**E-12 Education Bills**

**STATE GENERAL FUND SPENDING TARGETS**
(State Aid Appropriations - $ Millions)

<table>
<thead>
<tr>
<th></th>
<th>Gov</th>
<th>House</th>
<th>Senate</th>
<th>Conference</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018-19 Biennium:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase over Base</td>
<td>$714</td>
<td>$273</td>
<td>$300</td>
<td>$303</td>
</tr>
<tr>
<td>Percent Increase</td>
<td>3.9%</td>
<td>1.5%</td>
<td>1.7%</td>
<td>1.7%</td>
</tr>
<tr>
<td>FY 2020-21 Biennium:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase over Base</td>
<td>$956</td>
<td>$287</td>
<td>$435</td>
<td>$424</td>
</tr>
<tr>
<td>Percent Increase</td>
<td>5.0%</td>
<td>1.5%</td>
<td>2.3%</td>
<td>2.2%</td>
</tr>
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**E-12 EDUCATION BILLS – MAJOR SPENDING CATEGORIES**

FY 18 – 19 Biennium State Appropriations - $ in Thousands

<table>
<thead>
<tr>
<th></th>
<th>Gov</th>
<th>House</th>
<th>Senate</th>
<th>Conf</th>
</tr>
</thead>
<tbody>
<tr>
<td>General &amp; Spec Ed Funding</td>
<td>415,288</td>
<td>296,599</td>
<td>226,444</td>
<td>290,244</td>
</tr>
<tr>
<td>TRA Pension Aid</td>
<td>68,554</td>
<td>-</td>
<td>10,000</td>
<td>-</td>
</tr>
<tr>
<td>Early Learning</td>
<td>177,857</td>
<td>23,187</td>
<td>3,100</td>
<td>14,049</td>
</tr>
<tr>
<td>Other Education Funding</td>
<td>31,291</td>
<td>11,057</td>
<td>10,582</td>
<td>16,168</td>
</tr>
<tr>
<td>Crosswinds Conveyance</td>
<td>(10,000)</td>
<td>(10,000)</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>MDE Operating Activities</td>
<td>10,456</td>
<td>(2,291)</td>
<td>(2,281)</td>
<td>(4,894)</td>
</tr>
<tr>
<td>Other Agency Items</td>
<td>10,057</td>
<td>(8,088)</td>
<td>3,604</td>
<td>(405)</td>
</tr>
<tr>
<td>Revenues</td>
<td>2,356</td>
<td>(1,189)</td>
<td>(1,680)</td>
<td>(1,680)</td>
</tr>
<tr>
<td>Totals</td>
<td>713,503</td>
<td>272,809</td>
<td>300,260</td>
<td>303,483</td>
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### E-12 Education Bills – Major Spending Categories
**FY 20 – 21 Biennium State Appropriations - $ in Thousands**

<table>
<thead>
<tr>
<th></th>
<th>Gov</th>
<th>House</th>
<th>Senate</th>
<th>Conf</th>
</tr>
</thead>
<tbody>
<tr>
<td>General &amp; Spec Ed Funding</td>
<td>581,795</td>
<td>330,098</td>
<td>410,864</td>
<td>414,864</td>
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<tr>
<td>TRA Pension Aid</td>
<td>91,406</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early Learning</td>
<td>216,038</td>
<td>(18,626)</td>
<td>6,100</td>
<td>14,780</td>
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<tr>
<td>Other Education Funding</td>
<td>47,975</td>
<td>(8,335)</td>
<td>18,448</td>
<td>10,685</td>
</tr>
<tr>
<td>Crosswinds Conveyance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MDE Operating Activities</td>
<td>11,324</td>
<td>(2,284)</td>
<td>(2,145)</td>
<td>(4,894)</td>
</tr>
<tr>
<td>Other Agency Items</td>
<td>7,454</td>
<td>(15,345)</td>
<td>1,839</td>
<td>(15,176)</td>
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<tr>
<td>Totals</td>
<td>955,892</td>
<td>287,498</td>
<td>435,000</td>
<td>424,379</td>
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### General and Special Ed Funding
**FY 18 – 19 Biennium State Appropriations - $ in Thousands**

<table>
<thead>
<tr>
<th></th>
<th>Gov</th>
<th>House</th>
<th>Senate</th>
<th>Conf</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Ed Formula</td>
<td>371,496</td>
<td>209,857</td>
<td>277,176</td>
<td>277,176</td>
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<td>Compensatory - Delink / Target - Ext</td>
<td>22,027</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Compensatory Pilot Restoration</td>
<td>6,893</td>
<td>9,268</td>
<td>9,268</td>
<td></td>
</tr>
<tr>
<td>Pupil Transp Adjustment</td>
<td>10,991</td>
<td>-</td>
<td>3,800</td>
<td></td>
</tr>
<tr>
<td>One-Time $7.18 / APU (FY 19 Only)</td>
<td>6,821</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Special Education Funding</td>
<td>43,792</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General &amp; Spec Ed Funding</td>
<td>415,288</td>
<td>256,589</td>
<td>286,444</td>
<td>290,244</td>
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</table>

### General and Special Ed Funding
**FY 20 – 21 Biennium (“Tails”) State Appropriations - $ in Thousands**

<table>
<thead>
<tr>
<th></th>
<th>Gov</th>
<th>House</th>
<th>Senate</th>
<th>Conf</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Ed Formula</td>
<td>539,521</td>
<td>298,284</td>
<td>400,864</td>
<td>400,864</td>
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<tr>
<td>Compensatory - Delink / Target - Ext</td>
<td>24,314</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Compensatory Pilot Restoration</td>
<td>7,500</td>
<td>10,000</td>
<td>10,000</td>
<td></td>
</tr>
<tr>
<td>Pupil Transp Adjustment</td>
<td>-</td>
<td>-</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>One-Time $7.18 / APU (FY 19 Only)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Special Education Funding</td>
<td>42,274</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>General &amp; Spec Ed Funding</td>
<td>581,795</td>
<td>330,098</td>
<td>410,864</td>
<td>414,864</td>
</tr>
</tbody>
</table>
## General and Special Ed Funding

### Formula Allowance Increases

- **Governor:**
  - 2% and 2% ($121 & $124) from $6,067 to $6,188 & $6,312

- **House:**
  - 1.25% & 1.25% ($76 & $77) from $6,067 to $6,143 & $6,220

- **Senate & Conference Report:**
  - 1.5% & 1.48% ($91 & $91) from $6,067 to $6,158 & $6,249

### Compensatory Pilot Grants

- **Governor**
  - Funding not restored to FY 17 level (funded at base budget level, $5M per year below FY 17 level)
  - Remains separate appropriation

- **Conference and Senate**
  - Added permanently to regular compensatory revenue at the FY 17 level

- **House (NOT in Conference report)**
  - Added permanently to regular compensatory revenue; 75% of the difference between FY 17 funding and FY 18 base restored for FY 18 – 22 only

### Uses of Compensatory Revenue

- **Governor**
  - No change

- **Conference**
  - A percentage of total compensatory revenue (regular + amount from pilot grant), roughly equal to the increase over the FY 17 base, must be used for extended time activities:
    - FY 18: 1.7%
    - FY 19: 3.5%
    - FY 20 and later: 3.5% + the percentage change in the formula from FY 2019
COMPENSATORY REVENUE
House Proposals NOT in Conference Report

- Future compensatory revenue increases delinked from formula allowance increases
- Increase over base set at $11 M for FY 18 and $12.289 M for FY 2019 and later; goes into separate "Targeted" Compensatory Revenue, which may only be used for extended time activities
- Targeted compensatory revenue is allocated based on free lunch count + 0.5 times reduced price lunch count of prior Oct 1 – not adjusted for concentration
- Targeted compensatory revenue is proportionately reduced if the school site’s participation rate on all MCAs falls below 95% in the previous school year (based on participation rate <95%)

PUPIL TRANSPORTATION

- Conference:
  - Beginning in FY 18, increases transportation sparsity revenue by 18.2% of the difference between:
    - The lesser of the district’s actual regular and excess transportation cost including bus depreciation for the previous fiscal year or 105% of the district’s cost for the second previous year, and
    - The sum of 4.66% of the district’s basic revenue, transportation sparsity revenue and charter school transportation adjustment for the previous year.
  - A charter school’s adjustment equals the school district’s per pupil adjustment
  - Note: does not take nonpublic pupil transportation revenue received by the district into account.

- Other Provisions NOT in Conference report:
  - House:
    - Same as conference, but funds 52% of difference; for FY 18 and FY 19 only.
  - Senate:
    - Directs MDE, in consultation with pupil transportation professionals, to report to the legislature by February 15, 2018 on inequities in pupil transportation funding and recommendations for statutory changes to provide equitable and adequate funding.
General and Special Ed Funding

ONE-TIME PUPIL AID

• House (NOT in Conference report):
  • For FY 19 only, provides one-time pupil aid of $7.18 per Adjusted Pupil Unit
  • However, if the Crosswinds facility has not been sold by June 30, 2018, the appropriation for this aid is cancelled; if the Crosswinds facility is sold for less than $6.8 million, the appropriation is reduced by the amount below $6.8 million.

• Governor, Conference, Senate:
  • No comparable provision

General and Special Ed Funding

SPECIAL ED FUNDING

• Governor:
  • Increase special ed aid / reduce the special education cross subsidy by about $20 million for FY 2018 and later by making the following changes in the special ed funding formula:
    • Increase the pupil-driven portion of the initial aid formula based on the findings of the FY 2016 cost study required by law;
    • Increase initial special education aid by eliminating the calculations based on “old formula” expenditures;
    • Increase special education excess cost aid; and
    • Increase the growth cap.

• Governor and Conference:
  • Adjust the prior year data and FY 2016 old formula revenue base used to calculate the hold harmless and growth cap for districts where programs are closed or moved to a cooperative.
  • Maintains the authority include the cost of transportation for students awaiting foster care in special ed funding calculations (FIN 728) despite a change in federal law removing these students from the definition of “homeless.”

• Conference:
  • Restores the statutory authority for MDE to approve the inclusion of unreimbursed general education costs in nonresident special education tuition bills for students residing at the Bar-None residential facility and served at the Crossroads site in St. Francis.
    • (This authority was inadvertently deleted when an unrelated change was made in special education statutes; St. Francis has continued to annually appeal to MDE to bill these unreimbursed costs).
MISCELLANEOUS GENERAL ED FUNDING CHANGES

Conference

• Operating referendum notice – can be delivered by any type of mail; no longer required to be first class
• E-learning days – allows school boards to develop plans for providing up to 5 days of instruction online in cases of inclement weather.
• Nonpublic pupil aid:
  • modifies the definition of "textbook" to include an on-line book with an annual subscription cost
  • modifies the definition of "software or other educational technology" to include registration fees for online advanced placement courses.

MISCELLANEOUS GENERAL ED FUNDING CHANGES

Conference

• PSEO Payments to Colleges – Increase the number of days for MDE to make PSEO payments to colleges after receiving enrollment information from 30 to 45 days
• Building Lease aid. Allows a charter school to include students participating in PSEO in its pupil count for generating lease aid.
• Early Middle College - For FY 18 only, extends an FY 17 provision allowing an English learner with an interrupted formal education who was in an early middle college program during the previous year to continue participating in the graduation incentives program and in concurrent enrollment classes ($25,000 one-time).
• Operating Capital Levy – Equalizing factors adjusted to neutralize state total levy impact of bill

GENERAL ED FUNDING CHANGES – LOCAL PROVISIONS

Conference

• Nevis referendum adjustment – allows a referendum levy adjustment related to a pupil count error to be spread over three years.
• Q Comp – Makes the St Croix River Ed District eligible to receive Q Comp revenue
• Extended time revenue - Authorizes extended time revenue for students in a summer education program providing on-site services at care and treatment facilities located in the Willmar school district.
TRA Pension Aid

- GOVERNOR:
  - To offset an increase in employer contribution rates for the Teacher’s Retirement Association (TRA) and St. Paul Teachers Retirement Fund Association (SPTRFA), increase 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 equals 0.5 percent for fiscal year 2018 and one percent for fiscal year 2019 and later.
  - However, the state total aid is limited to $22,851,000 for fiscal year 2018 and $45,703,000 for fiscal year 2019 and later.

EARLY LEARNING
FY 18 – 19 Biennium State Appropriations - $ in Thousands

<table>
<thead>
<tr>
<th></th>
<th>Gov</th>
<th>House</th>
<th>Senate</th>
<th>Conf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary Pre-Kindergarten</td>
<td>174,857</td>
<td>(51,466)</td>
<td>-</td>
<td>(51,802)</td>
</tr>
<tr>
<td>School Readiness</td>
<td>49,053</td>
<td>-</td>
<td>45,551</td>
<td></td>
</tr>
<tr>
<td>Early Learning Scholarships</td>
<td>-</td>
<td>24,600</td>
<td>2,000</td>
<td>19,000</td>
</tr>
<tr>
<td>Parent Child Home Program</td>
<td>1,000</td>
<td>1,100</td>
<td>1,100</td>
<td></td>
</tr>
<tr>
<td>Help Me Grow</td>
<td>3,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Early Learning Total</td>
<td>177,857</td>
<td>23,187</td>
<td>3,100</td>
<td>14,049</td>
</tr>
</tbody>
</table>

EARLY LEARNING
FY 20 – 21 Biennium State Appropriations - $ in Thousands

<table>
<thead>
<tr>
<th></th>
<th>Gov</th>
<th>House</th>
<th>Senate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary Pre-Kindergarten</td>
<td>213,038</td>
<td>(54,026)</td>
<td>-</td>
</tr>
<tr>
<td>School Readiness</td>
<td>9,800</td>
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</tr>
<tr>
<td>Early Learning Scholarships</td>
<td>-</td>
<td>24,600</td>
<td>5,000</td>
</tr>
<tr>
<td>Parent Child Home Program</td>
<td>-</td>
<td>1,000</td>
<td>1,100</td>
</tr>
<tr>
<td>Help Me Grow</td>
<td>3,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Early Learning Total</td>
<td>216,038</td>
<td>(18,626)</td>
<td>6,100</td>
</tr>
</tbody>
</table>
EARLY LEARNING
Governor’s Recommendation

1. Change VPK cap from a limit on the state aid entitlement to a limit on number of participants. Allocates enrollment slots instead of total $ among groups based on K enrollment.
2. Create separate allocations for the Minneapolis school district and the Saint Paul school district to ensure an equitable distribution of participants between the two districts.
3. Increase the maximum number of participants from approximately 3,300 in FY 2017 to approximately 17,000 in FY 2018, with an annual increase of 1,000 participants each year thereafter (includes all districts & charter schools that applied in January 2017).
4. Provide Q-Comp revenue in first year for new sites using current year VPK enrollment.
5. Require school districts to provide age-appropriate school bus safety training for public school pupils enrolled in VPK. (Currently required for K – grade 10).
6. Require schools with approved VPK programs to hire licensed teachers by school year 2020.
7. Provides $1.5 M per year for Help Me Grow program

EARLY LEARNING
Conference

• Voluntary Prekindergarten / School Readiness:
  • VPK program and funding repealed beginning FY 18
  • Beginning in FY 2018, each district and charter school that received VPK funding in FY 2017 will receive a school readiness adjustment equal to its total voluntary prekindergarten revenue for fiscal year 2017. (Charter schools qualifying for this revenue are made eligible for school readiness aid.)

• Early Learning Scholarships:
  • Increases funding for Pathway I scholarships by $19 M for the biennium
  • Directs the commissioner to give highest priority for scholarships to children who have a parent under 21 who is working 2 or more employment hours, in foster care or in need of protection of services, or have experienced homelessness in last two years.
  • Limits the number of pathway I scholarships to no more than the number granted in fiscal year 2017.

• Parent-Child Home Program:
  • Increase of $190,000 per year

ECFE FUNDING

Governor ($2.9 M for biennium):
• ECFE Allowance remains linked to General Ed formula allowance;
• ECFE allowance increases from $139.54 to $142.32 for FY 18 and $145.18 for FY 19 and later

Conference and Senate ($2.2 M for biennium):
• ECFE Allowance remains linked to General Ed formula allowance;
• ECFE allowance increases to $141.43 for FY 18 and $143.73 for FY 19 and later

House ($1 M for biennium):
• ECFE Allowance delinked from General Ed formula allowance;
• ECFE allowance increases to $140.77 for FY 18 and $141.20 for FY 19 and later
### OTHER EDUCATION FUNDING
**FY 18 – 19 Biennium State Appropriations - $ in Thousands**

<table>
<thead>
<tr>
<th></th>
<th>Gov</th>
<th>House</th>
<th>Senate</th>
<th>Conf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Equalization Increase</td>
<td>19,563</td>
<td>-</td>
<td>-</td>
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</tr>
<tr>
<td>Student Support Staff</td>
<td>4,000</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Am. Indian Tribal Contract</td>
<td>3,728</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Intermediate District Mental Health</td>
<td>4,900</td>
<td>4,900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACT reimbursements</td>
<td>(3,000)</td>
<td>(3,000)</td>
<td>(3,000)</td>
<td></td>
</tr>
<tr>
<td>Rural CTE Consortium</td>
<td>3,000</td>
<td>3,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult Basic Education</td>
<td>(2,639)</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other (Misc Grants)</td>
<td>4,000</td>
<td>11,796</td>
<td>10,582</td>
<td>11,268</td>
</tr>
<tr>
<td>Other Education Funding Total</td>
<td>31,291</td>
<td>11,057</td>
<td>10,582</td>
<td>16,168</td>
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</tbody>
</table>

### OTHER EDUCATION FUNDING
**FY 20 – 21 Biennium State Appropriations - $ in Thousands**

<table>
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<tr>
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<th>Gov</th>
<th>House</th>
<th>Senate</th>
<th>Conf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Service Equalization Increase</td>
<td>39,273</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student Support Staff</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Am. Indian Tribal Contract</td>
<td>4,602</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate District Mental Health</td>
<td>(3,000)</td>
<td>(3,000)</td>
<td>(3,000)</td>
<td></td>
</tr>
<tr>
<td>ACT reimbursements</td>
<td>-</td>
<td>(3,000)</td>
<td>(3,000)</td>
<td>(3,000)</td>
</tr>
<tr>
<td>Rural CTE Consortium</td>
<td>6,000</td>
<td>6,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult Basic Education</td>
<td>(6,949)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (Misc Grants)</td>
<td>4,000</td>
<td>3,614</td>
<td>15,448</td>
<td>7,655</td>
</tr>
<tr>
<td>Other Education Funding Total</td>
<td>47,875</td>
<td>(6,335)</td>
<td>18,448</td>
<td>10,655</td>
</tr>
</tbody>
</table>

### DEBT SERVICE EQUALIZATION

- **Governor:**
  - Reduce threshold for Tier 2 debt service equalization from 26.24% of Adjusted Net Tax Capacity (ANTC) to 22.34% of ANTC for FY 2018, and to 19% of ANTC for FY 2019 and later.
  - Adjustment will be made to Pay 18 levy for FY 18 debt service aid increase.
  - $10.6 M current biennium; $31.3 M FY 20-21 biennium

- **Tax Bill Conference Report:**
  - Reduce threshold to qualify for Tier 1 Debt Equalization from 15.74% of ANTC to 10% of ANTC, and increase Tier 1 equalizing factor from 55.33% to 75% of state average ANTC/PU for FY 19 and FY 20 only.
  - $14.6 M in FY 19; $13.1 M in FY 20-21 biennium
• American Indian Tribal Contract Aid
  - Continue the maximum aid per pupil unit at the FY 2017 level of $3,230, instead of allowing it to decrease to $1,500 beginning in FY 2018 as provided in current law.

• Support Our Students Grant Program
  - Increase funding by $4 million for this 6-year grant program to help schools hire additional student support services personnel, which includes individuals licensed to serve as a school counselor, school psychologist, school social worker, school nurse, or a chemical dependency counselor. The $4,000,000 would be available over the six-year grant period.
  - A school that receives a grant must match the grant with local funds in each year of the grant. In each of the first four years of the grant, the local match equals $1 for every $1 awarded in the same year. In years five and six of the grant, the local match equals $3 for every $1 awarded in the same year.

• Mental Health Grants:
  - Appropriates $2,450,000 for fiscal year 2018 and fiscal year 2019 only for grants to intermediate school districts and the Southwest West Central Service Cooperative for school-based mental health grants. Allocations are based on FY 2016 ADM at Federal setting 4 or higher.

• Rural CTE Consortium:
  - Defines "rural career and technical education (CTE) consortium" as a voluntary collaboration of a service cooperative and other regional public and private partners that work together to provide career and technical education opportunities within the service cooperative's multi-county service area.
  - Identifies recipients of two-year grants:
    - For FY 18-19, a consortium including SWWC Service Coop, SW MN State University and other regional public and private partners
    - For FY 20-21, a consortium including SC or SE Service Coop, and a consortium including the NW or NE Service Coop

• Rural CTE Consortium (continued):
  - Requires a rural CTE consortium to:
    1. focus on development of courses and programs that encourage collaboration;
    2. develop new CTE programs that focus on the industry sectors that fuel the regional economy;
    3. facilitate the development of highly trained and knowledgeable students equipped with technical and workplace skills;
    4. improve access to CTE programs for students who attend sparsely populated rural school districts;
    5. increase family and student awareness of the availability and benefit of CTE courses; and
    6. provide capital start-up costs.
### SMALLER GRANTS AND AID CHANGES
#### FY 18 – 19 Biennium ($ in Thousands)

<table>
<thead>
<tr>
<th>Program</th>
<th>Gov</th>
<th>House</th>
<th>Senate</th>
<th>Conf</th>
</tr>
</thead>
<tbody>
<tr>
<td>African American registry</td>
<td></td>
<td>264</td>
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<tr>
<td>Agricultural Educator Grants</td>
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<tr>
<td>Alt Teacher Prep</td>
<td>1,000</td>
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<td>750</td>
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<tr>
<td>AP/IB stem grants</td>
<td>1,500</td>
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<tr>
<td>Center for the Book</td>
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<tr>
<td>Charter lease - inc pseo pupils</td>
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<td>367</td>
<td>367</td>
<td></td>
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<tr>
<td>Crosswinds transition</td>
<td></td>
<td>640</td>
<td>640</td>
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<tr>
<td>CUE</td>
<td>440</td>
<td>500</td>
<td>440</td>
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<tr>
<td>Expanded concurrent enroll grants</td>
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<td>750</td>
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<tr>
<td>Extended Time - Willmar</td>
<td>75</td>
<td>-</td>
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<tr>
<td>Foster kids ed stability</td>
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<td>1,000</td>
<td>1,000</td>
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<tr>
<td>Full Service Community Schools</td>
<td>2,000</td>
<td>-</td>
<td>-</td>
<td></td>
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<tr>
<td>Graduation incentive</td>
<td>25</td>
<td>25</td>
<td>25</td>
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<tr>
<td>Grow Your Own</td>
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<td>750</td>
<td>1,000</td>
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<tr>
<td>Intensive desig transp</td>
<td></td>
<td>(1,722)</td>
<td>(1,722)</td>
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<tr>
<td>Math Corps</td>
<td>500</td>
<td>600</td>
<td>500</td>
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<td>Max Effort early repay incentive</td>
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<td>Museums</td>
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<td>Principals Academy</td>
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<td>100</td>
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<td>Race to reduce water conservation</td>
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<td>(367)</td>
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<tr>
<td>Reading Corps</td>
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<td>6,000</td>
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<td>Recreational programs</td>
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<td>Rock and Road</td>
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<tr>
<td>SNNall</td>
<td>1,000</td>
<td>-</td>
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<td>Mid Hi Ed Teacher Prep</td>
<td>254</td>
<td>-</td>
<td>254</td>
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<tr>
<td>Up grad for diseng prog</td>
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<td>(738)</td>
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<td>St Paul Promise</td>
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<tr>
<td>Statewide concurrent enr teacher trn</td>
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<tr>
<td>Teacher shortage loan forgiveness</td>
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<td>Total Other</td>
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<td>11,786</td>
<td>10,582</td>
<td>11,268</td>
</tr>
</tbody>
</table>
FACILITIES
Conference

• Lead in school drinking water:
  • Requires the commissioners of health and education to develop a model plan to test for lead in school drinking water.
  • Requires school districts and charter schools to adopt the model plan or an alternative plan to test school water for lead at least every five years.
  • A school district must begin testing by July 1, 2018, and complete testing of all schools within five years.
  • Allows school districts to include lead testing and remediation in their 10-year facilities plans and to use long-term facilities maintenance revenue for lead testing and remediation.
  • Requires school districts and charter schools to make lead test results available to the public and to notify parents that this information is available.

FACILITIES
Conference

• Review and Comment:
  • Directs the commissioner to include comments from district residents in the review and comment on capital project proposals.
  • Requires a school board to hold a public meeting to review the commissioner’s review and comment on a proposal before the bond election.

FACILITIES
Conference

• Payments to Nonoperating Funds – changes the payment schedule for nonoperating fund aids (e.g., debt service equalization) from 12 monthly installments to six monthly installments from July – December.

• Alternative Facilities Hold Harmless – specifies that a district qualifying for alternative facilities revenue for FY 2010 continues to be eligible for the hold harmless calculation in the LTFM formula that applies to alternative facilities districts if the district’s square footage subsequently falls below the threshold for alternative facilities revenue.

• Capital Loan Early Repayment Incentive – adds Kellis to the list of districts repaying capital loans in 2016 that qualify for this aid, at $150,000 per year.
NUTRITION CONTRACTS Conference

• Provides exception to the statute limiting school district contracts to two years with an option on the part of the district to renew for an additional two years.
• The exception states that a contract between a school board and a food service management company that complies with Code of Federal Regulations, title 7, section 210.16, may be renewed annually after its initial term for not more than four years.

NUTRITION CONTRACTS Conference (continued)

• The regulation provides the following:
  • Prohibits districts from contracting with a food service management company to operate an a la carte food service unless the company agrees to offer free, reduced price and paid reimbursable lunches to all eligible children.
  • Regulates district operation of the food service, including requiring adherence to procurement standards, monitoring the food service, and establishing an advisory board to assist in menu planning.
  • Regulates the districts’ invitations to bid.
  • Prohibits certain types of contracts, and requires certain provisions in the contracts.
  • Limits duration of contracts to one year, and options for renewal to no more than four additional years. Requires contracts to include a clause allowing termination by either party with 60-days’ notice.

DISTRICT REORGANIZATION Conference

• Operating referendum adjustment for dissolution – specifies that, for voluntary and involuntary dissolutions, the referendum allowance previously applied to neighboring districts to which all or part of a dissolved district is attached is not affected by the dissolution, and applies to the entire area of the new reorganized district. (Existing law specified that for voluntary consolidations, the referendum authority was cancelled for neighboring districts adding territory from the dissolved district.)
• Perpich Center Arts High School closed effective 6/30/18; establishes a Lola and Rudy Perpich division within MDE to provide arts support services throughout the state.
• Crosswinds School - Directs the commissioner of administration to offer the Crosswinds school for sale on the open market, consistent with existing law on the commissioner’s authority to manage surplus state property. Clarifies that, for FY 2018 only, compensatory revenue, literacy incentive aid, and G Comp revenue must be calculated using October 1, 2016 enrollments for a district that may operate a school at the Crosswinds site during the 2017-2018 school year.
OTHER SCHOOL FINANCE – RELATED PROVISIONS

Conference

• Negotiated Unrequested Leave Of Absence – Requires the school board and the exclusive representative of the teachers to negotiate an unrequested leave of absence plan. Strikes language establishing a statutory plan for placing teachers on an unrequested leave of absence and prohibiting a provisionally licensed teacher from exercising seniority under a negotiated leave of absence plan.

• Q Comp – Amends the list of provisions that may be included in a Q Comp plan to include:
  • Hiring bonuses or other added compensation to provide students with equitable access to teachers who have demonstrated skills for being highly effective at closing achievement gaps; work in a high-need position; or are hired to work in hard-to-staff schools;
  • Incentives for teachers to obtain credits required for teaching concurrent enrollment or college in the schools courses; or
  • Funding a green your own new teacher initiative.

OTHER SCHOOL FINANCE – RELATED PROVISIONS

Conference

• Open Enrollment. Modifies open enrollment lotteries by giving priority to a new group of students. Students who do not reside in the school district receive priority if they reside in a municipality where (1) the nonresident district operates a building, (2) the municipality is wholly or partially within the boundaries of at least five school districts; (3) the resident district does not operate a building, and (4) no other nonresident district operates a building.

• Access to school buildings and technology. Requires a school to allow a student enrolled in a PSEO course to remain at the school site during the regular school day and requires the school to adopt a policy that provides reasonable access to computers and technology during the school day.

• ACT / SAT Testing - Eliminates requirement that district administer ACT or SAT at student’s high school during the school day.

MDE Agency Budget

• Governor’s recommendations:
  • Mainframe computer update ($3.25 million)
  • Online IEP ($1.48 million)
  • Agency Operations ($10.456 M) - Includes $2 M/year increase for legal support from the AG’s office, $723,000/ year increase for ongoing technology from MN.IT/ $450,000/year to maintain and $720,000/year to expand school support services and data analytics, $500,000/year to support operating increases such as the building lease, $700,000 in FY2018 and $1 million in FY19 for compensation costs and pension cost increases.

• Conference:
  • No increase for mainframe computer update or Online IEP
  • General reduction of $4.894 million (12.6% of base budget)
**Education expense deduction.**
- Expands the deduction of up to $1,625 for each child in K – 6 to include children at least 3 years old in a prekindergarten program.

**Education expense credit.**
- Beginning in 2017, extends the K-12 education expense credit to nonpublic school tuition and to prekindergarten education programs.
- Increases the maximum credit from $1,000 to $1,500 per child.
- Increases the income at which the credit begins to phase out from $33,500 to $42,000 and decreases the rate of phase out so that the credit would be fully phased out when income reaches $57,000 for families with one child and would extend by an additional $15,000 for each additional child.
- Beginning in 2019, adjusts the credit and the phase out threshold annually for inflation.

**Credit for attaining master’s degree in teacher’s licensure field.**
- Allows a non-refundable individual income tax credit of $2,500 to licensed K-12 teachers who complete a master’s degree program in a core content area directly related to their field of licensure.
- Limits the credit to the amount a teacher pays for tuition, fees, and instructional materials, excluding amounts paid by the teacher’s employer or through a scholarship.
- Limited to teachers who begin a program after June 30, 2017.
- Teachers would claim the credit in the year they complete the degree.

**Equity and opportunity in education tax credit.**
- Effective for tax year 2018, credit equals 70 percent of the amount contributed to a qualified foundation, limited to $21,000 per year for married joint filers, $10,500 for other individual filers, and $105,000 for corporations.
- Credits that exceed tax liability may be carried forward for five tax years.
- Foundations other than public school foundations must award scholarships or transportation scholarships to eligible students, or make grants to qualified charter schools, or both. Public school foundations must make direct expenditures in support of public schools.
- $23.2 M annual cost estimate.
Equity and opportunity in education tax credit - Definitions.

- "Qualified foundation" - a 501(c)(3) nonprofit organization.
- "Eligible student" - MN resident child whose household income is < 200 percent of the maximum to qualify for reduced price lunch (Currently $89,910 for a family of four). A child who was eligible in a previous year remains eligible, without regard to changes in the family’s income.
- "Qualified charter school" - a charter school with at least 30% FRL concentration
- "Qualified public school foundation" - a qualified foundation that supports one or more public schools or districts with at least 30% FRL concentration.

Equity and opportunity in education tax credit - Process:

- Taxpayers apply to Revenue Department for tax credit certificates, available on a first come, first-served basis beginning on January 1 of each year until the maximum statewide amount is reached.
- The maximum for donations to foundations that award scholarships or transportation scholarships is $3 million per year, beginning in tax year 2018.
- The maximum for donations to public school foundations and foundations that award grants to charter schools is $5 million per year, beginning in tax year 2018.
- Qualified foundations must annually verify that each school to which it awards scholarships meets certain requirements. They must not restrict scholarships to any one qualified school or charge fees to scholarship applicants. Schools receiving tuition scholarships must not use different admissions standards for scholarship students.
- Provides that receiving a scholarship under this section does not affect a student’s eligibility for special education services and instruction.

Operating Referendum Ballot — Requires a district to state on both its referendum ballot and on its notice to taxpayers the amounts of any board-approved local optional revenue and board-approved referendum authority. Effective August 1, 2017.

School Building Bond Agricultural Credit — Property tax credit on all property classified as agricultural, excluding the house, garage, and one acre of an agricultural homestead, equal to 40 percent of the tax on the property attributable to school district bonded debt levies. Provides an open and standing appropriation to pay for the credit. Effective for taxes payable in 2018. (Note — Similar to Governor’s recommendation) $34.8 M — FY 19; $45.2 M FY 20; $52.1 M FY 21.

Maximum effort loan aid — Makes payments over a five-year period to school districts with a maximum effort loan outstanding as of 6/30/16 equal to the interest paid on the loan between 12/1/90 and 6/30/16. For a district with a capital loan outstanding as of 6/30/17, the aid is increased by the amount of interest paid on the loan between 6/30/17 and 6/30/21. Aid must be used to reduce current property tax levies or to finance a defeasance of future payments on outstanding bonded debt. Effective for fiscal years 2018 through 2022. $3.29 M per year
TAX BILL - CONFERENCE

Property Taxes

- Debt service equalization (see also page 27): Increases the state share of school debt service revenue for taxes payable in 2018 and 2019 (FY 2019 and FY 2020) only by:
  1. reducing the minimum debt service tax rate to qualify for state tier I equalization from 15.74 percent to ten percent, and
  2. increasing the equalizing factor for tier I from 55.33 to 75 percent of the statewide average ANPC per pupil unit for those two years only.

- State payments to school districts for non-operating funds – Beginning in FY 2019, the 90% current portion of these aids must be paid over the first six months of each fiscal year, instead of being spread evenly over the entire fiscal year. This will allow school districts to receive their debt service equalization and school ag bond credit payments in a timeframe that more closely approximates when the property tax payments would have been received. (Also in Education bill)

TAX BILL - CONFERENCE

Sales and Use Taxes

- Minnesota State High School League tickets and admissions – tickets and admissions to games, events, and activities sponsored by the MSHSL are exempt from the sales tax. Effective for ten years, beginning after June 30, 2017, and ending July 1, 2027.

- Construction materials purchased by contractor - Allows a contractor, subcontractor, or builder a sales tax exemption on construction materials and supplies used in buildings and facilities used principally by school districts and certain other entities. These groups already have a sales tax exemption for their purchases and may currently buy these materials exempt if they purchase the materials themselves under a separate contract. The tax is paid by the contractor at the time of sale, and the tax is refunded to the tax exempt entity.

PENSIONS

Governor’s Recommendations for TRA

- Increase employer contributions for covered employees by 0.5% of payroll in FY18, 1.0% in FY19, 1.5% in FY20, 2% in FY21
- Re-amortize payments on unfunded liabilities from a 20 year period to a 30 year period;
- Reduce postretirement increases (COLAs) from 2% per year to 1.0% for five years beginning in FY 2018, and 1.5% thereafter;
- Remove triggers which would automatically increase COLAs to 2.5% once the fund achieves a 90% funded ratio for two consecutive years;
- Lower the assumed rate of return on investments/discount rate to 7.5%
**Benefit changes:**
- Eliminates augmentation (annual percentage increases to a pension benefit accrued by an individual who leaves public service prior to retirement).
  - For 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 in the elimination of augmentation in the early retirement discount,
- Reduces and defers the commencement of post-retirement adjustments (COLAs)
  - For TRA:
    - Removes the provisions requiring automatic increases in the COLA, up to a maximum of 2.5%, when specified funding ratios are met;
    - Lowers the COLA from 2% to 1%; and
    - For retirements on or after January 1, 2018, a retiree is not eligible to receive a COLA until the retiree reaches normal retirement age.

**Benefit changes (continued):**
- Reduces the rate of interest paid on refunds of employee contributions to former employees.
  - For TRA, from 4% to 3%.
- Requires the Pension Commission to conduct a study on the COLA rates and the methodology for determining post-retirement adjustments.

**Actuarial changes:**
- Reduces the investment rate of return to 7.5%.
- Resets the 30-year amortization period to 2047 for MSRS plans, PERA plans, TRA, and St. Paul Teachers.

**Contribution increases:**
- Increases the employee and employer contribution rates for most plans.
  - For TRA:
    - Employee:
      - Increase: 0.1875% 0.1875% 0.1875% 0.1875% 0.75%
    - Rate: 7.69% 7.88% 8.06% 8.25%
    - Employer:
      - Increase: 0.25% 0.25% 0.25% 1.00%
      - Rate: 7.75% 8.00% 8.25% 8.50%
**PENSIONS BILL**
(SF 545, 5/10/17)

**Contribution increases:**
- **For SPTRFA:**

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<tr>
<th>Year</th>
<th>Employer Increase</th>
<th>Employer Rate</th>
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<tr>
<td>FY 18</td>
<td>0.50%</td>
<td>7.00%</td>
</tr>
<tr>
<td>FY 19</td>
<td>0.75%</td>
<td>7.75%</td>
</tr>
<tr>
<td>FY 20</td>
<td>0.50%</td>
<td>8.25%</td>
</tr>
<tr>
<td>FY 21</td>
<td>0.75%</td>
<td>9.00%</td>
</tr>
<tr>
<td>Total</td>
<td>2.50%</td>
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</tr>
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</table>

SPTRFA employee contribution rate increased by 0.25% in FY22 from 7.5% to 7.75% of salary for coordinated members.

**PENSIONS BILL**
(SF 545, 5/10/17)

<table>
<thead>
<tr>
<th>Contribution increases:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• For SPTRFA:</td>
</tr>
</tbody>
</table>

- Direct state aids:
  - Provides for state aid for the PERA police and fire plan and St. Paul Teachers Retirement Fund Association (SPTRFA).
    - Annual direct state aid payments to the SPTRFA is $5 million each October 1.
    - This amount is in addition to a total of $9,827,000 in annual direct state aid payments being made to SPTRFA.

**Questions?**
Thank you!

Tom Melcher
Tom.melcher@state.mn.us
651-582-8828