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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **1406**

03/11/2013 Authored by Radinovich, Newton, Isaacson, Davnie, Moran 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; creating education advancement revenue; reducing
1.3 the operating referendum; reducing property taxes; appropriating money;
1.4 amending Minnesota Statutes 2012, sections 126C.10, subdivision 1, by adding
1.5 subdivisions; 126C.13, subdivision 4; 126C.17, subdivisions 1, 2.

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

1.7 Section 1. Minnesota Statutes 2012, section 126C.10, subdivision 1, is amended to read:

1.8 Subdivision 1. **General education revenue.** The general education revenue for
1.9 each district equals the sum of the district's basic revenue, extended time revenue, gifted
1.10 and talented revenue, small schools revenue, basic skills revenue, training and experience
1.11 revenue, secondary sparsity revenue, elementary sparsity revenue, transportation sparsity
1.12 revenue, total operating capital revenue, education advancement revenue, equity revenue,
1.13 alternative teacher compensation revenue, and transition revenue.

1.14 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015
1.15 and later.

1.16 Sec. 2. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision
1.17 to read:

1.18 Subd. 37. **Education advancement revenue.** The education advancement revenue
1.19 for each district equals the advancement allowance times the resident marginal cost
1.20 pupil units for the school year. The advancement allowance for fiscal year 2015 and
1.21 later years is \$300.

1.22 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015
1.23 and later.

Sec. 3. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision to read:

Subd. 38. **Education advancement rate.** The commissioner must establish the education advancement rate by July 1 of each year for levies payable in the following year. The education advancement tax capacity rate must be a rate rounded up to the nearest hundredth of a percent that, when applied to the adjusted net tax capacity for all districts, raises the amounts specified in this subdivision. The education advancement rate must be the rate that raises \$100,000,000 for fiscal year 2015 and later years. The education advancement rate may not be changed due to changes or corrections made to a district's adjusted net tax capacity after the tax rate has been established. A school district may adopt a resolution to reduce its levy below the amount calculated in this subdivision.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 4. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision to read:

Subd. 39. **Education advancement levy.** (a) To obtain education advancement revenue, a district may levy an amount not to exceed the education advancement rate times the adjusted net tax capacity of the district for the preceding year. If the amount of the education advancement levy would exceed the education advancement revenue, the education advancement levy must be determined according to paragraph (b). If a district adopts a board resolution to reduce its education advancement levy according to subdivision 38, the district's education advancement aid shall be reduced proportionately.

(b) If the amount of the education advancement levy for a district exceeds the district's education advancement revenue, the amount of the education advancement levy must be limited to the district's education advancement revenue.

EFFECTIVE DATE. This section is effective for revenue for fiscal year 2015 and later.

Sec. 5. Minnesota Statutes 2012, section 126C.10, is amended by adding a subdivision to read:

Subd. 40. **Education advancement aid.** For fiscal year 2015 and later, a school district's education advancement aid is the product of: (1) the difference between the district's education advancement revenue and the education advancement levy; times (2) the ratio of the actual amount levied to the permitted levy.

3.1 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2015
3.2 and later.

3.3 Sec. 6. Minnesota Statutes 2012, section 126C.13, subdivision 4, is amended to read:

3.4 Subd. 4. **General education aid.** (a) For fiscal years ~~2007~~ 2013 and ~~later~~ 2014, a
3.5 district's general education aid is the sum of the following amounts:

3.6 (1) general education revenue, excluding equity revenue, total operating capital
3.7 revenue, alternative teacher compensation revenue, and transition revenue;

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

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

3.10 (4) alternative teacher compensation aid under section 126C.10, subdivision 36;

3.11 (5) transition aid under section 126C.10, subdivision 33;

3.12 (6) shared time aid under section 126C.01, subdivision 7;

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

3.14 (8) online learning aid according to section 124D.096.

3.15 (b) For fiscal year 2015 and later, a district's general education aid is the sum of
3.16 the following amounts:

3.17 (1) general education revenue, excluding equity revenue, total operating capital
3.18 revenue, alternative teacher compensation revenue, education advancement revenue, and
3.19 transition revenue;

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

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

3.22 (4) alternative teacher compensation aid under section 126C.10, subdivision 36;

3.23 (5) education advancement aid under section 126C.10, subdivision 41;

3.24 (6) transition aid under section 126C.10, subdivision 33;

3.25 (7) shared time aid under section 126C.01, subdivision 7;

3.26 (8) referendum aid under section 126C.17, subdivisions 7 and 7a; and

3.27 (9) online learning aid according to section 124D.096.

3.28 Sec. 7. Minnesota Statutes 2012, section 126C.17, subdivision 1, is amended to read:

3.29 Subdivision 1. **Referendum allowance.** (a) For fiscal year 2003 and later, a district's
3.30 initial referendum revenue allowance equals the sum of the allowance under section
3.31 126C.16, subdivision 2, plus any additional allowance per resident marginal cost pupil
3.32 unit authorized under subdivision 9 before May 1, 2001, for fiscal year 2002 and later,
3.33 plus the referendum conversion allowance approved under subdivision 13, minus \$415.
3.34 For districts with more than one referendum authority, the reduction must be computed

separately for each authority. The reduction must be applied first to the referendum conversion allowance and next to the authority with the earliest expiration date. A district's initial referendum revenue allowance may not be less than zero.

~~(b) For fiscal year 2003, a district's referendum revenue allowance equals the initial referendum allowance plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and December 30, 2001, for fiscal year 2003 and later.~~

~~(e) (b)~~ For fiscal year ~~2004 and later~~ years 2013 and 2014, a district's referendum revenue allowance equals the sum of:

(1) the product of (i) the ratio of the resident marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002, section 126C.05, to the district's resident marginal cost pupil units for fiscal year 2004, times (ii) the initial referendum allowance plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and May 30, 2003, for fiscal year 2003 and later, plus

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

(c) For fiscal year 2015 and later, a district's referendum revenue allowance equals the total of:

(1) the product of (i) the ratio of the resident marginal cost pupil units the district would have counted for fiscal year 2004 under Minnesota Statutes 2002, section 126C.05, to the district's resident marginal cost pupil units for fiscal year 2004, times (ii) the initial referendum allowance plus any additional allowance per resident marginal cost pupil unit authorized under subdivision 9 between April 30, 2001, and May 30, 2003, for fiscal year 2003 and later, plus

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

(3) \$300.

A district's referendum revenue allowance may not be less than zero.

Sec. 8. Minnesota Statutes 2012, section 126C.17, subdivision 2, is amended to read:

Subd. 2. **Referendum allowance limit.** (a) Notwithstanding subdivision 1, for fiscal year ~~2007 and later~~ years 2013 and 2014, a district's referendum allowance must not exceed the greater of:

(1) the sum of: (i) a district's referendum allowance for fiscal year 1994 times 1.177 times the annual inflationary increase as calculated under paragraph ~~(b)~~ (c) plus (ii) its referendum conversion allowance for fiscal year 2003, minus (iii) \$215;

(2) the greater of (i): 26 percent of the formula allowance or (ii) \$1,294 times the annual inflationary increase as calculated under paragraph ~~(b)~~ (c); or

(3) for a newly reorganized district created after July 1, 2006, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its resident marginal cost pupil units for the year preceding reorganization.

(b) Notwithstanding subdivision 1, for fiscal year 2015 and later, a district's referendum allowance must not exceed the greater of:

(1) the sum of: (i) a district's referendum allowance for fiscal year 1994 times 1.177 times the annual inflationary increase as calculated under paragraph (c) plus (ii) its referendum conversion allowance for fiscal year 2003, minus (iii) \$515;

(2) the greater of: (i) 20.26 percent of the formula allowance or (ii) \$1,294 times the annual inflationary increase as calculated under paragraph (c); or

(3) for a newly reorganized district created after July 1, 2006, the referendum revenue authority for each reorganizing district in the year preceding reorganization divided by its resident marginal cost pupil units for the year preceding reorganization.

~~(b)~~ (c) For purposes of this subdivision, for fiscal year 2005 and later, "inflationary increase" means one plus the percentage change in the Consumer Price Index for urban consumers, as prepared by the United States Bureau of Labor Standards, for the current fiscal year to fiscal year 2004. For fiscal years 2009 and later, for purposes of paragraph (a), clause (1), and paragraph (b), clause (1), the inflationary increase equals the inflationary increase for fiscal year 2008 plus one-fourth of the percentage increase in the formula allowance for that year compared with the formula allowance for fiscal year 2008.

Sec. 9. **DIRECTION TO THE COMMISSIONER.**

In computing the reduction to a school district's referendum allowance, the commissioner of education must first reduce a district's referendum allowance with the earliest expiration date and then, if necessary, reduce to additional referendum authority allowances based on the next earliest expiration date.

Sec. 10. **OPERATING REFERENDUM FREEZE, FISCAL YEAR 2015.**

Notwithstanding Minnesota Statutes, section 126C.17, subdivision 9, a school district may not authorize an increase to its operating revenue in fiscal year 2015. A school district may reauthorize an operating referendum that is expiring in fiscal year 2015. If a

- 6.1 school district asks the voters to reauthorize operating referendum authority that is expiring
6.2 in fiscal year 2015, it may request a reauthorization of that expiring authority minus \$300.