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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 3595

1.1 A bill for an act  
1.2 relating to education finance; modifying the special education aid for unreimbursed  
1.3 costs to resident school districts; amending Minnesota Statutes 2022, sections  
1.4 124E.21, subdivision 1; 127A.47, subdivision 7.

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

1.6 Section 1. Minnesota Statutes 2022, section 124E.21, subdivision 1, is amended to read:

1.7 Subdivision 1. **Special education aid.** (a) Except as provided in section 124E.23, special  
1.8 education aid, excluding cross subsidy reduction aid under section 125A.76, subdivision  
1.9 2e, must be paid to a charter school according to section 125A.76, as though it were a school  
1.10 district.

1.11 (b) ~~For fiscal year 2020 and later,~~ The special education aid paid to the charter school  
1.12 shall be adjusted as follows:

1.13 (1) if the charter school does not receive general education revenue on behalf of the  
1.14 student according to section 124E.20, the aid shall be adjusted as provided in section  
1.15 125A.11; or

1.16 (2) if the charter school receives general education revenue on behalf of the student  
1.17 according to section 124E.20, the aid shall be adjusted as provided in section 127A.47,  
1.18 subdivision 7, paragraphs (b) to (e), and if the tuition adjustment is computed under section  
1.19 127A.47, subdivision 7, paragraph (c), it shall also receive an adjustment equal to ~~five~~  
1.20 percent for fiscal year 2020 or ten percent for fiscal year years 2021 through 2025 and 40  
1.21 percent for fiscal year 2026 and later of the unreimbursed cost of providing special education  
1.22 and services for the student.

2.1 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2026 and later.

2.2 Sec. 2. Minnesota Statutes 2022, section 127A.47, subdivision 7, is amended to read:

2.3 Subd. 7. **Alternative attendance programs.** (a) The general education aid and special  
2.4 education aid for districts must be adjusted for each pupil attending a nonresident district  
2.5 under sections 123A.05 to 123A.08, 124D.03, 124D.08, and 124D.68. The adjustments  
2.6 must be made according to this subdivision.

2.7 (b) For purposes of this subdivision, the "unreimbursed cost of providing special  
2.8 education and services" means the difference between: (1) the actual cost of providing  
2.9 special instruction and services, including special transportation and unreimbursed building  
2.10 lease and debt service costs for facilities used primarily for special education, for a pupil  
2.11 with a disability, as defined in section 125A.02, or a pupil, as defined in section 125A.51,  
2.12 who is enrolled in a program listed in this subdivision, minus (2) if the pupil receives special  
2.13 instruction and services outside the regular classroom for more than 60 percent of the school  
2.14 day, the amount of general education revenue, excluding local optional revenue, plus local  
2.15 optional aid and referendum equalization aid as defined in section 125A.11, subdivision 1,  
2.16 paragraph (d), attributable to that pupil for the portion of time the pupil receives special  
2.17 instruction and services outside of the regular classroom, excluding portions attributable to  
2.18 district and school administration, district support services, operations and maintenance,  
2.19 capital expenditures, and pupil transportation, minus (3) special education aid under section  
2.20 125A.76, excluding cross subsidy reduction aid under section 125A.76, subdivision 2e,  
2.21 attributable to that pupil, that is received by the district providing special instruction and  
2.22 services. For purposes of this paragraph, general education revenue and referendum  
2.23 equalization aid attributable to a pupil must be calculated using the serving district's average  
2.24 general education revenue and referendum equalization aid per adjusted pupil unit.

2.25 ~~(c) For fiscal year 2020, special education aid paid to a resident district must be reduced~~  
2.26 ~~by an amount equal to 85 percent of the unreimbursed cost of providing special education~~  
2.27 ~~and services. For fiscal year years 2021 and later through 2025, special education aid paid~~  
2.28 ~~to a resident district must be reduced by an amount equal to 80 percent of the unreimbursed~~  
2.29 ~~cost of providing special education and services. For fiscal year 2026 and later, special~~  
2.30 education aid paid to a resident district must be reduced by an amount equal to 50 percent  
2.31 of the unreimbursed cost of providing special education and services.

2.32 (d) Notwithstanding paragraph (c), special education aid paid to a resident district must  
2.33 be reduced by an amount equal to 100 percent of the unreimbursed cost of special education  
2.34 and services provided to students at an intermediate district, cooperative, or charter school

3.1 where the percent of students eligible for special education services is at least 70 percent  
3.2 of the charter school's total enrollment.

3.3 (e) Notwithstanding paragraph (c), special education aid paid to a resident district must  
3.4 be reduced under paragraph (d) for students at a charter school receiving special education  
3.5 aid under section 124E.21, subdivision 3, calculated as if the charter school received special  
3.6 education aid under section 124E.21, subdivision 1.

3.7 (f) Special education aid paid to the district or cooperative providing special instruction  
3.8 and services for the pupil, or to the fiscal agent district for a cooperative, must be increased  
3.9 by the amount of the reduction in the aid paid to the resident district under paragraphs (c)  
3.10 and (d). If the resident district's special education aid is insufficient to make the full  
3.11 adjustment under paragraphs (c), (d), and (e), the remaining adjustment shall be made to  
3.12 other state aids due to the district.

3.13 (g) Notwithstanding paragraph (a), general education aid paid to the resident district of  
3.14 a nonspecial education student for whom an eligible special education charter school receives  
3.15 general education aid under section 124E.20, subdivision 1, paragraph (c), must be reduced  
3.16 by an amount equal to the difference between the general education aid attributable to the  
3.17 student under section 124E.20, subdivision 1, paragraph (c), and the general education aid  
3.18 that the student would have generated for the charter school under section 124E.20,  
3.19 subdivision 1, paragraph (a). For purposes of this paragraph, "nonspecial education student"  
3.20 means a student who does not meet the definition of pupil with a disability as defined in  
3.21 section 125A.02 or the definition of a pupil in section 125A.51.

3.22 (h) An area learning center operated by a service cooperative, intermediate district,  
3.23 education district, or a joint powers cooperative may elect through the action of the  
3.24 constituent boards to charge the resident district tuition for pupils rather than to have the  
3.25 general education revenue paid to a fiscal agent school district. Except as provided in  
3.26 paragraph (f), the district of residence must pay tuition equal to at least 90 and no more than  
3.27 100 percent of the district average general education revenue per pupil unit minus an amount  
3.28 equal to the product of the formula allowance according to section 126C.10, subdivision 2,  
3.29 times .0466, calculated without compensatory revenue, local optional revenue, and  
3.30 transportation sparsity revenue, times the number of pupil units for pupils attending the area  
3.31 learning center.

3.32 **EFFECTIVE DATE.** This section is effective for revenue for fiscal year 2026 and later.