

HOUSE RESEARCH

Bill Summary

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Section

- 1 Equalized debt service levy.** Increases the first tier debt service equalization factor from \$3,200 to 100 percent of the state average adjusted net tax capacity per pupil (approximately \$8,250). Increases the second tier equalizing factor from \$8,000 to 200 percent of the state average adjusted net tax capacity per pupil (roughly \$16,500).
- 2 School bond agricultural credit.**
 - Subd. 1. Eligibility.** Makes all property classified as agricultural or timberland (but excluding the house, garage and one acre of an agricultural homestead) eligible for the credit established in this section.
 - Subd. 2. Credit amount.** Provides for a credit of 66 percent of the portion of the property tax attributable to school debt levies, for all eligible property.
 - Subd. 3. Credit reimbursements.** Requires the county auditor to report to the commissioner of revenue the credit amount for each school district, and requires the commissioner to certify the accuracy of the submitted amounts.
 - Subd. 4. Payment.** Requires the commissioner of revenue to certify the reimbursement amounts to the commissioner of education, and the commissioner of education to pay the reimbursement amounts to the school districts.
- 3 Career and technical aid.** Triples funding for career and technical programming by raising the allowance from \$80 to \$240 times the number of students served in grades 10 to 12 and changes the funding from a local levy to state aid.
- 4 Pupil of limited English proficiency.** Removes the five-year limit on the number of years that a non-English speaking student qualifies for limited English proficiency revenue.
- 5 School district LEP revenue.** Increases the basic LEP revenue from \$700 per pupil to 20

percent of the formula allowance (\$1,500) per pupil. Note, the LEP concentration revenue of up to \$250 per pupil is repealed in section 43.

- 6 **School district special education aid.** Removes the statewide cap on special education revenue so that each school district's initial formula amount of special education revenue is fully funded.
- 7 **District special education excess cost aid.** Removes the statewide cap on special education excess cost revenue so that each school district's initial formula amount of special education excess cost revenue is fully funded.
- 8 **Adjusted net tax capacity equalizing factor.** Defines the ANTC equalizing factor as the statewide average ANTC per pupil unit.
- 9 **Referendum market value equalizing factor.** Defines the referendum market value equalizing factor as the statewide average referendum market value per pupil unit.
- 10 **Location equity index.** Defines the location equity index as the greater of 0.9 or the sum of .65 of each district's wage equity index and 0.35 times the district's housing equity index. Sets the wage index by using three years of weighted age data. Makes the housing index equal to the ratio of each district's median value home to the state average median value home. Requires the commissioner of education to annually calculate the location equity index for each school district.
- 11 **Pupil unit.** Simplifies the count of pupils by giving each pupil unit a weight of 1.0, regardless of the pupil's grade. Includes funding for full-day kindergarten by weighting kindergarten pupils at 1.0.
- 12 **Compensation revenue pupil units.** Modifies the calculation of compensatory revenue. Changes the measure from a site-based count to a district-based count of pupils (but continues to require the revenue to be distributed to the sites on a proportionate basis). Sets the compensatory funding equal to 40 percent of the formula allowance times the count of free and reduced pupils times the concentration factor. Sets a minimum amount of compensatory revenue for each eligible pupil at 33 percent of the formula allowance (\$2,500).
- 13 **Adjusted pupil units.** Replaces the current additional pupil weighting for declining enrollment with a three year average measure of declining enrollment under section 22.
- 14 **Resident pupil units.** Eliminates the declining enrollment adjustment to the count of resident pupil units.
- 15 **Average daily membership.** Requires students to attend school for the statewide average hours of instruction before qualifying for eligibility under the extended time revenue program (960 hours per year for elementary pupils and 1,050 hours for secondary students).
- 16 **Free and reduced price lunches.** Bases the count of students eligible for free or reduced meals from a site level to a school district level.
- 17 **LEP pupil units.** Removes the concentration factor from the count of LEP pupils.
- 18 **Education funding framework.** Establishes an education funding framework by grouping

revenue amounts into the categories of general classroom funding, district instructional services, and district support services.

- 19 **General education revenue.** Redefines the components of general education revenue for fiscal year 2010 and later.
- 20 **Basic revenue.** Increases the basic formula allowance from \$5,124 to \$7,500 per pupil unit beginning in fiscal year 2010. Increases the formula allowance for each subsequent year by the same rate of growth as the growth in the implicit price deflator.
- 21 **Extended time revenue.** Links extended time revenue to the formula allowance (currently extended time revenue is calculated using the formula allowance amount for FY 2005 which was \$4,601).
- 22 **Declining enrollment revenue.** Creates a new component of general education revenue for districts with declining enrollment. Sets the revenue amount equal to the formula allowance times the average loss of pupils for the three preceding years.
- 23 **Location equity revenue.** Creates a new component of general education revenue called location equity revenue. Sets the revenue equal to the product of 50 percent of the basic formula allowance, the district's pupil units for that year, and its location equity index minus 0.9.
- 24 **Referendum replacement revenue.** Grants each district an additional \$500 per pupil unit (Note: section 35 offsets the first \$500 of referendum revenue per pupil unit).
- 25 **Compensatory education revenue.** Establishes a minimum amount of compensatory revenue for each pupil eligible for free or reduced price meals equal to \$2,500 per pupil. Sets the compensatory formula equal to 40 percent of the basic formula allowance times the district's compensation revenue pupil units.
- 26 **Basic skills revenue.** Eliminates the concentration portion of LEP revenue.
- 27 **Definitions.** Increases the number of districts eligible for sparsity revenue by lowering the minimum distance to the next nearest school building from 19 to 15 miles.
- 28 **Total operating capital revenue.** Adds \$600 of aid per pupil unit to operating capital revenue for health and safety and deferred maintenance purposes for those districts who are not participating in the alternative facilities program. Adds \$50 per pupil unit to operating capital revenue for technology purposes. Raises the basic operating capital allowance from \$70 to \$100 per pupil to adjust for the loss of pupil weighting by grade under section 11.
- 29 **Uses of total operating capital.** Defines the uses of technology revenue.
- 30 **Transportation sparsity revenue allowance.** Makes a technical change to include transportation sparsity revenue in the revenue under section 31.
- 31 **Transportation revenue.** Adds two new transportation components to the transportation sparsity revenue amount. Adds an amount for hazardous transportation services equal to the district's actual costs, not to exceed 20 percent of the district's total to and from transportation costs and adds an amount equal to 5 percent of a district's total transportation spending for bus purchase or other transportation needs.

- 32 Innovation revenue.** Requires a school district to use at least 5 percent of its basic revenue for innovative revenue programs including peer-reviewed, research-based measures to improve academic performance. Requires a district that is not meeting acceptable student achievement measures to submit a plan to the commissioner of education describing how it intends to use its innovation revenue.
- 33 General education aid.** Eliminates the property tax levies of general education revenue so that general education revenue is provided entirely through state aid.
- 34 Uses of revenue.** Specifies that a certain portion of general education revenue must be set aside for the following:
- 1 percent of basic revenue (\$75 per pupil) for gifted and talented services;
 - 5 percent of basic revenue to implement a district’s innovative revenue program;
 - basic skills revenue (compensatory and LEP revenue) must be set aside as is required by current law; and
 - operating capital must be set aside as required by current law.
- 35 Referendum allowance.** Reduces each school district’s approved referendum allowance by \$500 per pupil unit (this amount is replaced with revenue under section 24).
- 36 Referendum equalization revenue.** Removes obsolete language.
- 37 Referendum equalization levy.** Converts the operating referendum equalization factors from fixed amounts to a percent of the statewide average referendum market value tax base. Changes the first tier equalizing factor from \$476,000 per pupil to 100 percent of statewide equalizing factor (about \$582,000 per pupil). Changes the second tier equalizing factor from \$276,000 per pupil to 60 percent of the statewide referendum market value equalizing factor (about \$350,000).
- 38 Annual general education aid appropriation.** Expands the open and standing appropriation for general education revenue to include the amounts necessary to fund the special education formulas, debt service equalization aid, and the school bond agricultural credit.
- 39 To lease building or land.** Increases the building lease levy from a maximum of \$100 per pupil to \$150 per pupil and authorizes school districts to lease administrative space as well as classroom space. Increases the lease levy for districts that are members of an intermediate school district from \$25 to \$50 per pupil unit.
- 40 Statewide average revenue.** Makes a technical correction to reflect the elimination of equity revenue and transition revenue.
- 41 Phase-in.** Defines a district’s baseline education revenue as the amounts calculated under the formulas in the 2008 Minnesota Statutes.

Phases in the new revenue over an unspecified number of years by adding the percentage to be phased in for that year to the baseline education revenue amount for each district.

- 42** **Revisor’s instruction.** Instructs the revisor to remove the phrase “marginal cost” from all of the definitions of pupil units that appear in statute.
- 43** **Repealer.** Repeals the fixed standing appropriation for debt service equalization aid, special education revenue caps, gifted and talented revenue, the operating capital levy, equity revenue, transition revenue, alternative teacher compensation revenue, the learning and development revenue set-aside and the teacher retirement and PERA pension adjustments to general education revenue.