



E-12 EDUCATION FUNDING AND POLICY PROVISIONS

2018 Legislative Session

Tom Melcher – Director, School Finance

Adosh Unni – Director, Government Relations

Kate Lynne Snyder -- Deputy Director, Government Relations

May 22, 2018 DRAFT

Topics for Discussion

- **Priorities**
- **Education Funding Provisions:**
 - Emergency School Funding / Tax Bill (HF 947 / Chapter 205) (**Vetoed**)
 - Omnibus Spending Bill (SF 3656/ Chapter 201) (**Vetoed**)
 - Bonding Bill (HF 4425 / Chapter 214) (Pending Governor Decision)
 - Pension Bill (SF 2620 / Chapter 211) (Pending Governor Decision)
- **Education Policy Provisions**
 - Omnibus Spending Bill (SF 3656 / Chapter 201) (**Vetoed**)

Governor's Top Fiscal Priorities

Priority	Amount	Result
Emergency School Aid	\$138 million (2% on formula in FY19)	Not funded
Safe Schools Funding	\$19.8 million in FY19; \$10.9 million in FY20/21	Partially funded, but not adequate in future years (\$18/pu in FY19; \$5.50/pu in later years)
Special Education Aid to address cross subsidy	\$16.9 million in FY19; \$43.4 million in FY20/21	Not funded
Ongoing Prekindergarten Funding	\$56.6 million in FY20/21	Not funded
School-Linked Mental Health Grants	\$5 million/year	Funded
Funding for Bureau of Indian Education Schools	\$3.7 million in FY20/21	Not funded
Help Me Grow	\$1.5 million/year	Not funded
Q-Comp Funding to Avoid Proration	\$847,000 in FY19; \$3.1 million in FY20/21	Not funded
Full Fund the GED	\$403,000/year	Not funded

Legislature's Top Fiscal Priorities – **VETOED**

Bill	Item	Amount
Taxes/Education Bill (HF947)	One-time Compensation Aid from Budget Reserves	\$50 million
	Flexibility to Use Existing Funding (Staff Development and Community Education)	--
Omnibus Supplemental Bill (SF3656)	Safe Schools Revenue	\$19.9 million in FY19; \$18.1 million in FY20/21
	School-Linked Mental Health Grants	\$5 million/year
	School Safety Grants	\$6.9 million
	Named and Competitive Grants	\$2.1 million
	Recapturing Existing Appropriations	(\$2.8 million)

Emergency School Funding / Tax Bill (HF 947) – **VETOED**

School Funding & Transfer Provisions

- **One-Time Compensation and School Aid**

- For FY 2019 only, \$57.73 per FY 2018 Adjusted ADM (\$50 Million total) for school districts and charter schools
- To be paid concurrent with school endowment fund payment in September 2018
- May be used for student and staff safety or any other school-related purpose as deemed appropriate by the school board
- Compensates for past activities conducted on school trust lands that did not maximize deposits to the permanent school fund

Emergency School Funding / Tax Bill (HF 947) – **VETOED**

School Funding & Transfer Provisions

- **Two Percent Staff Development Set-Aside Waiver**

- For FY 2019 only, allows a school board to waive the two-percent staff development set aside requirement or establish a different percentage reserve by board resolution on its own accord, without a majority vote by the licensed teachers in the district.

- **Community Service Fund Transfer**

- On June 30, 2018, and June 30, 2019, only, allows a district to permanently transfer any amount approved by the Commissioner from the Restricted/Reserved Fund Balance for Community Education (UFARS Fund Balance Account 431) to its undesignated general fund.
- To the extent practicable, transfers made under this provision must abide by the district's fund balance policy.

Emergency School Funding / Tax Bill (HF 947) – VETOED

529 Accounts for K-12 Expenses

- Expands allowable distributions from 529 savings plans from higher education expenses to include expenses for tuition for elementary or secondary public, private, or religious school.
- Effective for taxable years beginning after December 31, 2017.

E-12 EDUCATION/ OMNIBUS SPENDING BILLS

State Appropriations by Major Spending Category

Governor vs Conference Report

(\$ 000s)	FY 18-FY 19		FY 20-FY 21	
	Gov.	Conf.	Gov.	Conf.
Gen Ed Formula - One-time	124,063	-	13,782	-
Safe Schools Revenue	19,814	19,919	10,922	18,107
LTFM Aid	-	-	-	1,710
Special Ed Aid	16,939	800	43,456	-
VPK & Sch Readiness +	-	-	56,621	-
Other Formula Aid	1,403	598	7,887	20
School Safety Grants	-	6,973		10,000
Other Grants	1,500	2,130	3,000	
State Agency Budgets	204	410	408	85
Recapture Unspent Funds	-	(2,811)	-	-
Totals	163,923	28,019	136,076	29,922

E-12 EDUCATION/ OMNIBUS SPENDING BILLS Pay 2019 (FY 2020) School Property Tax Levies Governor vs Conference Report

(\$ in Thousands)	GOV	CONF
Safe Schools	39,419	(1,150)
Debt Service - Facilities & Equip Bonds - School Safety	7,981	
Gen Fund Levy Offset - Fac & Equip Bonds	(7,981)	
Ag Bond Credit - Fac & Equip Bonds	(328)	
LTFM - Use for Safe Schools Allowed		1,150
Q Comp - Elim Aid Proration	(2,202)	
Impact of VPK / SR+ Increase	3,236	
Oper Capital Equ Factor Increase	(3,236)	
Total	36,889	-

E-12 EDUCATION BILLS

ONE-TIME FORMULA ALLOWANCE INCREASE – NOT ADOPTED

- **Governor:**

- 2% (\$126) for FY 2019 ONLY from \$6,312 to \$6,438
- Returns to \$6,312 for FY 2020 and later
- All formulas linked to the general education formula allowance are increased one-time (e.g., compensatory, transportation sparsity, sparsity, ECFE, nonpublic transportation)
- Average increase is \$156 / ADM
- Announced May 1, 2018

E-12 EDUCATION/ OMNIBUS SPENDING BILLS (Chapter 201) – VETOED

Safe Schools Revenue – Conference

- **Initial District Revenue:**

- Increased from \$36 to \$54 / PU for FY 2019 and to \$41.50 / PU for FY 2020 and later (\$18 /PU increase for FY 19 and \$5.50 /PU increase for later years), with a minimum revenue of \$30,000 per district for FY 2019 and later. The increases are all state aid for FY 19 and later.
- For FY 2020 and FY 2021 only, the existing \$36 / PU levy is equalized, with equalizing factor set at 68.5% of the state average ANTC / PU

- **Charter School and Intermediate / Coop Revenue:**

- Charter schools receive \$18 / PU for FY 2019 and \$5.50 / PU for later years (all state aid)
- Intermediate district member districts receive one-time coop aid of \$6 / member district PU for FY 2019 only; no change in the ongoing \$15 / member district PU levy
- Districts that are members of other coops enrolling students receive coop aid of \$7.50 / member district PU for FY 2019 and \$3.50 / member district PU for later years (Allocated if in >1 coop)

E-12 EDUCATION/ OMNIBUS SPENDING BILLS (Chapter 201)

Safe Schools Revenue – Governor – **NOT ADOPTED**

- **Initial District Revenue:**

- Increased from \$36 to \$54 / PU for FY 2019 and to \$72 / PU for FY 2020 and later (\$18 /PU increase for FY 19 and \$36 /PU increase for later years), with a minimum revenue of \$22,500 per district for FY 2019 and \$30,000 for later years. The increases are all state aid for FY 19 and later.
- For FY 2020 and later, the full \$72/ PU is in the form of an equalized levy, with equalizing factor set at 60% of the state average ANTC / PU

- **Charter School and Intermediate / Coop Revenue:**

- Charter schools receive \$18 / PU for FY 2019 and \$36 / PU for later years (all state aid)
- Intermediate district member districts receive one-time coop aid of \$7.50 / member district PU for FY 2019; for later years the levy is doubled from \$15 to \$30 / member district PU, and equalized at 60%.
- Districts that are members of other coops enrolling students receive coop aid of \$7.50 / member district PU for FY 2019 and an equalized levy of \$15 / member district PU for later years (Allocated if in >1 coop)

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – **VETOED**

Safe Schools Revenue – Uses

- **Governor and Conference Report:**

- Clarifies that equipment bonds may be used for public announcement systems, emergency communication devices and other equipment related to violence prevention and facility security;
- Increases the maximum debt service levy for equipment and facilities bonds to include the amount of a district's safe schools revenue;
- Allows safe schools revenue to be transferred to the debt redemption fund to make principal and interest payments on facilities and equipment bonds under MS 123B.61 and MS 123B.62;
- Requires charter schools to reserve the revenue for safe schools purposes including building lease expenses not funded by lease aid that are attributable to facility security enhancements made after March 1, 2018;

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – VETOED

Safe Schools Revenue – Reporting (Conference)

- Requires districts to annually report safe schools expenditures to MDE by functional area and any new staff positions hired.
- Reporting must align with the statutory list of 10 allowed revenue uses
 - This would require changes in UFARS and/or other new reporting

E-12 EDUCATION/ OMNIBUS SPENDING BILLS

School Safety-Related Grants (Conference)

(\$ 000)	FY 19	FY 20-21
Physical Security Audit Grants	1,000	-
School Resource Officer Training	250	-
School-Linked Mental Health Grants	5,000	10,000
For Jake's Sake Foundation	300	-
Suicide prevention training	273	-
School safety assessment grants	150	-

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – VETOED

LTFM (Conference Report)

- Allows school districts to include the following school safety-related projects in LTFM plans for FY 20 and FY 21 only:
 - Remodeling and new construction for school security enhancements
 - Equipment and facility modifications related to violence prevention and facility security
- Projects authorized prior to July 1, 2021, may be included in the plan until completed.
- No increase in formula – just allows use of existing per student allocations for school facility safety enhancements
- Hold harmless calculation for Alt Facility districts still based on old definition of eligible expenditures

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – **VETOED**

Special Education Funding (Conference)

Transportation of Homeless (House and Senate):

- Requires the initial serving school district to continue to provide transportation services to and from a cooperative program for a homeless student with an IEP who changes serving school districts during the school year. Allows the initial and current serving school district to mutually agree to an alternative transportation arrangement.

• Monticello

- Eliminates the requirement for the Monticello school district to pay back \$800,000 advanced in FY 18

E-12 EDUCATION/ OMNIBUS SPENDING BILLS

Special Education Formula Increase – Governor – **NOT ADOPTED**

Reduce the special education cross subsidy by improving the current funding formula as follows:

- Adjust the pupil-driven portion of the initial aid formula to adopt the findings of the FY17 cost study:
 - From \$10,400 to \$13,300 for cost level 2 (Autism, developmental delay, severely multiply impaired)
 - From \$18,000 to \$19,200 for cost level 3 (Deaf and hard of hearing, EBD)
 - From \$27,000 to \$25,200 for cost level 4(developmentally cognitive, physically impaired, visually impaired, deafblind)
- Simplify & Increase initial special education aid by eliminating calculations based on the old formula expenditures (goes from least of 3 to lesser of 2 formulas).
- Increase special education excess cost aid by reducing the subtraction for general education revenue in the formula based on old formula expenditures from 2.5% to 2.3%
- Increase the cap on growth in total special aid over old law by \$30 per ADM for FY19 and later.

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – VETOED

Special Education Legislative Working Group (Conference)

- Working group will review special education delivery, costs and funding; report is due January 15, 2019
 - Funding issues to be addressed include:
 - analyzing funding for children receiving special ed services in a nonresident district or charter school, and
 - analyzing the effects of the new formula that took effect in FY 2016, including interactions with federal funding
- Members includes 6 senators and 6 representatives
- The Legislative Coordinating Commission must provide administrative assistance upon request. The Department of Education must provide technical assistance upon request.

E-12 EDUCATION/ OMNIBUS SPENDING BILLS

VPK / School Readiness +

- **Governor (Not Adopted):**

- For FY 2020 and later, continue to fund the 7,160 seats funded in FY 2019, and increase the number of seats by 5% each year beginning in FY 2020, (to 7,518 in FY 20 and 7,894 in FY 21)

- **Governor and Conference (Vetoed):**

- When allocating any new seats, use separate groups for the Minneapolis and St Paul districts to ensure an even distribution of seats between the two districts based on prior year K enrollment

- **Conference (Vetoed):**

- Reduce the number of seats to 3,160 for FY 2020 and later (current law)

E-12 EDUCATION/ OMNIBUS SPENDING BILLS

Other Misc Formula Funding

(\$ 000)	FY 19		FY 20-21	
	GOV	Conf	GOV	Conf
Q Comp	847		3,071	-
American Indian Tribal Contract Aid			3,670	-
Kindergarten - Disabled ADM Calc	153		340	-
Equity in Telecommunications Access		562		-
Nonpublic PSEO Option		10		20
Enrollment Options Transp				-
GED Reimbursement Cap Lift	403		806	-

E-12 EDUCATION/ OMNIBUS SPENDING BILLS

Other Misc Formula Funding - Governor – **NOT ADOPTED**

- **Q Comp:** Eliminate aid proration for districts currently in the program
 - Aid is currently prorated at 98.8% due to the statewide cap and enrollment growth in districts in the program
 - Districts currently levy to make up the aid loss due to proration
 - This would fully fund the aid at a cost of \$847 K in FY 19 and \$3.071 M for FY 20-FY 21 with an offsetting reduction in the levy.
 - For districts in the program that don't levy and charter schools, there would be a slight increase.
- **Kindergarten-Disabled ADM** (\$153 K for FY 19; \$340K for FY 20-FY21)
 - Make the calculation of pupil units for kindergarten students with a disability the same as for kindergarten students without a disability
 - Currently, K students with a disability must have 875 hours to generate 1 ADM, vs 850 for other students, and K students with a disability do not qualify for extended time revenue

E-12 EDUCATION/ OMNIBUS SPENDING BILLS

Other Misc Formula Funding - Governor – **NOT ADOPTED**

- **American Indian Tribal Contract Aid (\$3.67 million for FY 20 –FY 21):**
 - Keep the aid limit / PU at \$3,230 for FY 20 and later, instead of allowing it to fall to \$1,500 / PU
 - (The temporarily increase from \$1,500 to \$3,230 / PU that is in effect for FY 16 – FY 19 will expire in FY 20 unless extended or made permanent)
- **High school equivalency test fee reimbursement (\$403 K per year)**
 - For FY 19 and later, increases the reimbursement for one full battery of tests per year from 60% of the fee not to exceed \$40 to 100% of the fee not to exceed \$120.

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – VETOED

Other Grants (Conference)

(\$ 000)	FY 19	FY 20-21
School Bus Safety Campaign	41	-
St Cloud ELL Summer Program	300	-
Mind Foundry Learning Foundation	100	-
Mounds View Early College Aid	200	-
Museums & Educ Centers	31	-
Vocational Enrichment Revenue	150	-
Vocational PSEO Grant	135	-
Promise Neighborhood - Central MN	73	-
Character development educ grants	725	-
Sanneh Foundation Grant	250	-
Online Access to Music Ed Grant	125	-

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – **VETOED**

State Agency Budgets (Conference)

(\$ 000)	FY 19	FY 20-21
OLA Report on School Revenue	200	-
MDE Agency - Turnaround Arts	185	-
Civics Test Reporting		85
PELSB Ethics Complaint Process	25	

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – **VETOED**

State Agency Budgets (Conference)

Legislative Auditor Report shall focus on a sample of school districts and include the following (Due February 1, 2019):

- (1) the extent to which the funding generated by students is spent at the school those students attend;
- (2) how district calculations of actual salaries for teachers and staff compare to average salaries and how those calculations may impact per pupil expenditures at the school level;
- (3) how per pupil expenditures within a given school district compare across school sites, including expenditures to reduce class sizes, hire additional support staff, and support other resources;
- (4) the extent to which revenue sources for a given school district vary by school site, including state and local funding and philanthropic and parent association funds;
- (5) whether there is currently variation in reporting across schools in UFARS; and
- (6) what steps the Department of Education can take to ensure consistent and accurate UFARS reporting from schools and districts on school-level revenue and expenditures.

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – VETOED

Proposed Changes with No Impact on State Budget

Operating Referendum / Local Optional Revenue Simplification

- (Governor and Conference)
 - Eliminates annual recalculation of referendum allowances approved before 2014 based on the amount of LOR a district opts to receive
 - Transfers \$300 /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

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – **VETOED**

Proposed Changes with No Impact on State Budget

LTFM: Interdistrict Levy Burden Allocation for Paired Districts. (Gov, Conference)

- Allow districts participating in an agreement for secondary education or an interdistrict cooperation agreement to allocate LTFM revenue generated by indoor air quality, fire safety or asbestos projects with a cost > \$100,000 between the districts participating in the agreement. This will allow the levy to be equitably spread between the districts.
- (Senate also cancels any unspent RLTA funds and increases telecomm equity funding)

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – **VETOED**

Proposed Changes with No Impact on State Budget

Nonpublic Pupil Aid – Textbook Definition (Conference)

- Expands the definitions of textbooks and individualized instructional or cooperative learning materials to include a teacher's edition or teacher's guide that accompanies the textbook or materials used by a pupil. The current definition is limited to textbooks and materials used by a pupil.

Compensatory Revenue Report (Conference)

- Requires school districts to submit to MDE a description of how the school is spending its compensatory revenue that identifies the amount spent on each of the permitted uses in statute.
- Requires districts to report in their world's best workforce plans on whether the increased expenditures raised student achievement levels.
- Requires MDE to compile and summarize district compensatory revenue reports and submit the consolidated report to the Legislature by February 15th of each year.

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – VETOED

Proposed Changes with No Impact on State Budget

Facilities Bonding (Conference)

- Requires that the summary of the commissioner's review and comment and other supplemental information be posted in the same manner as currently required for sample ballots, effective for elections held on or after August 1, 2018:
 - (a) in the school district's administrative office four days before an election to issue bonds to finance the project, and
 - (b) in the polling place on Election Day (in addition to other publication and meeting requirements)
- Requires that the ballot language for a school district bond issue state the name of the plan or plans being proposed by the district as submitted to the commissioner for review and comment. Effective for elections held on or after August 1, 2018.
- Clarifies that bond proceeds must be used for the original purpose.

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – VETOED

Proposed Changes with No Impact on State Budget

Fund Transfers (Conference)

- Authorizes Minnetonka to transfer up to \$2.4 million from its community education reserve account to its reserved for operating capital account for the construction costs associated with the district's early childhood spaces.
- Authorizes Hopkins to transfer up to \$500,000 from its community education reserve account to its reserved for operating capital account for the construction costs associated with the district's early childhood spaces.
- Authorizes Ivanhoe to transfer up to \$79,000 from its community education reserve account to its undesignated general fund.
- Authorizes Minneapolis to transfer up to \$2 million from its community education reserve account to its undesignated general fund for school district support personnel, including mental health professionals.

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – **VETOED**

Proposed Changes with No Impact on State Budget

- **Lead in Water** (Conference):
 - Requires MDE , in consultation with the Department of Health, to determine the maximum contaminant level for lead in school drinking water.
 - If a district finds the presence of lead exceeding the maximum, it must remediate or shut off the water source, and notify parents of the test results and steps taken.
- **Disposal of Surplus School Computers** (Conference)
 - Allows a school district to sell or give surplus computers or tablets to students upon adoption of a written resolution of the school board
 - A student is eligible to apply to the school board for a computer or tablet under this subdivision if the student is currently enrolled in the school and intends to enroll in the school in the year following the receipt of the computer or tablet.
 - If more students apply for computers or tablets than are available, the school must first qualify students whose families are eligible for free or reduced-price meals, and then dispose of the remaining computers or tablets by lottery.

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – VETOED

Appropriation Adjustments for February 2018 Forecast

- The bill included routine adjustments to update state aid appropriations to reflect changes in estimated aid entitlements that have occurred between the end of the 2017 legislative session and the February 2018 forecast.
- With the veto of the bill, these adjustments will not take effect this summer. However, under MS 127A.41. subd. 8 and 9, after final payments have been calculated for each fiscal year, MDE transfers funds from forecasted accounts that have surpluses to forecasted accounts that have shortfalls to mitigate the impact of aid proration.
 - For FY 2017, there are sufficient surpluses to cover the shortfalls for all forecasted programs with a shortfall.
 - For FY 2018, based on February 2018 forecast estimates, the projected shortfalls are about \$30 million and the projected surpluses are about \$5 million, leaving a net shortfall of about \$25 million.

E-12 EDUCATION/ OMNIBUS SPENDING BILLS – VETOED

Appropriation Adjustments for February 2018 Forecast

- After the yearend transfers are made, the projected shortfalls for FY 2018 are as follows:

<u>Aid Program</u>	<u>Net Shortfall</u>	<u>Est. Proration</u>
• Special education	\$22.8 million	98.3%
• Interdistrict Deseg Transportation	0.8 million	94.2%
• LTFM	0.8 million	99.1%
• Achievement & Integration	0.3 million	99.6%
• Abatement	0.2 million	92.4%
• Career Tech	0.2 million	96.2%

- The November forecast will reflect the estimated need in the FY 2019 clean-up appropriation to meet the full FY 2018 entitlement. This would allow the 2019 legislature to pass a forecast bill that fully funds the 2018 entitlements.
- Projected shortfalls for FY 2019 will be addressed in the 2019 E-12 Education bill.

BONDING BILL (Chapter 214)

School Safety Grants

- \$25 million from the state general fund
- Awarded by MDE on a first come, first served basis, in consultation with the Department of Public Safety's Minnesota School Safety Center.
- Grants may be used to predesign, design, construct, furnish and equip school facilities including renovating and expanding existing buildings and facilities.
- Limited to \$500,000 for each qualifying school building.
- At least half of the grants must be awarded to school districts with administrative headquarters located outside of the 11 MN counties included in the Minneapolis – St Paul – Bloomington MSA delineated in 2009 by the US Census Bureau (Hennepin, Ramsey, Anoka, Washington, Dakota, Scott, Carver, Isanti, Wright, Sherburne, Chisago)

BONDING BILL (Chapter 214)

Other Education Provisions

- **Red Lake Capital Loan:** Capital loan of \$14,000,000 for a connection structure between the elementary school and the early learning childhood center, renovations to various classrooms, labs and support rooms; updating of mechanical systems, and expansion of the cafeteria. (Proposed by Governor, House, and Senate)
- **Library Construction Grants** -- \$1,000,000
- **ACGC Grant:** \$5 million for repurposing Cosmos elementary school for use by the regional educational program for autistic students, emotionally or behaviorally disturbed students, and other students with specific educational needs
- **Warroad Grant:** \$600,000 grant for renovation and expansion of the Northwest Angle School

PENSION BILL (SF 2620)

Benefit Reforms:

- Eliminates augmentation (annual percentage increases to a pension benefit accrued by an individual who leaves public service prior to retirement)
 - TRA --eliminates augmentation for all members after 12/31/17, but does not change augmentation credited to the member's pension benefit up to 12/31/17.
- Phases out early retirement subsidies (augmentation that an early retire would have received had the retiree waited until normal retirement age to begin receiving the pension),
- Reduces post-retirement adjustments (COLAs)
 - For TRA, Lowers the COLA from 2% to 1% for 5 years; then the rate will increase by 0.1% each year until it reaches 1.5%;
 - For SPTRFA: No COLA increase for 2 years, then 1% thereafter;
 - For PERA, the increase will be 50% of the increase for Social Security announced January 1, but not less than 0.5% or more than 1.5%;

PENSION BILL (SF 2620)

Benefit reforms (continued):

- Defers commencement of COLA for early retirees: for retirements on or after January 1, 2024, a retiree is not eligible to receive a COLA until the retiree reaches normal retirement age (TRA, SPTRFA, PERA).
- Rate of interest paid on refunds of employee contributions to former employees reduced from 4% to 3%.

Actuarial assumption changes:

- Reduces the investment rate of return from 8.5% for TRA and 8% for other plans to 7.5%;

PENSION BILL (SF 2620)

Contribution Increases

TRA Contribution Increases									
	Employee		Employer						
	FY24	TOTAL	FY19	FY20	FY21	FY22	FY23	FY24	TOTAL
% Increase	0.25%	0.25%	0.21%	0.21%	0.21%	0.21%	0.21%	0.2%	1.25%
% of Pay	7.75%		7.71%	7.92%	8.13%	8.34%	8.55%	8.75%	

SPTRFA Contribution Increases									
	Employee		Employer						
	FY23	TOTAL	FY19	FY20	FY21	FY22	FY23	FY24	TOTAL
% Increase	0.25%	0.25%	0.835%	0.835%	0.21%	0.21%	0.21%	0.2%	2.5%
% of Pay	7.75%		7.335%	8.17%	8.38%	8.59%	8.8%	9%	

PENSION BILL (SF 2620)

Pension Adjustment Revenue

- Increases the Pension Adjustment component of General Education Revenue by an amount equal to the product of the salaries paid to LEA employees who were members of TRA or the SPTRFA for the prior fiscal year and the district's pension adjustment rate for the fiscal year.
- The pension adjustment rate for St Paul equals 0.84% percent for FY 19, 1.67% for FY 20, 1.88% for FY 21, 2.09% for FY 22, 2.3% for FY 23 and 2.5% for FY 24 and later.
- The pension adjustment rate for all other districts equals 0.21% percent for FY 19, 0.42% for FY 20, 0.63% for FY 21, 0.84% for FY 22, 1.05% for FY 23 and 1.25% for FY 24 and later.
- However, the state total aid for FY 25 and later is equal to the state total aid for FY 24.
- Cooperative units qualify for pension adjustment revenue as if they were districts, and the aid is paid directly to them.
- \$10,863,000 Appropriation for FY 19

Notable Policy Priorities in SF3656 – VETOED

- 0-100 Summative Rating System
- Civics Credit and Reporting
- “In God We Trust” in Schools
- Academic Balance Policy in Teacher Code of Ethics
- A Range of Unfunded Mandates

E-12 Policy Provisions (SF3656) – VETOED

Summative Rating System

- Establishes a 0-100 rating scale for each district, school site and charter school.
- This rating must be based on the accountability indicators used in the state plan to identify schools for support and improvement under the Every Student Succeeds Act.
- It would require MDE to prominently display summative ratings on the agency's website, and schools would have to prominently display ratings on their website.
- MDE would be required to report on progress toward developing the rating system to the legislature no later than February 1, 2020.

E-12 Policy Provisions (SF3656) – VETOED Standards

- Requires schools to provide a course for credit in 11th or 12th grade, beginning with 9th grade class of 2020-21.
 - Districts have to report to MDE the percentage of students who pass the test (30 out of 50 questions)
 - MDE must report this info on the report card
- Schools are allowed to provide health instruction on sexual exploitation and on substance abuse (including opioids)

E-12 Policy Provisions (SF3656) – VETOED

“In God We Trust”

- Board or charter may prominently display a durable poster, framed copy, or mounted plaque of “In God We Trust.”
- Schools can accepted nonpublic funds or in-kind contributions

E-12 Policy Provisions (SF3656) – VETOED Teacher Code of Ethics

- The bill would have codified the Teacher Code of Ethics. While this language largely what is currently in rule, the bill added that a teacher may not discriminate on the basis of *political, ideological, or religious beliefs.*
 - Similar to Senate proposal on board-adopted Academic Balance Policy: “*At a minimum, the policy must prohibit discrimination against students on the basis of political, ideological, or religious beliefs.*”

E-12 Policy Provisions (SF3656) – VETOED Military Careers

- Districts must provide military recruiters access to high school students and are encouraged to sponsor an armed forces career opportunity day.
- Counselors are encouraged to share information on careers in the armed forces and in the skilled trades and manufacturing.

E-12 Policy Provisions (SF3656) – VETOED

School Safety

- School safety assessment teams
 - Boards must adopt policies for safety assessment teams to evaluate students who may pose a threat, refer them to services, provide guidance on recognition of threatening behavior, and make determinations on student threats to others and self.
- Boards may expel a student for at least a year for making a threat of gun violence
- The bill requires districts to provide
 - an opportunity for students expelled or excluded to complete coursework and quarterly reviews of the pupil's work
 - parental notification of expulsion or exclusion and information that includes what nonexclusionary policies were attempted before expulsion or exclusion,

E-12 Policy Provisions (SF3656) – VETOED

School Safety (continued)

- The bill takes a step back from current law and states that a school must consider nonexclusionary disciplinary policies before pupil dismissal rather than requiring an attempt to implement the policies before dismissal.
- An admission or readmission plans must include measures to improve the pupil's behavior and may include counseling, evaluations, and other services.
- A school may implement an alternative fire drill protocol that does not require people to leave the premises.

E-12 Policy Provisions (SF3656) – VETOED Teachers – PELSB Rulemaking

- The Professional Educator Licensing and Standards Board (PELSB) would have until October 1, 2018, to adopt new rules. Current law states rules must be adopted by July 1, 2018.
- If PELSB did not adopt rules by Oct. 1, the legislation would have codified a modified version of tiered licensure rules that would then expire once PELSB adopted rules.

E-12 Policy Provisions (SF3656) – VETOED Teachers – Background Checks

- The bill would have required teachers get a background check every five years at licensure renewal. Currently applicants only receive a background check when they are first licensed.

E-12 Policy Provisions (SF3656) – VETOED

Teachers – Licensure Revocation

- PELSB would have the authority to revoke, suspend, or refuse to issue or renew a license for any of the following causes:
 - intentional and inappropriate patting, touching, pinching, or other physical contact with a student that is sexually motivated;
 - conviction for domestic violence,
 - embezzlement,
 - felony or gross misdemeanor involving a minor victim;
 - or a stay of adjudication for the current and new items listed in statute.
- PELSB must revoke, suspend, or refuse to issue or renew a license for criminal sexual conduct under a range of criminal statutes, sexual penetration of a student at a school where the teacher works or volunteers, or indecent exposure.

E-12 Policy Provisions (SF3656) – VETOED

Teachers – Mandatory Reporters and Maltreatment

- The bill would have explicitly added PELSB members to the mandatory reporters list.
- The bill would have added a reference in the Maltreatment of Minors Act to specifically include 609.352 (solicitation of children to engage in sexual conduct; communication of sexually explicit materials to children) in the definition of sexual abuse.
 - This would have allowed MDE to investigate allegations that fall under this statute. Typically allegations of these nature also fall under other existing items in sexual abuse.

E-12 Policy Provisions (SF3656) – VETOED Teachers – Miscellaneous

- PELSB would have been required to survey teacher preparation programs to determine the extent of dyslexia instruction offered.
- Counselors would have been encouraged to share information on careers in the armed forces and in the skilled trades and manufacturing.

E-12 Policy Provisions (SF3656) – VETOED

Nutrition – Respectful Lunch Policies

- This bill would have updated school lunch debt policies. Districts would have been required to create and display a lunch policy that has clear guidelines prohibiting demeaning debt collection practices.
- Schools would be prohibited from limiting a student's participation in a range of areas because of a school lunch debt including school activities, graduation ceremonies, field trips, and athletics or access to materials or technology.
- If MDE were made aware of a violation of these policies, the agency must send a letter of noncompliance to the school, who then respond with a remedy within 60 days.

E-12 Policy Provisions (SF3656) – VETOED

Early Education

- Early Learning Scholarships:
 - The bill would have made it so children in need of protection or services and homeless children do not need income verification to be eligible for scholarships.
 - The legislation would have clarified that a child who receives a scholarship before age three must complete developmental screening no later than 90 days after the child's third birthday.
- To come into federal compliance for background checks, DHS would have been authorized to conduct background checks on all employees at Head Start participants.

E-12 Policy Provisions (SF3656) – VETOED

Miscellaneous

- American Indian parent advisory committees nonconcurrence with educational programs must be submitted directly to the school board.
- Alignment of World's Best Workforce performance indicators with Every Student Succeeds Act (ESSA).
 - Includes indicators for college and career readiness like AP/IB and concurrent enrollment classes for which consistent data is not available
- Elimination of a state definition of low, medium, and high growth to acknowledge new definition under ESSA.

Questions?



Thank you!



Tom Melcher

Director, School Finance

tom.melcher@state.mn.us

651-582-8828

Adosh Unni

Director, Government Relations

adosh.unni@state.mn.us

651-582-8292

Kate Lynne Snyder

Deputy Director, Government Relations

kate.lynne.snyder@state.mn.us

651-582-8856