



Legislative Mid-Session Review 2017

Association of Metropolitan School Districts

Budget Bills Head to Conference Committee



The House and Senate have assembled and passed their respective Omnibus Finance bills, including the E-12 bill, and will begin the conference committee process following the spring recess.

- The Senate E-12 bill would increase education funding by \$300 million including a 1.5% per year formula increase. The Senate bill also provides a \$10 million down payment to help stabilize the Teachers Retirement Association (TRA) fund and makes investments to address the teacher shortage.
- The House bill proposes an increase of \$267 million which includes a 1.25% per year formula increase. The House bill also includes some troubling proposals including freezing the compensatory revenue program at the FY 2017 level and eliminating the Voluntary Pre-Kindergarten and Pathway II Early Learning Scholarship programs. The House bill attempts to mitigate these changes by establishing a new Targeted Compensatory Revenue program, tied to the student participation rate in the MCA exams, and increasing School Readiness funding for two years to provide a temporary cushion for districts losing Pre-K funding.

The House and Senate bills fall far short of the Governor's E-12 Education proposal of \$705 million including a 2% per year increase in the funding formula, \$40 million for special education and \$175 million in the voluntary pre-kindergarten program. In addition, the Governor's budget includes \$68 million to offset the proposed increase in the employer contribution to TRA in the 2018-19 biennium. State funding to offset a mandated pension increase is critical as school districts would otherwise be forced to use a portion of any formula increase to meet that cost.

AMSD omnibus bill comparison summaries and school district runs are available at:

<http://www.amsd.org/advocacy/2017-legislative-session>



Contact Your Legislators

Despite a projected a \$1.65 billion state budget surplus, the House and Senate E-12 Finance bills fall short of addressing AMSD’s top priorities such as providing an inflationary increase in the funding formula, reducing the special education cross-subsidy, investing in school-based early learning, diversifying the teacher workforce and increasing referendum equalization. In fact, the House and Senate spending levels for E-12 Education are insufficient to provide even an inflationary increase in the funding formula. The Senate tax bill includes enhanced equalization for both the debt service levy and the operating referendum while the House tax bill does not address either one. At the same time, the House and Senate tax bills provide significant tax subsidies that benefit nonpublic schools.

Fortunately, there is still time to contact your local legislators and legislative leaders to urge them to address AMSD’s priority issues.

AMSD members are encouraged to meet with your local legislators to advocate for AMSD’s Session Priorities. You can find AMSD’s Session Priorities document and contact information for AMSD legislators on the AMSD web page: <http://www.amsd.org/advocacy/2017-legislative-session>



Proposals of Concern

Proposals of Concern in House E-12 Bill

- 1) De-links Compensatory Revenue and ECFE from the formula.
- 2) Eliminates Pathway II for Early Learning Scholarships.
- 3) Eliminates the Voluntary Pre-K program.

Proposals of Concern in Senate Tax Bill

- 1) Allows for a tax credit for contributions to foundations that provide scholarships to students attending nonpublic schools.

Proposals of Concern in House Tax Bill

- 1) Extends tax credit to private school tuition and allows for a tax credit for contributions to foundations that provide scholarships to students attending nonpublic schools.
- 2) Requires all school district elections to be held on General Election Day. (AMSD urges legislators to address election issues in the Omnibus Elections Bill. Further details are available on the [AMSD Key Bill Tracker](#).)

Tax Subsidies for Private Schools Advance at Legislature

The Omnibus Tax bills in both the Senate and House would provide significant taxpayer subsidies that benefit nonpublic K-12 schools. Summaries of the provisions and key points about the issue are outlined below.



House:

- Allows individual income and corporate franchise tax credits equal to 70 percent of the amount contributed to foundations that award scholarships to students attending a nonpublic K-12 school or foundations that support one or more public schools or districts. State revenues would be reduced by almost \$30 million in the 2018-2019 biennium.
- Extends the existing K-12 education credit to nonpublic school tuition reducing state revenues by an additional \$25 million. In addition, the bill increases the existing K-12 education subtraction and credit amounts and the phase-out threshold for the credit and adjusts them annually for inflation. The nonpublic school tax subsidies in HF 4 would reduce state revenues by almost \$55 million in FY 2019.

Senate:

- Allows individual income and corporate franchise tax credits equal to 70 percent of the amount contributed to foundations that award scholarships to nonpublic K-12 students.
- Indexes the existing K-12 education tax credit amount and income threshold to increases in inflation.
- The nonpublic school tax subsidies in SF 2255 would reduce state revenues by \$35 million per taxable year beginning in 2018.

Why Oppose Subsidies for Non-Public Schools?

- Minnesota Is Not Meeting Its Constitutional Obligation to Public Schools.
- Public Funding Requires Public Accountability and Accessibility.
- Minnesota Offers Extensive School Choice Options.
- Research Does Not Support Public Subsidies for Private K-12 Education.
- The Public Overwhelmingly Opposes Private School Vouchers.

Visit the AMSD web page for a detailed Session Brief on this issue:

<http://www.amsd.org/advocacy/2017-legislative-session>



Biennium to Biennium Spending Comparisons Provide a Distorted Picture

The traditional method to evaluate a proposed funding increase is to compare the proposed increase to the base level of funding outlined in the state budget forecast. However, some legislators have been comparing proposed spending in the 2018-19 biennium to expenditures in the 2016-17 biennium. It is important to note that biennium to biennium spending comparisons can provide a greatly distorted picture of the actual funding increases received by school districts.

For example, some legislators are stating that the House and Senate E-12 Education Bills would increase education spending by more than \$1 billion. That claim is accurate when comparing expenditures in the 2016-17 biennium to the proposed expenditures for the 2018-19 biennium. It is important to note that this comparison covers a four-year period --from FY 2016 through FY 2019. This would average out to about a 1.5% increase per year.

It is also important to note that this comparison includes \$845 million that is already included in the base level funding outlined in the February state budget forecast. There are three main factors that explain the projected base level funding increase: an increase in the number of special education students served and the cost of providing those services, growing student enrollment and new spending approved during the last biennium that was not effective until the second year of the biennium. Further details can be found here: <http://www.amsd.org/wp-content/uploads/2016/10/2017-Session-Brief-E-12-Spending-2.pdf>

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