

renew a referendum that expired between 2004 and 2009 if that district serves at least 60 percent free and reduced lunch eligible pupils and the referendum has not yet been renewed. Expires this authority July 1, 2016.

- 6 Retired employee health benefits.** Clarifies that the maximum amount of annual levy authority that a school district may claim for other postemployment benefits (OPEB) for retired employees is the district's actual OPEB expenses for the previous year. Allows the commissioner to adjust each district's initial pay-as-you-go OPEB levy authority in order to allocate the statewide maximum amount of authority authorized by the statewide cap (which, under current law, is set at \$29.863 million for taxes payable in 2011 and increases by \$14 million per year for each subsequent year).
- 7 Nonpublic pupil aid.** Reduces the appropriation for nonpublic pupil aid consistent with the modification of home school reporting in article 2.

Article 2: Education Excellence

- 1 Assessment of performance.** (a) Allows home school students to be tested using a nationally recognized college entrance exam.
- (b) Strikes language requiring a parent to assess the performance of a home school student in subject areas (communications skills, math, science, social studies, health, and physical education) not covered in the national test administered to the student.
- (c) Strikes language requiring a home school parent to obtain additional evaluation of a student whose performance on the national assessment is below the 30th percentile or one grade level below the performance level for children of the same age.
- 2 Reporting.**
- Subd. 1. Reports to superintendent.** Requires a home school parent to provide the resident superintendent with specified information on a home school student only for the first school year in which the child receives instruction after age seven.
- Subd. 2. Availability of documentation.** (a) Directs a parent to maintain documents, instead of making documents available indicating that a home school student is receiving required instruction and has been assessed.
- (b) Directs the parent of a home school student who enrolls in public school to provide the enrolling school or school district with the student's score on standardized tests and other documents the enrolling school or district requires to determine the student's school placement and course requirements.
- (c) Requires a home school parent to make information available to the county attorney.
- Subd. 3. Exemptions.** Exempts accredited nonpublic schools from the requirement to maintain documents under subdivision 2.
- Subd. 4. Reports to the state.** Requires school superintendents to report annually by December 1 to the education commissioner on the number of home school

children reported under subdivision 1.

- 3 Required academic standards.** Adds physical education to the list of state-required academic standards.
- Makes this section effective for all students beginning in the 2012-2013 school year and later. Allows school districts and charter schools to implement the standards earlier.
- 4 Revisions and reviews required.** (g) Strikes references to physical education as a local standard.
- (h) Directs the commissioner to use the good cause exemption rulemaking to amend state physical education standards to conform with the national standards. Exempts physical education standards from all requirements related to state academic standards.
- Makes this section effective for all students beginning in the 2012-2013 school year and later. Allows school districts and charter schools to implement the standards earlier. Makes paragraph (h) effective in the 2013-2014 school year.
- 5 Gifted and talented students programs.** Specifies that charter schools may provide programs for gifted and talented students. Requires program assessments and procedures to include research covering tools and methods sensitive to underrepresented groups.
- 6 Mental health education.** Encourages school districts to provide mental health instruction for students in grades 7 to 12 that is aligned with local health education standards and integrated into existing programs, curriculum, or the school environment. Directs the education commissioner, in consultation with mental health organizations, to assist districts with: (1) age appropriate model learning activities that are consistent with the mental health components of the National Health Education Standards and health education benchmarks developed by the department's quality teaching network in health and best practices in mental health education; and (2) a directory of resources for planning and implementing age appropriate mental health curriculum and instruction in grades 7 to 12.
- 7 Statewide testing.** (d) Requires schools, school districts, and charter schools to place on students' transcripts the students' current pass status for each subject with a required graduation assessment. Strikes language requiring that students' test scores be placed on their transcripts.
- 8 High school algebra end-of-course assessment.** (a) Directs the education commissioner to establish a statewide high school algebra end-of-course assessment for students entering grade 8 in the 2010-2011 school year and later that provides information on students' college and career readiness and meets federal accountability requirements, consistent with this subdivision.
- (b) Directs the commissioner to establish a statewide end-of-course exam in high school algebra. Requires the exam to: (1) align with revised academic content standards; (2) include multiple choice and open-ended items that assess knowledge and skills in algebra; (3) be designed for computer administration and scoring so that students' exams scores are available within three school days beginning in the second year a computerized test is administered, among other design characteristics; (4) be administered at regular intervals that align with the most common Minnesota high school schedules; (5) generate exam achievement levels; (6) use achievement level descriptors that define students' college and career readiness; (7) comprise 20 percent of students' overall course grade; (8) require

students who do not pass a high school algebra or biology course to (i) retake the course or complete a credit-recovery class, (ii) decide whether or not to retake the end-of-course assessment, and (iii) decide which exam score counts as 20 percent of the course grade; (9) allow alternatives for student transfers from other states, students with disabilities, and English language learner (ELL) students, and other alternatives recommended by the assessment advisory committee that are subsequently authorized by law; (10) use three consecutive school years of research and analysis through the 2014-2015 school year to calculate and report an alignment index that compares students' grades and end-of-course exam scores; (11) require highly misaligned schools to report the misalignment to parents of enrolled students; and (12) use staff development funds to address the misalignment in schools that are highly misaligned for two consecutive school years.

(c) Makes the requirements of the subdivision applicable to public school students, including charter school students, who enter 8th grade in the 2010-2011 school year and later. Allows the commissioner to establish a transition period for students entering the 8th grade in the 2010-2011 and 2011-2012 school years using Graduation-Required Assessment for Diploma (GRAD) requirements or through a staggered implementation of this subdivision. Allows the commissioner to seek the legislature's authority to adjust this timeline if federal or other circumstances warrant.

(d) As a condition of fully implementing this subdivision and enabling school districts to provide intervention and support to struggling students and improve instruction for all students, requires the commissioner to provide all school districts with (1) a benchmark assessment that is aligned with the algebra end-of-course exam and (2) as funding permits, allows the commissioner to provide an item bank available to teachers for creating formative assessments to help student prepare for the high school algebra end-of-course exam.

(e) Directs the commissioner to expand the assessment advisory committee to include assessment experts and practitioners from secondary and postsecondary education systems and other stakeholders to monitor the implementation of and student outcomes and state support available to school districts under this subdivision. Directs the committee to report annually by February 15 to the commissioner and the legislature. Precludes committee members from receiving any payment for their committee service.

(f) Directs the commissioner to solicit requests for proposal in contracting for at least two independent studies at two-year intervals to evaluate the implementation of the requirements under this subdivision and the availability and efficacy of the resources to support and improve student outcomes based on student achievement data under this subdivision. Directs the commissioner to submit the results of the first study to the legislature by February 15, 2015 and the results of the second study by February 15, 2017.

(g) Prohibits the commissioner from developing additional end-of-course exams in geometry, chemistry, or physics until specifically authorized to do so.

(h) Requires school districts and charter schools to indicate on a student's transcript the student's level of college and career readiness in algebra after the levels have been established through a professionally recognized methodology.

Makes this section effective immediately.

9 Reporting. Excludes personally identifiable information from publicly reported test results.

10 Access to tests. Consistent with the statute giving individuals access to academic exams they complete unless such access compromises the exam process (Minn. Stat. § 13.34), gives the public and parents access to statewide tests and assessments unless that access

compromises the objectivity or fairness of the testing process.

- 11 State growth target; other state measures.** (e) Directs the education commissioner, beginning July 1, 2013, to identify and report measures that demonstrate the success of school districts, school sites, charter schools, and alternative program providers in improving the graduation outcomes of students who are at-risk of not graduating and students who are off-track to graduate. Requires the commissioner to annually report summary data on:
- (i) the four and six-year graduation rates of these students, including students who participate in an alternative program or the graduation incentives program; and
 - (ii) the success that school districts, school sites, charter schools, and alternative program providers experience in identifying at-risk and off-track students, providing successful prevention and intervention strategies for at-risk students, providing successful recuperative and recovery or re-enrollment strategies for off-track students, and improving the graduation outcomes of these students.
- For purposes of paragraph (e), defines a student who is at-risk of not graduating as an 8th or 9th grade student who meets one or more criteria:
- first enrolled in an ELL program in 8th or 9th grade and may be older than other students in the same grade;
 - as an 8th grader, is absent for at least 20 percent of school days, is two or more years older than other students in the same grade, or fails multiple core academic courses; or
 - as a 9th grader, fails multiple 9th grade core academic courses.
- For purposes of paragraph (e), defines a student who is off-track to graduate as a student who meets one or more criteria:
- first enrolled in an ELL program in high school and is older than other students in the same grade;
 - is a returning dropout;
 - is 16 or 17 and two or more academic years off-track to graduate;
 - is 18 or older and two or more academic years off-track to graduate; or
 - is 18 or older and may graduate within one school year.
- Makes paragraph (e) applicable to data collected in the 2012-2013 school year and later and reported annually beginning July 1, 2013, consistent with the recommendations the commissioner receives from recognized and qualified experts.
- 12 School performance report cards.** Includes on the school performance report cards beginning July 1, 2013, data on (1) the four- and six-year graduation rates of students who are at-risk of not graduating and students who are off-track to graduate, and (2) the academic success that school districts, school sites, charter schools, and alternative program providers experience in their efforts to improve these students' graduation outcomes.
- 13 Report.** Strikes language requiring the school superintendent to keep the immunization records of home school students.
- 14 Local school district wellness policies; Web site.** Requires the local school wellness policy to be posted on a school district's Web site if it exists.
Makes this section effective August 1, 2010.
- 15 Highly qualified teacher defined.** Makes a technical change to a reference to teachers'

subject area content tests.

- 16 Teacher and support personnel qualifications.** (b) Directs the Board of Teaching to require a person to pass a reading, writing, and math skills exam before being granted an initial teaching license.
- Strikes paragraph (c) allowing the Board of Teaching to grant a one-year license to a candidate who has successfully completed an approved teacher preparation program but has not passed the basic skills exam.
- (c) Allows the Board of Teaching to grant continuing licenses only to those persons who successfully pass the basic skills exam.
- (e) Requires the Board of Teaching to: (1) ensure that teacher licensing standards align with K-12 academic standards; (2) adopt a standards review cycle that corresponds to the statutory cycle the education department undertakes to review and revise Minnesota's K-12 academic standards; and (3) review and revise teacher licensure standards within one school year of when the commissioner revises the commensurate K-12 academic standards.
- (f) Directs the Board of Teaching to approve only those teacher preparation institutions that require teacher candidates to complete at least one online course.
- 17 Applicants licensed in other states.** Paragraphs (b), (c), (d), and (e) direct the Board of Teaching to issue some form of a teaching license, depending on the circumstances, to out-of-state teacher applicants who pass required exams and successfully complete board-required human relations preparation.
- 18 Providing education materials and tests.** Obligates school districts, upon request, to provide education materials and tests to nonpublic schools with more than 15 students.
- 19 Provided services.** Obligates school districts, upon request, to provide guidance and counseling services to nonpublic schools with more than 15 students.
- 20 Authorizer.** Excludes as a charter school authorizer a nonpublic sectarian or religious institution that did not have an approved affidavit from the commissioner before July 1, 2009. Requires an eligible authorizer to submit an application for approval to the commissioner for her evaluation and strikes the reference to affidavit.
- 21 Formation of a school.** (g) Clarifies that the required teacher member of a charter school board of directors must be serving as a teacher, that the parent member of a charter school board of directors must not be a charter school employee, and that the chief financial officer and the chief administrator of a charter school serve only as ex-officio nonvoting board members. Prohibits charter school employees from serving on a charter school board of directors unless the employee is a licensed teacher at the charter school. Prohibits contractors that provide facilities, goods, or services to a charter school from serving on the charter school board of directors.
- 22 Audit report.** Requires an entity that provides professional auditing services to a charter school to provide financial audit information to the commissioner upon request.
- 23 Causes for nonrenewal or termination of charter school contract.** Allows the commissioner to terminate a charter school contract after providing the public with an opportunity for a public hearing under Minnesota Statutes, chapter 14, and if the charter school fails to meet Minnesota's pupil performance requirement, among other causes for

termination.

- 24 Person less than 18 years of age.** Allows the public safety commissioner to issue a driver's instruction permit to a home school student whose parent certifies that the parent has satisfied the applicable reporting requirements under section 2 of this bill.
- 25 Offenses.** Allows the public safety department to revoke the instruction permit of a home school student who submits a false application.
- 26 Violations.** Allows the public safety department to revoke the instruction permit of a home school student who submits a false application.
- 27 When Issued.** Allows a home school parent to issue an employment certificate for a 14- or 15-year-old home school student who wishes to work on school days.
- 28 Collaborative urban educator.** Corrects a drafting error by adding the specific grant amounts for each of the three participating programs and sets the amount at: \$210,000 for Concordia University in St. Paul; \$159,000 for the University of St. Thomas; and \$159,000 for Hamline University. Requires grant recipients to collaborate with urban and nonurban school districts.
- 29 Implementing differentiated graduation rates and exploring alternative routes to a standard diploma for at-risk and off-track students.** (a) Directs the education commissioner to convene a group of recognized and qualified experts on improving differentiated graduation rates and establishing alternative routes to a standard high school diploma for at-risk and off-track students. Directs the commissioner to assist the group, upon request, to explore and recommend to the commissioner and the legislature (i) research-based measures that demonstrate the academic success of and the costs to school districts, school sites, charter schools, and alternative program providers in improving the graduation outcomes of at-risk and off-track students, and (ii) state options for establishing alternative routes to a standard diploma. Directs the group, when proposing alternative routes to a standard diploma, to identify highly reliable variables that generate the summary data for the state's school performance report card, including: who initiates and approves a request for an alternative route; parameters for the alternative route process, including whether a student must first fail a state exam; and the comparability of the academic and achievement criteria in the alternative and standard routes for a standard diploma. Also encourages the group to identify the data, timelines, and methods needed to evaluate and report on the alternative routes to a standard diploma once they are implemented and the student outcomes that result from those routes.
- (b) Directs the commissioner to convene the group's first meeting by September 15, 2010. Includes as group members representatives of parents and educators affiliated with alternative program providers, online learning providers, alternative schools, charter schools, school boards, school teachers, metropolitan and rural school districts, University of Minnesota and Minnesota State Colleges and Universities (MnSCU) faculty, school superintendents and principals, and the public. Allows the group to seek input from interested stakeholders and organizations with expertise to inform the group's work. Directs the group to meet quarterly. Denies group members compensation or reimbursement of expenses for participating in the group. Causes the group to expire on February 16, 2012.
- (c) Directs the group by February 15, 2012, to develop and submit to the commissioner and the education committees of the legislature recommendations and legislation to implement

section 11 by:

- (1) measuring and reporting differentiated graduation rates for at-risk and off-track students and the success and costs that school districts, school sites, charter schools, and alternative program providers experience in identifying and serving at-risk and off-track students; and
- (2) establishing alternative routes to a standard diploma.

Makes this section effective immediately and applicable to school performance report cards beginning July 1, 2013.

30

Rulemaking authority. Directs the commissioner to adopt rules on English language proficiency standards for limited English proficient (LEP) students. Requires the standards to encompass listening, speaking, reading, and writing; reflect social and academic dimensions of acquiring a second language; specific contexts for acquiring language; and the progression of language development. Requires the standards to be implemented for all LEP students beginning in the 2011-2012 school year and assessed beginning in the 2012-2013 school year.

31

Department of Education.

Subd. 1. Recess guidelines. Encourages the department to develop voluntary guidelines for school districts that promote good recess practices and behavior.

Subd. 2. Common course catalogue. Encourages the department to make districts' physical education classes and graduation requirements part of the common course catalogue.

Subd. 3. Standards adoption. Directs the commissioner to adopt the most recent sports and physical education standards developed by the National Association for Sport and Physical Education as Minnesota's K-12 physical education standards.

Makes this section immediately effective.

32

Healthy kids awards program.

Subd. 1. Recognition. Establishes the K-12 healthy kids awards program to reward students for nutritional well-being and physical activity. Intends the program to work to integrate physical activity into other school activities throughout the school day. Requires interested schools to participate in the program annually from October through May.

Subd. 2. School district participation. Allows school districts annually by September 15 to submit to the commissioner a letter of intent to participate in the healthy kids awards program. Directs the commissioner to recognize on the school performance report cards those schools where at least 75 percent of students engage in physical activity, including physical education classes, at least 60 minutes each day.

Makes this section effective beginning in the 2010-2011 school year and later.

33

Assessment advisory committee; recommendations. (a) Directs the assessment advisory committee to develop recommendations for alternative methods by which students satisfy the high school algebra end-of-course requirement. Directs the advisory committee to consider CLEP, the ACT, the SAT, Advanced Placement and International Baccalaureate exams, and credit-bearing college algebra courses under the postsecondary enrollment

options or concurrent enrollment program where students receive a grade of ‘C’ or better, among other alternatives.

(b) Allows the assessment advisory committee to develop recommendations on integrating universal design principles to improve students’ access to learning and assessments, better understand what students know and can do, provide more cost-effective assessments, and provide educators with more valid inferences about students’ achievement levels.

(c) Directs the assessment advisory committee, in order to fully implement the high school algebra end-of-course assessment, to develop recommendations for: (1) calculating the alignment index; and (2) defining “misaligned” and “highly misaligned” and under what circumstances misalignments occur.

(d) Directs the assessment advisory committee by February 15, 2011, to submit its recommendations to the education commissioner and the legislature.

(e) Prohibits the commissioner from implementing any element recommended by the assessment advisory committee related to the high school algebra end-of-course assessment without first receiving specific legislative authority to do so.

Makes this section immediately effective.

34 Persistently lowest-achieving school designation; federal school improvement grants.

Upon request, and under certain circumstances, directs the commissioner of education to seek an exception from the United States Department of Education under the school improvement grant program related to the “persistently lowest achieving school” designation of a public school.

35 Repealer. Repeals statutory provisions (Minn. Stat. § 120.26, subs. 1 and 2) allowing a school superintendent to make an onsite visit to a home school and allowing a home school parent to document the instruction the parent is providing to the home school student as an alternative to the superintendent’s visit.

Makes this section effective August 1, 2010.

Article 3: Special Programs

1 Child with a disability. Makes technical changes to the definition of child with a disability.

2 Special instruction for children with a disability. (a) Updates statutory language that establishes school districts’ responsibility to provide special education and related services to a child with a disability until the child becomes 21 years old or receives a regular high school diploma, whichever comes first.

(b) Directs school districts to continue to serve a child with a disability who becomes 21 years old during the school year until the last day of the school year or the child receives a regular high school diploma, whichever comes first.

(c) Defines “school year” to mean the days of actual student instruction designated by the school board as the regular school year in the district’s annual school calendar.

(d) Directs school districts to identify, locate, and evaluate children with a disability in the school district who are in need of special education and related services.

Makes this section effective immediately.

- 3 Resolving disputes among districts.** Establishes a process for determining which district is responsible for providing or making available special education and related services when the district of residence for a child with disabilities is in dispute.
- 4 Conciliation conference.** Requires a school district to offer at least one conciliation conference to a parent within two business days of receiving the parent's objection to a proposed placement and, if the parent agrees to participate in the conference, to convene that conference within ten calendar days.
- Makes this section effective immediately and applicable to all conciliation conferences required after that date.
- 5 Third-party reimbursement.** (b) Requires a school district to notify parents of its intent to seek reimbursement for medical assistance or MinnesotaCare for individualized education program health-related service and to include in the notice information about: (1) parents' right to request copies of all records the district discloses to any third-party; (2) parents' right to withdraw consent for disclosing a child's records at any time without consequence; and (3) the fact that a revocation of consent does not affect a parent's eligibility for medical assistance or MinnesotaCare.
- (c) Allows parents to withdraw their consent to disclose a child's records for third-party billing purposes granted as part of the application process for MinnesotaCare or medical assistance under section 256B.0625, subdivision 26.
- 6 Use of reimbursements.** Allows school districts to obtain training and other technical assistance to enable districts to access third-party payments for individualized education program health-related services or to reallocate reimbursements to benefit students with individualized education programs or individual family service plans.
- 7 Informed consent.** Requires school districts to comply with applicable federal law when obtaining parents' consent to bill their health plans for covered costs incurred to serve a child with a disability.
- 8 District disclosure of information.** Allows school districts to disclose information in a student's individualized education program to a health plan company, consistent with applicable federal law.
- 9 Programs.** Requires the education department, through resource centers for the deaf or hard of hearing and the blind or visually impaired, to offer other educational strategies throughout the state.
- 10 Advisory committee.** Requires the advisory committee for the Resource Center for the Deaf and Hard of Hearing to identify and report relevant Individuals with Disabilities Education Act (IDEA) Part B and Part C mandated reporting data and to include in the report recommendations for improving the developmental outcomes of children birth to age 3 and the data underlying those recommendations that are identified by the intervention coordinator.
- 11 Statewide hearing loss early education intervention coordinator.** (b) Changes a reference from deaf and hard-of-hearing children to children with hearing loss.
- Makes this section effective immediately.
- 12 Admissions.** (b) Allows a parent to apply to place an eligible child with disabilities at the Minnesota Academy for the Deaf or the Minnesota Academy for the Blind for a 60- to 90-

day trial placement. Establishes a process for approving the trial placement. Makes the Minnesota Academies the responsible serving district during the trial placement. Directs the academy staff to meet with the child's individual education program team before the trial placement concludes to determine if the academy is an appropriate placement. Causes the child's placement to revert to the previous placement if no agreement on placement is reached. Causes the transportation and due process responsibilities to continue "as is" if the child's placement at the academies continues beyond the trial placement period. Makes this section effective for the 2010-2011 school year and later.

- 13 Open enrollment and streamlined application and enrollment process.** (f) Requires the redesigned medical assistance and MinnesotaCare enrollment forms distributed by schools to parents to include a form authorizing consent for third-party billing.

Makes this section effective July 1, 2010, or upon federal approval requested by the commissioner, whichever is later.

- 14 Third-party billing.** Requires the commissioner of human services to summarize and document school district efforts to secure reimbursement from legally liable third parties and to request permission from the Centers for Medicare and Medicaid Services to allow school districts to bill Medicaid alone when a child has both public and private insurance and the private payer does not reimburse for health-related services provided to a child with a disability.

- 15 Revisor's instruction.** Directs the revisor to substitute the term "individualized education program" for the term "individualized education plan" wherever it appears in statute and rule.

- 16 Repealer.** Repeals the interagency office on transition services (Minn. Stat. § 125A.54).

Article 4: Facilities and Technology

- 1 Capital expenditure; health and safety.**

Subd. 1. Health and safety levy application. Authorizes a school district to apply for health and safety revenue by submitting a budget based on its Uniform Accounting and Reporting Standards (UFARS) data instead of on an adopted health and safety program.

Subd. 2. Health and safety policy. Allows a school district to qualify for health and safety revenue by adopting a health and safety policy. Eliminates requirements for the district to develop detailed comprehensive plans for hazardous substance removal, fire and life safety repairs, and environmental management in order to have health and safety revenue approved.

Subd. 3. Health and safety revenue. Clarifies the calculation of health and safety revenue.

Subd. 4. Health and safety levy. Unchanged.

Subd. 5. Health and safety aid. Unchanged.

Subd. 6. Uses of health and safety revenue. Adjusts the list of items that are eligible for health and safety revenue to include a number of specific projects that have been authorized by the Department of Education.

Subd. 6a. Restrictions on health and safety revenue. Clarifies that health and safety revenue may not be used to finance lease purchase agreements or installment purchase agreements, to purchase portable classrooms, for energy efficiency projects, or for projects in buildings that are used for purposes unrelated to elementary and secondary education.

Subd. 6b. Health and safety projects. Requires each health and safety revenue application to be accompanied by a description of each project for which funding is requested in such detail as to leave a satisfactory audit trail. States that project descriptions do not need to include itemized details such as material types, room location, or square footage of the project.

Subd. 6c. Appeals process. Creates an appeals process for districts to follow if the district is denied authority to proceed with a health and safety project.

Subd. 7. Proration. Unchanged.

Subd. 8. Health, safety and environmental management cost. Prohibits the Department of Education from requiring a school district to use specific management assistance services for health and safety projects. Eliminates the commissioner's authority to contract with other providers of management assistance for school districts except at the request of a school district.

- 2 **To lease a building or land.** Extends the capital lease levy authority for school districts that are members of Technology and Information Education Systems (TIES) for ten more years. Limits the levy authority to not more than \$632,000 per year.
- 3 **Alternative facilities revenue program.** Authorizes Independent School District No. 284, Wayzata, to participate in the alternative facilities program for fiscal years 2013 and later.
- 4 **Health and safety policy.** Allows a school district that has not yet adopted a health and safety policy to submit an application for health and safety revenue in the form and manner required by the commissioner of education for health and safety levies for taxes payable in 2011.

Article 5: Accounting

- 1 **Additional revenues; priority.** Eliminates an obsolete cross reference.
- 2 **Insufficient funds to pay orders.** Allows a school district to enter into an unsecured line of credit for up to 120 days and allows the district to borrow up to 95 percent of its average quarterly expenditures (380 percent of its average monthly expenditures). Current law limits the line of credit to no more than 95 percent of the district's average monthly expenditures and limits the period of the borrowing to not more than 45 days. Clarifies that when a school district enters into a line of credit with a financial institution under section

123B.12, that it is an unsecured line of credit.

- 3** **Violations of law.** Clarifies that the commissioner may make an aid reduction to a school district that employs an unlicensed teacher equal to 60 percent of the basic revenue times the ratio of unlicensed teachers to total teachers.
- 4** **District employment of unlicensed teachers; aid reduction.** Clarifies that a school district's state aid may be reduced and not just withheld when the district employs unlicensed teachers.
- 5** **Cash flow adjustment.** Authorizes a charter school with fewer than 150 students and where 100 percent of its students qualify for special education services to request an expedited cash flow payment schedule from the commissioner of education. Requires the commissioner to approve the request within 30 days of its receipt. Allows the charter school to receive 90 percent of its special education aid entitlement in the current school year by speeding up its cash payments. Slows down the special education cash flow for all other school districts and charter schools by the same total dollar amount.
- 6** **Payment to creditors.** Requires aid payments to be made only to school districts, charter schools, or other education organizations unless specifically authorized in law.
- 7** **Fund transfers.**
- Subd. 1. Aitkin.** Authorizes Independent School District No. 1, Aitkin, to transfer up to \$70,000 from its debt redemption fund to its undesignated general fund balance without making a levy reduction.
- Subd. 2. Anoka-Hennepin.** Authorizes Independent School District No. 11, Anoka-Hennepin, to transfer up to \$400,000 from its debt redemption fund to its undesignated general fund balance without making a levy reduction.
- Subd. 3. Elk River.** Authorizes Independent School District No. 728, Elk River, to transfer up to \$500,000 from its debt redemption fund to its undesignated general fund balance without making a levy reduction.
- Subd. 4. Hayfield.** Authorizes Independent School District No. 203, Hayfield, to transfer up to \$75,000 from its reserved for operating account to its undesignated general fund balance.
- Subd. 5. Kenyon-Wanamingo.** Authorizes Independent School District No. 2172, Kenyon-Wanamingo, to transfer up to \$55,000 from its debt redemption fund to its undesignated general fund balance without making a levy reduction.
- Subd. 6. Madelia.** Authorizes Independent School District No. 837, Madelia, to transfer up to \$350,000 from its debt redemption fund to its undesignated general fund balance without making a levy reduction.
- Subd. 7. St. Louis Park.** Authorizes Independent School District No. 283, St. Louis Park, to transfer up to \$225,000 from its reserved for operating account to its undesignated general fund balance for the costs associated with closing Cedar Manor Elementary School.

Article 6: State Agencies

- 1 **Department of Education; appropriation.** Transfers \$23,000 in fiscal year 10 and \$23,000 in fiscal year 11 from the Department of Education’s special revenue fund to the general fund.
- 2 **Perpich Center for Arts Education appropriation.** Transfers \$19,000 in fiscal year 10 and \$11,000 in fiscal year 11 from the Perpich Center for Arts Education’s special revenue fund to the state general fund.

Article 7: Charter School Facilities Funding

Overview

This article modifies the method for funding charter school facilities.

- 1 **Authorizer.** Eliminates a definition of “affidavit” related to affiliated nonprofit building corporations. Prohibits a board member or employee of a single purpose charter school authorizer from serving as an employee, contractor, or board member of a charter school.
- 2 **Formation of school.** Strips from the statutes the authority of a charter school to form as a cooperative (currently all of Minnesota’s charter school are organized as nonprofit corporations). Requires charter schools to receive approval from the commissioner of education prior to merging with one another.
- 3 **Conflict of interest.** Clarifies that the conflict of interest provisions of the charter school law apply to contractors with all entities and individuals. Prohibits a charter school board member from receiving any remuneration for financial transactions involving the charter school.
- 4 **Charter contract.** Strips from the statutes the authority of a charter school to form as a cooperative (currently all of Minnesota’s charter school are organized as nonprofit corporations).
- 5 **Federal, state, and local requirements.** Requires a charter school seeking endorsement from the Charter School Facilities Authority for a project with a value in excess of \$1.4 million to comply with the review and comment provisions of section 123B.71, subdivisions 8 and 9.
- 6 **Leased space.** Prohibits a charter school from leasing space from an organization if the primary purpose of the organization leasing the space is to provide a facility for a charter school, and the organization has financed the acquisition of the school facility through rent paid by the charter school funded by lease aid or the organization is maintaining the facility on behalf of the charter school through rent paid by the lease aid.
- 7 **Causes for nonrenewal or termination of charter school contract.** Strips from the statutes the authority of a charter school to form as a cooperative (currently all of Minnesota’s charter school are organized as nonprofit corporations).
- 8 **Related party lease costs.** Strips from the statutes the authority of a charter school to form

as a cooperative (currently all of Minnesota's charter school are organized as nonprofit corporations).

- 9 **Vacant building inventory.** Requires the commissioner of administration, in conjunction with the commissioner of education, to annually publish a list of vacant and unused buildings owned by the state or school districts.
- 10 **General education revenue.** Reduces general education revenue for an endorsed charter school receiving building lease aid.
- 11 **Use of total operating capital revenue.** Requires an endorsed charter school to reserve at least \$100 per pupil per year for capital repairs and replacement.
- 12 **Building lease aid.** Allows the commissioner of education to request additional information in the first year that a charter school's building lease is initiated or modified.
- 13 **Facilities aid.** Creates a new category of charter school building aid called facilities aid. Sets the facilities aid as the amount necessary to meet the principal and interest on any obligations issued by the Charter School Facilities Authority. Requires the charter school to reserve facilities aid and use it only to repay the obligations. Authorizes an annual aid payment of \$400 per pupil for a charter school that has satisfied its debt obligations. Requires the charter school to reserve these funds for deferred maintenance needs.
- 14 **Charter school facilities credit enhancement account.** Creates a charter school credit enhancement account in the special revenue fund to provide credit enhancement for charter school facilities.
- 15 **Sale or transfer of assets.** Requires a charter school board to notify the commissioner of education if the board intends to sell or transfer property financed by building lease transition aid or facilities aid. Requires that sales under this subdivision be made at appraised market value.
- 16 **Building lease transition aid.** Allows an eligible charter school to apply to the commissioner for building lease transition aid. Allows building lease transition aid to be used for the same purpose as building lease aid. Requires the commissioner to review and either approve or deny a building lease transition aid application based on the same criteria as building lease aid.
- 17 **Charter school building aid.** Establishes a charter school's building aid as the sum of its building lease aid, facilities aid, and building lease transition aid.
- 18 **Use of state money.** Allows money received from the state to be used to purchase land or buildings if the charter school is endorsed by the Charter School Facilities Authority for the purpose of making loan payments on principal or interest payments on a debt obligation.
- 19 **Payment of aids to charter schools. Paragraph (g)** returns remaining facilities and all other assets, in addition to cash and investment balances, to the state upon closure of a charter school and satisfaction of creditors. For mergers, allows a charter school to first sell at appraised market value or transfer its assets to a school district or charter school.
- 20 **Charter school facilities authority.**

Subd. 1. Membership; administration. Creates an authority consisting of eight members including five appointed by the governor with the advice and consent of the senate, the commissioner of management and budget or the commissioner's designee, and the commissioner of education or the commissioner's designee. Requires all appointed members to be residents of the state and requires that at least two members reside outside the metropolitan area. Requires the five appointed members to be persons having skill, knowledge, and experience in the fields of state and municipal finance, building construction field, school facilities finance field, a representative of a member of the Minnesota Association of Charter Schools, and an expert in education finance at the Department of Education. Directs the commissioner of management and budget to administer the authority.

Subd. 2. Minnesota School Boards Association. Requires the eighth, non-voting, member of the authority to be the president of the Minnesota School Boards Association, or the president's designee.

Subd. 3. Term; compensation; removal. Requires the membership terms, compensation, removal of members, and filling of vacancies for appointed board members to be as provided in section 15.0575. Requires the commissioner of management and budget or the commissioner's designee to convene the first meeting by August 15, 2010. Requires the authority to elect a chair at its first meeting and determine a rotation for the chair.

Subd. 4. Duties; applications; fees. Requires the authority to provide an efficient and cost-effective method of financing charter school facilities; to determine which charter schools are in a financial and academic position to develop a facility; to review applications for the issuance of bonds; and to accept applications from charter schools on an annual basis. Allows the authority to charge an application or administrative fee. Allows charter schools to apply annually to the authority. Allows the authority to hire or contract for services. Allows the authority to adopt policies and procedures to fulfill its responsibilities.

Subd. 5. Eligibility for endorsement to purchase or renovate. Paragraph (a) allows a charter school that has been enrolling students for five or more years to seek endorsement from the authority to purchase an existing building or purchase and renovate an existing building.

Paragraph (b) requires the charter school to submit nine items to the authority.

Paragraph (c) allows the commissioner to grant a waiver to a charter school from the student growth requirement if the school has an approved graduation incentives program or serves students that are eligible pupils under the program.

Subd. 6. Eligibility for endorsement to construct. Paragraph (a) allows a charter school that has been enrolling students for eight or more years to seek endorsement from the authority to construct a building.

Paragraph (b) requires the charter school to submit nine items to the authority.

Paragraph (c) allows the commissioner to grant a waiver to a charter school from the student growth requirement if the school has an approved graduation incentives

program or serves students that are eligible pupils under the program.

Subd. 7. Determination. Allows the authority to make additional requests of the charter school. Requires the authority to use the criteria submitted in subdivisions 5 and 6 and any additional information to determine whether to allow a charter school to purchase, purchase and renovate, or construct a school facility and use debt financing to pay for the costs associated with that purchase. For charter schools eligible for building lease transition aid, requires the authority to also consider at least the call dates on outstanding debt paid through building lease transition aid and financing costs for outstanding debt paid through building lease transition aid in relation to financing costs estimated for debt to be issued through the authority.

Requires the authority to notify the charter school of their determination within 90 business days after the application deadline.

Subd. 8. Expiration. Makes the authority permanent.

Effective date. Makes this section effective the day following final enactment

21 Endorsed charter school borrowing definitions.

Subd. 1. Endorsement. Requires the authority to approve a charter school to purchase, purchase and renovate, or construct a school facility and finance that school facility through bonds issued through the authority. Prohibits the authority from approving the sale of bonds for a charter school if the reduction to general education aid is projected to exceed 16 percent of the principal and interest payments on the proposed debt obligation in any fiscal year.

Subd. 2. Definition. Defines an "endorsed charter school" as one that has received approval to purchase, purchase and renovate, or construct a school facility and finance it through bonds issued by the authority.

Subd. 3. Mortgage. Requires an endorsed charter school to provide the authority with a mortgage on the facility.

Subd. 4. Use. Prohibits an endorsed charter school from using the term endorsed or endorsement in educational promotional materials or advertising.

22 Authority to borrow money; limitations. Allows the board of a charter school, by a two-thirds majority to vote to acquire school facilities with bonds issued by the authority in anticipation of charter school facilities aid.

23 Charter school bonds; repayment.

Subd. 1. Issuance of bonds. Paragraph (a) allows the authority to sell and issue state revenue bonds in anticipation of the collection of facilities aid revenues from an endorsed charter school to finance the acquisition, acquisition and renovation, or construction of a school building. Allows the authority to enter into a loan agreement with an endorsed charter school and makes certain requirements of the loan agreement.

Paragraph (b) requires that the bonds be issued, sold, and secured on the terms and conditions and in a manner determined by resolution of the authority and requires that

bonds be sold at competitive or negotiated sale.

Paragraph (c) requires that bonds issued by the authority to mature within 20 years from the date of issue.

Paragraph (d) prohibits the total outstanding debt obligation issued under this section from exceeding \$150,000,000.

Subd. 2. Performing bonds. Allows the authority to issue bonds to refund outstanding bonds issued under subdivision 1.

Subd. 3. No full faith and credit. States that bonds issued are not public debt of the state or the authority and that the full faith and credit and taxing powers of the state and the authority are not and may not be pledged for payment of the bonds.

Prohibits a person from compelling the levy of a tax for the payment or the appropriation of money of the state or authority for the payment of bonds, except as provided in the following section. Clarifies that payments are subject to annual appropriation and may be reduced at any time and requires that bonds issued contain a conspicuous statement to that effect.

Subd. 4. Bond validity. Holds that the validity of bonds issued under this section are not affected by the determination that the interest on the bonds is includable in gross income for federal income tax purposes.

Subd. 5. Trustee. Permits the authority to contact with and appoint a trustee for bondholders.

Subd. 6. Pledges. Allows a pledge made by the authority to be valid and binding from the time it is made.

Subd. 7. Bonds; purchase and cancellation. Permits the authority to purchase bonds of the authority at a certain price.

Subd. 8. State pledge against impairment of contracts. Provides that the state will not limit or alter the rights vested in the authority to fulfill the terms of an agreement made with the bondholders or impair the rights and remedies of the holders until the bonds and related interest is fully met and discharged.

24 State payment of endorsed charter school debt obligations upon default.

Subd. 1. Definitions. Defines "debt obligation" to mean bonds issued by the authority under section 124D.1108.

Subd. 2. Notifications; payment; appropriation. Paragraph (a) requires an endorsed charter school to notify the commissioner of education if it believes that it may be unable to pay the amount sufficient to permit the authority from making the payment on the outstanding debt. Requires what that notice must include. Requires a trustee or paying agent to immediately notify the commissioner if it becomes aware of a potential default. Requires the commissioner of education to notify the commissioner of management and budget of the potential default, after receipt of notice, consultation with the endorsed charter school and trustee or paying agent, and verification of the accuracy of the information provided.

Paragraph (b) except as provided in subdivision 6, upon receipt of the notice, requires the commissioner of management and budget to authorize the commissioner of education to pay for the debt obligation. Appropriates the amounts needed for this purpose to be annually appropriated to the Department of Education from the charter school credit enhancement account in the special revenue fund.

Paragraph (c) requires the commissioners of education and management and budget to jointly develop procedures for endorsed charter schools to notify the state that they have obligated themselves to be bound by this section, procedures for endorsed charter schools and trustees and paying agents to notify the state of potential defaults and to request state payment under this section, and procedures for the state to expedite payments to prevent defaults.

Subd. 3. Endorsed charter school bound; interest rate on state-paid amount.

Requires that the amount paid by the Department of Education on behalf of the endorsed charter school bear taxable interest from the date paid until the date of repayment at the invested cash rate as it is certified by the commissioner of management and budget. Limits the interest accrued to be on the amounts paid and outstanding, less the reduction in aid under subdivision 4, and other payments received from the endorsed charter school.

Subd. 4. Aid reduction for repayment. Paragraph (a) requires the commissioner to reduce the state aid payable to an endorsed charter school by the amount paid by the Department of Education on behalf of the endorsed charter school, plus the interest due and the commissioner of management and budget must transfer the amount reduced to the charter school facilities credit enhancement account. Prohibits federal aid payments from being reduced.

Paragraph (b) allows the commissioner of education, with approval of the commissioner of management and budget, to establish a different schedule for reduction of aids to repay the state if the commissioner of education determines that a total reduction of aids would cause an undue hardship on the charter school.

Decreases the amount of aids to be reduced by the amounts repaid to the state by the endorsed charter school from other revenue sources.

Subd. 5. Mandatory plan; technical assistance. Requires an endorsed charter school that defaulted on a payment or had payments made by the state on its behalf submit a plan to the commissioner for approval specifying the measures it intends to implement to resolve the issues that led to its inability to make the payments and prevent further defaults. Requires the commissioners to provide technical assistance to the endorsed charter school in preparing its plan.

Subd. 6. State bond rating. Prohibits the commissioner of management and budget from issuing warrants for the payment of principal or interest on debt obligations under this section if the commissioner determines that doing so would adversely affect the credit rating of the state.

Subd. 7. Continuing disclosure agreements. Allows the commissioner of management and budget to enter into written agreements or contracts relating to the disclosure of information with respect to bonds issued to finance the endorsed charter

schools' facilities.

- 25 Public building.** Amends the definition of “public building” for purposes of the state building code to include any public school building (instead of just a school district building) with a value in excess of \$100,000.
- 26 Charter school building lease aid.** Reduces the appropriation for the regular charter school building lease aid and modifies the appropriations to adjust for the shift.
- 27 Transition eligibility.** Names the charter schools that are eligible for the new category of charter school lease aid called transition aid.
- 28 Charter school startup aid.** Makes charter school startup aid unavailable to charter schools in their first year of eligibility in fiscal year 2012.
- 29 Charter school facilities credit enhancement account; initial capitalization.** Requires the commissioner of management and budget to credit the charter school facilities credit enhancement account with \$258,000 in fiscal year 2012 and \$608,000 in fiscal year 2013.
- 30 Education site calculation.** Creates a method for the commissioner of education to apportion charter school building lease transition aid for fiscal year 2011.
- 31 Extension of building lease aid formula; fiscal year 2012.** Allows a charter school that received building lease aid in excess of \$1,200 per pupil unit in fiscal year 2011 and is unable to renegotiate its lease to receive an extension of its lease aid formula for fiscal year 2012 only.
- 32 Transition eligibility; Duluth Public Academy.** Permits the charter school to apply to the commissioner for building lease transition aid if the school receives a positive review and comment on its K-8 school project by July 15, 2010.
- 33 Appropriations.** See fiscal tracking sheet.
- 34 Repealer.** Repeals Minnesota Statutes, section 124D.10, subdivision 17a, the day following final enactment. Repeals section 124D.11, subdivision 8, effective for revenue for fiscal year 2013.