

**Fiscal Note – 2005-06 Session**

**Bill #:** S0945-0 **Complete Date:** 04/06/05

**Chief Author:** SAXHAUG, TOM

**Title:** SPECIAL ED EXCESS COSTS STATE PYMT

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue		X

**Agency Name:** Education Department

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
<b>Expenditures</b>					
General Fund		71,835	93,072	103,267	114,594
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
General Fund		71,835	93,072	103,267	114,594
<b>Revenues</b>					
-- No Impact --					
<b>Net Cost &lt;Savings&gt;</b>					
General Fund		71,835	93,072	103,267	114,594
<b>Total Cost &lt;Savings&gt; to the State</b>		71,835	93,072	103,267	114,594

	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
<b>Full Time Equivalents</b>					
-- No Impact --					
<b>Total FTE</b>					

**Bill Description**

SF 945 requires the state to pay a district providing special instruction and services to a child with a disability the actual costs of providing instruction and service that exceeds \$35,000 per school year, but not more than the total amount expended on the child for that year minus other revenues received on behalf of the child for that year.

The bill allows a district to bill the state for the actual cost incurred in providing the service including transportation costs and a proportionate amount of capital expenditures and debt service, minus \$35,000.

**Assumptions**

1. The state does not collect cost data or aid on a per student basis.
2. It is assumed that for purposes of this bill, no student generates more than \$35,000 from the sum of the special education regular and excess cost aid, plus proportionate amounts allocated for capital expenditures and debt service. If the sum of these revenues did exceed \$35,000 for a student, the revenues in excess of \$35,000 would need to be deducted so that the total revenue for the child would not exceed the total expenditures. See Table 1 following "Local Government Costs" for detail.
3. The total amount received for a child under this bill together with other funding for the child must not exceed the total amount expended on that child. See Table 1 following "Local Government Costs" for detail.
4. MARSS data was reviewed to identify the state total number of students with disabilities by federal disability setting from 1999 through 2004. State wide trend line analysis was used to project state total number of students with disabilities by federal disability setting through 2009.
5. An in-depth analysis of St. Paul ISD # 625 F.Y. 2004 data was performed.
  - The percentage of students, by federal disability setting, whose service costs exceeded \$35,000 annually was identified
  - The average amount by which their service costs exceeded \$35,000 was identified.
  - The following assumptions regarding this data were used
    - 1) Financial data compiled from F.Y. 2004 Tuition rates calculations were used
    - 2) Costs represent gross costs per student i.e. did not deduct state aids (Special Education Regular and Excess Cost) or Debt Service revenues
    - 3) All special education students served within the district and those placed out of the district were included
    - 4) Administrative overhead, debt service, capital outlay and mainstream expenditures were included as per MDE's established daily rates for tuition.
    - 5) District-wide average per student for Transportation expenditures were used.
6. The experience of ISD #625 was applied to state total data.
  - The percentage of students by federal disability setting, whose service costs exceeded \$35,000 annually was applied to state total number of students by federal disability setting to determine the state total number of students by federal disability setting whose service costs exceeded \$35,000.
  - The average amount by which service costs exceeded \$35,000 by federal disability setting is assumed to grow by 10% per year. This assumption is consistent with state trend line analysis for the growth in tuition costs statewide. See Table 1 following "Local Government Costs" for detail.
  - The adjusted average amount by which service costs exceed \$35,000 by federal disability setting was multiplied by the total number of students by federal disability setting whose service costs exceeded \$35,000 to determine the state total cost by federal disability setting to serve students whose service costs exceed \$35,000.

**Expenditure and/or Revenue Formula**

In thousands	FY 2006	FY 2007	FY 2008	FY 2009
Entitlement	85,214	94,536	104,893	116,401
Appropriations				
84.3% Current	71,835	79,694	88,425	98,126
15.7% Final		13,379	14,842	16,468
Total Appropriation	71,835	93,072	103,267	114,594

**Long-Term Fiscal Considerations**

The change would be permanent.

**Local Government Costs**

This would provide additional revenue for school districts to fund services that are being provided for high cost special education students. Currently, these costs are being absorbed by school districts.

St. Paul Cost Analysis extended to state

	2004	2005	2006	2007	2008	2009
<b>Federal Setting 1 (special education services &lt;21% of the day)</b>						
Federal Setting 1 (special education services <21% of the day)	70,576.44	70,568.94	70,561.44	70,553.94	70,546.44	70,538.95
% ovr \$35,000	0.0628	0.0628	0.0628	0.0628	0.0628	0.0628
Number ovr \$35,000	4,432.20	4,431.73	4,431.26	4,430.79	4,430.32	4,429.85
Average Cost inc.10% annual inflation	9,044.79	9,949.27	10,944.20	12,038.62	13,242.48	14,566.72
Total Cost	40,088,322.15	44,092,468.12	48,496,560.62	53,340,547.53	58,668,366.89	64,528,345.37
<b>Federal Setting 2 (resource room between 21% &amp; 60% of the day)</b>						
Federal Setting 2 (resource room between 21% & 60% of the day)	32,601.61	33,303.29	34,020.07	34,752.28	35,500.25	36,264.32
% ovr \$35,000	0.0126	0.0126	0.0126	0.0126	0.0126	0.0126
Number ovr \$35,000	410.78	419.62	428.65	437.88	447.30	456.93
Average Cost inc.10% annual inflation	10,376.62	11,414.28	12,555.71	13,811.28	15,192.41	16,711.65
Total Cost	4,262,510.93	4,789,677.74	5,382,042.00	6,047,667.02	6,795,613.33	7,636,062.03
<b>Federal Setting 3 (separate classroom 60% of the day)</b>						
Federal Setting 3 (separate classroom 60% of the day)	12,244.94	12,457.07	12,672.87	12,892.42	13,115.76	13,342.98
% ovr \$35,000	0.0816	0.0816	0.0816	0.0816	0.0816	0.0816
Number ovr \$35,000	999.19	1,016.50	1,034.11	1,052.02	1,070.25	1,088.79
Average Cost inc.10% annual inflation	15,922.00	17,514.20	19,265.62	21,192.18	23,311.40	25,642.54
Total Cost	15,909,057.07	17,803,128.74	19,922,701.36	22,294,622.21	24,948,934.91	27,919,259.96
<b>Federal Setting 4 (separate public day school facility &gt; 50% of the day)</b>						
Federal Setting 4 (separate public day school facility > 50% of the day)	5,673.54	5,731.78	5,790.63	5,850.07	5,910.13	5,970.80
% ovr \$35,000	0.0677	0.0677	0.0677	0.0677	0.0677	0.0677
Number ovr \$35,000	384.10	388.04	392.03	396.05	400.12	404.22
Average Cost inc.10% annual inflation	13,429.00	14,771.90	16,249.09	17,874.00	19,661.40	21,627.54
Total Cost	5,158,060.88	5,732,114.88	6,370,056.85	7,078,997.04	7,866,837.03	8,742,357.77
<b>Federal Setting 5 (separate private day school facility &gt; 50% of day)</b>						
Federal Setting 5 (separate private day school facility > 50% of day)	311.25	315.58	319.98	324.44	328.96	333.54
% ovr \$35,000	-	-	-	-	-	-
Number ovr \$35,000	-	-	-	-	-	-
Average Cost inc.10% annual inflation	-	-	-	-	-	-
Total Cost	-	-	-	-	-	-
<b>Federal Setting 6 (public residential facility &gt; 50% of day)</b>						
Federal Setting 6 (public residential facility > 50% of day)	875.37	880.77	886.20	891.66	897.15	902.68
% ovr \$35,000	0.0222	0.0222	0.0222	0.0222	0.0222	0.0222
Number ovr \$35,000	19.43	19.55	19.67	19.79	19.92	20.04
Average Cost inc.10% annual inflation	15,032.00	16,535.20	18,188.72	20,007.59	22,008.35	24,209.19
Total Cost	292,120.07	323,312.84	357,836.39	396,046.39	438,336.47	485,142.32
<b>Federal Setting 7 (private residential facility &gt; 50% of the day)</b>						
Federal Setting 7 (private residential facility > 50% of the day)	871.00	909.11	948.89	990.41	1,033.74	1,078.97
% ovr \$35,000	0.12	0.12	0.12	0.12	0.12	0.12
Number ovr \$35,000	105.30	109.91	114.72	119.74	124.98	130.45
Average Cost inc.10% annual inflation	33,745.00	37,119.50	40,831.45	44,914.60	49,406.05	54,346.66
Total Cost	3,553,480.11	4,079,859.40	4,684,211.59	5,378,086.86	6,174,746.32	7,089,415.45
<b>Federal Setting 8 (homebound/hospital</b>						

Placement)	358.67	365.76	372.98	380.35	387.87	395.53
% ovr \$35,000	-	-	-	-	-	-
Number ovr \$35,000	-	-	-	-	-	-
Average Cost inc.10% annual inflation	-	-	-	-	-	-
Total Cost	-	-	-	-	-	-
Total Cost All Settings	76,820,561.72	85,213,408.80	94,535,967.04	104,892,834.94	116,400,582.91	

Agency Contact Name: Landers, Mike 651-582-8810  
 FN Coord Signature: AUDREY BOMSTAD  
 Date: 04/06/05 Phone: 582-8793

**EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: LISA MUELLER  
Date: 04/06/05 Phone: 296-6661

Senator Stumpf introduced--

S.F. No. 394: Referred to the Committee on Finance.

1                                   A bill for an act

2           relating to education finance; authorizing Independent  
3           School District No. 595, East Grand Forks, to exercise  
4           remaining levy authority for disability access  
5           projects.

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

7           Section 1. [DISABLED ACCESS LEVY AUTHORITY; EAST GRAND  
8           FORKS.]

9           Notwithstanding the time limits established in Minnesota  
10          Statutes, section 123B.58, subdivision 3, Independent School  
11          District No. 595, East Grand Forks, may levy its remaining  
12          disabled access levy authority over five or fewer years.

13          [EFFECTIVE DATE.] This section is effective the day  
14          following final enactment.

**Fiscal Note – 2005-06 Session**

**Bill #:** S0394-0 **Complete Date:** 02/09/05

**Chief Author:** STUMPF, LEROY

**Title:** AUTHORIZE ISD 595 AUTH LEVY

Fiscal Impact	Yes	No
State		X
Local	X	
Fee/Departmental Earnings		X
Tax Revenue		X

**Agency Name:** Education Department

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

Dollars (in thousands)	FY05	FY06	FY07	FY08	FY09
<b>Expenditures</b>					
-- No Impact --					
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
-- No Impact --					
<b>Revenues</b>					
-- No Impact --					
<b>Net Cost &lt;Savings&gt;</b>					
-- No Impact --					
<b>Total Cost &lt;Savings&gt; to the State</b>					

	FY05	FY06	FY07	FY08	FY09
<b>Full Time Equivalents</b>					
-- No Impact --					
<b>Total FTE</b>					

**Bill Description**

This bill allows the East Grand Forks School District ISD 595 to levy its remaining disabled access levy authority over five or fewer years.

**Assumptions**

During FY 1992 and 2006 approved costs for the ISD 595 disabled access levy was \$70,399.00

The maximum that district could have levied was \$300,000.

The district has \$229,601.00 in unused authority. The district had 7 years from its first disabled access levy to levy the full \$300,000 authority. The district first levied in 1992. Levy authority expired in 1999.

The bill does not set a date for the start of the 5-year period for additional authority. It is assumed that proposed 5-year extension would begin with the Pay 2006 levy period.

Assuming that the district levies the \$229,601 over the 5-year period, the levy amount would be \$45,920.20 per year for 5 years beginning in Pay 2006

Levy changes resulting from this bill will affect early levy recognition (tax shift) under M.S. 123B.75, Subd. 5. State aid adjustments related to the early recognition will change the required general education appropriation.

**Expenditure and/or Revenue Formula**

State impact is due entirely to tax shift. The amount of state savings or cost is dependent upon the amount the district chooses to levy in each of the five-year period for which this bill gives authority.

Tax Shift in actual dollars	SF394		Rate	0.486
	FY 2006	FY 2007	FY 2008	FY 2009
		Pay 2006	Pay 2007	Pay 2008
Levy Amt		45,920.2	45,920.2	45,920.2
Early Levy Recognition		22,317.2	22,317.2	22,317.2
State Aid (savings)/cost General Education	(22,317.2)	0**	0**	0**

\*\*Assumes levy is equal in each year.

**Long-Term Fiscal Considerations**

This authority extension is limited to one district.

**Local Government Costs**

This bill will increase property taxes for the East Grand Forks School District by \$229,601 if the school board determines to levy the full amount.

The local school board will have to determine how many years to spread the levy and the amount to be levied in each year.

**References/Sources**

Agency Contact Name: Kiesow, Bill 651-582-8801  
FN Coord Signature: AUDREY BOMSTAD



Date: 02/09/05 Phone: 582-8793

**EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: BRIAN STEEVES

Date: 02/09/05 Phone: 296-8674

Senators Stumpf, Marko and Kelley introduced--  
S.F. No. 1402: Referred to the Committee on Finance.

A bill for an act

relating to education finance; providing for an  
approved school finance system; appropriating money.

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

Section 1. [SCHOOL FINANCE STUDY.]

(a) The commissioner of education must contract with an independent contractor that has extensive experience working with various states on education finance systems to continue and complete the work done by the governor's education funding task force included in the June 2004 report, Investing in Our Future. The commissioner must contract with a firm other than the consulting firm performing services for and submitting a report on behalf of the governor's education funding task force.

(b) The contractor must do the following:

(1) conduct an in-depth analysis of the governor's education funding task force report, Investing in Our Future, dated June 2004, focusing on the data produced by the professional judgment panel study included in the report;

(2) convene a meeting in Minnesota to help gather any necessary additional data that is not contained in the governor's task force report or to further validate some of the report's existing data;

(3) determine the dollar value of an instructional services allocation, including cost estimates for each school district

1 adjusting the allocation for individual student and school  
2 district characteristics; and

3 (4) conduct outreach and support to explain its findings to  
4 appropriate officials in Minnesota.

5 (c) In addition to the requirements in paragraph (b), the  
6 contractor must analyze data from Minnesota school districts  
7 that have proven to be successful in educating their students to  
8 meet the state's academic standards. The contractor must use a  
9 statistical analysis to help explain differences in spending  
10 across school districts while controlling for student  
11 performance.

12 (d) The commissioner must report on the findings on the  
13 contract to the legislative committees having jurisdiction over  
14 kindergarten through grade 12 finance before December 15, 2005.

15 [EFFECTIVE DATE.] This section is effective the day  
16 following final enactment.

17 Sec. 2. [APPROPRIATION.]

18 Subdivision 1. [DEPARTMENT OF EDUCATION.] The sum  
19 indicated in this section is appropriated from the general fund  
20 to the Department of Education for the fiscal year designated.

21 Subd. 2. [IMPROVED SCHOOL FINANCE SYSTEM CONTRACT.] For a  
22 contract to follow up on the work of the governor's education  
23 funding task force:

24 \$175,000      .....      2006

Senators Rest, Kelley, Gaither, Michel and Skoglund introduced--  
S.F. No. 1889: Referred to the Committee on Finance.

1 A bill for an act

2 relating to education finance; creating an education  
3 price index; amending Minnesota Statutes 2004, section  
4 126C.10, subdivisions 2, 6; proposing coding for new  
5 law in Minnesota Statutes, chapter 126C.

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

7 Section 1. Minnesota Statutes 2004, section 126C.10,  
8 subdivision 2, is amended to read:

9 Subd. 2. [BASIC REVENUE.] (a) The basic revenue for each  
10 district equals the formula allowance times the adjusted  
11 marginal cost pupil units for the school year. ~~The formula~~  
12 ~~allowance for fiscal year 2001 is \$3,964. The formula allowance~~  
13 ~~for fiscal year 2002 is \$4,068.~~ The formula allowance for  
14 fiscal year 2003 through fiscal year 2005 is \$4,601.

15 (b) The formula allowance for fiscal year 2006 and  
16 subsequent years is \$4,601 the formula allowance for the  
17 previous fiscal year times the education price index for that  
18 year.

19 [EFFECTIVE DATE.] This section is effective for revenue for  
20 fiscal year 2006.

21 Sec. 2. Minnesota Statutes 2004, section 126C.10,  
22 subdivision 6, is amended to read:

23 Subd. 6. [DEFINITIONS.] The definitions in this  
24 subdivision apply only to subdivisions 7 and 8.

25 (a) "High school" means a secondary school that has pupils

1 enrolled in at least the 10th, 11th, and 12th grades. If there  
2 is no secondary school in the district that has pupils enrolled  
3 in at least the 10th, 11th, and 12th grades, and the school is  
4 at least 19 miles from the next nearest school, the commissioner  
5 must designate one school in the district as a high school for  
6 the purposes of this section.

7 (b) "Secondary average daily membership" means, for a  
8 district that has only one high school, the average daily  
9 membership of pupils served in grades 7 through 12. For a  
10 district that has more than one high school, "secondary average  
11 daily membership" for each high school means the product of the  
12 average daily membership of pupils served in grades 7 through 12  
13 in the high school, times the ratio of six to the number of  
14 grades in the high school.

15 (c) "Attendance area" means the total surface area of the  
16 district, in square miles, divided by the number of high schools  
17 in the district. For a district that does not operate a high  
18 school and is less than 19 miles from the nearest operating high  
19 school, the attendance area equals zero.

20 (d) "Isolation index" for a high school means the square  
21 root of 55 percent of the attendance area plus the distance in  
22 miles, according to the usually traveled routes, between the  
23 high school and the nearest high school. For a district in  
24 which there is located land defined in section 84A.01, 84A.20,  
25 or 84A.31, the distance in miles is the sum of:

26 (1) the square root of one-half of the attendance area; and  
27 (2) the distance from the border of the district to the  
28 nearest high school.

29 (e) "Qualifying high school" means a high school that has  
30 an isolation index greater than 23 and that has secondary  
31 average daily membership of less than 400.

32 (f) "Qualifying elementary school" means an elementary  
33 school that is located 19 miles or more from the nearest  
34 elementary school or from the nearest elementary school within  
35 the district and, in either case, has an elementary average  
36 daily membership of an average of 20 or fewer per grade.

1 (g) "Elementary average daily membership" means, for a  
2 district that has only one elementary school, the average daily  
3 membership of pupils served in kindergarten through grade 6.  
4 For a district that has more than one elementary school,  
5 "average daily membership" for each school means the average  
6 daily membership of pupils served in kindergarten through grade  
7 6 multiplied by the ratio of seven to the number of grades in  
8 the elementary school.

9 (h) "Education price index" means a measure of the relative  
10 wage rates across Minnesota school districts. The index must be  
11 determined according to section 126C.115.

12 [EFFECTIVE DATE.] This section is effective July 1, 2005.

13 Sec. 3. [126C.115] [EDUCATION PRICE INDEX.]

14 Subdivision 1. [INDEX.] For fiscal years 2006 and later,  
15 the education price index equals the annual average weekly wage  
16 as calculated by the Department of Employment and Economic  
17 Development under the ES-202 program. The education price index  
18 for each school district equals the greater of one, or the index  
19 number for that district's region divided by the state annual  
20 average weekly wage.

21 Subd. 2. [PHASE-IN.] For fiscal year 2006, the education  
22 price index equals 25 percent of the index amount in excess of  
23 one. For fiscal year 2007, the education price index equals 50  
24 percent of the index amount in excess of one. For fiscal year  
25 2008, the education price index equals 75 percent of the index  
26 amount in excess of one.

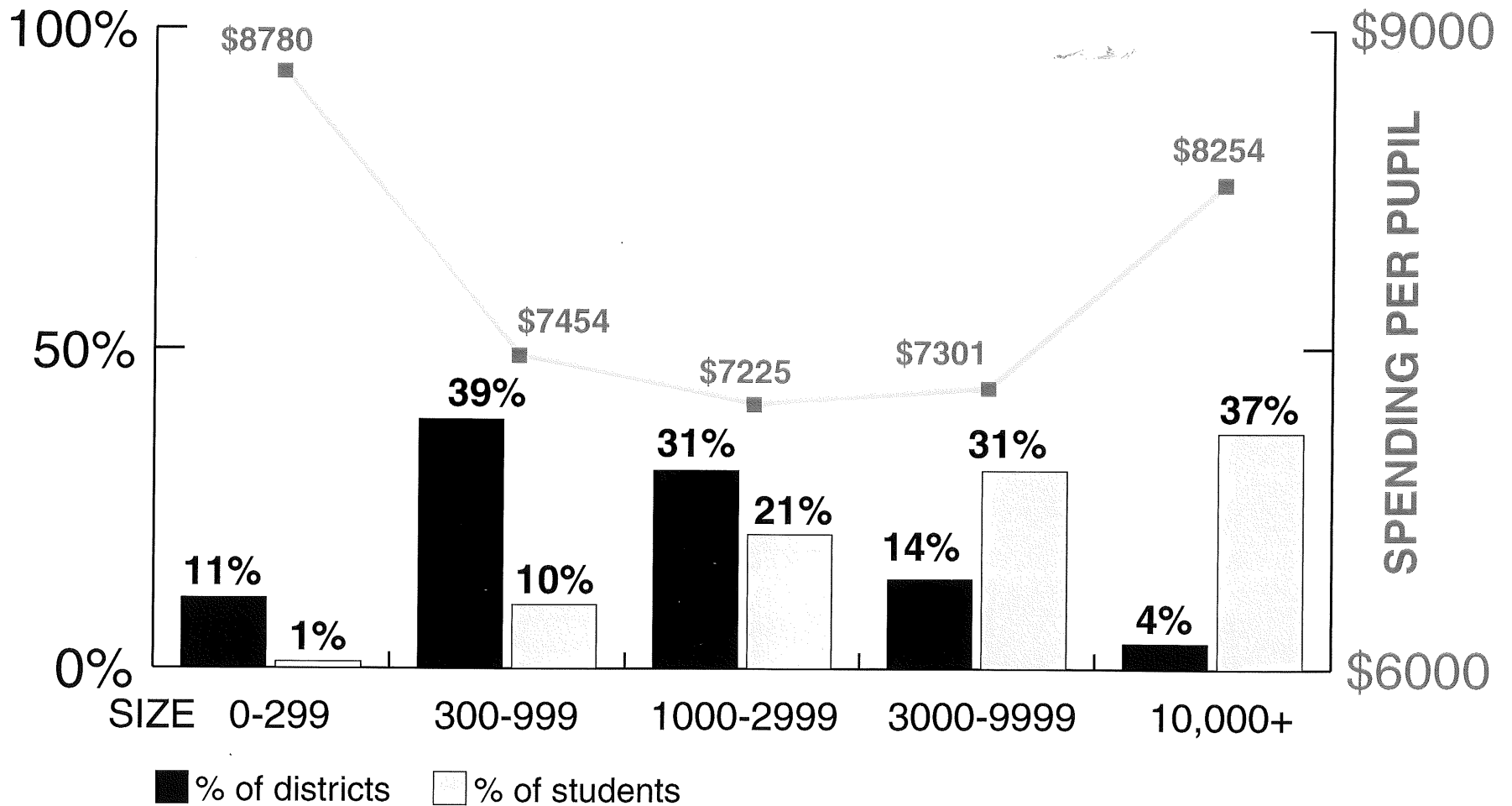
27 Subd. 3. [REGIONS.] For fiscal years 2006 and later, the  
28 Department of Education, in consultation with the Department of  
29 Employment and Economic Development, shall determine the  
30 appropriate education price index regions in the state and  
31 assign each school district to a region. At a minimum, the  
32 regions must include regions for the metropolitan area, the St.  
33 Cloud area, the Duluth area, and the Rochester area. Regions  
34 may otherwise be based on county borders or economic development  
35 regions.

36 Subd. 4. [ANNUAL COMPUTATION.] The Department of Education

1 shall calculate the education price index every year based on  
2 the most recent annual report of average weekly wages as  
3 calculated by the Department of Employment and Economic  
4 Development through the ES-202 program.

5 [EFFECTIVE DATE.] This section is effective for revenue for  
6 fiscal year 2006.

# 84% of the Districts and 62% of the Students Spend Less Than State Average \$7,669 Per Pupil



\* Includes administration; regular, special & vocational education; transportation; maintenance; food and support services. Dept. of Education



## EDUCATION PRICE INDEX 2005

The Education Price Index was proposed by the Association of Metropolitan School Districts during the 2001 Legislative Session as a way of providing a 13.77% increase in the foundation allowance to the Metropolitan school districts while freezing the foundation allowance for students in the rest of Minnesota. The House version was HF611 and the Senate version was SF 660.

The Association of Metropolitan School Districts had this legislation introduced again during the 2003 Legislative Session in the House of Representatives. The 2003 Bill was HF 581 and its purpose was precisely the same as the 2001 version.

This year The Association of Metropolitan School Districts has had the Education Price Index introduced again. The House version is HF2078 and the Senate version is SF1889.

This year the legislation, as it has in the past, refers to an education price index based on the annual average weekly wage as calculated by the Department of Employment and Economic Development under the ES-202 program.

The ES-202 program has been changed to the Quarterly Census of Employment and Wages (QCEW) report by the Department of Employment and Economic Development and that is not addressed in the legislation. It still appears the intent of the legislation is to hold down the funding of education for rural Minnesota students in order to provide additional funding to the school districts that are already receiving the most funding per student.

One difference between the current and previous education price index proposals is that this time the legislation proposes phasing the index in at 25% for the 2005-2006 school year, 50% for the 2006-2007 school year, 75% for the 2007-2008 school year with the intent of implementing the full disparity between the students in rural Minnesota communities and the seven county metro area during the 2008-2009 school year.

The 2005 version of the legislation clouds the results of the legislation a little by having the Minnesota Department of Education in consultation with the Department of Employment and Economic Development determine appropriate education price index regions some time after the legislation is passed.

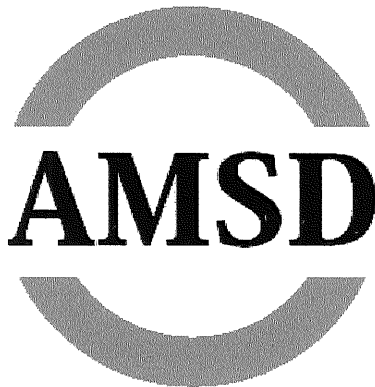
The legislation does indicate that at the minimum the regions must include regions for the metropolitan area, the St. Cloud area, the Duluth area, and the Rochester area. County borders or economic development regions may determine the rest of the regions.

The effect of the proposed legislation is to set the Education Price Index for most Economic Development Regions in the state at 1 while setting the education price index at 1.14 in EDR 11. With the phase in that would mean a 3.5% increase for EDR 11 the first year. The second year the EPI would be multiplied times the previous year's foundation allowance, which would be \$4,601 for most of the state but \$4,762 for the

Education Price Index 2005

metropolitan area. This means the second year the foundation allowance for the rest of the state would be \$4,601 and the metro area would have a foundation allowance of \$5,095. As indicated in the Table, even though they are separated out in the current version of the Education Price Index, St. Cloud and Duluth would both have an Education Price Index of 1. Rochester does gain by being separated out from the rest of EDR 10.

	Education Price Index	2004-2005 Foundation Allowance	2005-2006 Foundation Allowance	2006-2007 Foundation Allowance	2007-2008 Foundation Allowance	2008-2009 Foundation Allowance	2009-2010 Foundation Allowance
EDR 01	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 02	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 03	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 04	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 05	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 06E	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 06W	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 07E	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 07W	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 08	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 09	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 10	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
EDR 11	1.140162	\$4,601.00	\$4,762.22	\$5,095.96	\$5,631.66	\$6,421.00	\$7,320.98
St. Cloud	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
Duluth	1	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00	\$4,601.00
Rochester	1.060647	\$4,601.00	\$4,670.76	\$4,812.39	\$5,031.29	\$5,336.42	\$5,660.05

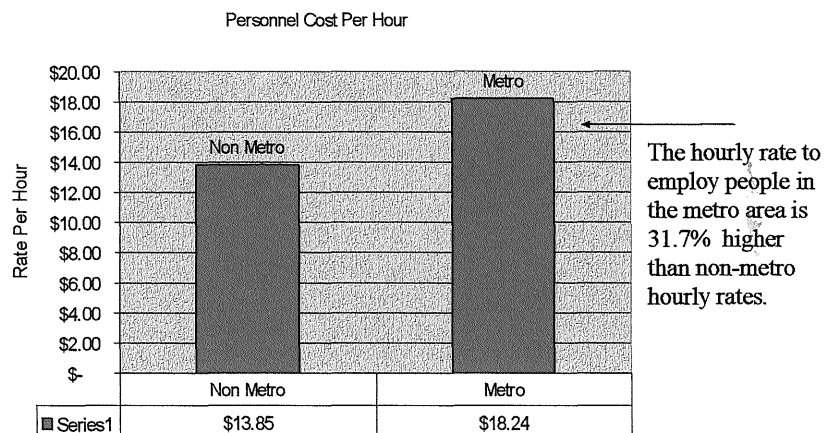


## Regional Operating Cost Differences Presentation

The Association of Metropolitan School Districts

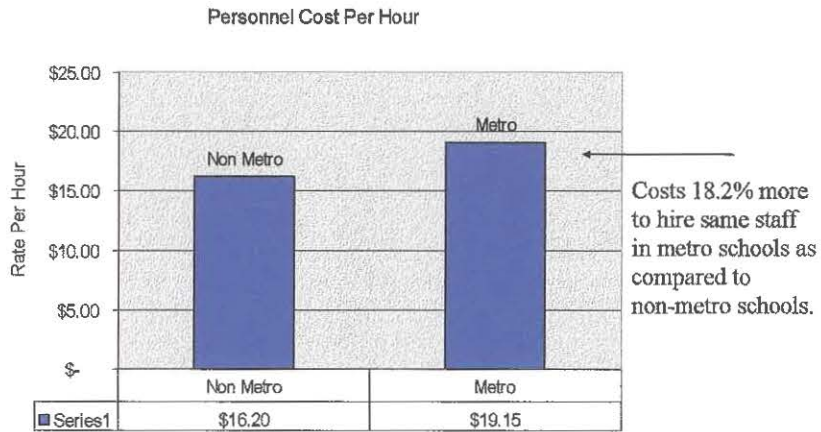
April 6, 2005

## Private Sector Wages Higher in the Metro Area



Source: Association of Metropolitan School Districts' analysis of Minnesota Department of Economic Security 2000 Wage and Employment Estimates

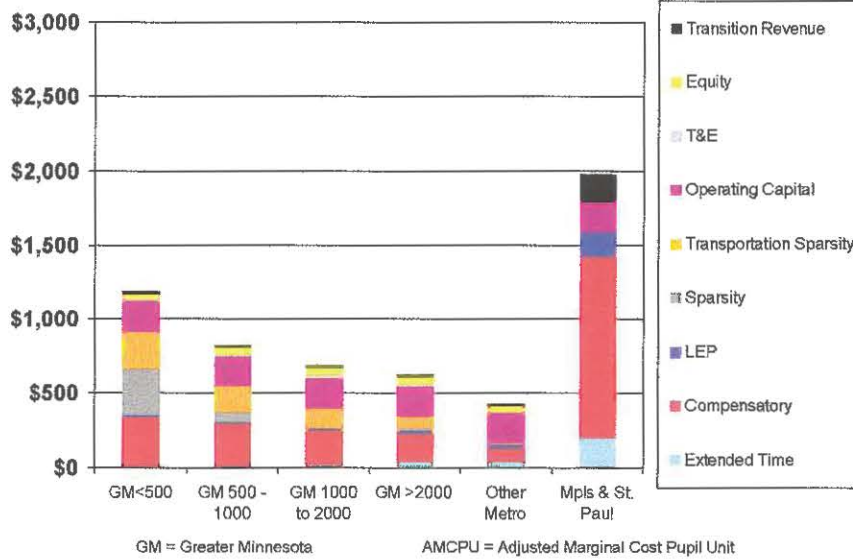
# Personnel Costs Higher for Metro School Districts



Source: Association of Metropolitan School Districts' Analysis of Minnesota Department of Economic Security 2000 Wage and Employment Estimates

# 2005 General Education Revenue per AMCPU

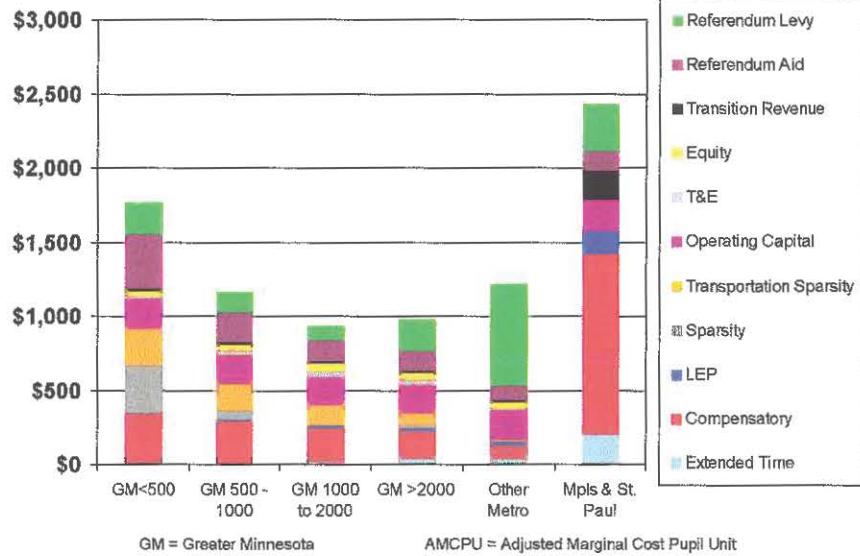
Without Basic Education Aid and Referendum



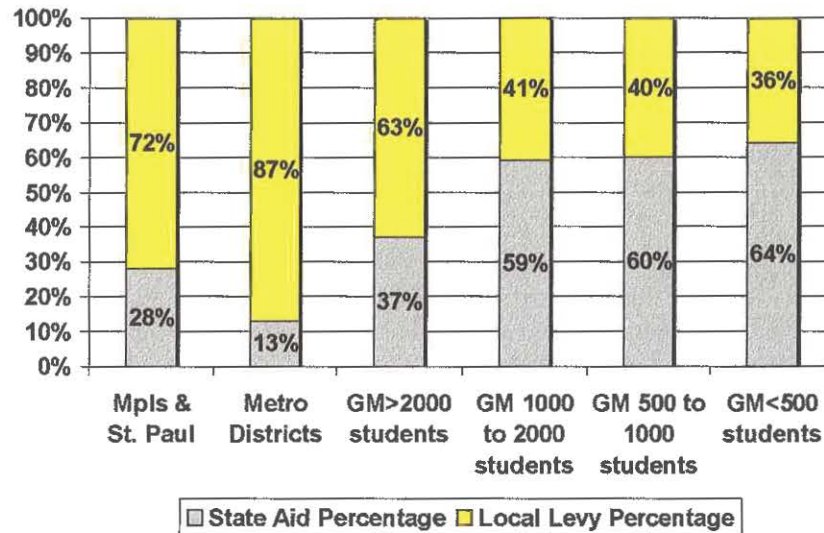
Source: AMSD Analysis of Department of Education 2004 What If Report

## 2005 General Education Revenue per AMCPU

Without Basic Education Aid



## Metro School Districts Receive a Lower Level of Referendum Aid



Senators Marty, Stumpf, Marko, Skoe and Saxhaug introduced--  
S.F. No. 245: Referred to the Committee on Finance.

1 A bill for an act

2 relating to education finance; increasing the basic  
3 formula allowance; restoring funding for special  
4 education programs; restoring funding for LEP  
5 programs; restoring funding for early education  
6 programs; restoring funding for after-school programs;  
7 restoring funding for adult basic education programs;  
8 restoring certain levy authority; appropriating money;  
9 amending Minnesota Statutes 2004, sections 124D.11,  
10 subdivision 4; 124D.135, subdivision 1; 124D.20,  
11 subdivision 3; 124D.531, subdivisions 1, 2, 4;  
12 124D.59, subdivision 2; 125A.76, subdivisions 1, 4;  
13 125A.79, subdivisions 1, 6; 126C.05, subdivisions 8,  
14 15; 126C.10, subdivisions 2, 2a, 3; 126C.40,  
15 subdivision 1; 126C.43, subdivisions 2, 3; 126C.44;  
16 proposing coding for new law in Minnesota Statutes,  
17 chapter 124D.

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

19 Section 1. Minnesota Statutes 2004, section 124D.11,  
20 subdivision 4, is amended to read:

21 Subd. 4. [BUILDING LEASE AID.] When a charter school finds  
22 it economically advantageous to rent or lease a building or land  
23 for any instructional purposes and it determines that the total  
24 operating capital revenue under section 126C.10, subdivision 13,  
25 is insufficient for this purpose, it may apply to the  
26 commissioner for building lease aid for this purpose. The  
27 commissioner must review and either approve or deny a lease aid  
28 application using the following criteria:

29 (1) the reasonableness of the price based on current market  
30 values;

31 (2) the extent to which the lease conforms to applicable

1 state laws and rules; and

2 (3) the appropriateness of the proposed lease in the  
3 context of the space needs and financial circumstances of the  
4 charter school.

5 A charter school must not use the building lease aid it receives  
6 for custodial, maintenance service, utility, or other operating  
7 costs. The amount of building lease aid per pupil unit served  
8 for a charter school for any year shall not exceed the lesser of  
9 (a) 90 percent of the approved cost or (b) the product of the  
10 pupil units served for the current school year times the greater  
11 ~~of the charter school's building lease aid per pupil unit served~~  
12 ~~for fiscal year 2003, excluding the adjustment under Laws 2002,~~  
13 ~~chapter 392, article 6, section 4, or §1,200~~ \$1,500.

14 [EFFECTIVE DATE.] This section is effective for revenue for  
15 fiscal year 2006.

16 Sec. 2. Minnesota Statutes 2004, section 124D.135,  
17 subdivision 1, is amended to read:

18 Subdivision 1. [REVENUE.] The revenue for early childhood  
19 family education programs for a school district equals ~~§120 for~~  
20 ~~fiscal years 2003 and 2004 and \$96~~ \$136 for fiscal year 2005  
21 2006 and later, times the greater of:

22 (1) 150; or

23 (2) the number of people under five years of age residing  
24 in the district on October 1 of the previous school year.

25 [EFFECTIVE DATE.] This section is effective for revenue for  
26 fiscal year 2006.

27 Sec. 3. [124D.1711] [WAY TO GROW/SCHOOL READINESS  
28 PROGRAM.]

29 Subdivision 1. [ADMINISTRATION.] The commissioner of  
30 education shall administer the way to grow/school readiness  
31 program, in collaboration with the commissioners of health and  
32 human services, to promote intellectual, social, emotional, and  
33 physical development and school readiness of children prebirth  
34 to age six by coordinating and improving access to  
35 community-based and neighborhood-based services that support and  
36 assist all parents in meeting the health and developmental needs

1 of their children at the earliest possible age.

2 Subd. 2. [PROGRAM COMPONENTS.] (a) A way to grow/school  
3 readiness program must:

4 (1) collaborate and coordinate delivery of services with  
5 other community organizations and agencies serving children  
6 prebirth to age six and their families;

7 (2) target services to families with children prebirth to  
8 age six with services increasing based on need;

9 (3) build on existing services and coordinate a continuum  
10 of prebirth to age six essential services, including but not  
11 limited to prenatal health services, parent education and  
12 support, and preschool programs;

13 (4) provide strategic outreach efforts to families using  
14 trained paraprofessionals such as home visitors; and

15 (5) support of neighborhood oriented and culturally  
16 specific social support, information, outreach, and other  
17 programs to promote healthy development of children and to help  
18 parents obtain the information, resources, and parenting skills  
19 needed to nurture and care for their children.

20 (b) A way to grow/school readiness program may include:

21 (1) a program of home visitors to contact pregnant women  
22 early in their pregnancies, encourage them to obtain prenatal  
23 care, and provide social support, information, and referrals  
24 regarding prenatal care and well-baby care to reduce infant  
25 mortality, low birth weight, and childhood injury, disease, and  
26 disability;

27 (2) a program of home visitors to provide social support,  
28 information, and referrals regarding parenting skills and to  
29 encourage families to participate in parenting skills programs  
30 and other family supportive services;

31 (3) support of neighborhood-based or community-based  
32 parent-child and family resource centers or interdisciplinary  
33 resource teams to offer supportive services to families with  
34 preschool children;

35 (4) staff training, technical assistance, and incentives  
36 for collaboration designed to raise the quality of community



1 services relating to prenatal care, child development, health,  
2 and school readiness;

3 (5) programs to raise general public awareness about  
4 practices that promote healthy child development and school  
5 readiness;

6 (6) programs to expand public and private collaboration to  
7 promote the development of a coordinated and culturally specific  
8 system of services available to all families;

9 (7) support of periodic screening and evaluation services  
10 for preschool children to ensure adequate developmental  
11 progress;

12 (8) support of health, educational, and other developmental  
13 services needed by families with preschool children;

14 (9) support of family prevention and intervention programs  
15 needed to address risks of child abuse or neglect;

16 (10) development or support of a jurisdiction-wide  
17 coordinating agency to develop and oversee programs to enhance  
18 child health, development, and school readiness with special  
19 emphasis on neighborhoods with a high proportion of children in  
20 need; and

21 (11) other programs or services to improve the health,  
22 development, and school readiness of children in target  
23 neighborhoods and communities.

24 Subd. 3. [ELIGIBLE GRANTEES.] An application for a grant  
25 may be submitted by any of the following entities:

26 (1) a city, town, county, school district, or other local  
27 unit of government;

28 (2) two or more governmental units organized under a joint  
29 powers agreement;

30 (3) a community action agency that satisfies the  
31 requirements of section 119A.375, subdivision 1; or

32 (4) a nonprofit organization, or consortium of nonprofit  
33 organizations, that demonstrates collaborative effort with at  
34 least one unit of local government.

35 Subd. 4. [DISTRIBUTION.] The commissioner shall give  
36 priority to funding existing programs.

1 To the extent possible, the commissioner shall award grants  
2 to applicants with experience or demonstrated ability in  
3 providing comprehensive, multidisciplinary, community-based  
4 programs with objectives similar to those listed in subdivision  
5 2, or in providing other human services or social services  
6 programs using a multidisciplinary, community-based approach.

7 Subd. 5. [APPLICATIONS.] Each grant application must  
8 propose a five-year program designed to accomplish the purposes  
9 of this section. The application must be submitted on forms  
10 provided by the commissioner. The grant application must  
11 include:

12 (1) a description of the specific neighborhoods that will  
13 be served under the program and the name, address, and a  
14 description of each community agency or agencies with which the  
15 applicant intends to contract to provide services using grant  
16 money;

17 (2) a letter of intent from each community agency  
18 identified in clause (1) that indicates the agency's willingness  
19 to participate in the program and approval of the proposed  
20 program structure and components;

21 (3) a detailed description of the structure and components  
22 of the proposed program and an explanation of how each component  
23 will contribute to accomplishing the purposes of this section;

24 (4) a description of how public and private resources,  
25 including schools, health care facilities, government agencies,  
26 neighborhood organizations, and other resources, will be  
27 coordinated and made accessible to families in target  
28 neighborhoods, including letters of intent from public and  
29 private agencies indicating their willingness to cooperate with  
30 the program;

31 (5) a detailed, proposed budget that demonstrates the  
32 ability of the program to accomplish the purposes of this  
33 section using grant money and other available resources,  
34 including funding sources other than a grant; and

35 (6) a comprehensive evaluation plan for measuring the  
36 success of the program in meeting the objectives of the overall

1 grant program and the individual grant project, including an  
 2 assessment of the impact of the program in terms of at least  
 3 three of the following criteria:

- 4 (i) utilization rates of community services;  
 5 (ii) availability of support systems for families;  
 6 (iii) birth weights of newborn babies;  
 7 (iv) child accident rates;  
 8 (v) utilization rates of prenatal care;  
 9 (vi) reported rates of child abuse;  
 10 (vii) rates of health screening and evaluation; and  
 11 (viii) school readiness of way to grow participants  
 12 compared to nonparticipants.

13 Subd. 6. [MATCH.] Each dollar of state money must be  
 14 matched with 50 cents of nonstate money. Programs may match  
 15 state money with in-kind contributions, including volunteer  
 16 assistance.

17 Subd. 7. [ADVISORY COMMITTEE.] Each grantee must establish  
 18 a program advisory board of 12 or more members to advise the  
 19 grantee on program design, operation, and evaluation. The board  
 20 must include representatives of local units of government and  
 21 representatives of the project area who reflect the geographic,  
 22 cultural, racial, and ethnic diversity of that community.

23 [EFFECTIVE DATE.] This section is effective for revenue for  
 24 fiscal year 2006.

25 Sec. 4. Minnesota Statutes 2004, section 124D.20,  
 26 subdivision 3, is amended to read:

27 Subd. 3. [GENERAL COMMUNITY EDUCATION REVENUE.] The  
 28 general community education revenue for a district equals \$5.95  
 29 for fiscal year years 2003 and 2004 and, \$5.23 for fiscal year  
 30 2005, and \$5.95 for fiscal year 2006 and later, times the  
 31 greater of 1,335 or the population of the district. The  
 32 population of the district is determined according to section  
 33 275.14.

34 [EFFECTIVE DATE.] This section is effective for revenue for  
 35 fiscal year 2006.

36 Sec. 5. [124D.2211] [AFTER-SCHOOL ENRICHMENT PROGRAMS.]

1        Subdivision 1. [ESTABLISHMENT.] A competitive statewide  
2 after-school enrichment grant program that incorporates  
3 principles, strategies, and approaches consistent with a  
4 positive youth development orientation is established to provide  
5 implementation grants to community or nonprofit organizations,  
6 to political subdivisions, or to school-based programs. The  
7 commissioner may use criteria for after-school enrichment  
8 programs under Minnesota Statutes 2002, section 124D.221, to  
9 evaluate grant proposals.

10       Subd. 2. [PRIORITY NEIGHBORHOODS.] For grants in  
11 Minneapolis and St. Paul, the commissioner must give priority to  
12 neighborhoods in this subdivision. In Minneapolis, priority  
13 neighborhoods are Near North, Hawthorne, Sumner-Glenwood,  
14 Harrison, Jordan, Powderhorn, Central, Whittier, Cleveland,  
15 McKinley, Waite Park, Sheridan, Holland, Lyndale, Folwell, and  
16 Phillips. In St. Paul, priority neighborhoods are  
17 Summit-University, Thomas-Dale, North End, Payne-Phalen, Daytons  
18 Bluff, and the West Side.

19       Subd. 3. [PROGRAM OUTCOMES.] The expected outcomes of the  
20 after-school enrichment programs are to:

21       (1) increase the number of children participating in  
22 adult-supervised programs in nonschool hours;

23       (2) support academic achievement, including the areas of  
24 reading and math;

25       (3) reduce the amount of juvenile crime;

26       (4) increase school attendance and reduce the number of  
27 school suspensions;

28       (5) increase the number of youth engaged in community  
29 service and other activities designed to support character  
30 improvement, strengthen families, and instill community values;

31       (6) increase skills in technology, the arts, sports, and  
32 other activities; and

33       (7) increase and support the academic achievement and  
34 character development of adolescent parents.

35       Subd. 4. [PLAN.] An applicant shall develop a plan for an  
36 after-school enrichment program for youth. The plan must

1 include:

2 (1) collaboration with and leverage of existing community  
3 resources that have demonstrated effectiveness;

4 (2) solid grounding in an evidence-based conceptual  
5 framework, such as resilience or developmental assets, that  
6 represents a more efficacious approach to program design and  
7 implementation;

8 (3) creative outreach to children and youth;

9 (4) involvement of local governments, including park and  
10 recreation boards or schools, unless no government agency is  
11 appropriate;

12 (5) community control over the design of the enrichment  
13 program; and

14 (6) identification of the sources of nonpublic funding.

15 Subd. 5. [PLAN APPROVAL; GRANTS.] An applicant shall  
16 submit a plan developed under subdivision 4 to the commissioner  
17 for approval. The commissioner shall award a grant for the  
18 implementation of an approved plan.

19 [EFFECTIVE DATE.] This section is effective for revenue for  
20 fiscal year 2006.

21 Sec. 6. Minnesota Statutes 2004, section 124D.531,  
22 subdivision 1, is amended to read:

23 Subdivision 1. [STATE TOTAL ADULT BASIC EDUCATION AID.]

24 (a) The state total adult basic education aid for fiscal year  
25 2004 equals \$34,388,000. The state total adult basic education  
26 aid for fiscal year 2005 and later is \$36,509,000. The state  
27 total adult basic education aid for later years equals the state  
28 total adult basic education aid for the preceding year times the  
29 lesser of:

30 (1) 1.08; or

31 (2) the greater of 1.00 or the ratio of the state total  
32 contact hours in the first prior program year to the state total  
33 contact hours in the second prior program year.

34 (b) Beginning in fiscal year 2002, two percent of the state  
35 total adult basic education aid must be set aside for adult  
36 basic education supplemental service grants under section

1 124D.522.

2 (b) (c) The state total adult basic education aid,  
3 excluding basic population aid, equals the difference between  
4 the amount computed in paragraph (a), and the state total basic  
5 population aid under subdivision 2.

6 [EFFECTIVE DATE.] This section is effective for revenue for  
7 fiscal year 2006.

8 Sec. 7. Minnesota Statutes 2004, section 124D.531,  
9 subdivision 2, is amended to read:

10 Subd. 2. [BASIC POPULATION AID.] A district is eligible  
11 for basic population aid if the district has a basic service  
12 level approved by the commissioner under section 124D.52,  
13 subdivision 5, or is a member of a consortium with an approved  
14 basic service level. Basic population aid is equal to the  
15 greater of ~~\$3,844~~ \$4,000 or ~~\$1.73~~ \$1.80 times the population of  
16 the district. District population is determined according to  
17 section 275.14.

18 [EFFECTIVE DATE.] This section is effective for revenue for  
19 fiscal year 2006.

20 Sec. 8. Minnesota Statutes 2004, section 124D.531,  
21 subdivision 4, is amended to read:

22 Subd. 4. [ADULT BASIC EDUCATION PROGRAM AID LIMIT.] (a)  
23 Notwithstanding subdivisions 2 and 3, the total adult basic  
24 education aid for a program per prior year contact hour must not  
25 exceed \$21 per prior year contact hour computed under  
26 subdivision 3, clause (2).

27 (b) For fiscal year 2004, the aid for a program under  
28 subdivision 3, clause (2), adjusted for changes in program  
29 membership, must not exceed the aid for that program under  
30 subdivision 3, clause (2), for fiscal year 2003 by more than the  
31 greater of eight percent or \$10,000.

32 (c) For fiscal year 2005, the aid for a program under  
33 subdivision 3, clause (2), adjusted for changes in program  
34 membership, must not exceed the sum of the aid for that program  
35 under subdivision 3, clause (2), and Laws 2003, First Special  
36 Session chapter 9, article 9, section 8, paragraph (a), for the

1 preceding fiscal year by more than the greater of eight percent  
2 or \$10,000.

3 (d) For fiscal year 2006 and later, the aid for a program  
4 under subdivision 3, clause (2), adjusted for changes in program  
5 membership, must not exceed the aid for that program under  
6 subdivision 3, clause (2), for the first preceding fiscal year  
7 by more than the greater of ~~eight~~ 17 percent or ~~\$10,000~~ \$20,000.

8 (e) Adult basic education aid is payable to a program for  
9 unreimbursed costs.

10 [EFFECTIVE DATE.] This section is effective for revenue for  
11 fiscal year 2006.

12 Sec. 9. Minnesota Statutes 2004, section 124D.59,  
13 subdivision 2, is amended to read:

14 Subd. 2. [PUPIL OF LIMITED ENGLISH PROFICIENCY.] (a)  
15 "Pupil of limited English proficiency" means a pupil in  
16 kindergarten through grade 12 who meets the following  
17 requirements:

18 (1) the pupil, as declared by a parent or guardian first  
19 learned a language other than English, comes from a home where  
20 the language usually spoken is other than English, or usually  
21 speaks a language other than English; and

22 (2) the pupil is determined by developmentally appropriate  
23 measures, which might include observations, teacher judgment,  
24 parent recommendations, or developmentally appropriate  
25 assessment instruments, to lack the necessary English skills to  
26 participate fully in classes taught in English.

27 (b) Notwithstanding paragraph (a), a pupil in grades 4  
28 through 12 who was enrolled in a Minnesota public school on the  
29 dates during the previous school year when a commissioner  
30 provided assessment that measures the pupil's emerging academic  
31 English was administered, shall not be counted as a pupil of  
32 limited English proficiency in calculating limited English  
33 proficiency pupil units under section 126C.05, subdivision 17,  
34 and shall not generate state limited English proficiency aid  
35 under section 124D.65, subdivision 5, unless the pupil scored  
36 below the state cutoff score on an assessment measuring emerging

1 academic English provided by the commissioner during the  
2 previous school year.

3 (c) Notwithstanding paragraphs (a) and (b), a pupil in  
4 kindergarten through grade 12 shall not be counted as a pupil of  
5 limited English proficiency in calculating limited English  
6 proficiency pupil units under section 126C.05, subdivision 17,  
7 and shall not generate state limited English proficiency aid  
8 under section 124D.65, subdivision 5, if:

9 ~~(1) the pupil is not enrolled during the current fiscal~~  
10 ~~year in an educational program for pupils of limited English~~  
11 ~~proficiency in accordance with sections 124D.58 to 124D.64, or~~

12 ~~(2) the pupil has generated five or more years of average~~  
13 ~~daily membership in Minnesota public schools since July 1, 1996.~~

14 [EFFECTIVE DATE.] This section is effective July 1, 2005,  
15 for revenue for fiscal year 2006.

16 Sec. 10. Minnesota Statutes 2004, section 125A.76,  
17 subdivision 1, is amended to read:

18 Subdivision 1. [DEFINITIONS.] For the purposes of this  
19 section, the definitions in this subdivision apply.

20 (a) "Base year" for fiscal year 1998 and later fiscal years  
21 means the second fiscal year preceding the fiscal year for which  
22 aid will be paid.

23 (b) "Basic revenue" has the meaning given it in section  
24 126C.10, subdivision 2. For the purposes of computing basic  
25 revenue pursuant to this section, each child with a disability  
26 shall be counted as prescribed in section 126C.05, subdivision 1.

27 (c) "Essential personnel" means teachers, cultural  
28 liaisons, related services, and support services staff providing  
29 direct services to students. Essential personnel may also  
30 include special education paraprofessionals or clericals  
31 providing support to teachers and students by preparing  
32 paperwork and making arrangements related to special education  
33 compliance requirements, including parent meetings and  
34 individual education plans.

35 (d) "Average daily membership" has the meaning given it in  
36 section 126C.05.



1 (e) "Program growth factor" means 1.046 for fiscal year  
 2 2003, and 1.0 for fiscal year years 2004 and 2005, and 1.046 for  
 3 fiscal year 2007 and later.

4 [EFFECTIVE DATE.] This section is effective for revenue for  
 5 fiscal year 2006.

6 Sec. 11. Minnesota Statutes 2004, section 125A.76,  
 7 subdivision 4, is amended to read:

8 Subd. 4. [STATE TOTAL SPECIAL EDUCATION AID.] The state  
 9 total special education aid for fiscal year 2004 equals  
 10 \$530,642,000. The state total special education aid for fiscal  
 11 year 2005 equals \$529,164,000. The state total special  
 12 education aid for fiscal year 2006 equals \$578,967,000. The  
 13 state total special education aid for later fiscal years equals:

14 (1) the state total special education aid for the preceding  
 15 fiscal year; times

16 (2) the program growth factor; times

17 (3) the ratio of the state total average-daily-membership  
 18 unduplicated count of students with an individual education plan  
 19 for the current fiscal year to the state total average-daily  
 20 membership unduplicated count of students with an individual  
 21 education plan for the preceding fiscal year.

22 [EFFECTIVE DATE.] This section is effective for revenue for  
 23 fiscal year 2006.

24 Sec. 12. Minnesota Statutes 2004, section 125A.79,  
 25 subdivision 1, is amended to read:

26 Subdivision 1. [DEFINITIONS.] For the purposes of this  
 27 section, the definitions in this subdivision apply.

28 (a) "Unreimbursed special education cost" means the sum of  
 29 the following:

30 (1) expenditures for teachers' salaries, contracted  
 31 services, supplies, equipment, and transportation services  
 32 eligible for revenue under section 125A.76; plus

33 (2) expenditures for tuition bills received under sections  
 34 125A.03 to 125A.24 and 125A.65 for services eligible for revenue  
 35 under section 125A.76, subdivision 2; minus

36 (3) revenue for teachers' salaries, contracted services,

1 supplies, and equipment under section 125A.76; minus

2 (4) tuition receipts under sections 125A.03 to 125A.24 and  
3 125A.65 for services eligible for revenue under section 125A.76,  
4 subdivision 2.

5 (b) "General revenue" means for fiscal year 1996, the sum  
6 of the general education revenue according to section 126C.10,  
7 subdivision 1, as adjusted according to section 127A.47,  
8 subdivision 7, plus the total referendum revenue according to  
9 section 126C.17, subdivision 4. For fiscal years 1997 and  
10 later, "general revenue" means the sum of the general education  
11 revenue according to section 126C.10, subdivision 1, as adjusted  
12 according to section 127A.47, subdivisions 7 and 8, plus the  
13 total referendum revenue minus transportation sparsity revenue  
14 minus total operating capital revenue.

15 (c) "Average daily membership" has the meaning given it in  
16 section 126C.05.

17 (d) "Program growth factor" means 1.02 for fiscal year  
18 2003~~7~~and; 1.0 for fiscal year years 2004, 2005, and 2006; and  
19 1.02 for fiscal year 2007 and later.

20 [EFFECTIVE DATE.] This section is effective for revenue for  
21 fiscal year 2006.

22 Sec. 13. Minnesota Statutes 2004, section 125A.79,  
23 subdivision 6, is amended to read:

24 Subd. 6. [STATE TOTAL SPECIAL EDUCATION EXCESS COST AID.]

25 The state total special education excess cost aid for fiscal  
26 year 2004 equals \$92,067,000. The state total special education  
27 aid for fiscal year 2005 equals \$91,811,000. The state total  
28 special education aid for fiscal year 2006 equals \$95,520,000.  
29 The state total special education excess cost aid for fiscal  
30 year 2006 and later fiscal years equals:

31 (1) the state total special education excess cost aid for  
32 the preceding fiscal year; times

33 (2) the program growth factor; times

34 (3) the ratio of the state total average daily membership  
35 for the current fiscal year to the state total average daily  
36 membership for the preceding fiscal year.

1        [EFFECTIVE DATE.] This section is effective for revenue for  
2 fiscal year 2006.

3        Sec. 14. Minnesota Statutes 2004, section 126C.05,  
4 subdivision 8, is amended to read:

5        Subd. 8. [AVERAGE DAILY MEMBERSHIP.] (a) Membership for  
6 pupils in grades kindergarten through 12 and for prekindergarten  
7 pupils with disabilities shall mean the number of pupils on the  
8 current roll of the school, counted from the date of entry until  
9 withdrawal. The date of withdrawal shall mean the day the pupil  
10 permanently leaves the school or the date it is officially known  
11 that the pupil has left or has been legally excused. However, a  
12 pupil, regardless of age, who has been absent from school for 15  
13 consecutive school days during the regular school year or for  
14 five consecutive school days during summer school or  
15 intersession classes of flexible school year programs without  
16 receiving instruction in the home or hospital shall be dropped  
17 from the roll and classified as withdrawn. Nothing in this  
18 section shall be construed as waiving the compulsory attendance  
19 provisions cited in section 120A.22. Average daily membership  
20 equals the sum for all pupils of the number of days of the  
21 school year each pupil is enrolled in the district's schools  
22 divided by the number of days the schools are in session. Days  
23 of summer school or intersession classes of flexible school year  
24 programs are only included in the computation of membership for  
25 pupils with a disability not appropriately served primarily in  
26 the regular classroom. A student must not be counted as more  
27 than ~~1.2~~ 1.5 pupils in average daily membership under this  
28 section. When the initial total average daily membership  
29 exceeds ~~1.2~~ 1.5 for a pupil enrolled in more than one school  
30 district during the fiscal year, each district's average daily  
31 membership must be reduced proportionately.

32        (b) A student must not be counted as more than one pupil in  
33 average daily membership except for purposes of section 126C.10,  
34 subdivision 2a.

35        [EFFECTIVE DATE.] This section is effective for revenue for  
36 fiscal year 2006.

1           Sec. 15. Minnesota Statutes 2004, section 126C.05,  
2 subdivision 15, is amended to read:

3           Subd. 15. [LEARNING YEAR PUPIL UNITS.] (a) When a pupil is  
4 enrolled in a learning year program under section 124D.128, an  
5 area learning center under sections 123A.05 and 123A.06, an  
6 alternative program approved by the commissioner, or a contract  
7 alternative program under section 124D.68, subdivision 3,  
8 paragraph (d), or subdivision 3a, for more than 1,020 hours in a  
9 school year for a secondary student, more than 935 hours in a  
10 school year for an elementary student, or more than 425 hours in  
11 a school year for a kindergarten student without a disability,  
12 that pupil may be counted as more than one pupil in average  
13 daily membership for purposes of section 126C.10, subdivision  
14 2a. The amount in excess of one pupil must be determined by the  
15 ratio of the number of hours of instruction provided to that  
16 pupil in excess of: (i) the greater of 1,020 hours or the  
17 number of hours required for a full-time secondary pupil in the  
18 district to 1,020 for a secondary pupil; (ii) the greater of 935  
19 hours or the number of hours required for a full-time elementary  
20 pupil in the district to 935 for an elementary pupil in grades 1  
21 through 6; and (iii) the greater of 425 hours or the number of  
22 hours required for a full-time kindergarten student without a  
23 disability in the district to 425 for a kindergarten student  
24 without a disability. Hours that occur after the close of the  
25 instructional year in June shall be attributable to the  
26 following fiscal year. A kindergarten student must not be  
27 counted as more than ~~1.2~~ 1.5 pupils in average daily membership  
28 under this subdivision. A student in grades 1 through 12 must  
29 not be counted as more than ~~1.2~~ 1.5 pupils in average daily  
30 membership under this subdivision.

31           (b)(i) To receive general education revenue for a pupil in  
32 an alternative program that has an independent study component,  
33 a district must meet the requirements in this paragraph. The  
34 district must develop, for the pupil, a continual learning plan  
35 consistent with section 124D.128, subdivision 3. Each school  
36 district that has a state-approved public alternative program

1 must reserve revenue in an amount equal to at least 90 percent  
2 of the district average general education revenue per pupil unit  
3 less compensatory revenue per pupil unit times the number of  
4 pupil units generated by students attending a state-approved  
5 public alternative program. The amount of reserved revenue  
6 available under this subdivision may only be spent for program  
7 costs associated with the state-approved public alternative  
8 program. Compensatory revenue must be allocated according to  
9 section 126C.15, subdivision 2.

10 (ii) General education revenue for a pupil in an approved  
11 alternative program without an independent study component must  
12 be prorated for a pupil participating for less than a full year,  
13 or its equivalent. The district must develop a continual  
14 learning plan for the pupil, consistent with section 124D.128,  
15 subdivision 3. Each school district that has a state-approved  
16 public alternative program must reserve revenue in an amount  
17 equal to at least 90 percent of the district average general  
18 education revenue per pupil unit less compensatory revenue per  
19 pupil unit times the number of pupil units generated by students  
20 attending a state-approved public alternative program. The  
21 amount of reserved revenue available under this subdivision may  
22 only be spent for program costs associated with the  
23 state-approved public alternative program. Compensatory revenue  
24 must be allocated according to section 126C.15, subdivision 2.

25 (iii) General education revenue for a pupil in an approved  
26 alternative program that has an independent study component must  
27 be paid for each hour of teacher contact time and each hour of  
28 independent study time completed toward a credit or graduation  
29 standards necessary for graduation. Average daily membership  
30 for a pupil shall equal the number of hours of teacher contact  
31 time and independent study time divided by 1,020.

32 (iv) For an alternative program having an independent study  
33 component, the commissioner shall require a description of the  
34 courses in the program, the kinds of independent study involved,  
35 the expected learning outcomes of the courses, and the means of  
36 measuring student performance against the expected outcomes.

1        [EFFECTIVE DATE.] This section is effective for revenue for  
 2        fiscal year 2006.

3        Sec. 16. Minnesota Statutes 2004, section 126C.10,  
 4        subdivision 2, is amended to read:

5        Subd. 2. [BASIC REVENUE.] The basic revenue for each  
 6        district equals the formula allowance times the adjusted  
 7        marginal cost pupil units for the school year. ~~The formula~~  
 8        ~~allowance for fiscal year 2001 is \$3,964. The formula allowance~~  
 9        ~~for fiscal year 2002 is \$4,068.~~ The formula allowance for  
 10        fiscal year years 2003 and subsequent years through 2005 is  
 11        \$4,601. The formula allowance for fiscal year 2006 and  
 12        subsequent fiscal years is \$4,851.

13        [EFFECTIVE DATE.] This section is effective for revenue for  
 14        fiscal year 2006.

15        Sec. 17. Minnesota Statutes 2004, section 126C.10,  
 16        subdivision 2a, is amended to read:

17        Subd. 2a. [EXTENDED TIME REVENUE.] (a) A school district's  
 18        extended time revenue is equal to the product of \$4,601 and the  
 19        sum of the adjusted marginal cost pupil units of the district  
 20        for each pupil in average daily membership in excess of 1.0 and  
 21        less than ~~1.2~~ 1.5 according to section 126C.05, subdivision 8.

22        (b) A school district's extended time revenue may be used  
 23        for extended day programs, extended week programs, summer  
 24        school, and other programming authorized under the learning year  
 25        program.

26        [EFFECTIVE DATE.] This section is effective for revenue for  
 27        fiscal year 2006.

28        Sec. 18. Minnesota Statutes 2004, section 126C.10,  
 29        subdivision 3, is amended to read:

30        Subd. 3. [COMPENSATORY EDUCATION REVENUE.] (a) The  
 31        compensatory education revenue for each building in the district  
 32        equals the formula allowance ~~minus \$415~~ times the compensation  
 33        revenue pupil units computed according to section 126C.05,  
 34        subdivision 3. Revenue shall be paid to the district and must  
 35        be allocated according to section 126C.15, subdivision 2.

36        (b) When the district contracting with an alternative

1 program under section 124D.69 changes prior to the start of a  
2 school year, the compensatory revenue generated by pupils  
3 attending the program shall be paid to the district contracting  
4 with the alternative program for the current school year, and  
5 shall not be paid to the district contracting with the  
6 alternative program for the prior school year.

7 (c) When the fiscal agent district for an area learning  
8 center changes prior to the start of a school year, the  
9 compensatory revenue shall be paid to the fiscal agent district  
10 for the current school year, and shall not be paid to the fiscal  
11 agent district for the prior school year.

12 [EFFECTIVE DATE.] This section is effective for revenue for  
13 fiscal year 2006.

14 Sec. 19. Minnesota Statutes 2004, section 126C.40,  
15 subdivision 1, is amended to read:

16 Subdivision 1. [TO LEASE BUILDING OR LAND.] (a) When an  
17 independent or a special school district or a group of  
18 independent or special school districts finds it economically  
19 advantageous to rent or lease a building or land for any  
20 instructional purposes or for school storage or furniture  
21 repair, and it determines that the operating capital revenue  
22 authorized under section 126C.10, subdivision 13, is  
23 insufficient for this purpose, it may apply to the commissioner  
24 for permission to make an additional capital expenditure levy  
25 for this purpose. An application for permission to levy under  
26 this subdivision must contain financial justification for the  
27 proposed levy, the terms and conditions of the proposed lease,  
28 and a description of the space to be leased and its proposed use.

29 (b) The criteria for approval of applications to levy under  
30 this subdivision must include: the reasonableness of the price,  
31 the appropriateness of the space to the proposed activity, the  
32 feasibility of transporting pupils to the leased building or  
33 land, conformity of the lease to the laws and rules of the state  
34 of Minnesota, and the appropriateness of the proposed lease to  
35 the space needs and the financial condition of the district.  
36 The commissioner must not authorize a levy under this

1 subdivision in an amount greater than ~~90-percent-of~~ the cost to  
2 the district of renting or leasing a building or land for  
3 approved purposes. The proceeds of this levy must not be used  
4 for custodial or other maintenance services. A district may not  
5 levy under this subdivision for the purpose of leasing or  
6 renting a district-owned building or site to itself.

7 (c) For agreements finalized after July 1, 1997, a district  
8 may not levy under this subdivision for the purpose of leasing:

9 (1) a newly constructed building used primarily for regular  
10 kindergarten, elementary, or secondary instruction; or (2) a  
11 newly constructed building addition or additions used primarily  
12 for regular kindergarten, elementary, or secondary instruction  
13 that contains more than 20 percent of the square footage of the  
14 previously existing building.

15 (d) Notwithstanding paragraph (b), a district may levy  
16 under this subdivision for the purpose of leasing or renting a  
17 district-owned building or site to itself only if the amount is  
18 needed by the district to make payments required by a lease  
19 purchase agreement, installment purchase agreement, or other  
20 deferred payments agreement authorized by law, and the levy  
21 meets the requirements of paragraph (c). A levy authorized for  
22 a district by the commissioner under this paragraph may be in  
23 the amount needed by the district to make payments required by a  
24 lease purchase agreement, installment purchase agreement, or  
25 other deferred payments agreement authorized by law, provided  
26 that any agreement include a provision giving the school  
27 districts the right to terminate the agreement annually without  
28 penalty.

29 (e) The total levy under this subdivision for a district  
30 for any year must not exceed ~~\$90~~ \$100 times the resident pupil  
31 units for the fiscal year to which the levy is attributable.

32 (f) For agreements for which a review and comment have been  
33 submitted to the Department of Education after April 1, 1998,  
34 the term "instructional purpose" as used in this subdivision  
35 excludes expenditures on stadiums.

36 (g) The commissioner of education may authorize a school



1 district to exceed the limit in paragraph (e) if the school  
2 district petitions the commissioner for approval. The  
3 commissioner shall grant approval to a school district to exceed  
4 the limit in paragraph (e) for not more than five years if the  
5 district meets the following criteria:

6 (1) the school district has been experiencing pupil  
7 enrollment growth in the preceding five years;

8 (2) the purpose of the increased levy is in the long-term  
9 public interest;

10 (3) the purpose of the increased levy promotes colocation  
11 of government services; and

12 (4) the purpose of the increased levy is in the long-term  
13 interest of the district by avoiding over construction of school  
14 facilities.

15 (h) A school district that is a member of an intermediate  
16 school district may include in its authority under this section  
17 ~~90-percent-of~~ the costs associated with leases of administrative  
18 and classroom space for intermediate school district programs.  
19 This authority must not exceed ~~\$22.50~~ \$25 times the adjusted  
20 marginal cost pupil units of the member districts. This  
21 authority is in addition to any other authority authorized under  
22 this section.

23 (i) In addition to the allowable capital levies in  
24 paragraph (a), a district that is a member of the "Technology  
25 and Information Education Systems" data processing joint board,  
26 that finds it economically advantageous to enter into a lease  
27 purchase agreement for a building for a group of school  
28 districts or special school districts for staff development  
29 purposes, may levy for its portion of lease costs attributed to  
30 the district within the total levy limit in paragraph (e).

31 [EFFECTIVE DATE.] This section is effective for taxes  
32 payable in 2006.

33 Sec. 20. Minnesota Statutes 2004, section 126C.43,  
34 subdivision 2, is amended to read:

35 Subd. 2. [PAYMENT TO UNEMPLOYMENT INSURANCE PROGRAM TRUST  
36 FUND BY STATE AND POLITICAL SUBDIVISIONS.] A district may

1 ~~levy 90-percent-of~~ the amount ~~exceeding-\$10-times-the-district's~~  
 2 ~~adjusted-marginal-cost-pupil-units-for-the-fiscal-year-ending-in~~  
 3 ~~the-year-before-the-year-the-levy-is-certified~~ necessary (i) to  
 4 pay the district's obligations under section 268.052,  
 5 subdivision 1, and (ii) to pay for job placement services  
 6 offered to employees who may become eligible for benefits  
 7 pursuant to section 268.085 for the fiscal year the levy is  
 8 certified.

9 [EFFECTIVE DATE.] This section is effective for taxes  
 10 payable in 2006.

11 Sec. 21. Minnesota Statutes 2004, section 126C.43,  
 12 subdivision 3, is amended to read:

13 Subd. 3. [TAX LEVY FOR JUDGMENT.] A district may levy 90  
 14 ~~percent-of~~ the amount ~~exceeding-\$10-times-the-district's~~  
 15 ~~adjusted-marginal-cost-pupil-units-for-the-fiscal-year-ending-in~~  
 16 ~~the-year-before-the-year-the-levy-is-certified~~ necessary to pay  
 17 judgments against the district under section 123B.25 that became  
 18 final after the date the district certified its proposed levy in  
 19 the previous year. With the approval of the commissioner, a  
 20 district may spread this levy over a period not to exceed three  
 21 years. Upon approval through the adoption of a resolution by  
 22 each of an intermediate district's member school district  
 23 boards, a member school district may include its proportionate  
 24 share of the costs of a judgment against an intermediate school  
 25 district that became final under section 123B.25 after the date  
 26 that the earliest member school district certified its proposed  
 27 levy in the previous year. With the approval of the  
 28 commissioner, an intermediate school district member school  
 29 district may spread this levy over a period not to exceed three  
 30 years.

31 [EFFECTIVE DATE.] This section is effective for taxes  
 32 payable in 2006.

33 Sec. 22. Minnesota Statutes 2004, section 126C.44, is  
 34 amended to read:

35 126C.44 [SAFE SCHOOLS LEVY.]

36 Each district may make a levy on all taxable property

1 located within the district for the purposes specified in this  
2 section. The maximum amount which may be levied for all costs  
3 under this section shall be equal to ~~\$27~~ \$30 multiplied by the  
4 district's adjusted marginal cost pupil units for the school  
5 year. The proceeds of the levy must be used for directly  
6 funding the following purposes or for reimbursing the cities and  
7 counties who contract with the district for the following  
8 purposes: (1) to pay the costs incurred for the salaries,  
9 benefits, and transportation costs of peace officers and  
10 sheriffs for liaison in services in the district's schools; (2)  
11 to pay the costs for a drug abuse prevention program as defined  
12 in section 609.101, subdivision 3, paragraph (e), in the  
13 elementary schools; (3) to pay the costs for a gang resistance  
14 education training curriculum in the district's schools; (4) to  
15 pay the costs for security in the district's schools and on  
16 school property; or (5) to pay the costs for other crime  
17 prevention, drug abuse, student and staff safety, and violence  
18 prevention measures taken by the school district. The district  
19 must initially attempt to contract for services to be provided  
20 by peace officers or sheriffs with the police department of each  
21 city or the sheriff's department of the county within the  
22 district containing the school receiving the services. If a  
23 local police department or a county sheriff's department does  
24 not wish to provide the necessary services, the district may  
25 contract for these services with any other police or sheriff's  
26 department located entirely or partially within the school  
27 district's boundaries. The levy authorized under this section  
28 is not included in determining the school district's levy  
29 limitations.

30 [EFFECTIVE DATE.] This section is effective for taxes  
31 payable in 2006.

**Senate Counsel, Research,  
and Fiscal Analysis**

G-17 STATE CAPITOL  
75 REV. DR. MARTIN LUTHER KING, JR. BLVD.  
ST. PAUL, MN 55155-1606  
(651) 296-4791  
FAX: (651) 296-7747  
JO ANNE ZOFF SELLNER  
DIRECTOR

# Senate

State of Minnesota

## **S.F. No. 245 - Basic Formula Allowance, Restoring Funding for Various Programs**

**Author:** Senator John Marty

**Prepared by:** Shelby Winiecki, Senate Research (651/296-5259)



**Date:** April 6, 2005

---

**S.F. No. 245** restores funding for charter school lease aid, community education programs, adult basic education, limited English proficiency services, special education services, extended time programs, compensatory revenue, building lease amounts, unemployment insurance costs, judgment costs, and the safe schools program. This bill reinstates and restores funding for the Way to Grow program and the after-school enrichment program. This bill also increases funding for the ECFE program and the general education revenue program by increasing the formula allowance to \$4,851.

**Section 1. [Building lease aid.]** restores the maximum amount of building lease aid available to a charter school from \$1,200 to \$1,500 per pupil unit.

**Section 2. [Revenue.]** removes obsolete language and increases the allowance for ECFE to \$136 times 150 or the residents of the district age five and under for fiscal year 2006 and later. That coefficient was \$120 in fiscal years 2003 and 2004 and \$96 in fiscal year 2005.

**Section 3. [ 124D.1711] [Way to Grow/School Readiness Program.]** restores the Way to Grow/School Readiness Program, which was repealed by the 2003 Legislature.

**Section 4. [General community education revenue.]** restores funding to the basic community education program from \$5.23 to \$5.95 per capita beginning in fiscal year 2006.

**Section 5. [124D.2211] [After-school enrichment programs.]** restores a competitive statewide after-school enrichment grant program that was repealed by the 2003 Legislature.

**Section 6. [State total adult basic education aid.]** sets the adult basic education aid for fiscal year 2006 and later to the aid for the preceding year times the lesser of: (1) 1.08; or (2) the greater of 1.00 or the ratio of the total contact hours in the first prior program year to the second prior program year.

**Section 7. [Basic population aid.]** restores the portion of adult basic education aid that is distributed on a per capita basis to the greater of \$4,000 or \$1.80 times the population of the district.

**Section 8. [Adult basic education program limit.]** increases the growth limit on the preceding fiscal year's aid to 17 percent or \$20,000, whichever is greater.

**Section 9. [Pupil of limited English proficiency.]** removes the five-year limit on LEP students.

**Section 10. [Definitions.]** restores the special education program growth factor to 1.046 for fiscal year 2007 and later.

**Section 11. [State total special education aid.]** increases the state total special education aid available for fiscal year 2006 to \$578 million from \$529 million in fiscal year 2005. In determining the aid for later fiscal years, the calculation considers the ratio of the unduplicated count of students with an IEP for the current and previous fiscal years instead of a ratio of the average daily membership for the current and previous fiscal years.

**Section 12. [Definitions.]** restores special education excess cost aid growth factor to 1.02 for fiscal year 2007 and later.

**Section 13. [State total special education excess cost aid.]** increases the state total aid amount for fiscal year 2006 to \$95.5 million from \$91.8 million in fiscal year 2005.

**Section 14. [Average daily membership.]** restores the additional time that a student may receive reimbursable instructional services from an added 20 percent to 50 percent extra time.

**Section 15. [Learning year pupil units.]** restores the additional time that a student may receive reimbursable instructional services from an added 20 percent to 50 percent extra time.

**Section 16. [Basic revenue.]** removes obsolete language and increases the general education basic revenue allowance to \$4,851 for fiscal year 2006 and later.

**Section 17. [Extended time revenue.]** restores the additional time that a student may receive reimbursable instructional services from an added 20 percent to 50 percent extra time.

**Section 18. [Compensatory education revenue.]** removes the \$415 subtraction from the calculation on compensatory revenue.

**Section 19. [To lease building or land.]** restores the building lease levy from the lesser of 90 percent of a district's lease costs or \$90 per pupil to the lesser of the actual lease costs or \$100 per

pupil. Restores the added lease levy available to school districts that are members of an intermediate school district from \$22.50 to \$25 per pupil unit.

**Section 20. [Payment to unemployment insurance program trust fund by state and political subdivisions.]** restores full levy authority for school district unemployment insurance costs. The 2003 Legislature limited the levy to 90 percent of the amount in excess of \$10 per pupil unit.

**Section 21. [Tax levy for judgment.]** restores full levy authority for judgments that have been entered against a school district. The 2003 Legislature limited the levy to 90 percent of the amount in excess of \$10 per pupil unit.

**Section 22. [Safe schools levy.]** restores the safe school levy from \$27 to \$30 per pupil unit.

All sections are effective for taxes payable in 2006.

SW:vs

**Fiscal Note – 2005-06 Session**

**Bill #:** S0245-0 **Complete Date:** 04/05/05

**Chief Author:** MARTY, JOHN

**Title:** ED PRGMS REINSTATEMENT & FUNDING

<b>Fiscal Impact</b>	<b>Yes</b>	<b>No</b>
State	X	
Local	X	
Fee/Departmental Earnings		X
Tax Revenue		X

**Agency Name:** Education Department

This table reflects fiscal impact to state government. Local government impact is reflected in the narrative only.

<b>Dollars (in thousands)</b>	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
<b>Expenditures</b>					
General Fund		323,052	417,007	460,262	503,419
<b>Less Agency Can Absorb</b>					
-- No Impact --					
<b>Net Expenditures</b>					
General Fund		323,052	417,007	460,262	503,419
<b>Revenues</b>					
-- No Impact --					
<b>Net Cost &lt;Savings&gt;</b>					
General Fund		323,052	417,007	460,262	503,419
<b>Total Cost &lt;Savings&gt; to the State</b>		323,052	417,007	460,262	503,419

	<b>FY05</b>	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
<b>Full Time Equivalents</b>					
-- No Impact --					
<b>Total FTE</b>					

### **Bill Description**

SF 245 restores and amends funding for several aid and levy programs.

The fiscal note is presented by bill section.

Section 1 Lease Aid. The formula for charter school building lease aid beginning for FY 2006 is changed to the lesser of 90% of approved lease costs or \$1,500 per pupil unit served.

Section 2 ECFE. The formula for early childhood family education is increased beginning for FY 2006 from \$96 to \$136 times the greater of 150 or the prior year age 0-4 population.

Section 3 Way to Grow. Reinstates the grant program for FY 2006 and later.

Section 4 Community Education. Revenue is increased beginning for FY 2006 from \$5.23 to \$5.95 times the greater of census residents or 1,335.

Section 5 After School Enrichment. Reinstates the grant program for FY 2006 and later.

Section 6 – 8 Adult Basic Education Program. Reinstates program inflation in calculation of state total adult basic education aid to the lesser of 8% or the greater of 1.0 or the ratio of state total contact hours in the first prior year to the state total contact hours in the second prior year. Basic population aid portion of the formula is increased to the greater of \$4,000 or \$1.80 times population. Program aid growth for individual programs is increased from 8% or \$10,000 to 17% or \$20,000.

Section 9 LEP. Effective for FY 2006, eliminates the 5-year limit on LEP funding, increases the general education basic formula allowance to \$4,851, increases extended time cap on ADM from 1.2 to 1.5, and eliminates the \$415 reduction from the compensatory formula allowance.

Section 10 Special Education Inflation. Establishes a special education program growth factor of 1.046 for FY 2007 and later. The effective date of this section is for FY 2006, however, the growth factor is not specified for FY 2006 and is not used for that year because section 11 specifies the state total and amount.

Section 11 Special Education Aid. Sets state total special education aid for FY 2006 at \$578,967,000, an increase of 9.4% over FY 2005. Changes the student portion of the formula allocation from ADM to the unduplicated count of students with an individual education plan in the prior year.

Section 12 Excess Cost Inflation. Establishes a special education excess cost program growth factor of 1.02 beginning for FY 2007 and later. The effective date of this section is for FY 2006, however, the program growth factor is not used for FY 2006 because section 13 specifies the total aid amount for that year.

Section 13 Excess Cost Aid. Establishes state total special education excess cost revenue at \$95,520,000 for FY 2006, an increase of 4% over FY 2005.

Section 14 Pupil Units. Effective for FY 2006 and later, ADM for extended time programs, is limited to 1.5 rather than 1.2.

Section 15 Learning Year Pupil Units. Effective for FY 2006 and later years, for a student enrolled in a learning year program, ADM is limited to 1.5 rather than 1.2.

Section 16 Basic Education Revenue. Beginning for FY 2006 and later, the general education basic formula allowance is increased from \$4,601 to \$4,851.

Section 17 Extended Time Revenue. For FY 2006 and later, extended time revenue equals ADM between 1.0 and 1.5 multiplied by \$4,601.

Section 18 Compensatory Revenue. Eliminates the subtraction of \$415 from the basic formula allowance used to calculate compensatory revenue.



Section 19 Building Lease. Revises the amount school districts may levy for the cost of leasing land or buildings.

Section 20 Unemployment Insurance. Revises the amount school districts may levy for unemployment costs.

Section 21 Judgment Levy. Revises the amount school districts may levy for the costs of judgments against the district.

Section 22 Safe Schools Levy. Revises the amount of the safe schools levy.

### Assumptions

#### Section 1 Lease Aid

This change creates potential winners and losers as some charter schools will receive increases in lease revenue and others that are grandfathered at amounts greater than \$1,500 per PU will receive reductions. With a higher formula constraint, lease agreements and lease aid will increase.

#### Section 2 ECFE

Statewide levy, set at \$22.135 million, is not changed.

Revenue, aid and levy for FY 2006, is recalculated based on revised formula. Required levy adjustments will be levied in the Pay 2006 levy cycle.

#### Section 3 Way to Grow

No appropriation is provided. It is assumed that the program reinstatement is meant to provide \$475,000 to the same 5 school districts as under the previous authority.

#### Section 4 Community Education

Revenue, aid and levy for FY 2006 and later is calculated based on the revised formula. Required levy adjustments for FY 2006 revenue will be levied in the Pay 2006 levy cycle.

#### Section 5 After School Enrichment

No appropriation is provided. It is assumed that the program reinstatement is at the same level as previous - \$5.51 million for direct grants and for evaluation and technical training and assistance contracts. In addition, 2.25 FTE will be required to administer the program.

#### Sections 6 – 8 Adult Basic Education Program

None. Impact is calculated based on proposed changes.

#### Sections 9 - Various changes to General Education, Components, and student accounting

None. Impact is calculated on proposed changes.

#### Sections 10-13

None. Impact is calculated on proposed changes.

#### Section 16-18

None. Impact is calculated on proposed changes.

Section 19 District can currently levy for 90% of their lease costs, with a limit of \$90 per AMCPU. This bill increases their levy authority to 100% of costs, with a limit of \$100 per adjusted marginal cost pupil unit (AMCPU). Members of an intermediate district can also levy for 90% of their share of the intermediate's lease costs, with a limit of \$22.50 per AMCPU. This bill increases this levy authority to 100% of costs, with a limit of \$25 per AMCPU.

Section 20 Districts can currently levy for 90% of reemployment costs that exceed \$10 per AMCPU. This bill would allow districts to levy for 100% of all reemployment costs.

Section 21 Districts can currently levy for 90% of judgment costs that exceed \$10 per AMCPU. This bill would allow districts to levy for 100% of all judgment costs.

Section 22 Increases the allowance for the safe schools levy from \$27 to \$30 per adjusted marginal cost pupil unit.

## Expenditure and/or Revenue Formula

Revised 4-4-05

### Section 1 Lease Aid

Year	Current Law	SF245	Entitlement			Appropriation	
			Change	84.30%	15.70%	Change	
2006	26,258,020	27,690,970	1,432,950	1,207,977			1,207,977
2007	31,792,540	33,837,640	2,045,100	1,724,019	224,973		1,948,992
2008	37,820,740	40,620,390	2,799,650	2,360,105	321,081		2,681,186
2009	44,384,440	48,098,840	3,714,400	3,131,239	439,545		3,570,784

### Section 2 ECFE

Net Aid Entitlement	Current Law	SF 245	Difference	84.30%	15.70%	Total
FY 2005	11,879,037	11,879,037	0			
FY 2006	12,253,104	26,546,170	14,293,066	12,049,055		12,049,055
FY 2007	12,625,018	27,108,773	14,483,755	12,209,805	2,244,011	14,453,817
FY 2008	12,983,072	27,615,601	14,632,529	12,335,222	2,273,950	14,609,171
FY 2009	13,334,252	28,113,107	14,778,855	12,458,575	2,297,307	14,755,882

### Section 3 Way to Grow

	.10 FTE	Grant	Total
FY 2006	9,000	475,000	484,000
FY 2007	9,000	475,000	484,000
FY 2008	9,000	475,000	484,000
FY 2009	9,000	475,000	484,000

### Section 4 Community Education

Levy Authority	Current Law	SF 245	Difference
FY 2005	33,356,511	33,356,511	0
FY 2006	34,816,379	37,448,454	2,632,075
FY 2007	36,182,081	39,244,235	3,062,154
FY 2008	36,592,645	39,692,482	3,099,837
FY 2009	37,008,212	40,146,193	3,137,981

NET AID						
Aid Entitlement	Current Law	SF 245	Difference	84.30%	15.70%	Total
FY 2006	1,829,469	2,907,257	1,077,788	908,575		908,575
FY 2007	1,121,846	1,821,713	699,867	589,988	169,213	759,201
FY 2008	1,134,575	1,842,521	707,946	596,798	109,879	706,678
FY 2009	1,147,460	1,863,582	716,122	603,691	111,148	714,838

### Section 5 After School Enrichment Grants

	2.25 FTE	Grant/Eval	Total
FY 2006	256,000	5,510,000	5,766,000
FY 2007	256,000	5,510,000	5,766,000
FY 2008	256,000	5,510,000	5,766,000
FY 2009	256,000	5,510,000	5,766,000

### Sections 6 – 8 Adult Basic Education

ABE Cost	FY 2006	FY 2007	FY 2008	FY 2009
Proposed Formula Revenue	39,429,720	42,584,098	45,990,825	46,670,091
Estimated Cap Savings	-115,954	-86,965	-65,224	-48,918
Adjusted Revenue	39,313,766	42,497,133	45,925,601	46,621,173
Current Law Forecast Revenue	36,363,046	36,422,035	36,443,776	36,460,082
Change from Current Law	2,950,720	6,075,098	9,481,825	13,161,091
84.3% Appropriation	2,487,457	5,121,308	7,993,178	11,094,800
15.7% Appropriation		463,263	953,790	1,488,647
Total Appropriation Cost	2,487,457	5,584,571	8,946,969	12,583,446

Sections 9, 14-17 General Education Components and Student Accounting

GENERAL EDUCATION REVENUE ASPECTS	FY 2006	FY 2007	FY 2008	FY 2009
REVENUE CHANGES FROM HIGHER FORMULA ALLOWANCE				
CURRENT				
1 BASIC	4,248,996,124	4,208,940,370	4,163,618,634	4,110,618,979
2 SPARSITY	16,798,231	17,176,336	17,585,715	18,171,199
3 TRANSPORTATION SPARSITY	54,700,236	54,113,467	53,468,306	52,804,225
4 REFERENDUM	528,214,822	517,468,138	487,859,325	349,548,247
5 ALT ATT ADJ	492,000	1,327,038	2,541,015	2,992,128
PROPOSED				
6 BASIC	4,479,869,637	4,437,637,413	4,389,853,074	4,333,973,629
7 SPARSITY	17,362,024	17,760,674	18,192,296	18,809,593
8 TRANSPORTATION SPARSITY	57,678,472	57,059,853	56,379,521	55,679,311
9 REFERENDUM	530,798,513	519,942,466	489,920,070	351,076,000
10 ALT ATT ADJ	713,485	1,548,659	2,762,720	3,213,985
CHANGE				
11 BASIC	230,873,513	228,697,042	226,234,440	223,354,650
12 SPARSITY	563,793	584,338	606,582	638,395
13 TRANSPORTATION SPARSITY	2,978,236	2,946,385	2,911,215	2,875,086
14 REFERENDUM	2,583,691	2,474,328	2,060,745	1,527,753
15 ALT ATT ADJ	221,484	221,621	221,705	221,857
16 TOTAL REVENUE CHANGE FROM HIGHER FORMULA ALLOWANCE = TOTAL OF (11) TO (15) =	237,220,717	234,923,715	232,034,688	228,617,741
17 LEP REVENUE INCREASE BASED ON FISCAL NOTE ANALYSIS FOR SF 0312	14,166,121	14,412,362	14,203,088	14,215,678
18 COMPENSATORY REVENUE, CURRENT LAW	265,610,524	263,496,171	264,798,423	264,081,592
COMPENSATORY BASIS, CURRENT LAW	4,186	4,186	4,186	4,186
19 CURRENT LAW COMPENSATORY BASIS, PROPOSED	4,851	4,851	4,851	4,851
20 PROPOSED	4,851	4,851	4,851	4,851
21 COMPENSATORY CHANGE FACTOR = (20)/(19) = PROPOSED COMPENSATORY = 22 (18) X (21) =	1.158863	1.158863	1.158863	1.158863
22 (18) X (21) =	307,806,176	305,355,931	306,865,062	306,034,353
COMPENSATORY INCREASE = 23 (22)-(18) =	42,195,652	41,859,760	42,066,639	41,952,761
23 (22)-(18) =	42,195,652	41,859,760	42,066,639	41,952,761
EXTENDED TIME INCREASE				
24 FY 2004 ADM, RANGE OF 1.2 TO 1.5, PRE-K		2	2	2
25 FY 2004 ADM, RANGE OF 1.2 TO 1.5, HCP-K		6	6	6

26 FY 2004 ADM, RANGE OF 1.2 TO 1.5, REG-K	12	12	12	12
27 FY 2004 ADM, RANGE OF 1.2 TO 1.5, 1-3	224	224	224	224
28 FY 2004 ADM, RANGE OF 1.2 TO 1.5, 4-6	242	242	242	242
29 FY 2004 ADM, RANGE OF 1.2 TO 1.5, 7-12	584	584	584	584
30 FY 2004 ADM, RANGE OF 1.2 TO 1.5, TOTAL	1,069	1,069	1,069	1,069
<b>31 ADDED EXTENDED TIME PUPIL UNITS</b> = 1.250 X (24) + 1.000 X (25) + 0.557 X (26) + 1.115 X (27) + 1.060 X (28) + 1.300 X (29) =	1,280	1,280	1,280	1,280
<b>32 ADDED EXTENDED TIME REVENUE</b> = \$4,601 X (31) =	5,889,372	5,889,372	5,889,372	5,889,372
<b>33 TOTAL REVENUE INCREASE</b> = (16)+(17)+(23)+(32) =	299,471,862	297,085,208	294,193,787	290,675,552
<b>LEVY CHANGES FROM HIGHER FORMULA ALLOWANCE</b>				
34 LEVY, CURRENT	494,641,188	521,931,960	527,934,530	394,478,391
35 LEVY, PROPOSED	489,163,040	515,166,611	520,774,741	386,529,998
<b>36 LEVY, CHANGE</b>	<b>-5,478,148</b>	<b>-6,765,349</b>	<b>-7,159,789</b>	<b>-7,948,393</b>
<b>37 NET AID CHANGE = (33)-(36) =</b>	<b>304,950,010</b>	<b>303,850,557</b>	<b>301,353,576</b>	<b>298,623,945</b>
	A	B	C	D
		CURRENT PAYMENT = A X ENTITLEMENT	CLEANUP FOR PRIOR 84.30% YEAR	COST = B+C
38 2005-06	304,950,010	257,072,858	0	257,072,858
39 2006-07	303,850,557	256,146,020	47,877,152	304,023,171
40 2007-08	301,353,576	254,041,065	47,704,537	301,745,602
41 2008-09	298,623,945	251,739,986	47,312,511	299,052,497

**Sections 10 – 13 Special Education and Excess Cost**

Special Education	FY 2006	FY 2007	FY 2008	FY 2009
Entitlement Change	51,099,000	85,447,000	121,644,000	160,390,000
Appropriation Change				
84.30%	43,076,457	72,031,821	102,545,892	135,208,770
15.70%		8,022,543	13,415,179	19,098,108
Total Appropriation Change	43,076,457	80,054,364	115,961,071	154,306,878
Excess Cost				
Entitlement Change	3,933,000	7,106,000	10,366,000	13,820,000
Appropriation Change		3,933,000	9,360,789	12,185,081

**Levy Changes under Sections 19 -22**

	Pay 2006	Pay 2007	Pay 2008
Lease Levy	4,200,000	4,200,000	4,200,000
Judgment	325,000	325,000	325,000
Reemployment	7,300,000	7,600,000	8,000,000
Safe Schools	2,700,000	2,700,000	2,700,000

SF 245 Cost Summary	FY 2006	FY 2007	FY 2008	FY 2009
Aid Appropriations (in thousands)				
Charter Lease Aid	1,208	1,949	2,681	3,571
ECFE	12,049	14,454	14,609	14,756

Way to Grow	484	484	484	484
Community Education	909	759	707	715
After School Enrichment	5,766	5,766	5,766	5,766
Adult Basic Education	2,487	5,585	8,947	12,583
Special Education	43,076	80,054	115,961	154,307
Special Educ Excess Cost		3,933	9,361	12,185
General Education Total	257,073	304,023	301,746	299,052
<b>Total Aid Appropriation</b>	<b>323,052</b>	<b>417,007</b>	<b>460,262</b>	<b>503,419</b>
District Levies (in thousands)				
Community Education	2,632	3,062	3,100	3,138
General Education	-5,478	-6,765	-7,160	-7,948
Miscellaneous Levies		14,525	14,825	15,225
<b>Total Levies</b>	<b>-2,846</b>	<b>10,822</b>	<b>10,765</b>	<b>10,415</b>
<b>Total Cost Aid + Levy</b>	<b>320,206</b>	<b>427,829</b>	<b>471,027</b>	<b>513,834</b>

Tax shift (\$=000s)			
Levy Year	Pay 2006	Pay 2007	Pay 2008
Revenue Year	FY 2006	FY 2007	FY 2008
Levy Amount	10,822	10,765	10,415
Early Levy Recognition	5,260	5,232	5,062
Aid Cost (Savings)			
General Education	-5,260	28	170

### **Long-Term Fiscal Considerations**

Each program or provision in Sections 1 – 22 is a continuing program.

### **Local Government Costs**

This bill will increase property taxes for formula driven revenues with aid and levy components. School districts would be provided additional unqualified levy authority for building lease, unemployment costs, judgment levies and the Safe School levy.

The majority of these changes would provide additional revenue for school districts for various categorical programs, the general education revenue formula and would provide additional levy authority for districts.

Agency Contact Name: Bomstad, Audrey 651-582-8793

FN Coord Signature: AUDREY BOMSTAD

Date: 04/05/05 Phone: 582-8793

### **EBO Comments**

I have reviewed this Fiscal Note for accuracy and content.

EBO Signature: BRIAN STEEVES

Date: 04/05/05 Phone: 296-8674

Senators Saxhaug, Kelley, Stumpf, Fischbach and Senjem introduced--  
S.F. No. 945: Referred to the Committee on Finance.

1                                   A bill for an act

2           relating to education; requiring state payment of  
3           certain excessive special education costs; amending  
4           Minnesota Statutes 2004, section 125A.75, by adding a  
5           subdivision.

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

7           Section 1. Minnesota Statutes 2004, section 125A.75, is  
8           amended by adding a subdivision to read:

9           Subd. 9. [STATE PAYMENT OF EXCESSIVE SPECIAL EDUCATION  
10          COSTS.] The state shall pay to a district providing special  
11          instruction and services to a child with a disability the actual  
12          costs of providing that instruction and service to that child  
13          that exceeds \$35,000 per school year. The district may bill the  
14          state for the actual cost incurred in providing the services  
15          including transportation costs and a proportionate amount of  
16          capital expenditures and debt service, minus \$35,000. The total  
17          amount received for a child for a school year may not exceed the  
18          amount expended on that child for that year. This aid shall be  
19          in addition to any other aid earned by the district in that year  
20          on behalf of that child provided that the total aid received  
21          does not exceed the actual cost of providing instruction and  
22          service to the child.

23           [EFFECTIVE DATE.] This section is effective for revenue for  
24          fiscal year 2006.