

**E-12 EDUCATION LEGISLATION UPDATE**  
**2015 Legislative Session**  
**HF 844, Omnibus E -12 Education Bill (Vetoed)**

SEE General Membership Meeting  
May 21, 2015

Tom Melcher, School Finance Director  
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# E-12 Education Bills

## STATE GENERAL FUND SPENDING TARGETS

### (State Aid Appropriations - \$ Millions)

	Gov	House	Senate	Conf
<b><u>FY 2016-17 Biennium:</u></b>				
<b>Increase over Base</b>	<b>\$695</b>	<b>\$157</b>	<b>\$365</b>	<b>\$400</b>
<b>Percent Increase</b>	<b>4.2%</b>	<b>0.9%</b>	<b>2.2%</b>	<b>2.4%</b>
<b><u>FY 2018-19 Biennium:</u></b>				
<b>Increase over Base</b>	<b>\$1,429</b>	<b>\$235</b>	<b>\$708</b>	<b>\$733</b>
<b>Percent Increase</b>	<b>8.3%</b>	<b>1.4%</b>	<b>4.1%</b>	<b>4.3%</b>

## E - 12 SPENDING BY PROGRAM, FY 2016-17

(E-12 Education Bills - \$ in Thousands)

	Gov	House	Senate	Conf
<b>General Education:</b>				
Basic Formula	171,646	98,374	170,523	283,250
Compensatory Pilots	-	10,000	10,000	-
Levy Decreases (Not New Revenue)		18,666	9,259	1,309
Other General Education	7,211	9,392	3,381	4,502
<b>Pre Kindergarten:</b>				
Statewide Pre K / School Readiness	343,292	9,500	65,000	30,750
Head Start	19,442	-	4,000	-
Scholarships	-	30,000	5,000	30,750
Parent Aware	-	3,500	-	3,500
Special Education Formula	39,466	-	(343)	421
Q Comp	-	-	19,217	9,500
Facilities - Deferred Maintenance	-	-	31,961	31,961

## E - 12 SPENDING BY PROGRAM, FY 2016-17

(E-12 Education Bills - \$ in Thousands)

Continued

	Gov	House	Senate	Conf
American Indian Education	20,113	1,425	5,329	3,178
School Breakfast	28,894	-	4,191	-
Concurrent Enrollment	-	9,000	4,000	4,000
Adult Basic Education	-	(3,398)	-	-
Teaching Workforce Support	24,180	-	352	-
Minnesota Reading Corps	10,000	6,000	4,600	3,500
Statewide Testing	-	(16,462)	(4,579)	(13,884)
Regional Centers of Excellence	12,000	(2,000)	-	-
MDE Agency Operations	818	(3,664)	818	818
Other Miscellaneous	17,548	(13,566)	32,053	6,445
<b>TOTALS</b>	<b>694,610</b>	<b>156,767</b>	<b>364,762</b>	<b>400,000</b>

## E - 12 TAILS BY PROGRAM, FY 2018-19

(E-12 Education Bills - \$ in Thousands)

	Governor	House	Senate	Conf
<b>General Education:</b>				
Basic Formula	248,790	153,890	247,039	428,226
Compensatory Pilots	-	10,000	-	-
Levy Decreases (Not New Revenue)		40,631	98,764	51,828
Other General Education	7,177	15,082	3,694	5,330
<b>Pre Kindergarten:</b>				
Statewide Pre K / School Readiness	917,530	10,000	124,000	43,046
Head Start	38,884	-	4,000	-
Scholarships		40,000	5,000	41,000
Parent Aware	-	3,500	-	3,500
Special Education Formula	97,435	-	(5,999)	-
Q Comp	-	-	61,582	19,106
Facilities - Deferred Maintenance	-	-	135,894	135,894

**E - 12 TAILS BY PROGRAM, FY 2018-19**  
**(E-12 Education Bills - \$ in Thousands)**  
**Continued**

	<b>Governor</b>	<b>House</b>	<b>Senate</b>	<b>Conf</b>
American Indian Education	22,691	1,500	5,667	3,178
School Breakfast	32,174	-	8,047	-
Concurrent Enrollment	-	12,000	4,000	4,000
Adult Basic Education	-	(8,506)	-	-
Teaching Workforce Support	24,180	-	100	-
Minnesota Reading Corps	10,000	6,000	4,000	2,500
Statewide Testing	-	(16,150)	(4,896)	(14,196)
Regional Centers of Excellence	12,000	(2,000)	-	-
MDE Agency Operations	1,094	(3,664)	1,094	1,094
Other Miscellaneous	16,995	(26,940)	15,947	5,638
<b>TOTALS</b>	<b>1,428,950</b>	<b>235,343</b>	<b>707,933</b>	<b>730,144</b>

# Pay 2016 Levy Changes (E-12 Education Bills)

	Governor	House	Senate	Conf
Basic General Education		(20,280)		
Gen Ed Levies - PreK & Formula Chg	16,227		783	
Oper Capital - Improved Equaliz.	(24,632)		(10,287)	(1,454)
Equity - Nonmetro		6,074		
Local Optional - Cabin Property		(460)		
Q Comp			8,471	4,235
Achievement & Integration	405	-		
Career & Technical			1,420	
Safe Schools	555		1,364	1,364
School Building Lease	7,200			
Facilities Maintenance	245	9,000	(3,016)	(4,077)
Community Education			1,153	-
Hendricks Reciprocity			109	-
<b>TOTAL</b>	<b>-</b>	<b>(5,666)</b>	<b>(3)</b>	<b>68</b>

# Pay 2017 Levy Changes (E-12 Education Bills)

	Governor	House	Senate	Conf
Basic General Education		(19,779)		(10,000)
Gen Ed Levies - PreK & Formula Chg	16,643		819	
Oper Capital - Improved Equaliz.	(25,742)		(39,016)	(16,239)
Equity - Nonmetro		6,100		
Local Optional - Cabin Property		(460)		
Q Comp			11,858	4,235
Achievement & Integration	502	4,600		
Career & Technical			1,550	
Safe Schools	670		694	694
School Building Lease	7,600			
Facilities Maintenance	327	9,000	22,832	20,382
Community Education			1,164	
Hendricks Reciprocity			109	
<b>TOTAL</b>	-	(539)	10	(928)



# GENERAL EDUCATION REVENUE Formula Allowance

## Included in Conference Report:

- 2016 \$5,918 (1.5% increase -- \$87)
- 2017 \$6,036 ( 2% increase -- \$118, for a total of \$205 over base)

## Exceeds:

- Governor and Senate bills (1% and 1%)
- House bill (0.6% and 0.6%)

*Note: Governor Dayton has stated that he would support a package including 2% and 2% on the formula, but has not made an official budget proposal at that level*

# GENERAL EDUCATION REVENUE

## Extended Time Revenue

### Included in Conference Report:

- \$100 increase in allowance beginning in FY 2016, from \$5,017 to \$5,117 (\$2.5 M for biennium) (House)
- Charter schools with extended time program receive 25% of state average per adjusted pupil unit, beginning FY 2016.
  - about \$19/APU -- \$2.0 M for biennium (House)

### Not included:

- Renaming program to “Extended Support Revenue”; districts allowed to use part of revenue for academic programs for at risk learners during the regular school day)

# GENERAL EDUCATION REVENUE

## Other General Education Revenue

### Included in Conference Report:

- **Uses of Compensatory Revenue (Senate)**
  - Allows school board of district not in compensatory pilot project to reallocate up to 50% of compensatory revenue among buildings based on a local plan
- **Student Achievement Levy Phase Out (House)**
  - No change Fy 17 (Pay 2016 taxes)
  - Reduced from \$20 M to \$10 M for FY 18 ( pay 2017 taxes)
  - Eliminated beginning FY 2019
  - (House bill would have eliminated it for FY 2017).

# GENERAL EDUCATION REVENUE

## General Education Levies

### Included in Conference Report:

- **Operating capital levy**
  - **Equalizing factor increased** from \$14,600 for FY 16 to:
    - \$14,740 for FY 17,
    - \$17,473 for FY 18, and
    - \$20,510 for FY 19 and later
  - Offsets other levy changes to hit statewide zero levy target.

# GENERAL EDUCATION REVENUE

## Other General Education Revenue

### Not included:

- **Increased transportation sparsity revenue** (House and Senate)
  - for St Louis County district and districts with >525 square miles that do not receive sparsity revenue.
- **Equity Revenue** (House):
  - Extend the 25% increase in equity revenue (excluding the flat \$50 /PU portion) that has applied only to metro districts to all districts.
- **English Learner Revenue** ( Governor)
  - Funding eligibility extended from 6 to 7 years

# GENERAL EDUCATION REVENUE

## Other General Education Revenue

### Not included:

- **Compensatory Revenue Formula (House):**
  - Beginning in FY 2016, would have allocated the additional revenue generated by increases in the formula allowance over the FY 2015 level based on a flat rate per free plus  $\frac{1}{2}$  of reduced price lunch count from prior year, instead of concentration formula
- **Compensatory Pilot Grants (House and Senate):**
  - Would have extended compensatory pilot grants for FY 2016 and later at FY 2015 level of funding (\$7.3425 M / year)
  - Instead it will return to base level of \$2.325 M / year

# GENERAL EDUCATION REVENUE

## Other General Education Revenue

### Not included:

- **Local Optional Levy Equalization (House)**
  - For districts where seasonal recreational cabin property is >30% of market value, equalizing factor for local optional revenue is set at \$510,000 x (district seasonal rec percent / 30%).

# GENERAL EDUCATION REVENUE

## Other Changes in Article 1

### Included in Conference Report:

- Eliminates annual report on uses of Learning & Development (class size reduction) revenue.
- Repeals obsolete health insurance levy statute.
- Allows certain districts in Carver, Scott and Le Sueur counties to form a new intermediate school district



# GENERAL EDUCATION REVENUE

## Other Changes in Article 1

### Not included:

- Increase in Career Technical Revenue from 35% to 37.5% of CTE expenditures, beginning in FY 17. (Senate)
- Hendricks exemption from tuition reciprocity agreement with South Dakota (Senate)
- Operating referendum allowance correction for Owatonna, over-riding a glitch in ballot language (Senate)
- Provisions authorizing local school board, rather than Commissioner, to approve a 4 day week school calendar and eliminating requirement for Commissioner approval for flexible learning year programs.

# EARLY LEARNING

## Included in Conference Report:

- **Additional funding for existing programs:**
  - Early learning scholarships -- \$30.75 million for biennium
  - School readiness -- \$30.75 million for biennium
  - Early Childhood rating system -- \$3.5 million for biennium
  - Parent-child home program \$200,000 for biennium
- **ECFE funding Increase (linked to general ed formula)**

## Not Included:

- Governor's Universal Pre-K program
- Language changes in early learning scholarships and school readiness
- Early learning program coordination language (House)

# EDUCATION EXCELLENCE

## Q Comp

### Included in Conference Report:

- Increase in cap on basic Q Comp aid from \$75,636,000 to \$88,118,000 beginning FY 2017
- Eligibility expanded to include cooperative units other than intermediate districts beginning in FY 2017
- New formula for intermediates and other cooperatives: Aid= \$3,000 per licensed teacher employed on October 1 of previous school year.
- Language allowing the alternative teacher pay system to include:
  - a hiring bonus or other added compensation for teachers identified as effective or highly effective who work in a hard to fill position or hard to staff school
  - incentives for teachers to earn a Master's degree or other advanced certification in their content field of licensure, pursue training /education in shortage areas identified by their district or charter school, or help fund a “grow your own” new teacher initiative

# EDUCATION EXCELLENCE

## Staff Development

### Included in Conference Report:

- House language requiring a district to use its 2% staff development set-aside for:
  - Teacher development and evaluation;
  - Principal development and evaluation;
  - Professional development;
  - In-service education: and,
  - To the extent funds remain, for staff development plans.

# EDUCATION EXCELLENCE

## American Indian Education

### Included in Conference Report:

- Replaces Success for the Future grants with a new American Indian Education aid formula, effective FY 2016:
  - Districts, charters and BIE schools with at least 20 AI students and who receive federal Title VII funding are eligible for aid
  - Aid = lesser of approved cost or \$20,000 plus \$63 times AI enrollment on Oct 1 of prior school year exceeding 20

### Not Included:

- Governor and Senate proposals to eliminate or increase the per student cap on tribal contract aid for BIE schools, beginning in FY 2016

# EDUCATION EXCELLENCE

## Other

### Included in Conference Report:

- **Literacy Incentive Aid (Senate)**
  - District must submit literacy plan to MDE to qualify for aid
- **Teacher Development and Evaluation Revenue (Senate)**
  - Cooperatives made eligible for FY 2015 revenue
  - Clarification that sites not in Q Comp qualify if a district or charter is partly in Q Comp

# EDUCATION EXCELLENCE

## Other

### Not Included:

- Achievement and Integration Revenue/ Program Changes (House)
- Unrequested Leave of Absence Changes (House)
- Support Services Personnel Grants (Senate)

# CHARTER SCHOOLS

## Included in Conference Report:

- **Pre-Kindergarten (House and Senate)**
  - Allows a charter school to provide a fee based pre-K program
  - Allows a charter school that provides a free pre-K program to provide an enrollment preference to give enrollment preference to students in its free its pre-K program for enrollment in K the following year.
  - Allows a charter school with at least 90% deaf and hard of hearing students to enroll pre-K students with a disability.



# CHARTER SCHOOLS

## Included in Conference Report:

- **Mergers (House and Senate)**

- Provides a process for charter school mergers.
- Fund balances and debts of the schools involved in the merger are transferred to the new combined school at the beginning of the first fiscal year the merger takes effect.
- For the first year of operation, aid for programs requiring applications equals the sum of the aid of the merging schools. For aids based on prior year data, combined prior year data of the merged schools is used to calculate aid.

# CHARTER SCHOOLS

## Not Included:

- **Nonresident charter school pupil transportation (House)**
  - School districts providing transportation on behalf of a charter school must allow nonresident students attending the school to ride the bus from any scheduled stop to any other scheduled stop. The district may charge a fee not to exceed the lesser of 15 cents per mile or the actual cost of the transportation.
- **Enrollment preference (Senate)**
  - Allows a charter school to provide enrollment preference to students eligible for free or reduced price lunch if the school has a lower percent of these students than the state or district average.

# SPECIAL EDUCATION

## Included in Conference Report:

- **Special Education Charter Schools (Senate)**
  - Speeds up cash flow for charter schools with at least 90% of students receiving special education by:
    - Increasing general education aid to cover the unreimbursed costs of serving students without disabilities,
    - Increasing special education aid to cover the unreimbursed costs of serving students with disabilities,
    - Paying the full 90% of estimated special education aid in the current year (rather than 90% of 97.4% of the estimated aid entitlement).
    - Aid reduction to the resident district for special education tuition is calculated as if the school did not receive the added general and special education aid, and is retained by the state, since the school has its full cost covered by direct aid.

# SPECIAL EDUCATION

## Included in Conference Report:

- **New Special Education Funding Formula Clarifications – FY 2016 and later**
  - Clarifies that cooperatives and intermediate school districts will receive direct payment of state special education aid beginning in FY 2016.
  - Clarifies that special education aid for a first year charter school is calculated using current year data
  - Allows a newly formed cooperative to apply to the commissioner for payment of aid based on current year data for its first year of operation, with an offsetting reduction in the aid paid to participating school districts.

# FACILITIES AND TECHNOLOGY

## Included in Conference Report:

- **Long-Term Facilities Maintenance Revenue (Senate)**
  - Adopts modified version of School Facilities Funding Working Group Recommendation, beginning in FY 2017:
    - Rolls current deferred maintenance, health and safety and alternative facilities revenues into new long-term facilities maintenance revenue program.
    - New long-term facilities revenue equals the sum of the product of:
      1. \$193 / APU for FY 17, \$292 for FY 18 , and \$380 for FY 19 and later, and
      2. the lesser of 1 or the ratio of the district's average building age to 35 years,
    - Plus the approved cost of indoor air quality, fire alarm and suppression, and asbestos abatement projects with a cost per site of \$100,000 or more.

# FACILITIES AND TECHNOLOGY

## Long-Term Facilities Maintenance Revenue (Senate) (Continued)

- The 25 large districts currently eligible for alternative facilities revenue continue to be eligible for revenue based on approved project costs, without a state-imposed per pupil limit.
- Members of intermediate districts and cooperatives may levy for proportionate share of intermediate / coop costs in addition to the regular allowance, with approval by school boards of all member districts.
- Equalized revenue is limited to \$193 / APU for FY 17, \$292 for FY 18 , and \$380 for FY 19 and later.
- Districts may choose to issue bonds for the program, levy on a pay as you go basis, or a combination of the two.

# FACILITIES AND TECHNOLOGY

## Long-Term Facilities Maintenance Revenue (Senate) (Continued)

- For purposes of calculating equalization aid, the ANTC is reduced by 50% of the value of Class 2a Agricultural land.
- The aid / levy mix for the equalized portion of the revenue is calculated using an equalizing factor of 123% of the state average ANTC / PU, calculated using the 50% exclusion for ag land.
- Levy equalization for the program is the same regardless of whether the district chooses to issue bonds or make an annual pay-as-you-go levy. Debt service levies under the program are excluded from regular debt service equalization.
- All districts are guaranteed to receive at least as much revenue and at least as much state aid as they would have received under existing law.

# FACILITIES AND TECHNOLOGY

## Included in Conference Report:

- **Technology Plan**

- Requirement for a district to have a current technology plan on file at MDE to qualify for telecommunications / internet access equity aid eliminated.

- **WEMEP Transition (House and Senate)**

- Provides for smooth transition of FAIR School Downtown to Minneapolis school district and FAIR School Crystal to Robbinsdale district
- Addresses student enrollment, calculation of aids based on prior year data and pupil transportation, similar to transition of Harambee from EMID to Roseville Schools
- Contingent on the property being transferred in bonding bill.



# FACILITIES AND TECHNOLOGY

## Not included:

### Alternative Facilities Aid/Levy (House)

- Beginning in FY 2017, alternative facilities aid reduced to 53.33% of FY 2016 aid.

### Endowment / Permanent School Fund (Senate)

- For FY 16 and later, the portion of annual endowment revenue exceeding \$31.62 / AADM (estimated FY 15 funding level) must be reserved for school technology and telecommunications infrastructure.

### Telecommunications / Internet Access Equity Aid

- **Senate** increase state total aid by \$1.5 million per year for FY 16 and FY 17 only

# NUTRITION AND ACCOUNTING

## Included in Conference Report:

- **Fund Transfers**
  - two-year extension through FY 2017 of authority for school districts to transfer funds with commissioner approval if transfer does not result in additional aid or levy authority. Does not allow transfers from the community service fund, the food service fund, or from the reserved account for staff development.
- **Withdrawal from Cooperative – Dispute Resolution**
  - Requires any administrative law judge fees to be split equally between the district and the cooperative.
- **Financial Reporting Dates**
  - Deadline for prior year data corrections for final payments moved from December 30 to December 15.

# NUTRITION AND ACCOUNTING

## Not Included:

- **Financial Reporting Dates**

- Final UFARS data submission to MDE moved from Nov 30 to Nov 15
- Audited financial statements due Dec 15 instead of Dec 31

- **Free Breakfast**

- Governor expands free breakfast for all to grades 1 – 3
- Senate expands free breakfast for all to grade 1

- **Barnum transfer between ECFE and school readiness** for FY 15 – 18 (Senate). (Note: the general transfer authority extended through FY 17 includes the authority to transfer between these accounts).

# PREVENTION

## Not Included:

- **Increases in Minneapolis North Side Achievement Zone and St Paul Promise Neighborhood grants**
  - **Governor:** \$1 million annual increase in each grant over \$200,000 base
  - **Senate:** \$450,000 annual increase in each grant over \$200,000 base
- **After-school Community Learning Grants (Senate)**
  - \$500,000 per year

# SELF SUFFICIENCY AND LIFELONG LEARNING

## Not Included:

- **Adult Basic Education (House)**
  - Beginning in FY 2016:
    - Reduces statewide growth factor from 3% to 0.5% per year.
    - Establishes mechanisms to pay certain components of ABE aid to approved community-based providers that have not qualified in the past

# FISCAL IMPACT BY DISTRICT TYPE: FY 2016

## (Gen Ed, Sp Ed, Major State Categorys - House Research Runs)

District Name	FY 16 AADM	Total / Pupil - Base	Total/ Pupil - Conf	Total /Pupil Change	% Change
<b>State Total/Ave</b>	<b>842,197</b>	<b>10,801</b>	<b>10,928</b>	<b>127</b>	<b>1.2%</b>
Metro Districts	424,151	11,379	11,503	124	1.1%
NonMetro Districts	365,335	10,233	10,361	129	1.3%
Charter Schools	52,711	10,089	10,226	137	1.4%
Mpls/St. Paul	73,176	13,680	13,832	153	1.1%
Inner Ring Suburbs	87,923	11,442	11,567	125	1.1%
Outer Ring Suburbs	265,053	10,620	10,735	115	1.1%
Greater MN >2,000	189,347	10,220	10,345	125	1.2%
Greater MN < 2,000	175,988	10,246	10,378	132	1.3%

# FISCAL IMPACT BY DISTRICT TYPE: FY 2017

## (Gen Ed, Sp Ed, Major State Categorys - House Research Runs)

District Name	FY 17 AADM	Total/Pupil - Base	Total /Pupil - Conf	Total /Pupil - Change	% Change
<b>State Total/Ave</b>	<b>845,255</b>	<b>10,896</b>	<b>11,218</b>	<b>322</b>	3.0%
Metro Districts	424,130	11,491	11,797	306	2.7%
NonMetro Districts	362,821	10,341	10,680	339	3.3%
Charter Schools	57,135	10,037	10,367	330	3.3%
Mpls/St. Paul	72,949	13,811	14,155	344	2.5%
Inner Ring Suburbs	87,161	11,549	11,851	301	2.6%
Outer Ring Suburbs	264,406	10,734	11,030	296	2.8%
Greater MN >2,000	187,386	10,331	10,664	333	3.2%
Greater MN < 2,000	175,435	10,351	10,697	346	3.3%

# Questions?

## Finance Issues:

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