (b), clause (4), plus the adjustment under sections 125A.11 and
2.13 127A.47, subdivision 7, for that fiscal year or (2) the product of the sum of the special
2.14 education aid the district would have received for fiscal year 2016 under Minnesota Statutes
2.15 2012, sections 125A.76 and 125A.79, as adjusted according to Minnesota Statutes 2012,
2.16 sections 125A.11 and 127A.47, subdivision 7, the ratio of the district's adjusted daily
2.17 membership for the current fiscal year to the district's average daily membership for fiscal
2.18 year 2016, and the minimum aid adjustment factor.

2.19 (d) Notwithstanding subdivision 2a and section 125A.79, a charter school in its first
2.20 year of operation shall generate special education aid based on current year data. A newly
2.21 formed cooperative unit as defined in section 123A.24 may apply to the commissioner for
2.22 approval to generate special education aid for its first year of operation based on current
2.23 year data, with an offsetting adjustment to the prior year data used to calculate aid for
2.24 programs at participating school districts or previous cooperatives that were replaced by
2.25 the new cooperative. The department shall establish procedures to adjust the prior year data
2.26 and fiscal year 2016 old formula aid used in calculating special education aid to exclude
2.27 costs that have been eliminated for districts where programs have closed or where a
2.28 substantial portion of the program has been transferred to a cooperative unit.

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

3.1 Sec. 2. Minnesota Statutes 2018, section 125A.76, is amended by adding a subdivision to
3.2 read:

3.3 Subd. 2f. **Students placed in an on-site education program.** A school district's on-site
3.4 education program adjustment aid for each nonresident student placed in an on-site education
3.5 program for a residential care and treatment facility equals 20 percent of the unreimbursed
3.6 cost of providing special education and services to the student. The unreimbursed costs
3.7 must be consistent with the amount determined in section 127A.47, subdivision 7.

3.8 Sec. 3. Minnesota Statutes 2019 Supplement, section 127A.47, subdivision 7, is amended
3.9 to read:

3.10 Subd. 7. **Alternative attendance programs.** (a) The general education aid and special
3.11 education aid for districts must be adjusted for each pupil attending a nonresident district
3.12 under sections 123A.05 to 123A.08, 124D.03, 124D.08, and 124D.68. The adjustments
3.13 must be made according to this subdivision.

3.14 (b) For purposes of this subdivision, the "unreimbursed cost of providing special
3.15 education and services" means the difference between: (1) the actual cost of providing
3.16 special instruction and services, including special transportation and unreimbursed building
3.17 lease and debt service costs for facilities used primarily for special education, for a pupil
3.18 with a disability, as defined in section 125A.02, or a pupil, as defined in section 125A.51,
3.19 who is enrolled in a program listed in this subdivision, minus (2) if the pupil receives special
3.20 instruction and services outside the regular classroom for more than 60 percent of the school
3.21 day, the amount of general education revenue, excluding local optional revenue, plus local
3.22 optional aid and referendum equalization aid as defined in section 125A.11, subdivision 1,
3.23 paragraph (d), attributable to that pupil for the portion of time the pupil receives special
3.24 instruction and services outside of the regular classroom, excluding portions attributable to
3.25 district and school administration, district support services, operations and maintenance,
3.26 capital expenditures, and pupil transportation, minus (3) special education aid under section
3.27 125A.76, excluding cross subsidy reduction aid under section 125A.76, subdivision 2e,
3.28 attributable to that pupil, that is received by the district providing special instruction and
3.29 services. For purposes of this paragraph, general education revenue and referendum
3.30 equalization aid attributable to a pupil must be calculated using the serving district's average
3.31 general education revenue and referendum equalization aid per adjusted pupil unit. The
3.32 unreimbursed cost of providing special education and services for students placed in an
3.33 on-site education program must be adjusted according to section 125A.76, subdivision 2f.

4.1 (c) For fiscal year 2020, special education aid paid to a resident district must be reduced
4.2 by an amount equal to 85 percent of the unreimbursed cost of providing special education
4.3 and services. For fiscal year 2021 and later, special education aid paid to a resident district
4.4 must be reduced by an amount equal to 80 percent of the unreimbursed cost of providing
4.5 special education and services.

4.6 (d) Notwithstanding paragraph (c), special education aid paid to a resident district must
4.7 be reduced by an amount equal to 100 percent of the unreimbursed cost of special education
4.8 and services provided to students at an intermediate district, cooperative, or charter school
4.9 where the percent of students eligible for special education services is at least 70 percent
4.10 of the charter school's total enrollment.

4.11 (e) Notwithstanding paragraph (c), special education aid paid to a resident district must
4.12 be reduced under paragraph (d) for students at a charter school receiving special education
4.13 aid under section 124E.21, subdivision 3, calculated as if the charter school received special
4.14 education aid under section 124E.21, subdivision 1.

4.15 (f) Special education aid paid to the district or cooperative providing special instruction
4.16 and services for the pupil, or to the fiscal agent district for a cooperative, must be increased
4.17 by the amount of the reduction in the aid paid to the resident district under paragraphs (c)
4.18 and (d). If the resident district's special education aid is insufficient to make the full
4.19 adjustment under paragraphs (c), (d), and (e), the remaining adjustment shall be made to
4.20 other state aids due to the district.

4.21 (g) Notwithstanding paragraph (a), general education aid paid to the resident district of
4.22 a nonspecial education student for whom an eligible special education charter school receives
4.23 general education aid under section 124E.20, subdivision 1, paragraph (c), must be reduced
4.24 by an amount equal to the difference between the general education aid attributable to the
4.25 student under section 124E.20, subdivision 1, paragraph (c), and the general education aid
4.26 that the student would have generated for the charter school under section 124E.20,
4.27 subdivision 1, paragraph (a). For purposes of this paragraph, "nonspecial education student"
4.28 means a student who does not meet the definition of pupil with a disability as defined in
4.29 section 125A.02 or the definition of a pupil in section 125A.51.

4.30 (h) An area learning center operated by a service cooperative, intermediate district,
4.31 education district, or a joint powers cooperative may elect through the action of the
4.32 constituent boards to charge the resident district tuition for pupils rather than to have the
4.33 general education revenue paid to a fiscal agent school district. Except as provided in
4.34 paragraph (f), the district of residence must pay tuition equal to at least 90 and no more than

- 5.1 100 percent of the district average general education revenue per pupil unit minus an amount
- 5.2 equal to the product of the formula allowance according to section 126C.10, subdivision 2,
- 5.3 times .0466, calculated without compensatory revenue, local optional revenue, and
- 5.4 transportation sparsity revenue, times the number of pupil units for pupils attending the area
- 5.5 learning center.