

CHAPTER 124

SCHOOL FINANCE

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124.08 SCHOOL ENDOWMENT FUND, DESIGNATION.

For the purpose of aid to public schools, a school endowment fund is established.

The school endowment fund shall consist of the income from the permanent school fund. The commissioner of education may accept for and on behalf of the permanent school fund a donation of cash, marketable securities, or other personal property. A noncash donation, other than a donation of marketable securities, must be disposed of for cash as soon as the commissioner can obtain fair market value for the donation. Marketable securities may be disposed of at the discretion of the state board of investment consistent with sections 11A.16 and 11A.24. A cash donation and the cash receipts from a donation disposed of for cash must be credited immediately to the permanent school fund. Earnings from marketable securities are earnings of the permanent school fund.

History: 1989 c 51 s 2

124.10 AUDITOR'S DUTIES.

[For text of subd 1, see M.S.1988]

Subd. 2. The county auditor shall at the time of making the March and November tax settlements of each year apportion to the several districts the amount received from liquor licenses, fines, estrays, and other sources belonging to the general school fund. The apportionment shall be made in proportion to each district's net tax capacity within the county in the prior year. No district shall receive any part of the money received from liquor licenses unless all sums paid for such licenses in such district are apportioned to the county school fund.

Subd. 3. The county auditor, on the first Wednesday after such apportionment, shall report to the commissioner on the amount apportioned, the sources from which such money was received, and the net tax capacity of each district in the county.

History: 1989 c 329 art 13 s 20

124.12 MANNER OF PAYMENT OF STATE AIDS.

Subdivision 1. [Repealed, 1989 c 329 art 9 s 34]

[For text of subd 2, see M.S.1988]

124.155 AID REDUCTIONS DUE TO TAX LEVY REVENUE RECOGNITION CHANGE.

Subdivision 1. **Amount of adjustment.** Each year state aids and credits enumerated in subdivision 2 payable to any school district, education district, or secondary vocational cooperative for that fiscal year shall be adjusted, in the order listed, by an amount equal to (1) the amount the district, education district, or secondary vocational cooperative recognized as revenue for the prior fiscal year pursuant to section 121.904, subdivision 4a, clause (b), plus revenue recognized according to section 121.904, subdivision 4e, minus (2) the amount the district recognizes as revenue for the current fiscal year pursuant to section 121.904, subdivision 4a, clause (b), plus revenue recognized according to section 121.904, subdivision 4e. For the purposes of making the aid adjustment under this subdivision, the amount the district recognizes as revenue for either the prior fiscal year or the current fiscal year pursuant to section 121.904, subdivision 4a, clause (b), plus revenue recognized according to section 121.904, subdivision 4e, shall not include any amount levied pursuant to section 124A.03, subdivision 2. Payment from the permanent school fund shall not be adjusted pursuant to this section. The school district shall be notified of the amount of the adjustment made to each payment pursuant to this section.

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 124.83;
- (k) education district aid according to section 124.2721;
- (l) secondary vocational cooperative aid according to section 124.575;
- (m) homestead credit under section 273.13 for taxes payable in 1989 and additional homestead and agricultural credit guarantee under section 273.1398, subdivision 5, for taxes payable in 1990 and thereafter;
- (n) agricultural credit under section 273.132 for taxes payable in 1989 and additional homestead and agricultural credit guarantee under section 273.1398, subdivision 5, for taxes payable in 1990 and thereafter; and
- (o) homestead and agricultural credit aid and disparity reduction aid authorized in section 273.1398, subdivision 2;
- (p) 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.

[For text of subd 3, see M.S.1988]

History: 1989 c 222 s 11; 1989 c 277 art 2 s 3; 1989 c 329 art 6 s 34,35

124.19 REQUIREMENTS FOR AID GENERALLY.

[For text of subds 1 to 4, see M.S.1988]

Subd. 5. Schedule adjustments. (a) It is the intention of the legislature to encourage efficient and effective use of staff and facilities by school districts. School districts are encouraged to consider both cost and energy saving measures.

(b) Notwithstanding the provisions of subdivision 1 or 4, any district operating a program pursuant to sections 120.59 to 120.67 or 129B.42 to 129B.47, or operating a commissioner-designated area learning center program under section 129B.56, or that otherwise receives the approval of the commissioner to operate its instructional program to avoid an aid reduction in any year, may adjust the annual school schedule for that program throughout the calendar year so long as the number of instructional hours in the year is not less than the number of instructional hours per day specified in the rules of the state board multiplied by the minimum number of instructional days required by subdivision 1.

[For text of subd 6, see M.S.1988]

Subd. 7. Alternative programs. (a) This subdivision applies to an alternative program that has been approved by the state board of education pursuant to Minnesota Rules, part 3500.3500, as exempt from Minnesota Rules, part 3500.1500, requiring a school day to be at least six hours in duration.

(b) To receive general education revenue for a pupil in an alternative program, a school district must meet the requirements in this paragraph. The program must be approved by the commissioner of education. In approving a program, the commissioner may use the process used for approving state designated area learning centers under section 129B.56.

(c) In addition to the requirements in paragraph (b), to receive general education revenue for a pupil in an alternative program that has an independent study component, a school district must meet the requirements in this paragraph.

For a course having an independent study component, the pupil must complete coursework and receive credit for each course for which the aid is claimed.

The school district must develop with the pupil a continual learning plan for the pupil. A district must allow a minor pupil's parent or guardian to participate in developing the plan, if the parent or guardian wants to participate. The plan must identify the learning experiences and expected outcomes needed for satisfactory credit for the year and for graduation. The plan must be updated each year.

General education revenue for a pupil in an approved alternative program without an independent study component must be prorated for a pupil participating for less than a full school year, or its equivalent.

General education revenue for a pupil in an approved alternative program that has an independent study component must be prorated for a pupil receiving fewer than six credits in a year.

For an alternative program having an independent study component, the commissioner shall require a description of the courses in the program, the kinds of independent study involved, the expected learning outcomes of the courses, and the means of measuring student performance against the expected outcomes.

A credit for a year in an approved alternative program shall, for the purposes of audit, be considered to be 170 hours of teacher contact time and independent study time.

History: 1989 c 329 art 1 s 2,3

124.195 PAYMENT OF AIDS AND CREDITS TO SCHOOL DISTRICTS.*[For text of subs 1 to 7, see M.S.1988]*

Subd. 8. Payment percentage for reimbursement aids. One hundred percent of the aid for the last fiscal year must be paid for the following aids: special education residential aid according to section 124.32, subdivision 5; special education pupil aid according to section 124.32, subdivision 6; special education summer school aid, according to section 124.32, subdivision 10; and planning, evaluating, and reporting process aid according to section 124.274.

Subd. 9. Payment percentage for certain aids. One hundred percent of the aid for the current fiscal year must be paid for the following aids: management information center subsidies, according to section 121.935; reimbursement for transportation to post-secondary institutions, according to section 123.3514, subdivision 8; handicapped adult program aid, according to section 124.271, subdivision 7; school lunch aid, according to section 124.646; tribal contract school aid, according to section 124.85; hearing impaired support services aid, according to section 121.201; Indian post-secondary preparation grants according to section 124.481; and integration grants according to Laws 1989, chapter 329, article 8, section 14, subdivision 3.

*[For text of subs 10 and 11, see M.S.1988]***History:** 1989 c 329 art 8 s 2,3**124.2131 ADJUSTMENT OF GROSS TAX CAPACITY.**

Subdivision 1. Adjusted gross tax capacity. (a) **Computation.** The department of revenue shall annually conduct an assessment/sales ratio study of the taxable property in each school district in accordance with the procedures in paragraphs (b) and (c). Based upon the results of this assessment/sales ratio study, the department of revenue shall determine an aggregate equalized gross tax capacity and an aggregate equalized net tax capacity for the various classes of taxable property in each school district, which tax capacity shall be designated as the adjusted gross tax capacity and the adjusted net tax capacity, respectively. The department of revenue may incur the expense necessary to make the determinations. The commissioner of revenue may reimburse any county or governmental official for requested services performed in ascertaining the adjusted gross tax capacity and the adjusted net tax capacity. On or before March 15 annually, the department of revenue shall file with the chair of the tax committee of the house of representatives and the chair of the committee on taxes and tax laws of the senate a report of adjusted gross tax capacities and adjusted net tax capacities. On or before June 15 annually, the department of revenue shall file its final report on the adjusted gross tax capacities and adjusted net tax capacities established by the previous year's assessment with the commissioner of education and each county auditor for those school districts for which the auditor has the responsibility for determination of tax capacity rates. A copy of the report so filed shall be mailed to the clerk of each district involved and to the county assessor or supervisor of assessments of the county or counties in which each district is located.

(b) **Methodology.** In making its annual assessment/sales ratio studies, the department of revenue shall use a methodology consistent with the most recent Standard on Assessment Ratio Studies published by the assessment standards committee of the International Association of Assessing Officers. The commissioner of revenue shall supplement this general methodology with specific procedures necessary for execution of the study in accordance with other Minnesota laws impacting the assessment/sales ratio study. The commissioner shall document these specific procedures in writing and shall publish the procedures in the State Register, but these procedures will not be considered "rules" pursuant to the Minnesota administrative procedure act.

(c) **Agricultural lands.** For purposes of determining the adjusted gross tax capacity and adjusted net tax capacity of agricultural lands for the calculation of adjusted gross tax capacities and adjusted net tax capacities, the market value of agricultural lands shall be the price for which the property would sell in an arms length transaction.

Subd. 2. Adjusted net tax capacity; growth limit. In the calculation of adjusted net tax capacities for 1987 and each year thereafter, the commissioner of revenue shall not increase the adjusted net tax capacity of taxable property for any school district over the adjusted net tax capacity established and filed with the commissioner of education for the immediately preceding year by more than the greater of (1) 19 percent of the certified adjusted net tax capacity established and filed with the commissioner of education for the year immediately preceding, or (2) 40 percent of the difference between the district's total adjusted net tax capacity for the current year calculated without the application of this subdivision and the district's certified adjusted net tax capacity established and filed with the commissioner of education for the immediately preceding year.

Subd. 3. Decrease in iron ore net tax capacity. If in any year the net tax capacity of iron ore property, as defined in section 273.13, subdivision 31, in any district is less than the net tax capacity of such property in the preceding year, the commissioner of revenue shall redetermine for all purposes the adjusted net tax capacity of the preceding year taking into account only the decrease in net tax capacity of iron ore property as defined in section 273.13, subdivision 31. If subdivision 2, clause (a), is applicable to the district, the decrease in iron ore property shall be applied to the adjusted net tax capacity as limited therein. In all other respects, the provisions of clause (1) shall apply.

Subd. 5. Adjusted net tax capacity; appeals. Should any district within 30 days after receipt of a copy of a report filed with the commissioner of education made pursuant to subdivision 1 or 3, be of the opinion that the commissioner of revenue has made an error in the determination of the school district's market value, it may appeal from the report or portion thereof relating to the school district to the commissioner of revenue for a review and determination of the matters contained in the appeal. The commissioner shall advise the school district of the determination within 30 days. If the school district wishes to appeal the determination of the commissioner, it must file a notice of appeal with the tax court, as provided in subdivisions 6 to 11 within ten days of the notice of determination from the commissioner.

[For text of subs 6 to 11, see M.S.1988]

History: 1989 c 329 art 13 s 1; art 13 s 20

124.2138 TRANSPORT EQUITY DEDUCT; REPLACE STATE RETIREMENT PAY.

Subd. 3. [Repealed, 1989 c 329 art 9 s 34]

Subd. 4. [Repealed, 1989 c 329 art 9 s 34]

124.2139 REDUCTION OF PAYMENTS TO SCHOOL DISTRICTS.

The commissioner of revenue shall reduce the homestead credit payments under section 273.13 for fiscal year 1990, and the sum of the additional homestead and agricultural credit guarantee, homestead and agricultural credit aid, and disparity reduction aid payments under section 273.1398 for fiscal years 1991 and thereafter made to school districts by the product of:

(1) the district's fiscal year 1984 payroll for coordinated plan members of the public employees retirement association, times

(2) the difference between the employer contribution rate in effect prior to July 1, 1984, and the total employer contribution rate in effect after June 30, 1984.

History: 1989 c 277 art 2 s 4

124.214 AID ADJUSTMENTS.

[For text of subd 1, see M.S.1988]

Subd. 2. Abatements. Whenever by virtue of chapter 278, sections 270.07, 375.192, or otherwise, the net 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 net tax capacity is applied upon the changed net 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;
 - (v) section 124.83, if the district receives health and safety aid according to that section;
 - (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.

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 124.243, 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 124.83, if the district receives health and safety aid according to that section;

(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 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.

History: 1989 c 222 s 12,13; 1989 c 329 art 13 s 20

124.223 TRANSPORTATION AID AUTHORIZATION.

School transportation and related services for which state transportation aid is authorized are listed in this section.

(1) **To and from school; between schools.** (a) State transportation aid is authorized for transportation or board of resident elementary pupils who reside one mile or more from the public schools which they could attend; transportation or board of resident secondary pupils who reside two miles or more from the public schools which they could attend; transportation to and from schools the resident pupils attend according to a program approved by the commissioner of education, or between the schools the resident pupils attend for instructional classes; transportation of resident elementary pupils who reside one mile or more from a nonpublic school actually attended; transportation of resident secondary pupils who reside two miles or more from a nonpublic school actually attended; but with respect to transportation of pupils to nonpublic schools actually attended, only to the extent permitted by sections 123.76 to 123.79; transportation of a pupil who is a custodial parent and that pupil's child between the pupil's home and the child care provider and between the provider and the school, if the home and provider are within the attendance area of the school.

(b) For the purposes of clause (1), a district may designate a licensed day care facility, respite care facility, the residence of a relative, or the residence of a person chosen by the pupil's parent or guardian as the home of a pupil for part or all of the day, if requested by the pupil's parent or guardian and if that facility or residence is within the attendance area of the school the pupil attends.

(c) State transportation aid is authorized for transportation to and from school of an elementary pupil who moves during the school year within an area designated by the district as a mobility zone, but only for the remainder of the school year. The attendance areas of schools in a mobility zone must be contiguous. To be in a mobility zone, a school must meet both of the following requirements:

(i) more than 50 percent of the pupils enrolled in the school are eligible for free or reduced school lunch; and

(ii) the pupil withdrawal rate for the last year is more than 12 percent.

(d) A pupil withdrawal rate is determined by dividing:

(i) the sum of the number of pupils who withdraw from the school, during the school year, and the number of pupils enrolled in the school as a result of transportation provided under this paragraph, by

(ii) the number of pupils enrolled in the school.

(e) The district may establish eligibility requirements for individual pupils to receive transportation in the mobility zone.

(2) **Outside district.** State transportation aid is authorized for transportation to and from or board and lodging in another district, of resident pupils of a district without a secondary school. The pupils may attend a classified secondary school in another district and shall receive board and lodging in or transportation to and from a district having a classified secondary school at the expense of the district of the pupil's residence.

(3) **Secondary vocational centers.** State transportation aid is authorized for transportation to and from a state board approved secondary vocational center for secondary vocational classes for resident pupils of any of the districts who are members of or participating in programs at that center.

(4) **Handicapped.** State transportation aid is authorized for transportation or board and lodging of a handicapped pupil when that pupil cannot be transported on a regular school bus, the conveying of handicapped pupils between home or a respite care facility and school and within the school plant, necessary transportation of handicapped pupils from home or from school to other buildings, including centers such as developmental achievement centers, hospitals and treatment centers where special instruction or services required by section 120.17 are provided, within or outside the district where services are provided, and necessary transportation for resident handicapped pupils required by section 120.17, subdivision 4a. Transportation of handicapped pupils between home or a respite care facility and school shall not be subject to any distance requirement for children not yet enrolled in kindergarten or to the requirement in clause (1) that elementary pupils reside at least one mile from school and secondary pupils reside at least two miles from school in order for the transportation to qualify for aid.

(5) **Board and lodging; nonresident handicapped.** State transportation aid is authorized for, when necessary, board and lodging for nonresident handicapped pupils in a district maintaining special classes.

(6) **Shared time.** State transportation aid is authorized for transportation from one educational facility to another within the district for resident pupils enrolled on a shared time basis in educational programs, and necessary transportation required by section 120.17, subdivision 9, for resident handicapped pupils who are provided special instruction and services on a shared time basis.

(7) **Faribault state academies.** State transportation aid is authorized for transportation for residents to and from the Minnesota state academy for the deaf or the Minnesota state academy for the blind.

(8) **Summer instructional programs.** State transportation aid is authorized for services described in clauses (1) to (7), (9), and (10) when provided in conjunction with a summer program that meets the requirements of section 124A.27, subdivision 9.

(9) **Cooperative academic and vocational.** State transportation aid is authorized for transportation to, from or between educational facilities located in any of two or more school districts jointly offering academic classes or secondary vocational classes not provided at a secondary vocational center for resident pupils of any of these districts.

(10) **Nonpublic support services.** State transportation aid is authorized for necessary transportation within district boundaries between a nonpublic school and a public school or a neutral site for nonpublic school pupils who are provided pupil support services pursuant to section 123.935.

History: 1989 c 329 art 2 s 2

124.225 TRANSPORTATION AID ENTITLEMENT.

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 paragraph (e), clause (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.

(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) "Regular transportation allowance" for the 1989-1990 school year means the adjusted authorized predicted cost per FTE, inflated pursuant to subdivision 7b.

(e) For purposes of this section, "transportation category" means a category of transportation service provided to pupils:

(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 transportation of elementary pupils to and from school within a mobility zone;

(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);

(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; and

(4) desegregation transportation is transportation of pupils to and from schools located outside their normal attendance areas under a plan for desegregation mandated by the state board or under court order.

(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.

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

(i) "Base cost" for the 1986-1987 and 1987-1988 base years 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 as defined in paragraph (e), 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 FTE pupils transported in the excess category in the base year.

(j) Base cost for the 1988-1989 base year and later years means the ratio of:

(1) the sum of the authorized cost in the base year for regular transportation as defined in clause (b) plus the actual cost in the base year for excess transportation as defined in clause (e);

(2) to the sum of the number of weighted FTE pupils transported in the regular and excess categories in the base year.

(k) "Predicted base cost" for the 1986-1987 and 1987-1988 base years means the base cost as predicted by subdivision 3.

(l) "Predicted base cost" for the 1988-1989 base year and later years means the predicted base cost as computed in subdivision 3a.

(m) "Pupil weighting factor" for the excess transportation category for a school district means the lesser of one, or the result of the following computation:

(1) divide the square mile area of the school district by the number of FTE pupils transported in the regular and excess categories in the base year;

(2) raise the result in clause (1) to the one-fifth power;

(3) divide four-tenths by the result in clause (2).

The pupil weighting factor for the regular transportation category is one.

(n) "Weighted FTE's" means the number of FTE's in each transportation category multiplied by the pupil weighting factor for that category.

(o) "Sparsity index" for a school district means the greater of .005 or the ratio of the square mile area of the school district to the sum of the number of weighted FTE's transported by the district in the regular and excess categories in the base year.

(p) "Density index" for a school district means the greater of one or the result obtained by subtracting the product of the district's sparsity index times 20 from two.

(q) "Contract transportation index" for a school district means the greater of one or the result of the following computation:

(1) multiply the district's sparsity index by 20;

(2) select the greater of one or the result in clause (1);

(3) multiply the district's percentage of regular FTE's transported using vehicles that are not owned by the school district by the result in clause (2).

(r) "Adjusted predicted base cost" for the 1988-1989 base year and after means the predicted base cost as computed in subdivision 3a as adjusted under subdivision 7a.

(s) "Regular transportation allowance" for the 1990-1991 school year and after means the adjusted predicted base cost, inflated and adjusted under subdivision 7b.

(t) "Minimum regular transportation allowance" for the 1990-1991 school year and after means the result of the following computation:

(1) compute the sum of the district's basic transportation aid for the 1989-1990 school year according to subdivision 8a and the district's excess transportation levy for the 1989-1990 school year according to section 275.125, subdivision 5e, clause (a);

(2) divide the result in clause (1) by the sum of the number of weighted FTE's transported by the district in the regular and excess transportation categories in the 1989-1990 school year;

(3) select the lesser of the result in clause (2) or the district's base cost for the 1989-1990 base year according to paragraph (j).

Subd. 3. Formula. For each school year, the state shall pay to each school district for all pupil transportation and related services for which the district is authorized by

law to receive state aid an amount determined according to this section. The department of education shall conduct multiple regression analysis using the terms specified in subdivision 4b for the 1986-1987 and 1987-1988 base years to predict the base cost for each district. The department shall use a formula based upon the regression analysis to determine a predicted base cost for each district. The amount determined for each district shall be adjusted according to the provisions of subdivisions 7a and 7b.

Subd. 3a. Predicted base cost. A district's predicted base cost for the 1988-1989 base year and later years equals the result of the following computation:

(a) Multiply the transportation formula allowance by the district's sparsity index raised to the one-fourth power. The transportation formula allowance is \$406 for the 1988-1989 base year.

(b) Multiply the result in clause (a) by the district's density index raised to the 35/100 power.

(c) Multiply the result in clause (b) by the district's contract transportation index raised to the 1/20 power.

Subd. 4b. Formula terms. To predict the logarithm of the base cost for each district according to subdivision 3 for the 1986-1987 and 1987-1988 base years 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 FTE pupils transported in the excess category in the base year,

(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.

Subd. 7a. Base year softening formula. Each district's predicted base cost determined for the 1986-1987 and 1987-1988 base years according to subdivision 3 shall be adjusted as provided in this 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.

(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.

(d) For the 1988-1989 base year and later years, each district's predicted base cost determined according to subdivision 3a must be adjusted as provided in this subdivision to determine the district's adjusted predicted base cost for that year. The adjusted predicted base cost equals 50 percent of the district's base cost plus 50 percent of the district's predicted base cost, but the adjusted predicted base cost cannot be less than 80 percent, nor more than 110 percent, of the base cost.

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 4.1 percent to determine the district's regular transportation allowance for the 1988-1989 school year and by 5.8 percent to determine the district's regular transportation allowance for the 1989-1990 school year. The adjusted predicted base cost determined for a district under subdivision 7a for the base year must be increased by 5.4 percent to determine the district's regular transportation allowance for the 1990-1991 school year, but the regular transportation allowance for a district cannot be less than the district's minimum regular transportation allowance according to subdivision 1, paragraph (t).

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 (e), clause (2).

Subd. 7d. Transportation revenue. Beginning in the 1990-1991 school year, the transportation revenue for each district equals the sum of the district's regular transportation revenue and the district's nonregular transportation revenue.

(a) The regular transportation revenue for each district equals the district's regular transportation allowance according to subdivision 7b times the sum of the number of FTE's transported by the district in the regular and desegregation categories in the current school year.

(b) The nonregular transportation revenue for each district equals the district's actual cost in the current school year for nonregular transportation services, minus the amount of regular transportation revenue attributable to FTE's transported in the desegregation category in the current school year.

Subd. 8a. Transportation aid. (a) For the 1988-1989 and 1989-1990 school years, a district's transportation aid is equal to the sum of its basic transportation aid 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 1990-1991 and later school years, a district's transportation aid equals the product of:

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

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

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

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

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

(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.

Subd. 8b. Regular transportation revenue. A district's regular transportation revenue pursuant to this section for the 1988-1989 and 1989-1990 school years shall equal the 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 school year.

Subd. 8i. Nonregular transportation aid. (a) A district's nonregular transportation aid shall be determined according to this subdivision.

(b) For the 1988-1989 and 1989-1990 school years, 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.

Subd. 8j. Nonregular transportation levy equalization aid. For the 1988-1989 and 1989-1990 school years, 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 school year for nonregular transportation services, minus the district's nonregular transportation aid computed pursuant to subdivision 8i.

(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.

Subd. 8k. Contracted services aid reduction. (a) Each year, 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.

(b) For the 1988-1989 and 1989-1990 school years, 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.

(c) For 1990-1991 and later school years, the department of education shall determine the subtraction by computing the district's regular transportation revenue under two circumstances, once including the factor specified in subdivision 3a, clause (c), and once excluding the factor. The aid subtraction equals the difference between the district's revenue computed under the two circumstances.

Subd. 8l. Alternative attendance programs. A district that 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 nonresident district according to this section. The resident district need not provide or pay for transportation between the pupil's residence and the district's border.

Subd. 9. District reports. Each district shall report data to the department as required by the department to implement the transportation aid formula. If a district's final transportation aid payment is adjusted after the final aid payment has been made to all districts, the adjustment shall be made by increasing or decreasing the district's aid for the next fiscal year.

Subd. 10. Depreciation. Any school district 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, 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 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 district's transportation revenue under subdivision 7c.

History: 1989 c 222 s 14-25; 1989 c 329 art 2 s 3,9

NOTE: Subdivision 8i was also amended by Laws 1989, chapter 222, section 21, to read as follows:

"Subd. 8i. **Nonregular transportation aid.** A district's 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."

NOTE: Subdivision 8j was also amended by Laws 1989, chapter 222, section 22, to read as follows:

"Subd. 8j. **Nonregular transportation levy equalization aid.** 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.

(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."

124.242 BUILDING BONDS FOR CALAMITIES.

When a building owned by a school district is substantially damaged by an act of God or other means beyond the control of the district, the district may issue general obligation bonds without an election to provide money immediately to carry out its adopted health and safety program. Each year the district must pledge an attributable share of its health and safety revenue to the repayment of principal and interest on the bonds. The pledged revenue shall be transferred to the debt redemption fund of the district. The district shall submit to the department of education the repayment schedule for any bonds issued under this section. The district shall deposit in the debt redemption fund all proceeds received for specific costs for which the bonds were issued, including but not limited to:

- (1) insurance proceeds;
- (2) restitution proceeds; and
- (3) proceeds of litigation or settlement of a lawsuit.

Before bonds are issued, the district must submit a combined application to the commissioner of education for health and safety revenue, according to section 124.83, and requesting review and comment, according to section 121.15, subdivisions 6, 7, 8, and 9. The commissioner shall complete all procedures concerning the combined application within 20 days of receiving the application. The publication provisions of section 121.15, subdivision 9, do not apply to bonds issued under this section.

History: 1989 c 70 s 1

124.243 CAPITAL EXPENDITURE; FACILITIES.

[For text of subd 1, see M.S.1988]

Subd. 2. Capital expenditure facilities revenue. Capital expenditure facilities revenue for a district equals the lesser of:

- (1) \$130 times its actual pupil units for the school year; or
- (2) the difference between \$400 times the actual pupil units for the school year and the unreserved balance in the capital expenditure facilities account on June 30 of the second prior school year. For the purpose of determining revenue for the 1989-1990 and the 1990-1991 school years, the unreserved balance in the capital expenditure facilities account on June 30 of the second prior school year is zero.

Subd. 3. Capital expenditure facilities levy. To obtain capital expenditure facilities revenue, a district may levy an amount not to exceed the capital expenditure facilities revenue determined in subdivision 2 multiplied 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 actual pupil units in the district for the school year to which the levy is attributable, to

(2) 70 percent of the equalizing factor for the school year to which the levy is attributable.

Subd. 4. [Repealed, 1989 c 329 art 5 s 22]

[For text of subds 5 to 10, see M.S.1988]

Subd. 11. **Installment purchase contracts.** An installment contract to purchase a facility in excess of \$400,000 is subject to the review and comment provisions of section 121.15.

History: 1989 c 329 art 5 s 5-7

124.244 CAPITAL EXPENDITURE EQUIPMENT REVENUE.

Subdivision 1. **Revenue amount.** The capital expenditure equipment revenue for each district equals \$65 times its actual pupil units counted according to section 124.17, subdivision 1, for the school year.

Subd. 2. **Capital expenditure equipment levy.** To obtain capital expenditure equipment revenue, a district may levy an amount not to exceed the district's capital expenditure equipment revenue as determined in subdivision 1 multiplied 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 actual pupil units in the district for the school year to which the levy is attributable, to

(2) 70 percent of the equalizing factor for the school year to which the levy is attributable.

[For text of subds 3 and 4, see M.S.1988]

History: 1989 c 329 art 5 s 8,9

124.245 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.

History: 1989 c 222 s 26

124.245 HAZARDOUS SUBSTANCE REVENUE.

Subd. 3. [Repealed, 1988 c 718 art 8 s 27]

Subd. 3a. [Repealed, 1988 c 718 art 8 s 27]

Subd. 3b. [Repealed, 1988 c 718 art 8 s 27]

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) Aid paid to a district of the pupil's residence must be 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) Aid paid to a district serving nonresidents 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 aid of a district is greater than the amount of aid otherwise due the district, the excess reduction must be made from other state aids due the district.

History: 1989 c 222 s 27

NOTE: Subdivision 3b was also amended by Laws 1989, chapter 329, article 5, section 10, to read as follows:

"Subd. 3b. **Hazardous substance revenue and aid.** (a) A district's "hazardous substance revenue" for fiscal year 1989 equals the approved cost of the hazardous substance plan for the fiscal year, minus the unexpended portion of levies certified and aids earned by the district in earlier years under sections 124.245, subdivision 3, and 275.125, subdivision 11c.

(b) A district's "hazardous substance levy limitation" means its levy limitation computed according to section 275.125, subdivision 11c.

(c) A district's "hazardous substance aid" for 1988-1989 and later school years equals:

(i) the difference between its hazardous substance revenue and its hazardous substance levy limitation for the levy for that school year, multiplied by

(ii) the ratio of the amount actually levied to the amount of its hazardous substance levy limitation.

(d) Aid paid under this subdivision may be used only for the purposes for which the proceeds of the levy authorized in section 275.125, subdivision 11c, may be used.

(e) In the event that the aid available for any year is prorated, a district having its aid prorated may levy an additional amount equal to the amount not paid by the state due to proration."

124.252 TOBACCO USE PREVENTION PROGRAMS.

[For text of subds 1 and 2, see M.S.1988]

Subd. 3. District aid. An eligible district shall receive 54 cents each year for each pupil, in average daily membership enrolled in a public elementary, secondary, or technical institute or nonpublic elementary or secondary school. Aid for nonpublic school pupils shall be paid to the district upon request by or on behalf of the pupils. No school district shall receive less than \$1,040 each year.

[For text of subds 4 and 5, see M.S.1988]

History: 1989 c 329 art 8 s 4

124.26 ADULT BASIC EDUCATION.

[For text of subd 1b, see M.S.1988]

Subd. 1c. Program approval. To receive aid under this section, a district must submit an application by June 1 describing the program, on a form provided by the department. The program must be approved by the commissioner according to the following criteria:

- (1) how the needs of different levels of learning will be met;
- (2) for continuing programs, an evaluation of results;
- (3) anticipated number and education level of participants;
- (4) coordination with other resources and services;
- (5) participation in a consortium, if any, and money available from other participants;
- (6) management and program design;
- (7) volunteer training and use of volunteers;
- (8) staff development services;
- (9) program sites and schedules; and
- (10) program expenditures that qualify for aid.

The commissioner may contract with a private, nonprofit organization to provide services that are not offered by a district or that are supplemental to a district's program. The program provided under a contract must be approved according to the same criteria used for district programs.

[For text of subd 2, see M.S.1988]

Subd. 7. Adult basic education aid. Each district shall receive aid for approved adult basic education programs equal to 75 percent of the salary for each teacher, counselor, coordinator of volunteers, and nonlicensed instructional staff. In addition, the state shall pay aid equal to 75 percent of the expenditures for benefits, contracted services, supplies, and materials. Expenditures for which the district receives federal aid shall not qualify for state aid. Up to five percent of the combined state and federal aid may be for the administrative costs of coordinating services with human services, employment, training, corrections, or other agencies providing educational services to adult learners.

Subd. 8. Adult basic education levy. To obtain adult basic education aid, a district may levy an amount not to exceed the amount raised by a gross tax capacity rate of .16 percent times the adjusted gross tax capacity of the district for the preceding year for taxes payable in 1990 or a net tax capacity rate of .20 percent times the adjusted net tax capacity of the district for the preceding year for taxes payable in 1991 and thereafter.

History: 1989 c 329 art 4 s 7-9

124.271 COMMUNITY EDUCATION PROGRAMS AID.

Subd. 2b. [Repealed, 1989 c 329 art 4 s 20]

Subd. 3. [Repealed, 1989 c 329 art 4 s 20]

Subd. 4. [Repealed, 1989 c 329 art 4 s 20]

Subd. 7. [Repealed, 1989 c 329 art 4 s 20]

124.2711 EARLY CHILDHOOD FAMILY EDUCATION AID.

Subdivision 1. Maximum revenue. (a) The maximum revenue for early childhood family education programs for the 1989 and 1990 fiscal years for a school district is the amount of revenue derived by multiplying \$84.50 times the greater of 150 or the number of people under five years of age residing in the school district on September 1 of the preceding school year.

(b) For 1991 and later fiscal years, the maximum revenue for early childhood family education programs for a school district is the amount of revenue earned by multiplying \$87.75 times the greater of:

(1) 150; or

(2) the number of people under five years of age residing in the school district on September 1 of the last school year.

[For text of subd 2, see M.S.1988]

Subd. 3. Aid. If a district complies with the provisions of section 121.882, it shall receive early childhood family education aid equal to:

(a) the difference between the maximum revenue, according to subdivision 1, and the permitted levy attributable to the same school year, according to section 275.125, subdivision 8b, times

(b) the ratio of the district's actual levy to its permitted levy attributable to the same school year, according to section 275.125, subdivision 8b.

In fiscal year 1990 only, a district receiving early childhood family education aid under this subdivision or levy under section 275.125, subdivision 8b, shall receive an additional amount of aid equal to \$.95 times the greater of 150 or the number of people under five years of age residing in the district on September 1 of the last school year.

[For text of subd 4, see M.S.1988]

History: 1989 c 329 art 4 s 10,11

124.2713 COMMUNITY EDUCATION REVENUE.

Subdivision 1. **Total community education revenue.** Community education revenue equals the sum of a district's general community education revenue, youth development plan revenue, and youth service program revenue.

Subd. 2. **Eligibility.** To be eligible for community education revenue, a district must:

(1) operate a community education program that complies with section 121.88; and

(2) file a certificate of compliance with the commissioner of education. The certificate of compliance shall certify that a meeting was held to discuss methods of increasing cooperation among the governing boards of each county, city, and township in which the district, or any part of the district, is located, and that each governing board was sent a written notice of the meeting at least 15 working days before the meeting. The failure of a governing board to attend the meeting shall not affect the authority of the district to obtain community education revenue.

Subd. 3. **General community education revenue.** For fiscal year 1991 and thereafter, the general community education revenue for a district equals \$5.95 times the greater of 1,335 or the population of the district. The population of the district is determined according to section 275.14.

Subd. 3a. **1990 general community education revenue.** For fiscal year 1990, the general community education revenue for each district equals \$5.75 times the greater of 1,335 or the population of the district.

Subd. 4. **Youth development plan revenue.** Youth development plan revenue for a district with a plan approved by the school board equals 50 cents times the greater of 1,335 or the population of the district.

Subd. 5. **Youth service revenue.** Youth service program revenue is available to a district that has implemented a youth development plan and a youth service program. Youth service revenue equals 25 cents times the greater of 1,335 or the population of the district.

Subd. 6. **Community education levy.** To obtain community education revenue, a district may levy the amount raised by a gross tax capacity rate of 0.8 percent times the adjusted gross tax capacity of the district for taxes payable in 1990 or a net tax capacity rate of 1.0 percent times the adjusted net tax capacity of the district for taxes payable in 1991 and thereafter. If the amount of the community education levy would exceed the community education revenue, the community education levy shall equal the community education revenue.

Subd. 7. **Community education aid.** A district's community education aid is the difference between its community education revenue and the community education levy. If the district does not levy the entire amount permitted, the community education aid shall be reduced in proportion to the actual amount levied.

Subd. 8. **Uses of general revenue.** General community education revenue may be used for:

- (1) nonvocational, recreational, and leisure time activities and programs;
- (2) handicapped adult programs, if the programs and budgets are approved by the department of education;
- (3) adult basic education programs, according to section 124.26;
- (4) summer programs for elementary and secondary pupils;
- (5) implementation of a youth development plan;
- (6) implementation of a youth service program;
- (7) early childhood family education programs, according to section 121.882; and

(8) extended day programs, according to section 121.88, subdivision 10.

(9) In addition to money from other sources, a district may use up to ten percent of its community education revenue for equipment that is used exclusively in community education programs. This revenue may be used only for the following purposes:

- (i) to purchase or lease computers and related materials;
- (ii) to purchase or lease equipment for instructional programs; and
- (iii) to purchase textbooks and library books.

Subd. 9. **Use of youth revenue.** Youth development revenue may be used only to implement the youth development plan approved by the school board. Youth service revenue may be used only to provide a youth service program according to section 121.88, subdivision 9.

History: 1989 c 329 art 4 s 12

NOTE: Subdivision 3a is repealed effective July 1, 1990. See Laws 1989, chapter 329, article 4, section 20.

124.2714 ADDITIONAL COMMUNITY EDUCATION REVENUE.

A district that is eligible under section 124.2713, subdivision 2, may levy an amount up to the amount authorized by Minnesota Statutes 1986, section 275.125, subdivision 8, clause (2). The proceeds of the levy may be used for the purposes set forth in section 124.2713, subdivision 8.

History: 1989 c 329 art 4 s 13

124.2715 HANDICAPPED ADULT REVENUE.

Subdivision 1. **Revenue amount.** A district that is eligible according to section 124.2713, subdivision 2, may receive revenue for a handicapped adult program. Handicapped adult program revenue for a district or a group of districts equals the lesser of:

- (1) the actual expenditures for approved programs and budgets; or
- (2) \$60,000.

Subd. 2. **Aid.** Handicapped adult program aid equals the lesser of:

- (1) one-half of the actual expenditures for approved programs and budgets; or
- (2) \$30,000.

Subd. 3. **Levy.** A district may levy for a handicapped adult program an amount up to the amount designated in subdivision 2. In the case of a program offered by a group of districts, the levy amount shall be apportioned among the districts according to the agreement submitted to the department of education.

Subd. 4. **Outside revenue.** A district may receive money from public or private sources to supplement handicapped adult program revenue. Aid may not be reduced as a result of receiving money from these sources.

Subd. 5. **Use of revenue.** Handicapped adult program revenue may be used only to provide handicapped adult programs.

History: 1989 c 329 art 4 s 14

124.2721 EDUCATION DISTRICT REVENUE.

Subdivision 1. **Eligibility.** An education district is eligible for education district revenue if the department certifies that it meets the requirements of sections 122.91, subdivisions 3 and 4, and 122.945. The pupil units of a school district that is a member of intermediate district No. 287, 916, or 917 may not be used to obtain revenue under this section. The pupil units of a school district may not be used to obtain revenue under this section and section 124.575.

Subd. 2. **Revenue.** Each year the education district board shall certify to the department of education the amount of revenue to be raised. Revenue for the education district shall be the lesser of:

- (1) \$60 times the actual pupil units in the education district, or

(2) the amount certified by the education district board.

Subd. 3. **Levy.** The education district levy is equal to the following:

(1) the education district revenue according to subdivision 2, times

(2) the lesser of

(a) one, or

(b) the ratio of the adjusted gross tax capacity for taxes payable in 1990 and adjusted net tax capacity for taxes payable in 1991 and thereafter of the education district divided by the number of actual pupil units in the education district to an amount equal to \$60 divided by 1.5 percent for taxes payable in 1990 and 1.87 percent for taxes payable in 1991 and thereafter.

The department of education shall allocate the levy amount proportionately among the member districts based on adjusted tax capacity. The member districts shall levy the amount allocated.

Subd. 3a. **Revenue transfer.** Each year a member district shall transfer revenue to the education district board according to this subdivision. By June 20 and November 30 of each year, an amount shall be transferred equal to:

(1) 50 percent times

(2) the amount certified in subdivision 3 minus transition aid allocated for that levy according to section 273.1398, subdivision 6.

Subd. 4. **Aid.** The aid for an education district equals its education district revenue minus its education district levy, times the ratio of the actual amount levied to the permitted levy.

Subd. 5. **Uses of revenue.** Education district revenue is under the control of the education district board. Education district revenue must be used by the education district board to provide educational programs according to the agreement adopted by the education district board, as required by section 122.94.

The education district board may pay to member school districts a part of the education district revenue received by the education district under this section only for programs that are (1) available to all member districts, and (2) included in the five-year plan under section 122.945.

Subd. 6. **Consolidation.** If all member districts of an education district receiving revenue under this section or a group of member districts of an education district receiving revenue under this section that would qualify as an education district under section 122.91, subdivision 3, consolidate into a single independent school district by proceedings taken in accordance with section 122.23, that consolidated district may continue to receive education district revenue according to this section.

History: 1989 c 329 art 6 s 36

124.2725 COOPERATION AND COMBINATION REVENUE.

Subdivision 1. **Eligibility.** A school district is eligible for cooperation and combination revenue if it has a plan approved by the state board of education according to section 122.243.

Subd. 2. **Cooperation and combination revenue.** Cooperation and combination revenue equals, for each resident and nonresident pupil receiving instruction in a cooperating or combined district, \$100 times the actual pupil units. A district may not receive revenue under this section if it levies under section 275.125, subdivision 8e.

Subd. 3. **Cooperation and combination levy.** To obtain cooperation and combination revenue, a district may levy an amount equal to the cooperation and combination revenue multiplied by the lesser of one or the following ratio:

(1) the quotient derived by dividing the adjusted gross tax capacity for the district in the year preceding the year the levy is certified by the actual pupil units in the district for the year to which the levy is attributable, to

(2) the percentage, specified in subdivision 4, of the equalizing factor for the school year to which the levy is attributable.

Subd. 4. Increasing levy. The percentage in subdivision 3, clause (2), shall be:

- (1) 100 percent for the first year of cooperation;
- (2) 75 percent for the second year of cooperation;
- (3) 50 percent for the first year of combination; and
- (4) 25 percent for the second year of combination.

Subd. 5. Cooperation and combination aid. For the first two years of cooperation and the first two years of combination, cooperation and combination aid is equal to the difference between the cooperation and combination revenue and cooperation and combination levy. Aid shall not be paid after two years of combining.

Subd. 6. Additional aid. In addition to the aid in subdivision 5, districts shall receive aid under this subdivision. For the first year of cooperation, a district shall receive, for each resident and nonresident pupil receiving instruction in a cooperating district, \$100 times the actual pupil units. For the first year of combination, the combined district shall receive, for each resident and nonresident pupil receiving instruction in the combined district, \$100 times the actual pupil units.

Subd. 7. Proportional aid. If a district does not levy the entire amount permitted under subdivision 3, the aid in subdivisions 5 and 6 must be reduced in proportion to the actual amount levied.

Subd. 8. Permanent revenue. For the third year of combination and thereafter, a combined district may levy an amount equal to the cooperation and combination revenue, defined in subdivision 2.

Subd. 9. Subsequent districts. If a district subsequently cooperates or combines with districts that have previously received revenue under this section, the new district shall receive revenue, according to subdivision 4 or 6, as though it had been a party to the initial agreement. The previously cooperating or combined districts may not receive revenue, according to subdivision 6 or 10, as though parties to a new agreement.

Subd. 10. Revenue limit. Revenue under this section shall not exceed the revenue received by cooperating districts or a combined district with 2,000 actual pupil units.

Subd. 11. Use of revenue. Revenue under this section shall be used for expenses of cooperating and combining school districts, including, but not limited to:

(1) secondary course offerings in communications, mathematics, science, social studies, foreign languages, physical education, health, and career education if the courses have specific learner outcomes;

(2) participation by teachers in determining the learner outcomes;

(3) staff in-service related to cooperation and combination;

(4) any of the purposes set forth in sections 124.243, subdivision 6, clauses (3), (4), and (15), and 124.244, subdivision 4, clauses (2), (3), (4), (5), and (6), if the purposes are related to courses offered cooperatively; and

(5) incentives for superintendents, principals, teachers, and other licensed and nonlicensed employees, such as early retirement, severance pay, and health insurance benefits.

Subd. 12. Joint purposes. Cooperating district revenue may only be used for purposes of joint efforts between cooperating districts. The revenue shall be in a separate account. School boards shall mutually determine cooperative expenditures.

Subd. 13. Revenue for extended cooperation. If the state board disapproves of the plan according to section 122.243, subdivision 1, or if a second referendum fails under section 122.243, subdivision 2, cooperation and combination revenue shall equal \$60 times the actual pupil units. Cooperation and combination aid must be reduced by an amount equal to the aid paid under subdivision 6 plus the difference between the aid paid under subdivision 5 for the first two years of the agreement and the aid that would have been paid if the revenue had been \$60 times the actual pupil units. If the aid is insufficient to recover the entire amount, the department of education shall reduce other aids due the district to recover the entire amount. The cooperation and combination levy shall be reduced by an amount equal to the difference between the levy for

the first two years of the agreement and the levy that would have been authorized if the revenue had been \$60 times the actual pupil units. A district that receives revenue under this subdivision may not also receive revenue according to sections 124.2721 and 124.575.

Subd. 14. Cessation of revenue. At any time the districts cease cooperating, aid shall not be paid and the authority to levy ceases.

Subd. 15. Retirement and severance levy. A cooperating or combined district may levy for severance pay or early retirement incentives for licensed and nonlicensed employees who retire early as a result of the cooperation or combination.

History: 1989 c 329 art 6 s 37

NOTE: This section is effective for revenue for fiscal year 1991 and thereafter. See Laws 1989, chapter 329, article 6, section 56.

124.273 LIMITED ENGLISH PROFICIENCY PROGRAMS AID.

[For text of subds 1b and 3, see M.S.1988]

Subd. 4. Application dates. To obtain aid for limited English proficiency programs, a district shall submit information required by the department to implement this section.

Subd. 5. Notification; aid payments. The department must promptly inform each applicant district of the amount of aid it will receive pursuant to this section.

[For text of subds 6 and 7, see M.S.1988]

History: 1989 c 329 art 3 s 4,5

124.276 CAREER TEACHER AID.

Subdivision 1. Eligibility. A school district that has a career teacher program, according to sections 129B.41 to 129B.46, for one or more of its teachers is eligible for aid to extend the teaching contract of a career teacher.

Subd. 2. State share of extended contract. The state shall pay two-thirds of the portion of the teaching contract, excluding fringe benefits, that is in addition to the standard teaching contract of the district. The district shall pay the remaining portion.

Subd. 3. State board approval. The state board may approve plans and applications for districts throughout the state for career teacher aid. Application procedures and deadlines shall be established by the state board.

Subd. 4. Use of aid. Career teacher aid may be used only to implement a career teacher program.

History: 1989 c 329 art 7 s 4

124.311 ASSURANCE OF MASTERY REVENUE.

Subdivision 1. Instruction in regular classroom. A school district may receive assurance of mastery revenue to provide direct instructional services to eligible pupils in the pupils' regular classroom.

Subd. 2. Eligible districts. To be eligible to receive assurance of mastery revenue, a district must have a policy adopted according to section 126.67, subdivision 3a, that identifies the direct instructional services to be used to assure that individual pupils master the learner outcomes in communications and mathematics.

Subd. 3. Eligible pupils. A pupil is eligible to receive services provided with assurance of mastery revenue if the pupil has not demonstrated mastery of learner outcomes in communications or mathematics, or both, after receiving instruction that was designed to enable the pupil to master the learner outcomes in a regular classroom setting. To determine pupil eligibility, a district must use the learner outcomes and the evaluation process, adopted by the school board under section 126.666, subdivision 1, clauses (2) and (3), for the subjects and at the grade level at which the district uses the revenue.

Subd. 4. Eligible services. Assurance of mastery revenue must be used to provide direct instructional services to an eligible pupil, or group of eligible pupils, under the following conditions:

(a) Instruction may be provided at one or more grade levels from kindergarten through grade 8.

(b) Instruction must be provided in the usual and customary classroom of the eligible pupil.

(c) Instruction must be provided under the supervision of the eligible pupil's regular classroom teacher. Instruction may be provided by the eligible pupil's classroom teacher, by another teacher, by a team of teachers, or by an education assistant or aide. A special education teacher may provide instruction, but instruction that is provided under this section is not eligible for aid under section 124.32.

(d) The instruction that is provided must differ from the initial instruction the pupil received in the regular classroom setting. The instruction may differ by presenting different curriculum than was initially presented in the regular classroom, or by presenting the same curriculum:

- (1) at a different rate or in a different sequence than it was initially presented;
- (2) using different teaching methods or techniques than were used initially; or
- (3) using different instructional materials than were used initially.

Subd. 5. Revenue amount. Assurance of mastery revenue is the sum of state and district money. The sum may equal up to \$45 for fiscal year 1991 and thereafter times the number of actual pupil units in kindergarten through grade 8 in the district. The district shall determine the amount of money it will provide and the state shall provide an equal amount of money.

Subd. 6. Uses of revenue. Assurance of mastery revenue may be used only to provide eligible services to eligible pupils.

Subd. 7. District report. A district that receives assurance of mastery revenue shall include the following in the report required by section 126.666, subdivision 4:

(a) A summary of initial assessment results used to determine pupil eligibility to receive instructional services must be included. The summary must include:

- (1) a description of the assessment device used;
- (2) the number of pupils who were assessed; and
- (3) the number of pupils who were determined to be eligible to receive services.

(b) A description of the services provided to eligible pupils must be included.

(c) A summary of assessment results for eligible pupils obtained after providing the services must be included.

History: 1989 c 329 art 3 s 6

NOTE: This section is effective for the 1990-1991 school year. See Laws 1989, chapter 329, article 3, section 26.

124.32 HANDICAPPED CHILDREN.

Subd. 1b. Teachers salaries. Each year the state shall pay to a district a portion of the salary of each essential person employed in the district's program for handicapped children during the regular school year, whether the person is employed by one or more districts. The portion for a full-time person shall be an amount not to exceed the lesser of 60 percent of the salary or \$16,727. The portion for a part-time or limited-time person shall be an amount not to exceed the lesser of 60 percent of the salary or the product of \$16,727 times the ratio of the person's actual employment to full-time employment.

[For text of subs 1c to 10, see M.S.1988]

History: 1989 c 329 art 3 s 7

124.331 REVENUE FOR INDIVIDUALIZED LEARNING AND DEVELOPMENT.

Subdivision 1. **Purpose.** The purpose of sections 124.331 to 124.333 is to improve the education of public school pupils by:

- (1) working toward reducing instructor-learner ratios and increasing the amount of individual attention given each learner in kindergarten and grade 1 to help each learner develop socially and emotionally and in knowledge, skills, and attitudes; and
- (2) improving program offerings.

Subd. 2. **Definition.** "Instructor" in this section means a public employee licensed by the board of teaching whose duties are full-time instruction or the equivalent, excluding a teacher for whom categorical aids are received pursuant to sections 124.273 and 124.32. Instruction may be provided by a learner's instructor, by another instructor, by a team of instructors, or by an education assistant or aide supervised by a learner's regular instructor. In this section, instructor does not include supervisory and support personnel, as defined in section 125.03. An instructor whose duties are less than full-time instruction must be included as an equivalent only for the number of hours of instruction.

Subd. 3. **State revenue criteria.** Revenue available under section 124.332 is to enable a district to work to achieve the district's instructor-learner ratios in kindergarten and grade 1 established by the curriculum advisory committee in each district, and to prepare and use an individualized learning plan for each learner in kindergarten and grade 1. A district must not increase the districtwide instructor-learner ratios in grades 2 through 8 as a result of reducing instructor-learner ratios in kindergarten and grade 1.

A district's curriculum advisory committee, as part of the policy under section 126.666, must develop a districtwide plan to work to achieve the instructor-learner ratios in kindergarten and grade 1 adopted by the school board of the district, and to prepare and use an individualized learning plan for each learner in kindergarten and grade 1. If the school board of a school district determines that the district has achieved and is maintaining the instructor-learner ratios specified by the district's curriculum advisory committee, and has prepared and is using individualized learning plans, the school board must direct the school district to use the aid it receives under section 124.332 to work to improve program offerings throughout the district, or the education district of which the district is a member, based upon a plan developed by the district's curriculum advisory committee.

History: 1989 c 329 art 3 s 16

NOTE: This section is effective for the 1990-1991 school year. See Laws 1989, chapter 329, article 3, section 26.

124.332 INDIVIDUALIZED LEARNING AND DEVELOPMENT AID.

Subdivision 1. **Eligibility.** A district is eligible for individualized learning and development aid if the school board of the district has adopted a district instructor-learner ratio specified by the district's curriculum advisory committee and submits its ratio to the department of education by April 15, 1990.

Subd. 2. **Aid amount.** An eligible district shall receive individualized learning and development aid in an amount equal to \$62.25 times the district's average daily membership in kindergarten and grade 1. Aid received under this subdivision must be used only to achieve the district's instructor-learner ratios and prepare and use individualized learning plans for learners in kindergarten and grade 1. If the district has achieved and is maintaining the district's instructor-learner ratios, then the district may use the aid to work to improve program offerings throughout the district.

Subd. 3. **Withholding.** The commissioner must withhold individualized learning and development aid from any district that fails to make a good faith effort to achieve its instructor-learner ratios.

History: 1989 c 329 art 3 s 17

NOTE: This section is effective for the 1990-1991 school year. See Laws 1989, chapter 329, article 3, section 26.

124.333 REPORT.

The commissioner of education shall monitor and evaluate the effectiveness of districts' reduced instructor-learner ratios, individualized learning plans, and efforts to improve program offerings and shall report to the education committees in the legislature before March 1 of each school year.

History: 1989 c 329 art 3 s 18

NOTE: This section is effective for the 1990-1991 school year. See Laws 1989, chapter 329, article 3, section 26.

124.38 DEFINITIONS.

[For text of subds 1 to 6, see M.S.1988]

Subd. 7. Maximum effort debt service levy. "Maximum effort debt service levy" means the lesser of:

(1) A levy in whichever of the following amounts is applicable:

(a) In any school district granted a debt service loan after July 31, 1981, or granted a capital loan which is approved after July 31, 1981, a levy in a total dollar amount computed as a gross tax capacity rate of 13.08 percent on the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of 16.27 percent on the adjusted net tax capacity for taxes payable in 1991 and thereafter;

(b) In any school district granted a debt service loan before August 1, 1981, or granted a capital loan which was approved before August 1, 1981, a levy in a total dollar amount computed as a gross tax capacity rate of 12.26 percent on the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of 15.26 percent on the net tax capacity for taxes payable in 1991 and thereafter, until and unless the district receives an additional loan; or

(2) A levy in whichever of the following amounts is applicable:

(a) In any school district which received a debt service or capital loan from the state before January 1, 1965, a levy in a total dollar amount computed as 4.10 mills on the market value in each year, unless the district applies or has applied for an additional loan subsequent to January 1, 1965, or issues or has issued bonds on the public market, other than bonds refunding state loans, subsequent to January 1, 1967;

(b) In any school district granted a debt service or capital loan between January 1, 1965, and July 1, 1969, a levy in a total dollar amount computed as 5-1/2 mills on the market value in each year, until and unless the district receives an additional loan;

(c) In any school district granted a debt service or capital loan between July 1, 1969, and July 1, 1975, a levy in a total dollar amount computed as 6.3 mills on market value in each year until and unless the district has received an additional loan;

(d) In any school district for which a capital loan was approved prior to August 1, 1981, a levy in a total dollar amount equal to the sum of the amount of the required debt service levy and an amount which when levied annually will in the opinion of the commissioner be sufficient to retire the remaining interest and principal on any outstanding loans from the state within 30 years of the original date when the capital loan was granted; provided, that the school board in any district affected by the provisions of clause (2)(d) may elect instead to determine the amount of its levy according to the provisions of clause (1); provided further that if a district's capital loan is not paid within 30 years because it elects to determine the amount of its levy according to the provisions of clause (2)(d), the liability of the district for the amount of the difference between the amount it levied under clause (2)(d) and the amount it would have levied under clause (1), and for interest on the amount of that difference, shall not be satisfied and discharged pursuant to section 124.43, subdivision 4.

Subd. 8. "Adjusted net tax capacity" means, as of any date, the net tax capacity of all taxable property most recently determined by the commissioner of revenue in accordance with the provisions of section 124.2131. "Market value" means the value of all taxable property in the district on which its net debt limit is based as provided in section 475.53, subdivision 4.

[For text of subds 9 to 14, see M.S.1988]

History: 1989 c 329 art 13 s 2; art 13 s 20

124.42 DEBT SERVICE LOANS.

[For text of subds 1 and 2, see M.S.1988]

Subd. 3. The commissioner shall issue to each district whose note has been so received a warrant on the debt service loan account of the maximum effort school loan fund, payable on presentation to the state treasurer out of any money in such account. The warrant shall be issued by the commissioner in sufficient time to coincide with the next date on which the district is obligated to make principal or interest payments on its bonded debt in the ensuing year. Interest shall accrue from the date such warrant is issued. The proceeds thereof shall be used by the district to pay principal or interest on its bonded debt falling due in the ensuing year.

[For text of subd 4, see M.S.1988]

History: 1989 c 271 s 29

124.43 CAPITAL LOANS.

Subdivision 1. **Review by commissioner.** (a) The commissioner may, after review and a favorable recommendation by the state board of education, recommend to the legislature capital loans to school districts. Proceeds of the loans shall be used only for sites for school buildings and for acquiring, bettering, furnishing, or equipping school buildings under contracts to be entered into within 12 months from and after the date on which each loan is granted.

(b) Any school board that intends to submit an application for a capital loan shall submit a proposal to the commissioner for review and comment pursuant to section 121.15 by September 1 of any year, and the commissioner shall prepare a review and comment on the proposed facility, regardless of the amount of the capital expenditure required to construct the facility. The state board shall not make a favorable recommendation on an application for a capital loan for any facility unless:

(1) the facility receives a positive review and comment pursuant to section 121.15; and

(2) the state board determines that

(A) the facilities are needed to replace facilities dangerous to the health and safety of pupils, or to provide for pupils for whom no adequate facilities exist;

(B) the facilities could not be made available through dissolution and attachment of the district to another district or through pairing, interdistrict cooperation, or consolidation with another district, or through the purchase or lease of facilities from existing institutions within the area. The preference of the school district regarding reorganization shall not be a criterion used by the state board in determining whether the facilities could be made available through reorganization;

(C) the facilities are comparable in size and quality to facilities recently constructed in other districts of similar enrollment; and

(D) the district's need for the facilities is comparable to needs that comparable districts are meeting through local bond issues.

The state board may recommend that the loan be approved in a reduced amount in order to meet the foregoing criteria. If the state board recommends that a loan not be approved, the commissioner shall not recommend approval of the loan. If the state board recommends that the loan be approved in a reduced amount, the commissioner shall not recommend approval of a loan larger than that recommended by the state board.

(c) As part of reviewing an application for a capital loan, the commissioner of education shall prepare estimated yearly repayments by the school district and the

estimated amount of principal and interest that may be forgiven after the term of the loan. These estimates shall assume no growth in gross tax capacity over the term of the loan, shall assume a levy equal to a gross tax capacity rate of 13.08 percent times the adjusted gross tax capacity for taxes payable in 1990 or a net tax capacity rate of 16.27 percent for taxes payable in 1991 and thereafter, and shall be prepared using a methodology approved by the commissioner of finance. The commissioner of education shall use a discount factor provided by the commissioner of finance in determining the present value of the estimated amount of interest and principal which may be forgiven after the term of the loan.

(d) No loan shall be recommended for approval for any district exceeding an amount computed as follows:

(1) the amount requested by the district under subdivision 2;
 (2) plus the aggregate principal amount of general obligation bonds of the district outstanding on June 30 of the year following the year the application was received, not exceeding the limitation on net debt of the district in section 475.53, subdivision 4, or the following amount:

(i) for the period October 1, 1988, to September 30, 1989, 197 percent of its adjusted gross tax capacity,

(ii) for any 12-month period beginning October 1 of any year after 1988, 245 percent of its adjusted net tax capacity as most recently determined, whichever is less;

(3) Less the maximum net debt permissible for the district on December 1 of the year the application is received, under the limitation in section 475.53, subdivision 4, or the following amount:

(i) for the period October 1, 1988, to September 30, 1989, 197 percent of its adjusted gross tax capacity,

(ii) for any 12-month period beginning October 1 of any year after 1988, 245 percent of its adjusted net tax capacity as most recently determined, whichever is less; and

(4) Less any amount by which the amount voted exceeds the total cost of the facilities for which the loan is granted, as estimated in accordance with subdivision 4, provided that the loan may be approved in an amount computed as provided in clauses (1) to (3), subject to subsequent reduction in accordance with this clause.

[For text of subds 2 to 6, see M.S.1988]

History: 1989 c 1 s 1; 1989 c 329 art 13 s 3; 1989 c 356 s 1

124.477 BOND ISSUE; MAXIMUM EFFORT SCHOOL LOANS; 1988.

To provide money to be loaned to school districts as agencies and political subdivisions of the state to acquire and to better public land and buildings and other public improvements of a capital nature, in the manner provided by the maximum effort school aid law, the commissioner of finance shall issue and sell school loan bonds of the state of Minnesota in the maximum amount of \$22,000,000, in addition to the bonds already authorized for this purpose. The same amount is appropriated to the maximum effort school loan fund and must be spent under the direction of the commissioner of education to make debt service loans and capital loans to school districts as provided in sections 124.36 to 124.47. The bonds must be issued and sold and provision for their payment must be made according to section 124.46. Enough money to pay interest on the bonds to and including July 1 in the second year after the date of issue must be credited from the bond proceeds to the school loan bond account in the state bond fund. Expenses incidental to the sale, printing, execution, and delivery of the bonds, including, but without limitation, actual and necessary travel and subsistence expenses of state officers and employees for those purposes, must be paid from the maximum effort school loan fund, and the money necessary for the expenses is appropriated from that fund.

History: 1989 c 300 art 2 s 1

124.494 GRANT APPLICATION PROCESS.

Subdivision 1. Qualification. Any group of school districts that meets the criteria required under subdivision 2 may apply for an incentive grant in an amount not to exceed the lesser of \$6,000,000 or 75 percent of the approved construction costs of a cooperative secondary education facility.

Subd. 2. Review by commissioner. (a) Any group of districts that submits an application for a grant shall submit a proposal to the commissioner for review and comment under section 121.15, and the commissioner shall prepare a review and comment on the proposed facility, regardless of the amount of the capital expenditure required to acquire, construct, remodel or improve the secondary facility. The commissioner must not approve an application for an incentive grant for any secondary facility unless the facility receives a favorable review and comment under section 121.15 and the following criteria are met:

(1) a minimum of three or more districts, with kindergarten to grade 12 enrollments in each district of no more than 1,200 pupils, enter into a joint powers agreement;

(2) a joint powers board representing all participating districts is established under section 471.59 to govern the cooperative secondary facility;

(3) the planned secondary facility will result in the joint powers district meeting the requirements of Minnesota Rules, parts 3500.2010 and 3500.2110;

(4) at least 240 pupils would be served in grades 10 to 12, 320 pupils would be served in grades 9 to 12, or 480 pupils would be served in grades 7 to 12;

(5) no more than one superintendent is employed by the joint powers board as a result of the cooperative secondary facility agreement;

(6) a statement of need is submitted, that may include reasons why the current secondary facilities are inadequate, unsafe or inaccessible to the handicapped;

(7) an educational plan is prepared, that includes input from both community and professional staff;

(8) a combined seniority list for all participating districts is developed by the joint powers board;

(9) an education program is developed that provides for more learning opportunities and course offerings, including the offering of advanced placement courses, for students than is currently available in any single member district; and

(10) a plan is developed for providing instruction of any resident students in other districts when distance to the secondary education facility makes attendance at the facility unreasonably difficult or impractical.

(b) To the extent possible, the joint powers board is encouraged to provide for severance pay or for early retirement incentives under section 125.611, for any teacher or administrator, as defined under section 125.12, subdivision 1, who is placed on unrequested leave as a result of the cooperative secondary facility agreement.

(c) For the purpose of paragraph (a), clause (8), each school district must be considered to have started school each year on the same date.

[For text of subd 3, see M.S.1988]

Subd. 4. Award of grants. The commissioner shall examine and consider all applications for grants, and if any joint powers district is found not qualified, the commissioner shall promptly notify that joint powers board. On July 1 of 1989, the commissioner shall make awards to no more than two qualified applicants whose applications have been on file with the commissioner more than one month. A grant award is subject to verification by the joint powers districts as specified in subdivision 6. A grant award must not be made until the site of the secondary facility has been determined. If the total amount of the approved applications exceeds the amount that is or can be made available, the commissioner shall allot the available amount equally between the approved applicant districts. The commissioner shall promptly certify to each qualified joint powers district the amount, if any, of the grant awarded to it.

[For text of subds 5 and 6, see M.S.1988]

History: 1989 c 300 art 2 s 2-4; 1989 c 329 art 6 s 38

124.4945 LEVY FOR SEVERANCE PAY.

A joint powers board established under section 124.494 may make a levy to provide severance pay and early retirement incentives under section 125.611, for any teacher as defined under section 125.12, subdivision 1, who is placed on unrequested leave as a result of the cooperative secondary facility agreement. A joint powers board making a levy shall certify to each participating district tax levies sufficient to raise the amount necessary to provide the district's portion of severance pay and early retirement incentives. The tax levy certified to each district must be expressed as a tax capacity rate, that, when applied to the adjusted net tax capacity of all of the participating districts raises the amount necessary to provide severance pay and early retirement incentives. Each participating school district shall include the levy in the next tax roll which it shall certify to the county auditor, and shall remit the collections of the levy to the joint powers board.

History: 1989 c 329 art 13 s 20

124.4946 TRANSPORTATION.

The joint powers board representing the districts that have entered into a joint powers agreement under section 124.494, subdivision 2, or the boards of the districts that are contiguous to the districts that have entered into a joint powers agreement, may transport nonresident pupils without charge between a school within the district and a point within a district that has entered into a joint powers agreement chosen by the pupil on a route traveled by a bus from the district.

History: 1989 c 329 art 6 s 39

124.495 STATE BOND AUTHORIZATION.

To provide money for the cooperative secondary facilities grant program, the commissioner of finance, upon the request of the commissioner of education, shall issue and sell bonds of the state up to the amount of \$14,000,000 in the manner, upon the terms and with the effect prescribed by sections 16A.631 to 16A.675 and the Minnesota Constitution, article XI, sections 4 to 7.

History: 1989 c 300 art 2 s 5

124.496 [Repealed, 1989 c 329 art 9 s 34]

124.573 CURRENT FUNDING FOR SECONDARY VOCATIONAL EDUCATION.

[For text of subd 1, see M.S.1988]

Subd. 2. Limit. The commissioner may withhold all or any portion of the aid paid under this section for a secondary vocational education program which receives funds from any other source. In no event shall a district or center receive a total amount of state aid pursuant to this section which, when added to funds from other sources, will provide the program an amount for salaries and travel which exceeds 100 percent of the amount of its expenditures for salaries and travel in the program.

Subd. 2b. Secondary vocational aid. For 1989-1990 and later school years, a district's or cooperative center's "secondary vocational aid" for secondary vocational education programs for a school year equals the sum of the following amounts for each program:

(a) the greater of zero, or 75 percent of the difference between:

(1) the salaries paid to essential, licensed personnel in that school year for services rendered in that program, and

(2) 50 percent of the general education revenue attributable to secondary pupils for the number of hours that the pupils are enrolled in that program; and

(b) 30 percent of approved expenditures for the following:

(1) contracted services provided by a public or private agency other than a Minnesota school district or cooperative center under section 124.573, subdivision 3a;

(2) necessary travel between instructional sites by licensed secondary vocational education personnel;

(3) necessary travel by licensed secondary vocational education personnel for vocational student organization activities held within the state for instructional purposes;

(4) curriculum development activities that are part of a five-year plan for improvement based on program assessment;

(5) necessary travel by licensed secondary vocational education personnel for noncollegiate credit bearing professional development; and

(6) specialized vocational instructional supplies.

[For text of subd 2c, see M.S.1988]

Subd. 2d. Administration. In making the computation in subdivision 2b, paragraph (a), clause (1), the salaries of the administrator and support service facilitator must be apportioned among programs based on the number of full-time-equivalent instructors in each program.

[For text of subds 3 to 4, see M.S.1988]

Subd. 5a. District reports. Each district or cooperative center shall report data to the department for all secondary vocational education programs as required by the department to implement the secondary vocational aid formula.

History: 1989 c 329 art 3 s 8-11

124.574 SECONDARY VOCATIONAL EDUCATION FOR HANDICAPPED CHILDREN.

[For text of subd 1, see M.S.1988]

Subd. 2b. Salaries. Each year the state shall pay to any district or cooperative center a portion of the salary of each essential licensed person employed during that school year for services rendered in that district or center's secondary vocational education programs for handicapped children. The portion for a full-time person shall be an amount not to exceed the lesser of 60 percent of the salary or \$16,727. The portion for a part-time or limited-time person shall be the lesser of 60 percent of the salary or the product of \$16,727 times the ratio of the person's actual employment to full-time employment.

[For text of subd 3, see M.S.1988]

Subd. 4. Aid for contracted services. In addition to the provisions of subdivisions 2b and 3, a school district may contract with a public or private agency other than a Minnesota school district or cooperative center for the provision of secondary vocational education programs for handicapped children. The formula for payment of aids for these contracts shall be that provided in section 124.32, subdivision 1d. The state board shall promulgate rules relating to approval procedures and criteria for these contracts and aid shall be paid only for contracts approved by the commissioner of education. For the purposes of subdivision 6, the district or cooperative center contracting for these services shall be construed to be providing these services.

Subd. 5. The aid provided pursuant to this section shall be paid only for services rendered as designated in subdivision 2 or for the costs designated in subdivision 3 which are incurred in secondary vocational education programs for handicapped

children which are approved by the commissioner of education and operated in accordance with rules promulgated by the state board. These rules shall be subject to the restrictions provided in section 124.573, subdivision 3. The procedure for application for approval of these programs shall be as provided in section 124.32, subdivisions 7 and 10, and the application review process shall be conducted by the vocational education section of the state department.

[For text of subds 6 and 7, see M.S.1988]

History: 1989 c 329 art 3 s 12-14

124.575 SECONDARY VOCATIONAL COOPERATIVE REVENUE.

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 122.91, 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.

Subd. 2. Revenue. Each year the secondary vocational cooperative board shall certify to the department of education the amount of revenue to be raised. Revenue for the secondary vocational cooperative shall be the lesser of:

- (1) \$20 times the actual pupil units in the secondary vocational cooperative, or
- (2) the amount certified by the secondary vocational cooperative board.

Subd. 3. Levy. The secondary vocational cooperative levy is equal to the following:

(1) the secondary vocational cooperative revenue according to subdivision 2, times

(2) the lesser of

(a) one, or

(b) the ratio of the adjusted gross tax capacity for taxes payable in 1990 and adjusted net tax capacity for taxes payable in 1991 and thereafter of the secondary vocational cooperative divided by the number of actual pupil units in the secondary vocational cooperative to an amount equal to \$20 divided by .6 percent for taxes payable in 1990 and .74 percent for taxes payable in 1991 and thereafter.

The department of education shall allocate the levy amount proportionately among the member districts based on adjusted tax capacity. The member districts shall levy the amount allocated.

Subd. 3a. Revenue transfer. Each year a member district shall transfer revenue to the secondary vocational cooperative according to this subdivision. By June 20 and November 30 of each year, an amount shall be transferred equal to:

(1) 50 percent times

(2) the amount certified in subdivision 3 minus transition aid allocated for that levy according to section 273.1398, subdivision 6.

[For text of subd 4, see M.S.1988]

History: 1989 c 222 s 28; 1989 c 329 art 6 s 40-42

124.646 SCHOOL LUNCH AID.

Subdivision 1. School lunch aid computation. Each school year, school districts participating in the national school lunch program shall be paid by the state in the amount of 7.5 cents for each full paid student lunch served to students in the district.

[For text of subds 2 and 3, see M.S.1988]

History: 1989 c 209 art 1 s 12

124.6472 SCHOOL BREAKFAST PROGRAM

Subdivision 1. **Breakfast required.** A school district shall offer a school breakfast program in every school building in which:

(1) at least 40 percent of the school lunches served during the 1989-1990 school year were served free or at a reduced price; or

(2) at least 15 percent of the children in the school would take part in the program, as indicated by a survey of the parents in the school.

Subd. 2. **Exemption.** Subdivision 1 does not apply to a school in which fewer than 25 pupils are expected to take part in the program.

History: 1989 c 329 art 8 s 5

NOTE: This section is effective September 1, 1991. See Laws 1989, chapter 329, article 8, section 15, subdivision 1.

124.82 BUILDING CONSTRUCTION DOWN PAYMENT PROGRAM.

[For text of subds 1 and 2, see M.S.1988]

Subd. 3. **Facilities down payment levy referendum.** A district may levy the tax capacity rate approved by a majority of the electors voting on the question to provide funds for a down payment for an approved project. The election must take place no more than five years before the estimated date of commencement of the project. The referendum must be held on a date set by the school board. A referendum for a project not receiving a positive review and comment by the commissioner under section 121.15 must be approved by at least 60 percent of the voters at the election. The referendum may be called by the school board and may be held:

(1) separately, before an election for the issuance of obligations for the project under chapter 475; or

(2) in conjunction with an election for the issuance of obligations for the project under chapter 475; or

(3) notwithstanding section 475.59, as a conjunctive question authorizing both the down payment levy and the issuance of obligations for the project under chapter 475. Any obligations authorized for a project may be issued within five years of the date of the election.

The ballot must provide a general description of the proposed project, state the estimated total cost of the project, state whether the project has received a positive or negative review and comment from the commissioner of education, state the maximum amount of the down payment levy as a percentage of net tax capacity, state the amount that will be raised by that tax capacity rate in the first year it is to be levied, and state the maximum number of years that the levy authorization will apply.

The ballot must contain a textual portion with the information required in this section and a question stating substantially the following:

"Shall the down payment levy proposed by the board of School District No. be approved?"

If approved, the amount provided by the approved tax capacity rate applied to the net tax capacity for the year preceding the year the levy is certified may be certified for the number of years approved.

In the event a conjunctive question proposes to authorize both the down payment levy and the issuance of obligations for the project, appropriate language authorizing the issuance of obligations must also be included in the question.

The district must notify the commissioner of education of the results of the referendum.

[For text of subd 4, see M.S.1988]

History: 1989 c 329 art 13 s 4

124.83 CAPITAL EXPENDITURE; HEALTH AND SAFETY.*[For text of subds 1 and 2, see M.S.1988]*

Subd. 3. Health and safety revenue. A district's health and safety revenue for a fiscal year equals:

(1) the sum of (a) the total approved cost of the district's hazardous substance plan for fiscal years 1985 through 1989, plus (b) the total approved cost of the district's health and safety program for fiscal year 1990 through the fiscal year to which the levy is attributable, minus

(2) the sum of (a) the district's total hazardous substance aid and levy for fiscal years 1985 through 1989 under sections 124.245 and 275.125, subdivision 11c, plus (b) the district's health and safety revenue under this subdivision, for years before the fiscal year to which the levy is attributable, plus (c) the amount of other federal, state, or local receipts for the district's hazardous substance or health and safety programs for fiscal year 1985 through the fiscal year to which the levy is attributable.

Subd. 4. Health and safety levy. To receive health and safety revenue, a district may levy an amount equal to the district's health and safety revenue as defined in subdivision 3 multiplied by the lessor 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 actual pupil units in the district for the school year to which the levy is attributable, to

(2) 70 percent of the equalizing factor for the school year to which the levy is attributable.

[For text of subd 5, see M.S.1988]

Subd. 6. Uses of health and safety revenue. Health and safety revenue may be used only for approved expenditures necessary to correct fire safety hazards, life safety hazards, or for the removal or encapsulation of asbestos from school buildings or property, asbestos-related repairs, cleanup and disposal of polychlorinated biphenyls found in school buildings or property, or the cleanup, removal, disposal, and repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296.01.

*[For text of subd 7, see M.S.1988]***History:** 1989 c 329 art 5 s 11-13**124.85 ENERGY EFFICIENCY PROJECTS.**

Subdivision 1. Definitions. The definitions in this subdivision apply to this section.

(a) "Energy conservation measure" means a training program or facility alteration designed to reduce energy consumption or operating costs and includes:

(1) insulation of the building structure and systems within the building;

(2) storm windows and doors, caulking or weatherstripping, multiglazed windows and doors, heat absorbing or heat reflective glazed and coated window and door systems, additional glazing, reductions in glass area, and other window and door system modifications that reduce energy consumption;

(3) automatic energy control systems;

(4) heating, ventilating, or air conditioning system modifications or replacements;

(5) replacement or modifications of lighting fixtures to increase the energy efficiency of the lighting system without increasing the overall illumination of a facility, unless such increase in illumination is necessary to conform to the applicable state or local building code for the lighting system after the proposed modifications are made;

(6) energy recovery systems;

(7) cogeneration systems that produce steam or forms of energy such as heat, as well as electricity, for use primarily within a building or complex of buildings;

(8) energy conservation measures that provide long-term operating cost reductions.

(b) "Guaranteed energy savings contract" means a contract for the evaluation and recommendations of energy conservation measures, and for one or more energy conservation measures. The contract must provide that all payments, except obligations on termination of the contract before its expiration, are to be made over time, but not to exceed ten years from the date of final installation, and the savings are guaranteed to the extent necessary to make payments for the systems.

(c) "Qualified provider" means a person or business experienced in the design, implementation, and installation of energy conservation measures. A qualified provider to whom the contract is awarded shall give a sufficient bond to the school district for its faithful performance.

Subd. 2. Energy efficiency contract. Notwithstanding any law to the contrary, a school district may enter into a guaranteed energy savings contract with a qualified provider to significantly reduce energy or operating costs.

Before entering into a contract under this subdivision, the board shall provide published notice of the meeting in which it proposes to award the contract, the names of the parties to the proposed contract, and the contract's purpose.

Before installation of equipment, modification, or remodeling, the qualified provider shall first issue a report, summarizing estimates of all costs of installations, modifications, or remodeling, including costs of design, engineering, installation, maintenance, repairs, or debt service, and estimates of the amounts by which energy or operating costs will be reduced.

Subd. 3. Contract provisions. Guaranteed energy savings contracts that include a written guarantee that savings will meet or exceed the cost of energy conservation measures is not subject to competitive bidding requirements. The contract is not subject to section 123.37 or 471.345.

Subd. 4. District action. A district may enter into a guaranteed energy savings contract with a qualified provider if, after review of the report, it finds that the amount it would spend on the energy conservation measures recommended in the report is not likely to exceed the amount to be saved in energy and operation costs over ten years from the date of installation if the recommendations in the report were followed, and the qualified provider provides a written guarantee that the energy or operating cost savings will meet or exceed the costs of the system. The guaranteed energy savings contract may provide for payments over a period of time, not to exceed ten years.

Subd. 5. Installation contracts. A school district may enter into an installment payment contract for the purchase and installation of energy conservation measures. The contract must provide for payments of not less than one-tenth of the price to be paid within two years from the date of the first operation, and the remaining costs to be paid monthly, not to exceed a ten-year term from the date of the first operation.

Subd. 6. Contract continuance. Guaranteed energy savings contracts may extend beyond the fiscal year in which they become effective. The school district shall include in its annual appropriations measure for each later fiscal year any amounts payable under guaranteed energy savings contracts during the year. Failure of a board to make such an appropriation does not affect the validity of the guaranteed energy savings contract or the school district's obligations under the contracts.

History: 1989 c 263 s 1

124.86 STATE REVENUE FOR AMERICAN INDIAN SCHOOLS.

Subdivision 1. Authorization. Each year each American Indian-controlled contract school authorized by the United States Code, title 25, section 450f, that is located on a reservation within the state is eligible to receive tribal contract school aid subject to the requirements in this subdivision.

(a) The school must plan, conduct, and administer an education program that complies with the requirements of chapters 120, 121, 122, 123, 124, 124A, 125, 126, 129, 129A, and 129B.

(b) The school must comply with all other state statutes governing independent school districts.

(c) The state tribal contract school aid must be used to supplement, and not to replace, the money for American Indian education programs provided by the federal government.

Subd. 2. Revenue amount. For 1989-1990 and later school years, an American Indian-controlled contract school that is located on a reservation within the state and that complies with the requirements in subdivision 1 is eligible to receive tribal contract school aid. The amount of aid is derived by:

(1) multiplying the formula allowance under section 124A.22, subdivision 2, times the actual pupil units as defined in section 124A.02, subdivision 19, in attendance during the fall count week, but not including pupil units for which the school has received reimbursement under sections 123.933 and 126.23 for the school for the current school year;

(2) subtracting from the result in clause (1) the amount of money allotted to the school by the federal government through the Indian School Equalization Program of the Bureau of Indian Affairs, according to Code of Federal Regulations, title 25, part 39, subparts A to E, for the basic program as defined by section 39, 11, b but not money allotted through subparts F to L for contingency funds, school board training, student training, interim maintenance and minor repair, interim administration cost, prekindergarten, and operation and maintenance, and the amount of money that is received according to section 126.23;

(3) dividing the result in clause (2) by the actual pupil units; and

(4) multiplying the actual pupil units by the lesser of \$1,500 or the result in clause (3).

Subd. 3. Law waiver. Notwithstanding subdivision 1, paragraphs (a) and (b), a contract school:

(1) is not subject to the Minnesota election law;

(2) has no authority under this section to levy for property taxes, issue and sell bonds, or incur debt; and

(3) may request through its managing tribal organization a recommendation of the state board of education, for consideration of the legislature, that a contract school not be subject to specified statutes related to independent school districts.

History: 1989 c 329 art 3 s 15

124.90 MEDICAL ASSISTANCE PAYMENTS TO SCHOOL DISTRICTS.

Subdivision 1. Eligibility. A school district may enroll as a provider in the medical assistance program and receive medical assistance payments for covered special education services provided to persons eligible for medical assistance under chapter 256B. To receive medical assistance payments, the school district must comply with relevant provisions of state and federal statutes and regulations governing the medical assistance program.

Subd. 2. Funding. A school district that provides a covered service to an eligible person and complies with relevant requirements of the medical assistance program shall be entitled to receive payment for the service provided, including that portion of the payment that will subsequently be reimbursed by the federal government, in the same manner as other medical assistance providers. The school district is not required to provide matching funds or pay part of the costs of the service, as long as the rate charged for the service does not exceed medical assistance limits that apply to all medical assistance providers.

Subd. 3. Contract for services. A school district may contract for the provision of medical assistance-covered services, and may contract with a third party agency to assist in administering and billing for these services.

History: 1989 c 191 s 1