



2020 Legislative Update

Adosh Unni | Government Relations

Tom Melcher | School Finance

June 29, 2020

E-12 Finance Bill

Chapter 116/House File (HF) 4415—
Passed (signed into law May 27, 2020)

2020 Education Finance Legislation

(Chapter 116 / HF 4415)

General Education

- Makes permanent: The ability of an early middle college program to serve a student who is not yet 22 years-old (previously sunset after Fiscal Year (FY) 2021).
- Eliminates the requirement to reserve a portion of compensatory revenue for extended time programming, beginning in FY 2021.
 - Under the old law, districts would have been required to reserve 7.5 percent of compensatory revenue for extended time programming in FY 2021, but this legislation eliminates the set aside requirement for FY 2021 and later.
 - 5.5 percent of FY 2020 compensatory revenue (includes regular formula amount and any grandfathered pilot revenue) must still be reserved for extended time.
 - Any balance remaining in Balance Sheet Account 459 as of June 30, 2020, can only be used for extended time (*unless transferred out in FY 2020 or FY 2021 using the fund transfer provision in this law*).

2020 Education Finance Legislation

(Chapter 116 / HF 4415)

COVID-19 Formula Adjustments

- Expands the allowable uses of regional library telecommunications aid for FY 2020 and later, to include improving internet access and access to technology with items that are not e-rated, including but not limited to digital or online resources.
- Addresses school finance formula glitches resulting from the conversion to the distance learning model
 - **Special Education Aid:** FY 2020 expenditures for employees and contracted services that would have been eligible for state aid in the absence of school closures due to COVID-19 must be included as eligible expenditures for calculation of aid and for tuition billing, regardless of whether special education services were actually provided during the closure.
 - **School meals:** State aid savings due to lower meal counts for regular school food service programs are reallocated on a per meal served basis to schools providing summer food service meals between March 16 and June 30, 2020.

2020 Education Finance Legislation (Chapter 116 / HF 4415) COVID-19 Formula Adjustments (2)

- ***Career and technical education (CTE) revenue:***
 - If FY 2020 or FY 2021 revenue based on actual expenditures is below the February 2020 forecast estimate, the Minnesota Department of Education (MDE) is authorized to recalculate the revenue for expenses incurred on or after March 18, 2020, in an equitable manner (e.g., increase the reimbursement rate) to ensure the full expected amount of funding is distributed to schools.
 - Expenditures for individuals who were essential personnel prior to March 13, 2020, and would have been eligible to generate CTE revenue in the absence of school closures due to COVID-19 may be included as eligible expenditures for calculation of revenue, regardless of whether CTE services were actually provided during the closure.
 - The revenue must be prorated if it would exceed the February 2020 forecast estimates.
- ***Nonpublic pupil transportation aid:*** Allows MDE to adjust FY 2020 pupil transportation expenditures used to determine FY 2022 aid to ensure that the full amount of aid estimated in the February 2020 forecast is equitable allocated among districts.

2020 Education Finance Legislation

(Chapter 116 / HF 4415)

COVID-19 Formula Adjustments (3)

- ***Interdistrict desegregation or integration transportation aid:*** Allows MDE to adjust FY 2020 pupil transportation expenditures used to determine FY 2021 aid to ensure that the full amount of aid estimated in the February 2020 forecast is equitable allocated among districts.
- ***Adult basic education aid:*** Allows MDE to recalculate the contact hour reimbursement rate for FY 2021 or otherwise adjust the formula to fully spend the amount estimated based on the February 2020 forecast. The aid must be prorated if it would exceed the February 2020 forecast estimates
- ***Literacy incentive aid:*** Excludes tests administered during the 2019-20 school year from the three-year averages used in computing the aid for FY 2021, FY 2022 and FY 2023, and allows the commissioner to adjust the formula rates for these years to ensure that the aid does not fall below the amount estimated in the February 2020 forecast.
- ***School age care revenue.*** For FY 2020 and FY 2021 only, for spending on or after March 18, 2020, each district's school-age care revenue continues at its approved amounts, and program funds may be reallocated consistent with the process and limitations of the fund transfer provisions in the bill.

2020 Education Finance Legislation

(Chapter 116 / HF 4415)

COVID-19 Formula Adjustments (4)

- ***Community education after-school enrichment revenue:*** For FY 2020 and FY 2021 only, for spending occurring on or after March 18, 2020, after-school enrichment revenue may be reallocated consistent with the process and limitations of the fund transfer provisions in the bill.
- ***Early childhood screening:*** Directs MDE to calculate the aid for FY 2020 and FY 2021 using the formula amounts set in statute for each age group and the 2018-19 school year counts of children screened for each age group.
- ***Achievement and integration revenue:*** Authorizes a school district to carry over any unspent balance of its approved budget for FY 2020 into FY 2021. If spent for approved purposes in FY 2021, the district would generate additional FY 2021 revenue over and above the regular formula limitations.
- ***Report:*** Requires MDE to notify districts of these formula changes as soon as practicable, and report to the legislature by January 15, 2021, on the formula changes and their distributional impact.

2020 Education Finance Legislation

(Chapter 116 / HF 4415)

Fund Transfers

- Allows a school district, charter school or a cooperative unit to make operating fund and account transfers for fiscal years 2020 and 2021 only.
- Limits the amounts to be transferred to revenue not already assigned or encumbered by staff salary and benefits, or otherwise encumbered by federal law.
- Requires that a fund or account transfer be revenue neutral for the district and not affect its receipt of aid or levy.
- Requires board approval for the transfers and requires the transfers to occur before the Uniform Financial Accounting and Reporting Standards (UFARS) reporting deadline (November 30) for the fiscal year. Requires the fund and account transfers to be well documented in district accounting records.

2020 Education Finance Legislation (Chapter 116 / HF 4415) Fund Transfer Guidance and Accounting

- **Fund Transfer Guidance:** Requires the commissioner of education to issue guidance for the fund and account transfers made under this section. Requires the guidance to identify both eligible purposes for the transfers and eligible accounts and funds.
 - For further details, see *Guidance for Transfer of Funds* document and the corresponding form on [MDE Financial Management webpage](#) (from the MDE homepage > Districts, Schools and Educators > Business and Finance > School Finance > Financial Management).
- **Accounting:** For FY 2020 only, authorizes a school district to continue to account for the hours that an employee is paid in the same UFARS salary and benefit categories as if the employee were performing the employee's regular job functions under the distance learning model of education.

2020 Education Finance Legislation

(Chapter 116 / HF 4415)

FY 2021 Cash Flow Adjustment

- For FY 2021 only, a school district unable to make a required debt service payment because of an anticipated delay in property tax receipts may apply for modified cash flow payments under Minnesota Statutes, section 127A.45.
- The school district must apply in the form and manner specified by the commissioner of education and the commissioner must adjust the timing of Integrated Department of Education Aids System (IDEAS) state aid payments accordingly.

2020 Education Finance Legislation (Chapter 116 / HF 4415) 2019 Corrections

Corrects mistakes and oversights from the 2019 Omnibus Education Bill, including:

- Calculation of the operating referendum allowance limit.
- Calculation of the referendum aid guarantee.
- Fiscal year references for professional pathway to teacher licensure.
- State agency base corrections for fiscal year 2024 Teacher Retirement Association (TRA) adjustment required by a 2018 law.

2020 Education Finance Legislation

(Chapter 116 / HF 4415)

Forecast Adjustments

- Makes adjustments to fiscal year 2020 and 2021 appropriations to match the February 2020 Forecast.
 - Generally, a change in the estimated pupil counts, or a change in program participation is the most likely cause of a forecast adjustment.
 - The changes in the appropriations are real, but they have no fiscal impact related to the K12 budget because the changes are built into the forecast estimate of the budget base.

2020 Education Finance Legislation (Chapter 116 / HF 4415) Federal Education Stabilization Fund Application

- Directs the commissioner of education to apply for the federal education stabilization funds in a manner that is consistent with the Emergency Executive Orders of the Governor so that the discretionary federal funds may be distributed across Minnesota's schools in an equitable manner.

2020 Education Finance Legislation (Chapter 116 / HF 4415) Appropriation Changes

- MDE assessments budget reduced by \$180,000 to account for savings due to waiver
- \$708,000 of Achievement and Integration aid shifted from FY 2020 to FY 2021 and FY 2022 to fund expenditures carried forward from FY 2020 to FY 2021 on a 90-10 payment basis
- Developmental screening aid reduced by \$9,000 in the 2020-21 biennium to account for reduced screenings
- \$49,000 for Professional Educator Licensing and Standards Board (PELSB) teacher licensure system information technology (IT)
- \$342,000 shifted from FY 2020 to FY 2021 for the PELSB license renewal extension

(Not Enacted)

House (HF 3389)

- Sales Tax – Reinstates sales tax exemption on fundraising sales.
- Property Tax – Allows counties to choose a second settlement date for first-half property tax payments

Senate (SF 3843)

- Increases Tier 1 referendum equalizing factor from \$567,000 to \$650,000 and increases Tier 2 referendum equalization factor from \$290,000 to \$320,000 (Effective FY 2022)
- K-12 Education Credit – Income threshold changed to greater of \$33,500 or the household income threshold for reduced-price lunch

Truancy Referrals

- Unexcused absences between March 1, 2020, and June 30, 2020, do not count toward truancy referrals

Probationary Teachers

- Exception provided for the number of hours required for 2019-20 school year
- Must complete 120 days less the number of days cancelled due to COVID-19

Statewide Assessments

- Waived for 2019-20 school year

Conditional Licenses

- One-year conditional Tier 3 license if applicant unable to complete required exams
- Waives renewal fees
- Calendar Year (CY) 2020 license renewal deadline extended six months

Construction and Skilled Trades Counseling

- Requires MDE to collaborate with Minnesota Department of Labor and Industry (DLI) to incorporate construction and skilled trades into career counseling for middle and high school students

(Not included)

Compensated if:

- School cancelled due to COVID-19 or complying with state requirements **or** employee did not work at direction of health care provider due to suspicion of having COVID-19

and

- Employee was scheduled to work, but either did not work at all or worked fewer hours than scheduled and thus received reduced compensation

E-12 Policy Bill

1st Special Session Chapter 8

House File (HF) 33

Passed (signed into law June 23, 2020)

Transportation Contracts

- Contracts for transportation of children or purchase of fuel (vehicle or heating) limited to 10 years in duration

Referendum Notice

- Maximum notice period extended from 30 to 45 days
- For notices mailed on or after July 1, 2020

Ogilvie School District

- Permits Independent School District (ISD) 333 to transfer up to \$800,000 from debt redemption fund to undesignated general fund in order to avoid Statutory Operating Debt (SOD)

Dyslexia Screening

- Annual report must include: summary of district's efforts to screen, the number of students screened, and the number of students demonstrating characteristics of dyslexia

Mental Illness Training

- Extends mental illness training required for Tier 3 and Tier 4 licenses to Tier 1 and Tier 2 license
- PELSB required to adopt related rules

Vaping Awareness and Prevention Act

- Must provide vaping prevention education at least once to grades 6-8
- Strongly encouraged for grades 9-12
- Minnesota student survey to include tobacco and vaping questions

School-administered Medications

- Parents must notify district if controlled substance, and must permit school to destroy non-controlled substance or agree to retrieve upon school request
- Districts must adopt unclaimed medication procedures to transport unclaimed medications and do so at least annually
- Controlled substances must be transported by law enforcement

Functional Behavior Assessment

- Districts may conduct stand-alone assessment
- Parents can request comprehensive evaluation

Participation in ADSIS (Alternative Delivery of Specialized Instructional Services)

- Permits a pupil with disability to participate in preventions services as an alternative to special education (ADSI) where their individualized education program (IEP) does not say they need special education services in that area
- Must not result in increased costs or displace non-disabled student

Pre-K Dismissal

- Prekindergartners may not be dismissed
- Expulsions and exclusions limited to when there is an ongoing serious threat to the child or others, and only after other nonexclusionary discipline efforts

Age Documentation

- Clarifies that public schools permitted to request pupil age documentation for admission
- Clarifies that documentation includes a range of documents

Early Learning Scholarships

- Delays the implementation date that eligible programs must have 3- or 4-star rating in the Parent Aware system to July 1, 2024
- Development screening for early learning scholarship recipients must occur within 90 days of beginning a program or within 90 days after their third birthday, whichever is later

Interagency Early Intervention Committees

- Adds Tribal agencies as partners in Interagency Early Intervention Committees (IEICs)

(Not Included)

American Indian Education

- Right to wear regalia at graduation
- More input from Tribal Nations Education Committee on academic standards
- Closing achievement gaps and expanding opportunities
- Allowing tribal nations to have data sharing agreements with districts and charters
- Minnesota School Board Association (MSBA) would have to provide finance and management training to tribal contract schools
- Clarification that programs relying on the count of American Indian students uses the state count.

Cultural Responsiveness

- Expanding the diversity of teacher workforce—goal of 2 percent points per year
- Emphasized inclusive and respectful teaching, learning, and working environments by increasing access to opportunities
- Included in teacher and principal performance evaluations

(Not Included)

Lunch Shaming

- Districts must adopt and post policies, and may only communicate with parents
- Free and reduced-price eligible students receive meals regardless of balance
- Maintain the dignity of children

Non-exclusionary Discipline

- Requires non-exclusionary discipline practices before dismissals or expulsions
- Pupil withdrawal agreements must be reported to MDE
- Districts must provide list of mental health and counseling services available to student after expulsion

Executive Orders

Executive Orders

Executive Order 20-02: School Closure Period

Executive Order 20-02 signed on March 15, 2020

- Ordered schools closed March 18 to 27 to plan for distance learning
- Closure days still generated revenue
- Minimum instructional days and hours reduced accordingly
- Schools had to provide care to children of essential workers

Executive Orders

Executive Order 20-19: Distance Learning Period

Executive Order 20-19 signed on March 25, 2020

- Created the Distance Learning Period from March 30 to May 4
- Buildings closed for typical in-school instruction
- To the extent possible, telework must be allowed
- Expectation that all staff able to work would be utilized
- Schools must deliver meals and instructional materials
- Funding flexibilities
- Care for children of critical workers to continue
- Statewide assessments waived

Executive Order 20-41: Extended Distance Learning Period

Executive Order 20-41 signed on April 23, 2020

- Extended distance learning through the end of the 2019-20 school year
- Schools must electronically post distance learning plans and communicate them to families
- MDE and Minnesota Department of Health (MDH) directed to identify activities that could be done in-school
- Waived civics test for seniors
- Expanded funding flexibility
- Executive order 20-19 in effect unless explicitly superseded

Executive Orders

Executive Order 20-57: Summer Learning

Executive Order 20-57 was signed on May 14, 2020

- Allows districts to do summer programming and extended year services through a hybrid in-school/distance learning model or wholly distance learning
- Districts encouraged to negotiate resources for staff
- Must at least provide resources/information for families to access meals
- Must notify MDE of chosen summer programming model and if ending school before original date
- Must electronically post plan and, to the extent possible, communicate it to families in all language spoken
- Districts may provide care but must prioritize children of critical workers; can charge fees
- Encouraged to allow students to retain technology and provide maintenance
- Encouraged to use elementary and secondary school emergency relief (ESSER) funds for technology/internet access, summer programs, and ongoing mental health supports

Questions?

Thank you!

Adosh Unni

Adosh.Unni@state.mn.us

Tom Melcher

Tom.Melcher@state.mn.us