

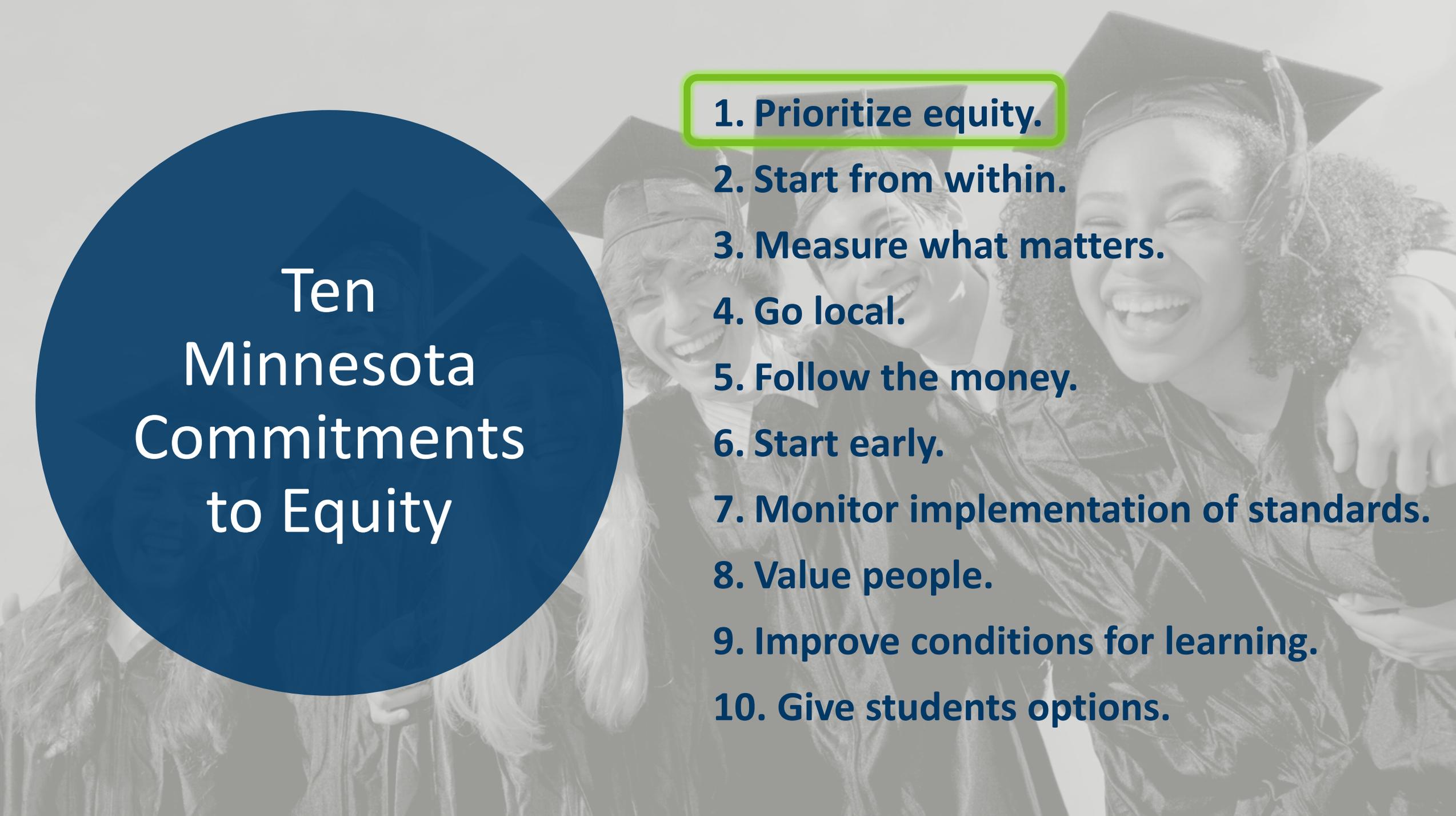


# 2019 Legislative Update

Tom Melcher | Director of School Finance

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June 14, 2019



# Ten Minnesota Commitments to Equity

- 1. Prioritize equity.**
- 2. Start from within.**
- 3. Measure what matters.**
- 4. Go local.**
- 5. Follow the money.**
- 6. Start early.**
- 7. Monitor implementation of standards.**
- 8. Value people.**
- 9. Improve conditions for learning.**
- 10. Give students options.**

# The Session in Review

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# Grants

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# Grants – Cancellations and Clarifications

1. **Perpich – Crosswinds Severance Payments:** Cancels \$800,000 and re-appropriates \$80,000
2. **Vision Therapy Pilot Project:** Cancels \$200,000
3. **Recovery Schools Grant:** Cancels \$114,000
4. **Certificate Incentive Revenue:** Cancels and re-appropriates \$860,000
5. **Singing Based Pilot (Rock and Read):** Cancels and re-appropriates \$230,000
6. **Starbase Minnesota:** Cancels and re-appropriates \$1.35 million
7. **Northwest Regional Partnership:** Cancels and re-appropriates \$1 million
8. **Statewide Concurrent Enrollment Teacher Training Program:** Cancels and re-appropriates \$400,000
9. **Early Learning Scholarships:** Cancels and re-appropriates \$4.5 million
10. **Rural Career Technical Education (CTE) Consortium:** Clarifies that at least one service cooperative must collaborate to provide career and technical education opportunities for the rural CTE grants established in 2017.

# Grants – Legislatively Named

**MacPhail Center for Music:** \$200,000 to broaden access to music education in rural Minnesota.

**Minnesota Center for the Book:** \$250,000 to the entity designated by the Library of Congress as the Minnesota Center for the Book to provide statewide programming related to the Minnesota Book Awards and for additional programming throughout the state.

**Civics Education Grants:** \$150,000 for grants to the Minnesota Civic Education Coalition, Minnesota Civic Youth, Learning Law and Democracy Foundation and YMCA Youth in Government to provide civics education programs for Minnesota youth ages 18 and younger.

# Grants – Legislatively Named (2)

## **Collaborative Urban and Greater Minnesota Educators of Color Grant Program:**

\$99,000 Requires board to give priority to past recipients that have been successful.

### **Race 2 Reduce:**

- \$10,000 is for H2O for Life to provide project management and support, Minnesota GreenCorps member hosting, curriculum development and classroom instruction assistance, school outreach, and community volunteer training.
- \$30,000 is for Independent School District (ISD) 624, White Bear Lake, for Race 2 Reduce curriculum development, teacher in-service training, service learning activities, and community public awareness events.
- **Competitive** – \$10,000 is for competitive grants to schools to implement the water conservation curriculum and co-develop the central platform.

# Grants – Legislatively Named (3)

**St. Paul College Savings Account:** \$500,000 for a matching grant to St. Paul to establish a pilot program that (1) creates a college savings account for every child born to a resident of the city of St. Paul, and (2) performs analysis of potential establishment of a statewide program or duplication by other cities.

**Reach Out and Read Minnesota:** \$150,000 for a grant to support Reach Out and Read Minnesota to expand a program that encourages early childhood development through a network of health care clinics, and for the purchase of culturally and developmentally appropriate books to sustain and expand the program in partnership with health clinics statewide:

**Education Partnership Program – Tier 2 Implementation Grants:** \$1.54 million for the Northfield Healthy Community Initiative in Northfield; for the Jones Family Foundation for the Every Hand Joined program in Red Wing; for the United Way of Central Minnesota for the Partners for Student Success program; for Austin Aspires; and for the Rochester Area Foundation for the Cradle to Career program.

- **New reporting required:** collecting and utilizing data to improve student outcomes, sharing disaggregated performance data, employing continuous improvement processes, and demonstrating an ability to leverage non-state funds.

# Grants – Legislatively Named (4)

## **P-TECH Schools \$1 million Fiscal Year (FY) 2020-21/\$1.582 million FY 2022-23**

Establishes Pathways in Technology Early College High School (P-TECH) schools as a public-private partnership to prepare students for high-skill jobs of the future in growth industries.

Requirements: cost-free education in grades nine to 14 focused on Science, Technology, Engineering and Mathematics (STEM) careers, workplace learning, academic support from both secondary and postsecondary faculty, an opportunity to earn an associate's degree, and a commitment to students who complete the program to be first in line for a job with participating business partners following program completion.

# Grants – Legislatively Named (5)

## **P-TECH Schools \$1 million FY 2020-21/\$1.582 million FY 2022-23 (continued)**

**Approval process.** Requires the commissioner to appoint an advisory committee to review applications and recommend applications for approval. Requires the commissioner to ensure equitable geographic distribution of P-TECH schools, to the extent practicable. The first applicants must begin enrolling students in the 2020-21 school year or later.

**P-TECH support grants.** Each school is eligible for a grant to support start-up and ongoing program costs, when an appropriation is available. An approved school is eligible to receive a grant in the year before first enrolling P-TECH students.

The appropriation specifies at least part of the funding goes to the Rochester school district.

# Grants – Competitive

**Teacher Mentorship and Retention of Effective Teachers:** \$1.5 million ongoing to encourage school districts to develop mentoring programs for teachers of color or indigenous teachers.

**Suicide Prevention for Teachers:** \$265,000 to a nationally-recognized provider of evidence-based online training on suicide prevention and engagement of students experiencing mental distress. Training funded by the grant must be accessible to teachers in every school district, charter school, intermediate school district, service cooperative, and tribal school in Minnesota.

**High School Equivalency Tests:** \$240,000 increase to fully fund high school equivalency for two years.

# Policy Items

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**Education, residence, and transportation of homeless students:** Requires the initial serving school district to continue to provide transportation services to and from a cooperative program for a homeless student with an individualized education program who changes serving school districts during the school year.

## Nonpublic Pupils

- **Textbook:** Expands the definition of “textbooks” to include a teacher’s edition, teacher’s guide, or other materials that a pupil uses when the teacher’s edition, teacher’s guide, or other teacher materials are packaged with textbooks for student use.
- **Individualized instructional or cooperative learning materials:** Expands the definition of “individualized instructional or cooperative learning materials” to include teacher materials that accompany materials that a pupil uses.
- Tenth grade nonpublic students can take CTE postsecondary enrollment options (PSEO) courses, same as 11<sup>th</sup> and 12<sup>th</sup> grade students.

**Board control of extracurricular activities:** Requires a school board to take charge of and control all extracurricular activities. Requires a school district to reserve revenue raised for extracurricular activities and spend the revenue only for extracurricular activities.

## Repealers

- **Payments to third parties:** Strikes a reference to unused authority for a school district to request that aid be paid to a third party.
- **125A.75, subdivision 9:** repeals duplicative annual school district reporting requirement for district special education litigation costs.
- **127A.14:** Repeals authority for the commissioner of education to purchase individual annuity contracts for employee retirement plans.

## Dyslexia

Requires a school district to screen all students identified as not reading at grade level for characteristics of dyslexia by the end of kindergarten, grade one, and grade two, in a locally determined manner.

Requires a district to screen students in grade three or higher who demonstrate a reading difficulty for characteristics of dyslexia, unless a different reason for the reading difficulty has been identified.

# Education Excellence (2)

**Civics:** A school district is encouraged to offer a course for credit in government and citizenship to 11th or 12th grade students who begin 9th grade in the 2020-21 school year and later

**Statewide testing:** Requires the Minnesota Department of Education (MDE) to establish a testing period as late as possible each school year to administer the Minnesota Comprehensive Assessments. Requires MDE to publish testing calendar two years before the testing period.

**Report on the safety of youth in skilled trades:** Directs the commissioner of Labor and Industry to study ways to allow for the safety of middle and high school aged students who receive hands-on training in skilled trades and report to the legislature.

**Resolution of concurrence:** Clarifies that the resolution adopted by the American Indian education parent advisory committee must be submitted directly to the school board along with reasons for a non-concurrence with and recommendations for education programs for American Indian students.

## PSEO

- **Notification:** Requires a school district to notify a student of PSEO opportunities by the earlier of at least three weeks before the student must register for courses or March 1 of each year (March 1 is the current law the notification date).
- **Enrollment:** Requires a postsecondary institution to allow high school students to enroll in online courses consistent with the institution's policy.
- **Breckenridge:** Allows the Breckenridge school district to enter into an agreement with a postsecondary education institution in North Dakota. The agreement allows high school students in the school district to receive college credit for a course taught at the high school or at another location, including the North Dakota postsecondary institution.

**Public employer compensation reduction prohibited.** Prohibits the public employer of a Professional Educator Licensing and Standards Board (PELSB) member from reducing the member's compensation or benefits because of the member's absence from employment when engaging in board business.

**Reading strategies.** Requires programs preparing elementary education, early childhood education, special education, and reading intervention teachers to include instruction on dyslexia, including:

- The nature and symptoms of dyslexia.
- Resources available for students who show characteristics of dyslexia.
- Evidence-based instructional strategies for students who show characteristics of dyslexia.
- Outcomes of intervention and lack of intervention for students who show characteristics of dyslexia.

**Postsecondary enrollment; courses according to agreements:** Expands grant eligibility and reporting requirements for grant recipients.

**Maltreatment of minors; duties of local welfare agency and local law enforcement agency upon receipt of report; mandatory notification between police or sheriff and agency:** Requires law enforcement to inform PELSB or Board of School Administrators (BOSA) after determining a board's licensee has physically abused, sexually abused, or neglected a child.

**Maltreatment of minors; records:** Requires MDE to provide information from a determination of maltreatment involving a board licensee to the licensing entity with student identifying information removed.

## Paperwork Reduction

### Alternative dispute resolution; additional requirements for prior written notice; conciliation conference

- Requires the prior written notice to state that a parent who objects to a proposal or refusal in the notice may identify **the specific part** of the proposal or refusal the parent objects to and request a meeting with **appropriate members** of the individualized education program (IEP) team.
- Requires a district to have a meeting of **appropriate members** of the individualized education program team.
- Requires a district to hold a conciliation conference within ten calendar days of when the district receives the parent's request for the conference, rather than from when the district receives the parent's objection to a proposal or refusal in the prior written notice.

**Individualized education program; rule amendment:** Requires MDE to amend rule to allow but not require an individualized education program to report a student's performance on general state or districtwide assessments.

**Mental health education:** Encourages school districts and charter schools to provide mental health instruction for students starting in fourth grade. Requires the MDE, in consultation with the commissioner of human services, commissioner of health, and mental health organizations, to provide districts and charter schools with resources gathered by Minnesota mental health advocates.

**Possession and use of sunscreen:** Allows a student to have and use sunscreen at school or school events without a prescription or note from a health professional. A school employee is not required to provide sunscreen or help apply sunscreen to a student.

**Reporting of maltreatment of minors; definitions:** Modifies definition of “sexual abuse” to include solicitation of children to engage in sexual conduct and communication of sexually explicit materials to children.

**Agency responsible for assessing or investigating reports of maltreatment:** Requires the department to investigate allegations of maltreatment involving students ages 18 to 21 until graduation.

# Facilities, Fund Transfers and Accounting

## Lead in school drinking water

- Adds charter schools to testing requirements.
- Requires a school district or charter school that finds lead in cooking or drinking water to formulate, make publicly available, and implement a plan consistent with established guidelines and recommendations to ensure student exposure to lead is minimized.
- Requires districts and charter schools to follow actions in guidance from commissioners of health and education.
- Requires districts and charter schools finding the presence of lead to directly notify parents of the result within 30 days of receiving the test result.
- Requires district or charter school to make water source unavailable until hazard has been minimized.

# Facilities, Fund Transfers and Accounting (2)

**Disposing of surplus school computers.** Authorizes a school district to sell or give a surplus computer to a charitable organization for educational use or to currently-enrolled district students who intend to enroll the following year.

**Agreement:** Adds service cooperatives to the definition of governmental unit for the purposes of joint powers.

**Energy use reduction and reporting for public schools:** Requires a public school or school district to enter and maintain monthly consumption data into the Minnesota B3 benchmarking program for each school building.

**Early learning scholarship account:** Creates an early learning scholarship account in the special revenue fund. Transfers all appropriations for early learning scholarships to this account and annually appropriates this money to the commissioner for early learning scholarships.

## Head Start Background Studies

- **Tribal organizations:** Authorizes tribal organizations to contract with the commissioner of human services to conduct background studies of individuals affiliated with a child care program sponsored, managed, or licensed by a tribal organization.
- **Head Start programs:** Authorizes Head Start programs to contract with the commissioner of human services for background studies.

**Administrator Fee:** Increases the annual license fee for school administrators from \$75 to \$100 beginning with licenses renewed after June 30, 2019.

Moves BOSA and PELSB to the general fund.

# Technical and Clarifying Changes

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# Technical Clarifications – Education Excellence

**Growth Model:** Removes old growth model; maintains same calculation for literacy incentive aid.

**PSEO Accreditor for OICs:** Modifies accreditation requirement for an opportunities industrialization center (OIC) as the previous accreditor no longer exists.

**Creation of foundation:** Modifies references to “vocational” and “school-to-work” to “career and technical” in student organizations statute.

**Initial achievement and integration revenue:** Clarifies the calculation for a district’s initial achievement and integration revenue that is transferred to the department for oversight and accountability activities.

**Statewide testing:** Removes the requirement that the commissioner establish empirically derived benchmarks on adaptive assessments in grades three through eight.

# Technical Clarifications - Teachers

**Technology strategies:** Clarifying change to make reading strategies requirement applicable to all program providers.

**Validity of certificates or licenses:** Strikes obsolete language regarding the extension of licenses in effect on January 1, 2018.

**Background check account:** Eliminates obsolete reference to Department of Education. Eliminates requirement that background check be performed by Bureau of Criminal Apprehension (BCA).

**Temporary military license:** Modifies license fee. Eliminates language allowing PELSB or BOSA to issue a license pending completion of a background check.

**Licensure via portfolio:** Makes licensure by portfolio available for only Tier 3 license candidates.

**Mandatory reporting:** Adds a superintendent, charter school board, charter school executive director and charter school authorizer to mandatory reporting statute.

**Teachers' and administrators' licenses; fees:** Codifies portfolio fees requirement.

# Technical Clarifications – Teachers (2)

## Minnesota Indian Teacher Training Program

**Grants to prepare Indian teachers; establishment:** Allows a grantee to contract with partner institutions to provide professional development and supplemental services to a tribal, technical, or community college or four-year postsecondary institution.

**Grants to prepare Indian teachers; grant amount:** Removes student loans from list of allowable uses for grants.

**Grants to prepare Indian teachers; eligibility for scholarships:** Requires an applicant to have origins in any of the original peoples of North America and maintain cultural identification through tribal affiliation or community recognition. Establishes priority for a student who is tribally enrolled and then to first- and second generation descendants.

**Grants to prepare Indian teachers; eligible programming:** Requires grantees or their contracted partner institutions to hire an American Indian work-study student or other American Indian staff to work on recruitment. Requires at least 80 percent of grants to be used for student scholarships, and no more than 20 percent to be used for recruitment or administration.

# Technical Clarifications – Early Childhood

## Voluntary Prekindergarten

- **Program requirements:** Clarifies that the cognitive and social skills formative measure administered to prekindergarten pupils under a voluntary prekindergarten program must be age appropriate
- **Voluntary prekindergarten; eligibility:** Clarifies that an eligible four-year-old child served in a mixed-delivery system by a child care center, family child care program, or community-based organization may be charged a fee as long as the mixed delivery partner was not awarded a mixed-delivery funded seat for that child.

# Education Items Outside of E12 Bill

## Higher Education

- \$1.25 million – Grants to Student Teachers in shortage areas (\$750,000 earmarked for teachers of color and indigenous teachers)
- \$250,000 – Teacher Shortage Loan Forgiveness
- \$1 million – Aspiring Minnesota Teachers of Color or Indigenous Teachers Scholarships

## Health and Human Services

- \$1.2 million – School Linked Mental Health Grants
- Data sharing between Minnesota Department of Human Services (DHS) and counties with MDE
- Smoking/vaping/chewing prohibited in schools districts and charters

# Education Items Outside of E12 Bill (2)

## **Housing Bill**

- \$1.75 million – Homework Starts with Home

## **Legacy Bill**

- \$2.55 million – Regional Public Libraries
- \$50,000 – Water Safety Grant Program – Provide low-income and at-risk students with scholarships for swimming lessons, hire water safety instructors, train water safety instructors or lifeguards

## **Judiciary and Public Safety**

- \$250,000 – School Safety Center to hire two additional school safety specialists

# Education Items Outside of E12 Bill (3)

## **Agriculture**

- \$400,000 – To enhance farm-to-school markets for Minnesota farmers by providing produce, grain or dairy to children in school or child care settings. Up to \$300,000 each year for urban youth agriculture education.

## **Environment and Natural Resources**

- No Child Left Indoors Grants:
  - \$200,000 for grants to high school fishing leagues providing basic angling curriculum.
  - \$500,000 for grants to school districts and tribal contract schools to increase firearms safety, trap shooting, archery, hunting, and angling activities, consistent with standards for physical education.
- Minnesota Department of Natural Resources (DNR) must develop a basic angling curriculum that includes basic fishing techniques, information about aquatic invasive species, tournament etiquette, conservation, water safety, and related matters and make the curriculum available without cost.

- **Vouchers**
- **Comprehensive sexual education**
- **Substantive changes to tiered licensure**

# Finance Items

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# E-12 Education Bills – Major Spending Categories FY 2020-FY 2021 Biennium – State Appropriations

<b>General Fund</b>				
<b>\$ in Thousands</b>	<b>Governor</b>	<b>House</b>	<b>Senate</b>	<b>Agreement</b>
General Education Formula	520,536	520,536	96,113	388,815
Special Education Aid	90,691	120,248	-	90,691
Voluntary Prekindergarten	47,095	47,095	-	46,786
Early Learning Scholarships	-	25,670	44,500	4,500
Safe Schools	17,280	24,370	74,523	[30,000]*
Referendum Equalization	-	21,290	[14,850]*	[10,000]**
School Building Bond Agriculture Credit				[9,810]**
Other Aids and Grants	17,388	127,114	21,107	13,338
State Agencies	24,921	27,437	(3,748)	15,234
Less Revenue, Transfers and Cancellations	(6,466)	(13,760)	(20,995)	(16,364)
<b>Total Increase Over Base</b>	<b>711,445</b>	<b>900,000</b>	<b>211,500</b>	<b>543,000</b>
*Contingent on general fund closing balance for FY 2019				
**In Tax Bill				

# E-12 Education Bills – Major Spending Categories FY 2022-FY 2023 Biennium – State Appropriations

<b>General Fund</b>				
<b>\$ in Thousands</b>	<b>Governor</b>	<b>House</b>	<b>Senate</b>	<b>Agreement</b>
General Education Formula	701,965	701,965	139,294	561,210
Special Education Aid	142,191	175,497	-	142,191
Voluntary Prekindergarten	57,350	57,350	-	2,811
Early Learning Scholarships	-	9,650	-	4,500
Safe Schools	23,600	38,776	-	-
Referendum Equalization	-	47,580	[28,280]**	[20,000]**
School Building Bond Agriculture Credit				[43,770]**
Other Aids and Grants	18,557	152,780	10,266	3,340
State Agencies	20,709	30,338	(3,850)	10,278
Less Revenue, Transfers and Cancellations	(4,386)	-	(4,324)	(4,330)
<b>Total Increase Over Base</b>	<b>959,986</b>	<b>1,213,936</b>	<b>141,386</b>	<b>720,000</b>
**In Tax Bill				

# Total Investment in E-12 Education by Year

## E-12 Education Bill and Other Bills

### Current Dollars, Not Adjusted for Inflation

Session	Total \$	Biennium	\$ for Biennium
2011	223,400,000	FY 2012-13	
2012	-		223,400,000
2013	620,113,000	FY 2014-15	
2014	54,000,000		674,113,000
2015	526,403,000	FY 2016-17	
2016	80,035,000		606,438,000
2017	486,495,000	FY 2018-19	
2018	18,846,000		505,341,000
2019	562,810,000	FY 2020-21	??
2020	??		

Note: Amount shown for 2019 does not include the contingent safe schools aid

# Investment in General and Special Education Formulas by Year

## Current Dollars, Not Adjusted for Inflation

Session	\$ for Formula	Biennium	\$ on Formula for Biennium	\$ for Special Education	Biennium: Formula Plus Special Education
2011	117,539,000	FY 2012-13			
2012	-	FY 2012-13	117,539,000		117,539,000
2013	238,220,000	FY 2014-15		40,000,000	
2014	23,250,000	FY 2014-15	261,470,000		301,470,000
2015	346,312,000	FY 2016-17			
2016	-	FY 2016-17	346,312,000		346,312,000
2017	331,785,000	FY 2018-19	331,785,000		
2018		FY 2018-19			331,785,000
2019	388,815,000	FY 2020-21	388,815,000	90,691,000	
2020		FY 2020-21			479,506,000

# E-12 Education Bills

## General Education Formula Allowance

### **Agreement: 2% and 2%**

- From \$6,312 in FY 2019 to \$6,438 in FY 2020 (\$126)
- Additional \$129 in FY 2021 to \$6,567
- **(Governor and House were at 3% and 2%)**
- **(Senate was at 0.5% and 0.5%)**

# E-12 Education Bills

## Impact of 2% and 2% on Basic Formula

### On General Education Revenue per ADM By District Type

	FY 2020			FY 2021		
	Base Revenue per ADM (average daily membership)	Increase	Percent Increase	Base Revenue per ADM	Increase	Percent Increase
Minneapolis and St. Paul	11,873	174	1.5%	11,963	352	2.9%
Other Metro, Inner	10,407	154	1.5%	10,495	312	3.0%
Other Metro, Outer	9,694	145	1.5%	9,753	294	3.0%
Nonmetro ≥ 2K	9,262	152	1.6%	9,295	309	3.3%
Nonmetro 1K-2K	9,150	153	1.7%	9,175	310	3.4%
Nonmetro < 1K	9,927	162	1.6%	10,058	329	3.3%
Charter Schools	8,752	164	1.9%	8,806	334	3.8%
<b>Grand Total</b>	<b>9,750</b>	<b>154</b>	<b>1.6%</b>	<b>9,824</b>	<b>310</b>	<b>3.2%</b>

## Operating Referendum/Local Optional Revenue (LOR) Simplification Governor, House, Senate

- Eliminates annual recalculation of referendum allowances approved before 2014 based on the amount of LOR a district opts to receive.
- Transfers \$300/pupil unit (PU) of referendum revenue to LOR; eliminates board-approved referendum.
- For districts with inflation-adjusted referendum authority transferred to LOR, inflationary adjustments continue for the life of the referendum as if the transfer had not been made.
- To ensure there is no change in revenue, aid or levy for any district, creates a two-tiered levy for LOR; Tier 1 of LOR replaces Tier 1 of the referendum.
- Referendum cap reduced by \$300 to neutralize the impact of the \$300 transfer to LOR on room under the cap.
- No change in revenue, aid or levy for any district.

## Other General Education Funding (FY 2020-FY 2021 Biennium)

General Fund	
\$ in Thousands	Agreement
Early Middle College Program	136
Sparsity Revenue – Karlstad Elementary	147
PSEO for 10 <sup>th</sup> Grade Nonpublic Pupils	20
Pregnant and Parenting Pupil Transportation	112

- Makes permanent the ability of an early middle college program to serve a student under the age of 22 (from House).
- Karlstad Elementary is made eligible for elementary sparsity aid for FY 2020 and FY 2021 only (from Senate).
- Authorizes nonpublic students in 10th grade to participate in PSEO CTE courses (from Senate).

# E-12 Education Bills

## Other General Education Funding (FY 2020-FY 2021 Biennium)

### **Transportation for Pregnant and Parenting Teens (From House)**

- Expands the definition of regular transportation to include the transportation of pregnant teens and teen moms to and from a school program that provides academic instruction, at least four hours of parenting training a week, and high-quality child care on site with the capacity to serve all children of enrolled pupils. Requires the program to have been established prior to January 1, 2018. Provides aid to reimburse the cost of this transportation.

### **Abatement Aid ( From House)**

- House: Updates abatement aid calculations by deleting health and safety and deferred maintenance revenue (repealed) and adding LOR and LTFM revenue (new). Effective FY 2021.

## General Ed Finance Provisions Not Included in the Agreement

- Operating referendum renewal by school board resolution (Governor – House)
- English learner (EL) aid increase from \$704 to \$740 per English learner (House)
- Kindergarten-Disabled ADM alignment (Governor and House)
- Elimination of requirement to set aside an increasing portion of compensatory revenue for extended time programs (House)
  - Set aside will increase from 3.5% of compensatory revenue in FY 2019 to 5.5% in FY 2020 to 7.5% in FY 2021

# E-12 Education Bills

## Special Education Funding Increase and Reform

### Goal:

- Increase special education aid by the amount needed to hold the state average cross-subsidy per pupil constant at the FY 2019 level of \$820/ADM in FY 2020 and FY 2021.

### Formula mechanics – beginning in FY 2020:

- Establishes cross-subsidy reduction aid as a new component of the special education aid formula.
- Phases out the special education aid cap (eliminated in FY 2021 and later).
- Reduces the tuition rate paid by the resident school district for open enrolled special education students served by another district or charter school.
- Adjusts the hold harmless to reduce reliance on the FY 2016 base and factor in current year costs.

# E-12 Education Bills

## Cross-Subsidy Reduction Aid

### **The “initial cross-subsidy” is defined as:**

- the nonfederal cost of special education including transportation, minus
- the state special education aid received after tuition adjustments, minus
- the general ed revenue attributable to students receiving sp ed services outside of the regular classroom for more than 60 percent of the school day (portion attributable to instruction outside of the regular classroom).

### **Cross-subsidy reduction aid is a percentage of each district’s initial cross-subsidy for the prior fiscal year:**

- 2.6 percent for FY 2020 and 6.43 percent for FY 2021 and later.
- Charter schools would not be eligible for cross-subsidy reduction aid.

# E-12 Education Bills

## Special Education Pupil-Driven Initial Aid Formula

**Updates the pupil-driven portion of the initial special education aid formula to reflect FY 2018 data, beginning in FY 2021.**

To date, the pupil-driven formula calculations have been based on FY 2011 data used when the new formula was enacted in 2013, adjusted for inflation.

Under current law, MDE does an annual study of average special education cost per student by primary disability.

Based on the latest cost study, there are no changes in the assignment of primary disabilities to cost categories, but the per pupil rates for each cost category are adjusted to reflect FY 2018 data. This results in an increase in initial aid for districts where the pupil-driven formula generates the least aid of the three initial aid formulas.

# E-12 Education Bills

## Special Education Tuition Billing

- Rate paid by the resident district for open enrolled students reduced from 90 percent to 85 percent of the unfunded costs for FY 2020 and to 80 percent for FY 2021 and later.
- Charter schools will receive additional special education aid from the state to fully offset the impact of the tuition billing change.

# E-12 Education Bills

## Special Education Cap

- For FY 2020, the cap is increased to the greater of the current cap or the sum of 56 percent of current year special education program cost plus 100 percent of current year special transportation cost plus the tuition adjustment.
- For FY 2021 and later, the cap is eliminated.

# E-12 Education Bills

## Special Education Hold Harmless

1. Hold harmless (minimum aid) guarantee limited to the sum of 90 percent in FY 2020, 85 percent in FY 2021, 80 percent in FY 2022 and 75 percent in FY 2023 later of current year special education program costs plus 100 percent of special transportation costs, plus the tuition adjustment.
2. Annual inflation adjustment used in calculating the hold harmless reduced by 0.2 percent per year, from the current 4.6 percent in FY 2020 to 4.4 percent in FY 2021 to 4.2 percent in FY 2022 and so forth until the inflation adjustment reaches 2.0 percent.

This will reduce the hold harmless guarantee for districts where special education expenditures have fallen or grown very slowly since FY 2016, so that the hold harmless does not result in the district receiving a very high percentage of its costs covered by the formula, before adjusting for tuition, compared with other districts.

# E-12 Education Bills

## Average Change in FY 2020 Special Education Aid Per ADM by District Type

	Regular Aid	Excess Cost Aid	Cross-Subsidy Reduction	Growth Cap	Hold Harmless	Net Tuition	Charter Adjustment	Total Special Education Aid
Total	-	-	25	7	(3)	(0)	5	33
Minneapolis and St. Paul	-	-	38	-	(30)	30	-	38
Other Metro, Inner	-	-	30	-	(2)	4	-	32
Other Metro, Outer	-	-	27	13	(1)	2	-	42
Nonmetro ≥ 2K	-	-	26	2	(0)	4	-	32
Nonmetro 1K-2K	-	-	23	8	(1)	2	-	31
Nonmetro < 1K	-	-	21	15	(5)	0	-	32
Charter	-	-	-	-	0	(64)	64	0

# E-12 Education Bills

## Average Change in FY 2021 Special Education Aid Per ADM by District Type

	Regular Aid	Excess Cost Aid	Cross-Subsidy Reduction	Growth Cap	Hold Harmless	Net Tuition	Charter Adjustment	Total Special Education Aid
Total	11	(8)	64	10	(9)	0	10	80
Minneapolis and St. Paul	-	(3)	99	-	(72)	72	-	95
Other Metro, Inner	7	(6)	79	1	(8)	14	-	87
Other Metro, Outer	5	(5)	70	13	(1)	9	-	91
Nonmetro ≥ 2K	1	(2)	66	6	(1)	11	-	82
Nonmetro 1K-2K	6	(4)	57	14	(4)	5	-	74
Nonmetro < 1K	7	(5)	53	23	(13)	4	-	70
Charter	53	(31)	-	-	-	(162)	142	2

# E-12 Education Bills

## Voluntary Prekindergarten (VPK)/School Readiness Plus (SR+)

- For FY 2020 and FY 2021 only, continues to fund the 4,000 seats currently expiring after FY 2019.
- Clarifies that participating districts and charter schools must record expenditures for VPK programs through Uniform Financial Accounting and Reporting Standards (UFARS) as directed by MDE.
- Specifies that VPK students will not be used in declining enrollment revenue calculations for FY 2022.
- Specifies that FY 2021 VPK student data will not be used to drive FY 2022 compensatory revenue for sites where VPK funding is discontinued after FY 2021 due to the reduction in the number of funded seats.
- Increases the operating capital equalizing factor to neutralize the statewide property tax levy impact of continuing the VPK program at the FY 2019 participation level.

# E-12 Education Bills

## Safe Schools Supplemental Aid: FY 2020

- Funding is contingent on FY 2019 closing balance:
  - If balance exceeds the balance projected at the close of the 2019 legislative session by more than \$63 million, \$30 million is appropriated.
  - If balance exceeds the balance projected at the close of the 2019 legislative session by more than \$33 million but less than \$63 million, the amount over \$33 million is appropriated.
- The aid would be allocated among districts and charter schools based on each district/ charter school's share of state total adjusted ADM for FY 2018.
  - Approximately \$34.70/FY 2018 AADM (adjusted ADM) if the full \$30 million is allocated.
- The aid is available beginning October 1, 2019, and is to be allocated 100 percent during FY 2020 based on a schedule to be determined by the commissioner.

# E-12 Education Bills

## Safe Schools Supplemental Aid: FY 2020 (continued)

### Allowable uses:

- Districts must reserve the aid and use it for the same purposes as the safe schools levy.
- Charter schools must reserve the aid and use it either for same purposes as the safe schools levy or for building lease costs not covered by charter school lease aid.

# E-12 Education Bills

## Tribal Contract School Aid

- Increases tribal contract maximum aid per student for fiscal years 2020 and later to the 2019 amount of \$3,230, adjusted for growth in the general education basic formula allowance, by converting the \$3,230 per pupil maximum to 51.17 percent of formula allowance.
- Under existing law, the allowance was set at \$3,230 per pupil for fiscal years 2015 to 2019, and was scheduled to fall back to \$1,500 per pupil for fiscal year 2020 and later.

# E-12 Education Bills

## State Agency Budgets

### **MDE:**

- Operating adjustment (\$2.934M)
- Legal costs associated with litigation (\$4.7M)
- Mainframe update (\$880K)

### **Perpich:**

- Operating adjustment (\$485K)
- Crosswinds severance (\$80K)

### **State Academies:**

- Operating adjustment (\$1.065M)

# E-12 Education Bills Forecast Adjustments

- Forecast article adjusts fiscal year 2019 appropriations (including final payments for FY 2018 and current payments for FY 2019) to match the February 2019 forecast amounts for each affected program.
- This eliminates proration of forecasted program aids for FY 2018 and FY 2019 that were being prorated due to the veto of the 2018 omnibus budget bill, including special education aid.

# E-12 Education Bills

## Proposed Changes with No Impact on State Budget Fund Transfers

### Fund Transfers for Selected Districts

- ISD 458, Truman is authorized to transfer up to \$65,000 from its early childhood family education (ECFE) account in the community service fund and \$45,000 from its school readiness account to its general fund.
- ISD 276, Minnetonka is authorized to transfer up to \$3,300,000 from its community education reserve account to its operating capital account for building costs associated with its early childhood program.
- ISD 270, Hopkins is authorized to transfer up to \$500,000 from its community education reserve account to its operating capital account for equipment and facilities needs for an early childhood classroom addition.

## Operating Referendum Equalization

- Increases the equalizing factor for Tier 2 of the referendum (New Tier 1) from \$510,000 to \$567,000.
- \$9.4M property tax relief FY 2021; \$600K additional referendum aid for charter schools.

## School Bond Agricultural Credit

- Increased from 40% under current law to 50% in Pay 20, 55% in Pay 21, 60% in Pay 22, and 70% in Pay 23 and thereafter.
- Estimate property tax relief = \$10.9M for Pay 20, \$18.2M for Pay 21 and \$27.2M for Pay 22.

# Thank you!

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