

1.1 **ARTICLE 34**

1.2 **GENERAL EDUCATION**

1.3 Section 1. Minnesota Statutes 2017 Supplement, section 123B.41, subdivision 2, is amended
1.4 to read:

1.5 Subd. 2. **Textbook.** (a) "Textbook" means any book or book substitute, including
1.6 electronic books as well as other printed materials delivered electronically, which a pupil
1.7 uses as a text or text substitute in a particular class or program in the school regularly
1.8 attended and a copy of which is expected to be available for the individual use of each pupil
1.9 in this class or program. Textbook includes an online book with an annual subscription cost.
1.10 Textbook includes teacher materials that accompany materials that a pupil uses.

1.11 (b) For purposes of calculating the annual nonpublic pupil aid entitlement for textbooks,
1.12 the term shall be limited to books, workbooks, or manuals, whether bound or in loose-leaf
1.13 form, as well as electronic books and other printed materials delivered electronically,
1.14 intended for use as a principal source of study material for a given class or a group of
1.15 students.

1.16 (c) For purposes of sections 123B.40 to 123B.48, the terms "textbook" and "software
1.17 or other educational technology" include only such secular, neutral, and nonideological
1.18 materials as are available, used by, or of benefit to Minnesota public school pupils.

1.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

1.20 Sec. 2. Minnesota Statutes 2016, section 123B.41, subdivision 5, is amended to read:

1.21 Subd. 5. **Individualized instructional or cooperative learning materials.** (a)
1.22 "Individualized instructional or cooperative learning materials" means educational materials
1.23 which:

1.24 ~~(a)~~ (1) are designed primarily for individual pupil use or use by pupils in a cooperative
1.25 learning group in a particular class or program in the school the pupil regularly attends,
1.26 including teacher materials that accompany materials that a pupil uses;

1.27 ~~(b)~~ (2) are secular, neutral, nonideological and not capable of diversion for religious
1.28 use; and

1.29 ~~(c)~~ (3) are available, used by, or of benefit to Minnesota public school pupils.

1.30 (b) Subject to the requirements in paragraph (a), clauses ~~(a)~~ (1), ~~(b)~~ (2), and ~~(c)~~ (3),
1.31 "individualized instructional or cooperative learning materials" include, but are not limited

2.1 to, the following if they do not fall within the definition of "textbook" in subdivision 2:
 2.2 published materials; periodicals; documents; pamphlets; photographs; reproductions; pictorial
 2.3 or graphic works; prerecorded video programs; prerecorded tapes, cassettes and other sound
 2.4 recordings; manipulative materials; desk charts; games; study prints and pictures; desk
 2.5 maps; models; learning kits; blocks or cubes; flash cards; individualized multimedia systems;
 2.6 prepared instructional computer software programs; choral and band sheet music; electronic
 2.7 books and other printed materials delivered electronically; and CD-Rom.

2.8 (c) "Individualized instructional or cooperative learning materials" do not include
 2.9 instructional equipment, instructional hardware, or ordinary daily consumable classroom
 2.10 supplies.

2.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

2.12 Sec. 3. Minnesota Statutes 2016, section 123B.42, subdivision 3, is amended to read:

2.13 Subd. 3. **Cost; limitation.** (a) The cost per pupil of the textbooks, individualized
 2.14 instructional or cooperative learning materials, software or other educational technology,
 2.15 and standardized tests provided for in this section for each school year must not exceed the
 2.16 statewide average expenditure per pupil, adjusted pursuant to ~~clause paragraph~~ (b), by the
 2.17 Minnesota public elementary and secondary schools for textbooks, individualized
 2.18 instructional materials and standardized tests as computed and established by the department
 2.19 by February 1 of the preceding school year from the most recent public school year data
 2.20 then available.

2.21 (b) The cost computed in ~~clause paragraph~~ (a) shall be increased by an inflation
 2.22 adjustment equal to the percent of increase in the formula allowance, pursuant to section
 2.23 126C.10, subdivision 2, from the second preceding school year to the current school year.
 2.24 ~~Notwithstanding the amount of the formula allowance for fiscal years 2015 and 2016 in~~
 2.25 ~~section 126C.10, subdivision 2, the commissioner shall use the amount of the formula~~
 2.26 ~~allowance for the current year minus \$414 in determining the inflation adjustment for fiscal~~
 2.27 ~~years 2015 and 2016.~~

2.28 (c) The commissioner shall allot to the districts or intermediary service areas the total
 2.29 cost for each school year of providing or loaning the textbooks, individualized instructional
 2.30 or cooperative learning materials, software or other educational technology, and standardized
 2.31 tests for the pupils in each nonpublic school. The allotment shall not exceed the product of
 2.32 the statewide average expenditure per pupil, according to ~~clause paragraph~~ (a), adjusted
 2.33 pursuant to ~~clause paragraph~~ (b), multiplied by the number of nonpublic school pupils who

3.1 make requests pursuant to this section and who are enrolled as of September 15 of the current
3.2 school year.

3.3 Sec. 4. Minnesota Statutes 2017 Supplement, section 124D.09, subdivision 3, is amended
3.4 to read:

3.5 Subd. 3. **Definitions.** For purposes of this section, the following terms have the meanings
3.6 given to them.

3.7 (a) "Eligible institution" means a Minnesota public postsecondary institution, a private,
3.8 nonprofit two-year trade and technical school granting associate degrees, an opportunities
3.9 industrialization center accredited by the ~~North Central Association of Colleges and Schools~~
3.10 Council on Occupational Education or the Accreditation Commission of Career Schools
3.11 and Colleges, or a private, residential, two-year or four-year, liberal arts, degree-granting
3.12 college or university located in Minnesota.

3.13 (b) "Course" means a course or program.

3.14 (c) "Concurrent enrollment" means nonsectarian courses in which an eligible pupil under
3.15 subdivision 5 or 5b enrolls to earn both secondary and postsecondary credits, are taught by
3.16 a secondary teacher or a postsecondary faculty member, and are offered at a high school
3.17 for which the district is eligible to receive concurrent enrollment program aid under section
3.18 124D.091.

3.19 **EFFECTIVE DATE.** This section is effective the day following final enactment.

3.20 Sec. 5. Minnesota Statutes 2016, section 124D.09, subdivision 4, is amended to read:

3.21 Subd. 4. **Alternative pupil.** (a) "Alternative pupil" means ~~an~~ a 10th, 11th, or 12th grade
3.22 student, subject to paragraph (b), who is not enrolled in a public school district, and includes.
3.23 Alternative pupil includes students attending nonpublic schools and students who are home
3.24 schooled. An alternative pupil is considered a pupil for purposes of this section only. An
3.25 alternative pupil must register with the commissioner of education before participating in
3.26 the postsecondary enrollment options program. The commissioner ~~shall~~ must prescribe the
3.27 form and manner of the registration, in consultation with the Nonpublic Education Council
3.28 under section 123B.445, and may request any necessary information from the alternative
3.29 pupil.

3.30 (b) A 10th grade student qualifies as an alternative pupil if the student: (1) is enrolled
3.31 in a career or technical education course offered by an eligible institution; and (2) received
3.32 a passing score on the 8th grade Minnesota Comprehensive Assessment, or another reading

4.1 assessment accepted by the enrolling postsecondary institution. A career or technical
 4.2 education course must meet the requirements under subdivision 5a. If an alternative pupil
 4.3 in 10th grade receives a grade of "C" or better in the career or technical education course
 4.4 taken under this subdivision, the postsecondary institution must allow the student to take
 4.5 additional postsecondary courses for credit at that institution, not to exceed the limits in
 4.6 subdivision 8.

4.7 **EFFECTIVE DATE.** This section is effective for applications submitted on or after
 4.8 July 1, 2018.

4.9 Sec. 6. Minnesota Statutes 2017 Supplement, section 124D.68, subdivision 2, is amended
 4.10 to read:

4.11 Subd. 2. **Eligible pupils.** (a) A pupil under the age of 21 or who meets the requirements
 4.12 of section 120A.20, subdivision 1, paragraph (c), is eligible to participate in the graduation
 4.13 incentives program, if the pupil:

4.14 (1) performs substantially below the performance level for pupils of the same age in a
 4.15 locally determined achievement test;

4.16 (2) is behind in satisfactorily completing coursework or obtaining credits for graduation;

4.17 (3) is pregnant or is a parent;

4.18 (4) has been assessed as chemically dependent;

4.19 (5) has been excluded or expelled according to sections 121A.40 to 121A.56;

4.20 (6) has been referred by a school district for enrollment in an eligible program or a
 4.21 program pursuant to section 124D.69;

4.22 (7) is a victim of physical or sexual abuse;

4.23 (8) has experienced mental health problems;

4.24 (9) has experienced homelessness sometime within six months before requesting a
 4.25 transfer to an eligible program;

4.26 (10) speaks English as a second language or is an English learner; or

4.27 (11) has withdrawn from school or has been chronically truant; or

4.28 (12) is being treated in a hospital in the seven-county metropolitan area for cancer or
 4.29 other life threatening illness or is the sibling of an eligible pupil who is being currently
 4.30 treated, and resides with the pupil's family at least 60 miles beyond the outside boundary
 4.31 of the seven-county metropolitan area.

5.1 (b) For fiscal years 2017 ~~and~~, 2018, and 2019 only, a pupil otherwise qualifying under
 5.2 paragraph (a) who is at least 21 years of age and not yet 22 years of age, is an English learner
 5.3 with an interrupted formal education according to section 124D.59, subdivision 2a, and was
 5.4 in an early middle college program during the previous school year is eligible to participate
 5.5 in the graduation incentives program under section 124D.68 and in concurrent enrollment
 5.6 courses offered under section 124D.09, subdivision 10, and is funded in the same manner
 5.7 as other pupils under this section.

5.8 **EFFECTIVE DATE.** This section is effective July 1, 2018.

5.9 Sec. 7. Minnesota Statutes 2016, section 124E.20, subdivision 1, is amended to read:

5.10 Subdivision 1. **Revenue calculation.** (a) General education revenue must be paid to a
 5.11 charter school as though it were a district. The general education revenue for each adjusted
 5.12 pupil unit is the state average general education revenue per pupil unit, plus the referendum
 5.13 equalization aid allowance and first tier local optional aid allowance in the pupil's district
 5.14 of residence, minus an amount equal to the product of the formula allowance according to
 5.15 section 126C.10, subdivision 2, times .0466, calculated without declining enrollment revenue,
 5.16 local optional revenue, basic skills revenue, extended time revenue, pension adjustment
 5.17 revenue, transition revenue, and transportation sparsity revenue, plus declining enrollment
 5.18 revenue, basic skills revenue, pension adjustment revenue, and transition revenue as though
 5.19 the school were a school district.

5.20 (b) For a charter school operating an extended day, extended week, or summer program,
 5.21 the general education revenue in paragraph (a) is increased by an amount equal to 25 percent
 5.22 of the statewide average extended time revenue per adjusted pupil unit.

5.23 (c) Notwithstanding paragraph (a), the general education revenue for an eligible special
 5.24 education charter school as defined in section 124E.21, subdivision 2, equals the sum of
 5.25 the amount determined under paragraph (a) and the school's unreimbursed cost as defined
 5.26 in section 124E.21, subdivision 2, for educating students not eligible for special education
 5.27 services.

5.28 **EFFECTIVE DATE.** This section is effective for revenue in fiscal year 2020 and later.

5.29 Sec. 8. Minnesota Statutes 2016, section 126C.10, subdivision 2e, is amended to read:

5.30 Subd. 2e. **Local optional revenue.** (a) For fiscal year 2019, local optional revenue for
 5.31 a school district equals \$424 times the adjusted pupil units of the district for that school
 5.32 year. For fiscal year 2020 and later, local optional revenue for a school district equals the

6.1 sum of the district's first tier local optional revenue and second tier local optional revenue.
 6.2 A district's first tier local optional revenue equals \$300 times the adjusted pupil units of the
 6.3 district for that school year. A district's second tier local optional revenue equals \$424 times
 6.4 the adjusted pupil units of the district for that school year.

6.5 (b) For fiscal year 2019, a district's local optional levy equals its local optional revenue
 6.6 times the lesser of one or the ratio of its referendum market value per resident pupil unit to
 6.7 \$510,000. For fiscal year 2020 and later, a district's local optional levy equals the sum of
 6.8 the first tier local optional levy and the second tier local optional levy. A district's first tier
 6.9 local optional levy equals the district's first tier local optional revenue times the lesser of
 6.10 one or the ratio of the district's referendum market value per resident pupil unit to \$880,000.
 6.11 A district's second tier local optional levy equals the district's second tier local optional
 6.12 revenue times the lesser of one or the ratio of the district's referendum market value per
 6.13 resident pupil unit to \$510,000. The local optional revenue levy must be spread on referendum
 6.14 market value. A district may levy less than the permitted amount.

6.15 (c) A district's local optional aid equals its local optional revenue less minus its local
 6.16 optional levy, times the ratio of the actual amount levied to the permitted levy. If a district's
 6.17 actual levy for first or second tier local optional revenue is less than its maximum levy limit
 6.18 for that tier, its aid must be proportionately reduced.

6.19 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2020 and later.

6.20 Sec. 9. Minnesota Statutes 2016, section 126C.10, subdivision 24, is amended to read:

6.21 Subd. 24. **Equity revenue.** (a) A school district qualifies for equity revenue if:

6.22 (1) the school district's adjusted pupil unit amount of basic revenue, transition revenue,
 6.23 first tier local optional revenue, and referendum revenue is less than the value of the school
 6.24 district at or immediately above the 95th percentile of school districts in its equity region
 6.25 for those revenue categories; and

6.26 (2) the school district's administrative offices are not located in a city of the first class
 6.27 on July 1, 1999.

6.28 (b) ~~Equity revenue for a qualifying district that receives referendum revenue under~~
 6.29 ~~section 126C.17, subdivision 4,~~ equals the product of (1) the district's adjusted pupil units
 6.30 for that year; times (2) the sum of (i) \$14, plus (ii) \$80, times the school district's equity
 6.31 index computed under subdivision 27.

7.1 ~~(e)~~ Equity revenue for a qualifying district that does not receive referendum revenue
 7.2 under section 126C.17, subdivision 4, equals the product of the district's adjusted pupil units
 7.3 for that year times \$14.

7.4 ~~(d)~~ (c) A school district's equity revenue is increased by the greater of zero or an amount
 7.5 equal to the district's adjusted pupil units times the difference between ten percent of the
 7.6 statewide average amount of referendum revenue and first tier local optional revenue per
 7.7 adjusted pupil unit for that year and the sum of the district's referendum revenue and first
 7.8 tier local optional revenue per adjusted pupil unit. A school district's revenue under this
 7.9 paragraph must not exceed \$100,000 for that year.

7.10 ~~(e)~~ (d) A school district's equity revenue for a school district located in the metro equity
 7.11 region equals the amount computed in paragraphs (b); and (c); ~~and (d)~~ multiplied by 1.25.

7.12 ~~(f)~~ (e) For fiscal years 2017, 2018, and 2019 for a school district not included in paragraph
 7.13 ~~(e)~~ (d), a district's equity revenue equals the amount computed in paragraphs (b); and (c);
 7.14 ~~and (d)~~ multiplied by 1.16. For fiscal year 2020 and later for a school district not included
 7.15 in paragraph ~~(e)~~ (d), a district's equity revenue equals the amount computed in paragraphs
 7.16 (b); and (c); ~~and (d)~~ multiplied by 1.25.

7.17 ~~(g)~~ (f) A school district's additional equity revenue equals \$50 times its adjusted pupil
 7.18 units.

7.19 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2020 and later.

7.20 Sec. 10. Minnesota Statutes 2016, section 126C.15, subdivision 5, is amended to read:

7.21 Subd. 5. **Annual expenditure report.** (a) Each year, a district that receives basic skills
 7.22 revenue must submit a report to the commissioner of education identifying the expenditures
 7.23 it incurred to meet the needs of eligible learners under subdivision 1.

7.24 (b) The report must:

7.25 (1) conform to uniform financial and reporting standards established for this purpose;₂

7.26 (2) categorize expenditures by each of the permitted uses authorized in subdivision 1,
 7.27 in the form and manner specified by the commissioner; and

7.28 (3) report under section 120B.11, using valid and reliable data and measurement criteria,
 7.29 ~~the report also must determine~~ whether increased expenditures raised student achievement
 7.30 levels.

7.31 **EFFECTIVE DATE.** This section is effective for reports issued after July 1, 2018.

8.1 Sec. 11. Minnesota Statutes 2016, section 126C.15, is amended by adding a subdivision
8.2 to read:

8.3 Subd. 6. **Commissioner's report.** By February 15 of each year, the commissioner shall
8.4 compile the district data submitted under subdivision 5, report the results to the legislative
8.5 committees with jurisdiction over education, and file the report according to section 3.195.

8.6 **EFFECTIVE DATE.** This section is effective July 1, 2018.

8.7 Sec. 12. Minnesota Statutes 2016, section 126C.17, subdivision 1, is amended to read:

8.8 Subdivision 1. **Referendum allowance.** (a) A district's initial referendum allowance for
8.9 fiscal year 2020 and later equals the result of the following calculations:

8.10 ~~(1) multiply the referendum allowance the district would have received for fiscal year~~
8.11 ~~2015 under Minnesota Statutes 2012, section 126C.17, subdivision 1, based on elections~~
8.12 ~~held before July 1, 2013, by the resident marginal cost pupil units the district would have~~
8.13 ~~counted for fiscal year 2015 under Minnesota Statutes 2012, section 126C.05;~~

8.14 ~~(2) add to the result of clause (1) the adjustment the district would have received under~~
8.15 ~~Minnesota Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based~~
8.16 ~~on elections held before July 1, 2013;~~

8.17 ~~(3) divide the result of clause (2) by the district's adjusted pupil units for fiscal year~~
8.18 ~~2015;~~

8.19 ~~(4) add to the result of clause (3) any additional referendum allowance per adjusted pupil~~
8.20 ~~unit authorized by elections held between July 1, 2013, and December 31, 2013;~~

8.21 ~~(5) add to the result in clause (4) any additional referendum allowance resulting from~~
8.22 ~~inflation adjustments approved by the voters prior to January 1, 2014;~~

8.23 ~~(6) subtract from the result of clause (5), the sum of a district's actual local optional levy~~
8.24 ~~and local optional aid under section 126C.10, subdivision 2e, divided by the adjusted pupil~~
8.25 ~~units of the district for that school year; and~~

8.26 (1) subtract \$424 from the district's allowance under Minnesota Statutes 2016, section
8.27 126C.17, subdivision 1, paragraph (a), clause (5);

8.28 (2) if the result of clause (1) is less than zero, set the allowance to zero;

8.29 (3) add to the result in clause (2) any new referendum allowance authorized between
8.30 July 1, 2013, and December 31, 2013, under Minnesota Statutes 2013, section 126C.17,
8.31 subdivision 9a;

9.1 (4) add to the result in clause (3) any additional referendum allowance per adjusted pupil
 9.2 unit authorized between January 1, 2014, and June 30, 2018;

9.3 (5) subtract from the result in clause (4) any allowances expiring in fiscal year 2016,
 9.4 2017, 2018, or 2019;

9.5 (6) subtract \$300 from the result in clause (5); and

9.6 (7) if the result of clause (6) is less than zero, set the allowance to zero.

9.7 (b) A district's referendum allowance equals the sum of the district's initial referendum
 9.8 allowance calculated in paragraph (a), plus any new referendum allowance authorized
 9.9 ~~between July 1, 2013, and December 31, 2013, under subdivision 9a, plus any additional~~
 9.10 ~~referendum allowance per adjusted pupil unit authorized after December 31, 2013, after~~
 9.11 July 1, 2018, minus any allowances expiring in fiscal year ~~2016~~ 2020 or later, plus any
 9.12 inflation adjustments for fiscal year 2020 and later approved by the voters prior to July 1,
 9.13 2018, provided that the allowance may not be less than zero. ~~For a district with more than~~
 9.14 ~~one referendum allowance for fiscal year 2015 under Minnesota Statutes 2012, section~~
 9.15 ~~126C.17, the allowance calculated under paragraph (a), clause (3), must be divided into~~
 9.16 ~~components such that the same percentage of the district's allowance expires at the same~~
 9.17 ~~time as the old allowances would have expired under Minnesota Statutes 2012, section~~
 9.18 ~~126C.17. For a district with more than one allowance for fiscal year 2015 that expires in~~
 9.19 ~~the same year, the reduction under paragraph (a), clause clauses (1) and (6), to offset local~~
 9.20 ~~optional revenue shall be made first from any allowances that do not have an inflation~~
 9.21 ~~adjustment approved by the voters.~~

9.22 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2020 and later.

9.23 Sec. 13. Minnesota Statutes 2016, section 126C.17, subdivision 2, is amended to read:

9.24 Subd. 2. **Referendum allowance limit.** (a) Notwithstanding subdivision 1, for fiscal
 9.25 year ~~2015~~ 2020 and later, a district's referendum allowance must not exceed ~~the annual~~
 9.26 ~~inflationary increase as calculated under paragraph (b) times the greatest of:~~

9.27 (1) ~~\$1,845~~ the product of the annual inflationary increase as calculated under paragraph
 9.28 (b), and \$2,012.53, minus \$300;

9.29 (2) the product of the annual inflationary increase as calculated under paragraph (b),
 9.30 and the sum of the referendum revenue the district would have received for fiscal year 2015
 9.31 under Minnesota Statutes 2012, section 126C.17, subdivision 4, based on elections held
 9.32 before July 1, 2013, and the adjustment the district would have received under Minnesota
 9.33 Statutes 2012, section 127A.47, subdivision 7, paragraphs (a), (b), and (c), based on elections

10.1 held before July 1, 2013, divided by the district's adjusted pupil units for fiscal year 2015,
 10.2 minus \$300;

10.3 ~~(3) the product of the referendum allowance limit the district would have received for~~
 10.4 ~~fiscal year 2015 under Minnesota Statutes 2012, section 126C.17, subdivision 2, and the~~
 10.5 ~~resident marginal cost pupil units the district would have received for fiscal year 2015 under~~
 10.6 ~~Minnesota Statutes 2012, section 126C.05, subdivision 6, plus the adjustment the district~~
 10.7 ~~would have received under Minnesota Statutes 2012, section 127A.47, subdivision 7,~~
 10.8 ~~paragraphs (a), (b), and (c), based on elections held before July 1, 2013, divided by the~~
 10.9 ~~district's adjusted pupil units for fiscal year 2015; minus \$424 for a newly reorganized~~
 10.10 ~~district created on July 1, 2019, the referendum revenue authority for each reorganizing~~
 10.11 ~~district in the year preceding reorganization divided by its adjusted pupil units for the year~~
 10.12 ~~preceding reorganization, minus \$300; or~~

10.13 (4) for a newly reorganized district created after July 1, ~~2013~~ 2020, the referendum
 10.14 revenue authority for each reorganizing district in the year preceding reorganization divided
 10.15 by its adjusted pupil units for the year preceding reorganization.

10.16 (b) For purposes of this subdivision, for fiscal year ~~2016~~ 2021 and later, "inflationary
 10.17 increase" means one plus the percentage change in the Consumer Price Index for urban
 10.18 consumers, as prepared by the United States Bureau of Labor ~~Standards~~ Statistics, for the
 10.19 current fiscal year to fiscal year ~~2015~~ 2020. ~~For fiscal year 2016 and later, for purposes of~~
 10.20 ~~paragraph (a), clause (3), the inflationary increase equals one-fourth of the percentage~~
 10.21 ~~increase in the formula allowance for that year compared with the formula allowance for~~
 10.22 ~~fiscal year 2015.~~

10.23 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2020 and later.

10.24 Sec. 14. Minnesota Statutes 2016, section 126C.17, subdivision 5, is amended to read:

10.25 Subd. 5. **Referendum equalization revenue.** (a) A district's referendum equalization
 10.26 revenue equals the sum of the first tier referendum equalization revenue and the second tier
 10.27 referendum equalization revenue, ~~and the third tier referendum equalization revenue.~~

10.28 (b) A district's first tier referendum equalization revenue equals the district's first tier
 10.29 referendum equalization allowance times the district's adjusted pupil units for that year.

10.30 (c) A district's first tier referendum equalization allowance equals the lesser of the
 10.31 district's referendum allowance under subdivision 1 or ~~\$300~~ \$460.

10.32 (d) A district's second tier referendum equalization revenue equals the district's second
 10.33 tier referendum equalization allowance times the district's adjusted pupil units for that year.

11.1 (e) A district's second tier referendum equalization allowance equals the lesser of the
 11.2 district's referendum allowance under subdivision 1 or \$760, minus the district's first tier
 11.3 referendum equalization allowance.

11.4 ~~(f) A district's third tier referendum equalization revenue equals the district's third tier~~
 11.5 ~~referendum equalization allowance times the district's adjusted pupil units for that year.~~

11.6 ~~(g) A district's third tier referendum equalization allowance equals the lesser of the~~
 11.7 ~~district's referendum allowance under subdivision 1 or 25 percent of the formula allowance,~~
 11.8 ~~minus the sum of \$300 and the district's first tier referendum equalization allowance and~~
 11.9 ~~second tier referendum equalization allowance.~~

11.10 ~~(h) (f)~~ Notwithstanding paragraph ~~(g) (e)~~, the ~~third~~ second tier referendum allowance
 11.11 for a district qualifying for secondary sparsity revenue under section 126C.10, subdivision
 11.12 7, or elementary sparsity revenue under section 126C.10, subdivision 8, equals the district's
 11.13 referendum allowance under subdivision 1 minus the ~~sum of the~~ district's first tier referendum
 11.14 equalization allowance ~~and second tier referendum equalization allowance.~~

11.15 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2020 and later.

11.16 Sec. 15. Minnesota Statutes 2016, section 126C.17, subdivision 6, is amended to read:

11.17 Subd. 6. **Referendum equalization levy.** (a) A district's referendum equalization levy
 11.18 equals the sum of the first tier referendum equalization levy; and the second tier referendum
 11.19 equalization levy; ~~and the third tier referendum equalization levy.~~

11.20 (b) A district's first tier referendum equalization levy equals the district's first tier
 11.21 referendum equalization revenue times the lesser of one or the ratio of the district's
 11.22 referendum market value per resident pupil unit to ~~\$880,000~~ \$510,000.

11.23 (c) A district's second tier referendum equalization levy equals the district's second tier
 11.24 referendum equalization revenue times the lesser of one or the ratio of the district's
 11.25 referendum market value per resident pupil unit to ~~\$510,000~~ \$290,000.

11.26 ~~(d) A district's third tier referendum equalization levy equals the district's third tier~~
 11.27 ~~referendum equalization revenue times the lesser of one or the ratio of the district's~~
 11.28 ~~referendum market value per resident pupil unit to \$290,000.~~

11.29 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2020 and later.

12.1 Sec. 16. Minnesota Statutes 2016, section 126C.17, subdivision 7, is amended to read:

12.2 Subd. 7. **Referendum equalization aid.** (a) A district's referendum equalization aid
12.3 equals the difference between its referendum equalization revenue and levy.

12.4 (b) If a district's actual levy for first, or second, ~~or third~~ tier referendum equalization
12.5 revenue is less than its maximum levy limit for that tier, aid shall be proportionately reduced.

12.6 (c) Notwithstanding paragraph (a), the referendum equalization aid for a district, ~~where~~
12.7 ~~the referendum equalization aid under paragraph (a) exceeds 90 percent of the referendum~~
12.8 ~~revenue~~, must not exceed: (1) the difference between 25 percent of the formula allowance
12.9 and \$300; times (2) the district's adjusted pupil units. A district's referendum levy is increased
12.10 by the amount of any reduction in referendum aid under this paragraph.

12.11 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2020 and later.

12.12 Sec. 17. Minnesota Statutes 2016, section 126C.17, subdivision 7a, is amended to read:

12.13 Subd. 7a. **Referendum tax base replacement aid.** For each school district that had a
12.14 referendum allowance for fiscal year 2002 exceeding \$415, for each separately authorized
12.15 referendum levy, the commissioner of revenue, in consultation with the commissioner of
12.16 education, shall certify the amount of the referendum levy in taxes payable year 2001
12.17 attributable to the portion of the referendum allowance exceeding \$415 levied against
12.18 property classified as class 2, noncommercial 4c(1), or 4c(4), under section 273.13, excluding
12.19 the portion of the tax paid by the portion of class 2a property consisting of the house, garage,
12.20 and surrounding one acre of land. The resulting amount must be used to reduce the district's
12.21 referendum levy or first tier local optional levy amount otherwise determined, and must be
12.22 paid to the district each year that the referendum or first tier local optional authority remains
12.23 in effect, is renewed, or new referendum authority is approved. The aid payable under this
12.24 subdivision must be subtracted from the district's referendum equalization aid under
12.25 subdivision 7. The referendum equalization aid and the first tier local optional aid after the
12.26 subtraction must not be less than zero.

12.27 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2020 and later.

12.28 Sec. 18. Minnesota Statutes 2016, section 127A.41, as amended by Laws 2017, chapter
12.29 40, article 1, section 16, and Laws 2017, First Special Session chapter 5, article 1, section
12.30 15, is amended to read:

12.31 **127A.41 DISTRIBUTION OF SCHOOL AIDS; APPROPRIATION.**

13.1 Subdivision 1. **Commissioner duties.** The commissioner shall supervise distribution of
 13.2 school aids and grants in accordance with law. The commissioner may make rules consistent
 13.3 with law for the distribution to enable districts to perform efficiently the services required
 13.4 by law and further education in the state, including reasonable requirements for the reports
 13.5 and accounts to it as will assure accurate and lawful apportionment of aids. State and federal
 13.6 aids and discretionary or entitlement grants distributed by the commissioner shall not be
 13.7 subject to the contract approval procedures of the commissioner of administration or to
 13.8 chapter 16A, 16B, or 16C. The commissioner shall adopt internal procedures for
 13.9 administration and monitoring of aids and grants.

13.10 Subd. 2. **Errors in distribution.** On determining that the amount of state aid distributed
 13.11 to a school district is in error or has been spent contrary to statutorily established revenue
 13.12 uses, the commissioner is authorized to adjust the amount of aid consistent with this
 13.13 subdivision. On determining that the amount of aid is in excess of the school district's
 13.14 entitlement, the commissioner is authorized to recover the amount of the excess by any
 13.15 appropriate means. Notwithstanding the fiscal years designated by the appropriation, the
 13.16 excess may be recovered by reducing future aid payments to the district. Notwithstanding
 13.17 any law to the contrary, if the aid reduced is not of the same type as that overpaid, the district
 13.18 must adjust all necessary financial accounts to properly reflect all revenues earned in
 13.19 accordance with the uniform financial accounting and reporting standards pursuant to
 13.20 sections 123B.75 to 123B.83. Notwithstanding the fiscal years designated by the
 13.21 appropriation, on determining that the amount of an aid paid is less than the school district's
 13.22 entitlement, the commissioner is authorized to increase such aid from the current
 13.23 appropriation. If the aid program has been discontinued and has no appropriation, the
 13.24 appropriation for general education shall be used for recovery or payment of the aid decrease
 13.25 or increase. Any excess of aid recovery over aid payment shall be canceled to the state
 13.26 general fund.

13.27 Subd. 3. **Audits.** The commissioner shall establish procedures for conducting and shall
 13.28 conduct audits of district records and files for the purpose of verifying district pupil counts,
 13.29 levy limitations, ~~and~~ aid entitlements, and appropriate revenue uses. The commissioner
 13.30 shall establish procedures for selecting and shall select districts to be audited. Disparities,
 13.31 if any, between pupil counts, levy limitations, ~~or~~ aid entitlements, or revenue uses determined
 13.32 by audit of district records and files and data reported by districts in reports, claims and
 13.33 other documents shall be reviewed by the commissioner who shall order increases or
 13.34 decreases accordingly. The commissioner may reduce an allocation to a district or charter
 13.35 school if the statutorily prescribed uses of the revenue are not being met. Whenever possible,

14.1 the commissioner shall audit at least ~~25~~ 50 districts each year pursuant to this subdivision.
14.2 Procedures adopted under this subdivision are not subject to chapter 14, including section
14.3 14.386, and may differ from the procedures under section 127A.42.

14.4 Subd. 4. **Less Fewer than 25 50 districts audited.** If the commissioner audits fewer
14.5 than ~~25~~ 50 districts in a fiscal year pursuant to subdivision 3, the commissioner shall report
14.6 the reasons for the number audited to the following legislative committees: house of
14.7 representatives education, house of representatives appropriations, senate education, and
14.8 senate finance.

14.9 Subd. 5. **District appeal of aid reduction; inspection of district schools and accounts**
14.10 **and records.** Public schools shall at all times be open to the inspection of the commissioner.
14.11 The accounts and records of any district must be open to inspection by the state auditor, or
14.12 the commissioner for the purpose of audits conducted under this section. Each district shall
14.13 keep for a minimum of three years at least the following: (1) identification of the annual
14.14 session days held, together with a record of the length of each session day, (2) a record of
14.15 each pupil's daily attendance, with entrance and withdrawal dates, and (3) identification of
14.16 the to-and-from school transportation category for each pupil as defined in section 123B.92,
14.17 subdivision 1.

14.18 Subd. 7. **Schedule adjustments.** (a) It is the intention of the legislature to encourage
14.19 efficient and effective use of staff and facilities by districts. Districts are encouraged to
14.20 consider both cost and energy saving measures.

14.21 (b) Any district operating a program pursuant to sections 124D.12 to 124D.127 or
14.22 124D.128, or operating a commissioner-designated area learning center program under
14.23 section 123A.09, or that otherwise receives the approval of the commissioner to operate its
14.24 instructional program to avoid an aid reduction in any year, may adjust the annual school
14.25 schedule for that program throughout the calendar year.

14.26 Subd. 8. **Appropriation transfers.** (a) If a direct appropriation from the general fund
14.27 to the department for any education aid or grant authorized in this chapter and chapters
14.28 122A, 123A, 123B, 124D, 124E, 125A, 126C, and 134, excluding appropriations under
14.29 sections 124D.135, 124D.16, 124D.20, 124D.22, 124D.52, 124D.531, 124D.55, and 124D.56,
14.30 exceeds the amount required, the commissioner may transfer the excess to any education
14.31 aid or grant appropriation that is insufficient. However, section 126C.20 applies to a
14.32 deficiency in the direct appropriation for general education aid. Excess appropriations must
14.33 be allocated proportionately among aids or grants that have insufficient appropriations. The
14.34 commissioner of management and budget shall make the necessary transfers among

15.1 appropriations according to the determinations of the commissioner. If the amount of the
 15.2 direct appropriation for the aid or grant plus the amount transferred according to this
 15.3 subdivision is insufficient, the commissioner shall prorate the available amount among
 15.4 eligible districts. The state is not obligated for any additional amounts.

15.5 (b) Transfers for aids paid under section 127A.45, subdivisions 12 and 13, shall be made
 15.6 during the fiscal year after the fiscal year of the entitlement. Transfers for aids paid under
 15.7 section 127A.45, subdivisions 11 and 12a, shall be made during the fiscal year of the
 15.8 appropriation.

15.9 **Subd. 9. Appropriation transfers for community education programs.** If a direct
 15.10 appropriation from the general fund to the Department of Education for an education aid
 15.11 or grant authorized under section 124D.135, 124D.16, 124D.20, 124D.22, 124D.52,
 15.12 124D.531, 124D.55, or 124D.56 exceeds the amount required, the commissioner of education
 15.13 may transfer the excess to any education aid or grant appropriation that is insufficiently
 15.14 funded under these sections. Excess appropriations shall be allocated proportionately among
 15.15 aids or grants that have insufficient appropriations. The commissioner of management and
 15.16 budget shall make the necessary transfers among appropriations according to the
 15.17 determinations of the commissioner of education. If the amount of the direct appropriation
 15.18 for the aid or grant plus the amount transferred according to this subdivision is insufficient,
 15.19 the commissioner shall prorate the available amount among eligible districts. The state is
 15.20 not obligated for any additional amounts.

15.21 ~~Subd. 10. **Health and safety aid transfer.** The commissioner, with the approval of the~~
 15.22 ~~commissioner of management and budget, annually may transfer an amount from the~~
 15.23 ~~appropriation for health and safety aid to the appropriation for debt service aid for the same~~
 15.24 ~~fiscal year. The amount of the transfer equals the amount necessary to fund any shortage~~
 15.25 ~~in the debt service aid appropriation created by a data correction that occurs between~~
 15.26 ~~November 1 and June 30 of the preceding fiscal year.~~

15.27 **EFFECTIVE DATE.** This section is effective for fiscal year 2019 and later.

15.28 Sec. 19. Minnesota Statutes 2016, section 127A.45, subdivision 11, is amended to read:

15.29 **Subd. 11. Payment percentage for reimbursement aids.** One hundred percent of the
 15.30 aid for the previous fiscal year must be paid in the current year for the following aids:
 15.31 telecommunications/Internet access equity ~~and~~ aid according to section 125B.26, special
 15.32 education special pupil aid according to section 125A.75, subdivision 3, ~~aid for litigation~~
 15.33 ~~costs according to section 125A.75, subdivision 9,~~ aid for court-placed special education
 15.34 expenses according to section 125A.79, subdivision 4, and aid for special education

16.1 out-of-state tuition according to section 125A.79, subdivision 8, and shared time aid
16.2 according to section 126C.01, subdivision 7.

16.3 Sec. 20. Minnesota Statutes 2016, section 127A.45, subdivision 16, is amended to read:

16.4 Subd. 16. **Payments to third parties.** Notwithstanding subdivision 3, the current year
16.5 aid payment percentage of the ~~amounts~~ amount under ~~sections 123A.26, subdivision 3, and~~
16.6 section 124D.041; shall be paid in equal installments on August 30, December 30, and
16.7 March 30, with a final adjustment payment on October 30 of the next fiscal year of the
16.8 remaining amount.

16.9 Sec. 21. Minnesota Statutes 2016, section 471.59, subdivision 1, is amended to read:

16.10 Subdivision 1. **Agreement.** (a) Two or more governmental units, by agreement entered
16.11 into through action of their governing bodies, may jointly or cooperatively exercise any
16.12 power common to the contracting parties or any similar powers, including those which are
16.13 the same except for the territorial limits within which they may be exercised. The agreement
16.14 may provide for the exercise of such powers by one or more of the participating governmental
16.15 units on behalf of the other participating units.

16.16 (b) The term "governmental unit" as used in this section includes every city, county,
16.17 town, school district, service cooperative under section 123A.21, independent nonprofit
16.18 firefighting corporation, other political subdivision of this or another state, another state,
16.19 federally recognized Indian tribe, the University of Minnesota, the Minnesota Historical
16.20 Society, nonprofit hospitals licensed under sections 144.50 to 144.56, rehabilitation facilities
16.21 and extended employment providers that are certified by the commissioner of employment
16.22 and economic development, day and supported employment services licensed under chapter
16.23 245D, and any agency of the state of Minnesota or the United States, and includes any
16.24 instrumentality of a governmental unit. For the purpose of this section, an instrumentality
16.25 of a governmental unit means an instrumentality having independent policy-making and
16.26 appropriating authority.

16.27 Sec. 22. Laws 2017, First Special Session chapter 5, article 1, section 19, subdivision 2,
16.28 is amended to read:

16.29 Subd. 2. **General education aid.** For general education aid under Minnesota Statutes,
16.30 section 126C.13, subdivision 4:

17.1 ~~7,032,051,000~~
 17.2 \$ 7,078,769,000 2018
 17.3 ~~7,227,809,000~~
 17.4 \$ 7,239,247,000 2019

17.5 The 2018 appropriation includes \$686,828,000 for 2017 and ~~\$6,345,223,000~~
 17.6 \$6,391,941,000 for 2018.

17.7 The 2019 appropriation includes ~~\$705,024,000~~ \$683,110,000 for 2018 and
 17.8 ~~\$6,522,785,000~~ \$6,556,137,000 for 2019.

17.9 **EFFECTIVE DATE.** This section is effective the day following final enactment.

17.10 Sec. 23. Laws 2017, First Special Session chapter 5, article 1, section 19, subdivision 5,
 17.11 is amended to read:

17.12 Subd. 5. **Consolidation transition aid; grant programs.** (a) ~~For districts consolidating~~
 17.13 consolidation transition aid under Minnesota Statutes, section 123A.485, or the purposes
 17.14 in paragraphs (b) to (d):

17.15 ~~185,000~~
 17.16 \$ 0 2018
 17.17 ~~382,000~~
 17.18 \$ 270,000 2019

17.19 (b) If no school district is eligible for a consolidation transition aid entitlement for fiscal
 17.20 year 2019, the fiscal year 2019 appropriation under paragraph (a) must be equally split
 17.21 between the purposes in paragraphs (c) and (d).

17.22 (c) The commissioner must award character development incentive grants to public
 17.23 schools and charter schools that demonstrate use of the Congressional Medal of Honor
 17.24 character development program. The amount available under this paragraph is in addition
 17.25 to amounts appropriated elsewhere for the same purpose. The commissioner must allocate
 17.26 the amount proportionally among the public schools and charter schools that apply, not to
 17.27 exceed \$5,000 per school per fiscal year. If the entire amount is not expended in fiscal year
 17.28 2019, the commissioner must award additional grants in fiscal years 2020 and 2021. The
 17.29 grant award may be used for any school-related purpose consistent with Minnesota Statutes,
 17.30 section 120B.232. The amount is available until June 30, 2021.

17.31 (d) For a grant to Independent School District No. 110, Waconia, to establish a career
 17.32 and technical education dual credit pilot program offering courses in manufacturing and
 17.33 construction. The program must be established in partnership with at least one higher
 17.34 education partner, including Hennepin Technical College or Ridgewater College. A dual

18.1 credit course offered under the pilot program must be taught by a qualified school district
 18.2 teacher or college faculty member. A student that completes a course offered by the career
 18.3 and technical education dual credit pilot program must receive both a secondary credit and
 18.4 postsecondary credit. A student may also receive an industry-recognized certificate, if
 18.5 appropriate. A dual credit course offered under the pilot program is not subject to the
 18.6 requirements of Minnesota Statutes, section 124D.09. A student enrolled in a dual credit
 18.7 course is included in the school district's average daily membership in accordance with
 18.8 Minnesota Statutes, section 126C.05, during the hours of participation in the course. The
 18.9 fiscal year 2019 amount is available until June 30, 2021.

18.10 (e) The 2018 appropriation includes \$0 for 2017 and ~~\$185,000~~ \$0 for 2018.

18.11 (f) The 2019 appropriation includes ~~\$20,000~~ \$0 for 2018 and ~~\$362,000~~ \$270,000 for
 18.12 2019.

18.13 **EFFECTIVE DATE.** This section is effective the day following final enactment.

18.14 Sec. 24. **FUND TRANSFER; MINNETONKA SCHOOL DISTRICT.**

18.15 (a) Notwithstanding Minnesota Statutes, section 123B.79, 123B.80, or 124D.20,
 18.16 subdivision 10, on June 30, 2018, Independent School District No. 276, Minnetonka, may
 18.17 permanently transfer up to \$2,400,000 from its community education reserve fund balance
 18.18 to its reserved for operating capital account in the general fund. This is a onetime transfer.

18.19 (b) The transferred funds must be used only to design, construct, furnish, and equip an
 18.20 early childhood classroom addition.

18.21 **EFFECTIVE DATE.** This section is effective the day following final enactment.

18.22 Sec. 25. **SCHOOL REVENUE GENERATION AND SPENDING; LEGISLATIVE**
 18.23 **AUDITOR STUDY.**

18.24 (a) The legislative auditor is requested to conduct a study of how students in
 18.25 prekindergarten through grade 12 generate revenue and compare how that revenue is spent
 18.26 and reported at the school level for a sample of school districts.

18.27 (b) The study shall focus on a sample of school districts and include the following topics:

18.28 (1) the extent to which the funding generated by students is spent at the school sites
 18.29 those students attend;

18.30 (2) how district calculations of actual salaries for teachers and staff compare to average
 18.31 salaries and how those calculations may impact per pupil expenditures at the school level;

19.1 (3) how per pupil expenditures within a given school district compare across school
 19.2 sites, including expenditures to reduce class sizes, hire additional support staff, and support
 19.3 other resources;

19.4 (4) the extent to which revenue sources for a given school district vary by school site,
 19.5 including state and local funding and philanthropic and parent association funds;

19.6 (5) whether there is currently variation in reporting across schools in the Uniform
 19.7 Financial Accounting and Reporting Standards (UFARS) system; and

19.8 (6) what steps the Department of Education can take to ensure consistent and accurate
 19.9 UFARS reporting from schools and districts on school-level revenue and expenditures.

19.10 (c) The legislative auditor must deliver the study findings to the chairs and ranking
 19.11 minority members of the legislative committees with primary jurisdiction over kindergarten
 19.12 through grade 12 education no later than February 1, 2019.

19.13 **Sec. 26. APPROPRIATIONS.**

19.14 Subdivision 1. **Commissioner of education.** The sums indicated in this section are
 19.15 appropriated from the general fund to the commissioner of education in the fiscal years
 19.16 designated.

19.17 Subd. 2. **St. Cloud English language learner summer program.** (a) For a grant to
 19.18 Independent School District No. 742, St. Cloud, for a summer language academy providing
 19.19 targeted services and extended year programming for English language learners:

19.20 § 300,000 2019

19.21 (b) A program funded under this subdivision must:

19.22 (1) provide a research-based language summer instructional program to help English
 19.23 learners, as defined in Minnesota Statutes, section 124D.59, subdivision 2, acquire English
 19.24 and achieve academic excellence;

19.25 (2) be consistent with English language development standards under Minnesota Rules,
 19.26 parts 3501.1200 and 3501.1210; and

19.27 (3) provide instruction by a highly qualified teacher of English as a second language.

19.28 (c) Independent School District No. 742, St. Cloud, must report to the education
 19.29 committees of the legislature by January 15, 2021, on the program's design, student
 19.30 participation levels, and any measurable outcomes of the program.

19.31 (d) This is a onetime appropriation and is available until June 30, 2021.

20.1 Subd. 3. School bus safety campaign. (a) For transfer to the commissioner of public
 20.2 safety for an education and awareness campaign on passing school buses:

20.3 § 41,000 2019

20.4 (b) This is a onetime appropriation.

20.5 (c) The campaign must be designed to: (1) help reduce occurrences of motor vehicles
 20.6 unlawfully passing school buses; and (2) inform drivers about the safety of pupils boarding
 20.7 and unloading from school buses, including (i) laws requiring a motor vehicle to stop when
 20.8 a school bus has extended the stop-signal arm and is flashing red lights, and (ii) penalties
 20.9 for violations. When developing the campaign, the commissioner must identify best practices,
 20.10 review effective communication methods to educate drivers, and consider multiple forms
 20.11 of media to convey the information.

20.12 Sec. 27. APPROPRIATION; SCHOOL REVENUE GENERATION AND
 20.13 SPENDING; LEGISLATIVE AUDITOR STUDY.

20.14 \$200,000 in fiscal year 2019 is appropriated from the general fund to the Office of the
 20.15 Legislative Auditor for the legislative auditor to study and report on school revenue
 20.16 generation and spending outlined in section 25. This is a onetime appropriation.

20.17 Sec. 28. REPEALER.

20.18 (a) Minnesota Statutes 2016, sections 123A.26, subdivision 3; and 125A.75, subdivision
 20.19 9, are repealed.

20.20 (b) Minnesota Statutes 2016, section 126C.16, subdivisions 1 and 3, are repealed.

20.21 (c) Minnesota Statutes 2016, section 126C.17, subdivision 9a, is repealed.

20.22 EFFECTIVE DATE. Paragraphs (a) and (b) are effective July 1, 2018. Paragraph (c)
 20.23 is effective for revenue for fiscal year 2020 and later.