

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H.F. 3171

**DATE:** March 24, 2014

**Version:** Delete everything amendment (A14-0977)

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**Subject:** Omnibus K12 School Funding and Technical Bill

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### Overview

This bill is the Omnibus K12 Finance bill containing the E12 education spending and technical corrections to Minnesota's school funding formulas.

#### Article 1: General Education

### Overview

This article makes changes to general education programs.

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- 1 Reserve revenue.** Clarifies that the portion of revenue that each district must reserve for students attending an area learning center or alternative learning program is at least 90 and no more than 100 percent of general education revenue received by the district for pupils attending that program.
- 2 Levy recognition.** Conforms the statutory language governing the levy recognition shift to reflect its full repayment (the levy recognition shift was eliminated through the allocation of state budget surplus under section 16A.152).
- 3 Enrollment priority; PSEO.** Allows a student who qualifies for the graduation incentives program and enrolls full time in a dual credit middle or early college program to take remedial classes under the Postsecondary Enrollment Options (PSEO) program and receive developmental college credit.

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- 4 Financial arrangements.** Adjusts the formulas for aid payments to colleges and universities participating in the PSEO program to reflect the higher formula allowance and lower pupil weight of secondary students (the 2013 Legislature lowered the pupil weight for secondary students from 1.3 to 1.2 beginning in fiscal year 2015).
- 5 General education revenue; charter schools.** Clarifies that charter schools do not qualify for location equity revenue (renamed local optional revenue in the recently enacted tax bill) and calculates declining enrollment aid individually for each charter school.
- 6 English learner.** Increases the maximum number of years a student may receive state-funded English learner services from five to six years. Authorizes a school to continue to provide state-funded services to an English learner who has met the state minimum cutoff score on an English language proficiency assessment, if the student's teachers determine the student needs additional English language services to successfully and fully participate in the general core curriculum in the regular classroom.
- 7 School district EL revenue.** Increases the English learner program basic revenue from \$704 to \$726 per pupil.
- 8 Approved recovery program funding.**
- Subd. 1. Approved recovery program.** Defines "approved recovery program" to mean a course of instruction offered by a recovery school that provides academic services, assists with recovery, and offers care to students recovering from substance abuse or dependency. Allows the program to be offered in a transitional setting. Requires the commissioner to approve the program.
- Subd. 2. Eligibility.** Makes an approved recovery program eligible for an annual grant of up to \$125,000 to partially pay for support staff, including alcohol and chemical dependency and licensed school counselors, psychologists, nurses, and social workers.
- Makes this section effective for fiscal year 2015.
- 9 Learning year pupil units.** Clarifies the calculation of kindergarten pupils used to calculate learning year program revenue.
- 10 Basic Revenue.** Increases the basic formula allowance by \$58 per pupil unit (one percent) for fiscal years 2015 and later.
- 11 Extended time revenue.** Clarifies the effective date of the change in the extended time revenue formula to reflect the change in pupil weights beginning in fiscal year 2015.
- 12 Equity revenue.** Clarifies that the portion of equity revenue based on each district's referendum allowance is calculated using adjusted, not resident, pupil units.
- 13 Regional equity gap.** Clarifies that regional equity gaps are calculated using adjusted, not marginal cost, pupil units.

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- 14**      **District equity gap.** Clarifies that regional equity gaps are calculated using adjusted, not marginal cost, pupil units.
- 15**      **Equity region.** Beginning in fiscal year 2016, expands the metro region used for computing equity revenue from the seven county metro area to the federally designated thirteen county Minneapolis-St. Paul-Bloomington statistical area.
- 16**      **Transition revenue.** Clarifies the calculation of transition revenue to reflect the roll-out of alternative compensation (Qcomp) revenue from the general education revenue program.
- 17**      **Referendum equalization levy.** Removes an obsolete reference.
- 18**      **Referendum aid guarantee.** Corrects the referendum aid guarantee to reflect location equity revenue.
- 19**      **Referendum revenue.** Changes an erroneous pupil count reference from marginal cost to adjusted pupil units.
- 20**      **Board-approved referendum allowance.** Clarifies that a school district first calculates its local optional (location equity) revenue and then its board-approved referendum amounts.
- 21**      **Safe schools levy.** Increases the safe schools levy for intermediate school districts from \$10 to \$15 per pupil beginning in taxes payable in 2016. Changes an erroneous pupil count reference from marginal cost to adjusted pupil units.
- 22**      **Definitions; aid payment shift.** Conforms the statutory language regarding the state aid payment shift to its current level (the expanded aid payment shift was eliminated through the allocation of state budget surplus under section 16A.152).
- 23**      **Alternative attendance programs.** Clarifies a cross reference.
- 24**      **Innovative delivery of education services and sharing of district resources; pilot project.**  
            **Subd. 1. Establishment; requirements for participation.** Allows the pilot project to continue through June 30, 2018, or for up to a five-year term, whichever comes first. Allows participants to agree to extend the project beyond these timelines.  
            **Subd. 2. Commissioner's role.** Allows an interested group of school districts to submit a completed application to the commissioner of education by March 1 of any year. Allows the commissioner to select up to six qualified applicants by April 1 of any year.  
            **Subd. 3. Pilot project evaluation.** Directs the commissioner to submit an interim report by February 1, 2016, and a final report by February 1, 2019.
- 25**      **Effective date.** Adjusts the innovative delivery program effective date.
- 26**      **General education aid appropriation.** Adjusts the general education aid appropriation to reflect the formula allowance increase, the expansion in English learner funding, for forecast

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adjustments and the correction of the PSEO payment level for colleges and universities.

- 27 Appropriations; recovery school programs.** Appropriates \$500,000 beginning in fiscal year 2015 for recovery school grants under section 8.
- 28 Revisor Instruction.** Instructs the Revisor to change the name of the location equity revenue program to the local optional revenue program consistent with the passage of the 2014 tax bill.

## Article 2: Educational Excellence

### Overview

This article modifies educational excellence programs.

- 1 Immediate discharge.** (c) Directs a school principal or other school administrator, when a teacher is discharged due to a conviction for child abuse or neglect or a final determination of maltreatment is made, to include the information about the disciplinary action or determination in the teacher's employment record, consistent with the laws governing public personnel data, and provide the board of teaching and the education department with the necessary and relevant information to enable the board and the department's licensing division to fulfill their statutory and administrative duties related to issuing, renewing, suspending, or revoking a teacher's license. Declares that information received by the board or the department's licensing division is governed by state licensing data law or other applicable law governing data of the receiving entity. In addition to requiring a background check, directs school boards and other hiring entities to contact the board and the department to determine whether the teacher's license has been suspended or revoked, consistent with the discharge and final maltreatment determination identified in this paragraph.

Makes this section effective immediately.

- 2 Grounds for discharge or demotion.** (c) Directs a school principal or other school administrator, when a teacher is discharged due to a conviction for child abuse or neglect or a final determination of maltreatment is made, to include the information about the disciplinary action or determination in the teacher's employment record, consistent with the laws governing public personnel data, and provide the board of teaching and the education department with the necessary and relevant information to enable the board and the department's licensing division to fulfill their statutory and administrative duties related to issuing, renewing, suspending, or revoking a teacher's license. Declares that information received by the board or the department's licensing division is governed by state licensing data law or other applicable law governing data of the receiving entity. In addition to requiring a background check, directs school boards and other hiring entities to contact the board and the department to determine whether the teacher's license has been suspended or revoked, consistent with the discharge and final maltreatment determination identified in this paragraph.

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Makes this section effective immediately.

- 3 **Revenue amount; Qcomp.** Clarifies a cross reference in the alternative teacher compensation (Qcomp) program.
- 4 **Initial achievement and integration revenue.** Clarifies that a district's achievement and integration revenue equals the lesser of 100.3 percent of the district's expenditures or its revenue amount.
- 5 **Incentive revenue.** Clarifies that each district's achievement and integration incentive revenue is based on the lesser of the maximum revenue amount or the district's actual approved qualifying expenditures.
- 6 **Concurrent enrollment; appropriation.** Increases funding for Minnesota's concurrent enrollment program for fiscal year 2015 by an unspecified amount.
- 7 **Early childhood literacy programs.** Increases funding for early childhood literacy programs. Allows up to \$500,000 in fiscal year 2015 to be used to support priority and focus schools and expand kindergarten programming.
- 8 **Better aligning Minnesota's alternative teacher professional pay system and teacher developmental and evaluation program.** Directs the education commissioner to consult with experts and legislators on better aligning Minnesota's alternative professional pay system and teacher developmental and evaluation program and to report to the legislature by February 1, 2015, on effecting and funding an improved alignment.

Makes this section effective immediately.

- 9 **Consultation; career and technical education programs.** (a) Directs the education commissioner to consult with experts knowledgeable about secondary and post secondary career and technical education programs to determine the content, status, and resources of specific career and technical education programs available in Minnesota.  
  
(b) To accomplish paragraph (a), directs the commissioner, in consultation with experts, to examine the extent secondary and postsecondary programs offer students a progression of coordinated, nonduplicative courses needed to successfully complete a career and technical education program.  
  
(c) Directs the commissioner to report to the legislature by February 1, 2015, on the content, status, and resources of Minnesota's secondary and postsecondary career and technical education programs and include information about each district's dedicated equipment, resources, and relationships with postsecondary institutions.

Makes this section effective immediately.

- 10 **Appropriation.** Appropriates unspecified amounts for the alignment of Minnesota's alternative teacher professional pay system and teacher evaluation program and for the commissioner of education to examine career and technical programs as required by section

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### Article 3: Special Education

#### Overview

This article modifies special education revenue calculations.

#### 1 Standards for restrictive procedures.

**Subd. 1. Restrictive procedures plan.** Requires school districts to inform the public about the district restrictive procedures plan including how schools will provide staff training on de-escalation techniques.

**Subd. 2. Restrictive procedures.** Makes a technical change.

**Subd. 3. Physical holding or seclusion.** Changes from March 1, 2014, to February 1, 2015, and later, the date by which stakeholders annually must recommend goals to the education commissioner for reducing the use of restrictive procedures and the commissioner must report to the legislature. Requires the summary data school districts report to the education department to include information about the use of reasonable force.

**Subd. 6. Behavior supports; reasonable force.** Beginning in the 2014-2015 school year, requires school districts to collect and submit to the education commissioner summary data on district use of reasonable force that is consistent with the definition of physical holding or seclusion of a child with a disability under this section.

Makes this section immediately effective.

**2 Nonresident tuition rate; other costs.** Corrects a cross reference and clarifies that local optional (location equity) revenue is excluded from the definition of general education revenue used to calculate special education tuition rates.

**3 Definitions; special education.** Increases the special education aid paid to the Minnesota State Academies for the Deaf and the Blind to cover the costs of one-to-one licensed, certified aides, as required by the child's individualized education program by including the costs in the definitions of "nonfederal special education expenditures" and "old formula special education expenditures."

**4 Special education initial aid.** Increases the special education aid paid to the Minnesota State Academies for the Deaf and the Blind to cover the costs of one-to-one licensed, certified child aides, as required by the child's individualized education program.

**5 Special education initial aid.** Clarifies that special education pupil transportation costs are excluded when calculating each district's special education initial aid.

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- 6**        **Cross subsidy reduction aid.** Clarifies the calculation of cross subsidy reduction aid.
- 7**        **Special education aid.** Removes an erroneous reference to “initial” aid.
- 8**        **Definitions; special education excess cost.** Clarifies the reduction to old formula special education expenditures when calculating excess cost aid and clarifies the treatment of location equity revenue in the general education base revenue.
- 9**        **Excess cost aid.** Removes erroneous reference to “initial” aid.
- 10**       **Out-of-state tuition.** Clarifies the payment of out-of-state tuition special education aid to resident school districts.
- 11**       **Rulemaking authority; special education task force recommendations.** Directs the education commissioner to use the expedited rulemaking process to make the rule changes recommended by the special education case load and rule alignment task force in its 2014 report to the legislature. Requires a public hearing if 100 people request it.
- Makes this section effective immediately.
- 12**       **Appropriation.** Appropriates \$250,000 to the commissioner of education to assist school districts in meeting the needs of children who have experienced a high use of prone restraints.

## Article 4: Facilities

### Overview

- 1**        **Joint powers cooperative facility.**
- Subd. 1. Schools may be jointly operated.** Authorizes two or more school districts to jointly operate a secondary facility.
- Subd. 2. Expanded program offerings.** Qualifies a jointly operated secondary program for cooperation funding provided the program demonstrates to the commissioner that the joint powers secondary facility offers a broader curriculum and enhanced learning opportunities to students attending the program.
- Subd. 3. Transfer of employees.** Specifies the way tenure, accrued sick leave, and severance are handled if an employee switches school districts under this section
- Subd. 4. Revenue.** Qualifies an approved program for cooperation revenue and for a cooperative facilities grant.
- Subd. 5. Duty to maintain elementary and secondary school.** Specifically exempts the joint powers districts from obligation to offer the full range of grades (1-

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12) in each member district and instead allows the secondary program to be offered in another district.

**Subd. 6. Estimated market value limit exclusion.** Exempts a school district participating in the program from the estimated market value net debt limit.

**Subd. 7. Allocation of levy authority for joint facility.** Authorizes the districts participating in the joint secondary facility program to allocate program costs to each member district according to the joint powers agreement and allows each member district to include those costs in its district levy.

**Subd. 8. Effect of consolidation.** Authorizes member districts of the joint powers agreement to continue to keep their levies separate even if the districts consolidate into a single district.

**Subd. 9. Bonds.** Authorizes member districts of the joint powers agreement to issue bonds jointly or individually for a new building project. Requires the bonds to be approved in an election.

**Subd. 10. Election.** Requires an election approving a new facility under this section. Allows the election to be held at the same time as the bond election.

**2 Consolidation transition aid.** Increases the consolidation transition aid for all consolidating districts from a total of \$300 per pupil to \$300 per pupil for up to five years beginning in fiscal year 2017. Makes a district participating in a joint secondary facilities program eligible for the aid. Authorizes the aid for any purpose, including the repayment of building debt.

**3 Duty to maintain elementary and secondary schools.** Makes clear that a school district participating in a joint secondary program is exempt from the requirement to offer all grades within each district.

**4 Debt service definitions.** Calculates a school district's net debt service revenue as the amount before the application of taconite revenue from the Iron Range school consolidation and cooperatively operated school account and adds a cross reference to the natural disaster debt service equalization aid program.

**5 Equalized debt service levy.** Increase the debt service equalization aid amount by raising the equalization factors for fiscal years 2016 and later to keep total levies under this act unchanged from current law.

**6 Natural disaster debt service equalization.**

**Subd. 1. Definitions.** Defines "eligible natural disaster debt service revenue" as the amount necessary to raise between 105 and 106 percent of the annual repayment of debt for repair of facilities that (1) have been impacted by a natural disaster occurring since January 1, 2005; (2) were damaged by more than \$500,000; and (3) have repair and replacement costs that are not covered by FEMA or insurance. Defines the



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adjusted net tax capacity (ANTC) equalizing factor as the statewide ratio of ANTC to pupil units. Defined the ANTC tax base in a manner that includes properties otherwise excluded by Job Z program.

**Subd. 2. Notification.** Requires a district qualifying for natural disaster debt service revenue to annually notify the commissioner of the qualifying bonds outstanding under this program.

**Subd. 3. Natural disaster debt service equalization revenue.** Sets the natural disaster debt service equalization revenue at the amount exceeding the lesser of 10 percent of the district's ANTC or the amount of the district's outstanding debt service not attributable to a natural disaster project.

**Subd. 4. Natural disaster debt service equalization levy.** Sets the levy share of the natural disaster debt service revenue as the lesser of one or the ratio of the district's ANTC per pupil to three times the state average ANTC per pupil (currently the statewide average ANTC per pupil is about \$7,000).

**Subd. 5. Natural disaster debt service equalization aid.** Sets natural disaster debt service aid equal to the difference between the revenue and the levy.

**Subd. 6. Natural disaster debt service equalization aid payment schedule.** Requires natural disaster debt service equalization aid to be paid in the same manner as other debt service equalization aid.

- 7 **Debt service appropriation.** Includes the natural disaster debt service equalization aid in the open and standing appropriation for debt service equalization aid.
- 8 **Review and comment.** Increases the minimum qualifying amount needed to trigger a review and comment from \$1.4 million to \$2 million. Removes the need for a review and comment on most maintenance projects.
- 9 **Information required.** Simplifies and clarifies the types of information that must be submitted by the district to the commissioner for the review and comment.
- 10 **Declining enrollment revenue.** Exempt students attending the Crosswinds school from the declining enrollment revenue formula for fiscal years 2015, 2016, and 2017.
- 11 **Taconite payment and other reductions.** Exempts new taconite payments from the Iron Range school consolidation and cooperatively operated schools account from the taconite levy reduction limits.
- 12 **Abatements.** Includes the natural disaster debt service equalization aid in the aid programs available for abatement aid.
- 13 **Excess tax increment.** Includes the natural disaster debt service equalization aid in the list of aid programs adjusted when excess tax increment payments are received.
- 14 **Powers and duties of the Perpich board.** Broadens the charge to the Perpich board to

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include operating other schools specifically authorized by state law.

**15 Interdistrict voluntary integration magnet program.** Authorizes the board of the Perpich Center for Arts Education to operate a voluntary integration magnet program.

**16 Crosswinds Integration Magnet School.**

**Subd. 1. Definitions.** Defines the terms “board” and “Crosswinds school.”

**Subd. 2. Board to operate Crosswinds school.** Authorizes the board of the Perpich Center to operate the Crosswinds school program.

**Subd. 3. General education funding.** Funds the Crosswinds school as if it were a district-run school for purposes of determining general education revenue.

**Subd. 4. Special education funding.** Requires special education funding to be provided to the Crosswinds school as if it were operated by a school district.

**Subd. 5. Pupil transportation.** Authorizes the Perpich Center to provide transportation services for the students attending the Crosswinds school. Reimburses the costs of the transportation through the interdistrict desegregation transportation aid formula.

**Subd. 6. Achievement and integration aid.** Qualifies the Crosswinds school for achievement and integration aid, as if it were a school district.

**Subd. 7. Other aids, grants, revenue.** Makes the Crosswinds school eligible for other aid, grants and revenue as if it were a school district.

**Subd. 8. Year-round programming.** Allows the Crosswinds school to continue to operate on a year-round calendar (the school is on a calendar called the 45/15 calendar—45 days of instruction, 15 days off from school, with larger breaks in July and December).

**Subd. 9. Data requirements.** Requires the Crosswinds school to follow the budget and accounting procedures required for school districts. Requires the Crosswinds school to report data in the form and manner determined by the commissioner of education.

**17 Equity in telecommunications access.** Increases school district telecommunications access aid by \$5 million per year beginning in fiscal year 2015.

**18 Harambee community school transition.**

**Subd. 1. Facilities.** Authorizes EMID to transfer the Harambee community school to the Roseville School District for operation of a multidistrict integration facility.

**Subd. 2. Student enrollment.** Allows any student who is currently enrolled at the

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Harambee school to continue attending that school in subsequent years. Allows other students to apply to attend the Harambee school according to the open enrollment process.

**Subd. 3. Compensatory revenue; literacy aid; and Qcomp revenue.** Schools' compensatory revenue, literacy aid, and Qcomp revenue are calculated on the enrollment count for the school site for the previous year; the proposed transfer of the facility will create a new school unit that will not have enrollment counts for the previous year.

**Subd. 4. Year-round programming.** Allows the Harambee school to continue to operate on a year-round calendar (the school is on a calendar called the 45/15 calendar—45 days of instruction, 15 days off from school, with larger breaks in July and December).

**Subd. 5. Pupil transportation.** Authorizes the Roseville school board to continue to provide transportation services for the students attending the Harambee school that are reimbursed under the interdistrict desegregation transportation aid formula.

## **19 Transition requirements; Crosswinds School.**

**Subd. 1. Facilities.** Authorizes the East Metro Integration District (EMID) to transfer the Crosswinds school to the Perpich Center for use as an east metropolitan area integration magnet school.

**Subd. 2. Student enrollment.** Allows any student who is currently enrolled at the Crosswinds school to continue attending that school in subsequent years. Allows other students to apply to attend the Crosswinds school according to the open enrollment process.

**Subd. 3. Compensatory revenue; literacy aid; and Qcomp revenue.** Schools' compensatory revenue, literacy aid, and Qcomp revenue are calculated on the enrollment count for the school site for the previous year; the proposed transfer of the facility will create a new school unit that will not have an enrollment count for the previous year.

**Subd. 4. Title 1 Funding.** Requires the Crosswinds school to receive Title 1 funding in the same manner as it did when the program was operated by the EMID joint powers board.

## **20 Lease levy; Rosemount school district.** Authorizes independent school district No. 196, Rosemount, to lease a pupil transportation facility (under current law the lease levy may only be used for instructional purposes).

## **21 Repealer.** Repeals the requirement that a school district consult with the commissioner on building projects with a total project costs less than \$500,000.

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### **Article 5: Nutrition**

#### **Overview**

This article provides state funding to school districts to cover the current 40 cent per meal student cost of reduced price school lunches.

- 1 School lunch aid computation.** Increases the state payment for each school lunch served to a reduced-price meal eligible student by 40 cents beginning in fiscal year 2015.
- 2 No fees.** Requires each participating provider (school districts, nonpublic schools, and a few other organizations) in the school lunch program to provide free school lunches to each student eligible for a free or reduced price meal. Requires providers to ensure that reminders to students about unpaid meals balances are done sensitively and do not demean students.
- 3 School lunch appropriation.** Increases the fiscal year 2015 school lunch appropriation by \$3.5 million to make reduced price meals free to eligible students and adjusts the appropriation base to match the February 2014 forecast.

### **Article 6: Early Education, Community Education, Self-Sufficiency and Lifelong Learning**

#### **Overview**

This article adjusts formula amounts for the adult basic education program.

- 1 Developmental screening aid.** Increases developmental screening aid by \$5 for each three and four year old child who is screened.
- 2 Amount of aid; school readiness.** Increases the annual aid entitlement for the school readiness program from \$10.095 million to \$12 million per year.
- 3 Report required.** Requires the commissioner to report on the evaluation of the early learning scholarship program by January 15, 2016.
- 4 Adult basic education supplemental service grants.** Increases the maximum amount of a supplement services grant to any single organization from 20 to 40 percent of the total amount of supplemental service aid.
- 5 State total adult basic education aid.** Increases the adult basic education program growth factor from 1.025 to 1.03 for fiscal years 2015 and later. Increases the portion of adult basic education aid available for supplemental service grants from two to three percent of the total program aid.
- 6 Program revenue.** Conforms an age limit used to calculate aid based on the number of adults without diplomas to match federal census data characteristics.

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- 7 **School readiness; appropriation.** Increases the school readiness appropriation by about \$2 million per year beginning in fiscal year 2015.
- 8 **Health and developmental screening aid; appropriation.** Increases the appropriation for development screening aid by \$250,000 for fiscal year 2015.
- 9 **Adult basic education aid; appropriation.** Increases the appropriation for adult basic education aid by \$225,000 for fiscal year 2015.
- 10 **Appropriations; Northside Achievement Zone and St Paul Promise Neighborhood.** Appropriates \$1.132 million each to the Northside Achievement Zone and the St. Paul Promise Neighborhood, for fiscal year 2015 only.

### Article 7: State Agencies

#### Overview

This article appropriates money for state agencies.

- 1 **Department of education.** Increases the department of education budget to pay for the grants to the works museum and the headwaters science center, to supplement the board of teacher budget and for expected rulemaking costs.
- 2 **Minnesota State Academies; appropriation.** Increases the fiscal year 2015 appropriation for the Minnesota State Academies by \$300,000.
- 3 **Appropriation; Responses to Health Insurance Transparency Act bid requests.** Appropriates \$294,000 to the commissioner of management and budget to comply with the proposed provisions of Minnesota Statutes, section 43A.316 for PEIP insurance bids.

### Article 8: Forecast Adjustments

#### Overview

Each year, the legislature adjusts the actual amount appropriated for each K12 education program to match the forecast level of spending for that program. This article reflects those changes in each appropriation.