

2014

Legislative Platform



masbo

Minnesota Association
of School Business Officials

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Introductory Statement to MASBO Legislative Platform

Minnesota School Districts continue to face financial stress:

- Ongoing, persistent, and increasing unfunded mandates;
- Special education cross subsidy of more than \$500 million;
- Other prorated reductions in state aid formulas;
- Increased reliance on property tax levies for operating revenue;
- Increased pressure on labor costs with limited flexibility due to teacher tenure laws and PELRA (Public Employee Labor Relations Act).

It is critical that the State continue its work to stabilize funding and appropriately recognize education as a priority, given its constitutional obligations. The E-12 portion of the State budget has continued to decline as a percentage of the total State budget. The increased education standards and accountability require adequate, equitable, predictable and sustainable funding for schools.

About the MASBO Legislative Committee and Platform

MASBO has a standing Legislative Committee, consisting of fourteen members. The Committee's primary goal is to promote the adoption of state legislation that will improve the efficiency and effectiveness of school district fiscal practices and operations. This document describes MASBO's legislative proposals for 2014.

There are several key differences between these proposals and the legislative platforms of most other groups. First, these proposals are all related to school

finance and operations – the areas of our members' greatest experience and expertise. Second, none of the proposals are intended to result in significant redistribution of resources among districts. Third, many of these proposals are designed to make school districts more cost effective and efficient within existing resources.

Proposal #1: School Finance

Background

Over the past decade, Minnesota school districts have consistently increased standards for student achievement and made significant progress in meeting those standards. They have also maintained high standards for accountability, parent satisfaction and community support. Minnesota K-12 schools have endeavored through prudent management to maintain this level of excellence during a very challenging financial environment.

Student success depends greatly on the Minnesota legislature providing adequate funding and maintaining district flexibility in meeting their financial challenges. We applaud the work the 2013 legislature did to recognize and address these challenges. The basic formula allowance increase; paying back money borrowed from schools; all-day kindergarten and additional special education will only help us serve students better.

The goal of Minnesota public schools is to help all students achieve. Focus, of late, has been on the achievement gap between white students and students of color. Many of these efforts come with added costs, not entirely covered by new revenue streams such as integration revenue. Public schools are the social conscience of their communities. Transportation, extra nutrition costs (breakfast, snacks), additional pupil support, expansion of early childhood programs, and additional recruiting costs are examples of added expenses required to close the achievement gap.

However, our work is ongoing. A basic benchmark by which to measure progress toward adequate funding are the annual increases in the basic allowance. State funding for the basic general education allowance has significantly lagged inflation.

As the table on the next page shows, the formula allowance by 2014-2015 would have to be higher than the current level by \$332 (6.2%) to have kept pace with inflation since 2004-05. While this is a step forward from the previous year, there is still a substantial shortfall, and it is critical for the state to enable districts to meet the educational expectations of parents, the community, and the state by providing an adequate annual increase in the basic funding formula.

Proposals

1) Increase current funding levels

Increase basic formula at rate of inflation. The basic formula limit is \$5,302 per pupil for the 2013-2014 school year. The two most pivotal factors in determining a Minnesota school district's revenue are the basic formula limit and enrollment. Multiplying these two numbers creates the largest source of revenue for all school districts. Every two years, school district leaders anticipate with great interest what basic formula amount will become law.

Small increases in the basic formula amount for 2013-2014 and 2014-2015 are helping school districts remain solvent. However, due to rising health insurance and other costs, school districts have had to adjust their budgets to make ends meet, resulting in significant increases in class size and program reductions. The basic formula should be increased every year by the current rate of inflation so that education funding is not further eroded.

Trends in General Education Formula Allowance for
Minnesota School Districts, 2004-05 through 2014-15
Adjusted for Inflation

Fiscal Year	Formula Allowance	CPI-U (2009=1.0)*	Formula Allowance in 2013 \$s	Change Since 2004-05	Formula Allow. if Adjusted for Annual Inflation	Annual Funding Shortfall
2004-05	4,601	0.8847	5,714	0	4,601	0
2005-06	4,783	0.9184	5,722	8	4,776	-7
2006-07	4,974	0.9423	5,799	85	4,901	-73
2007-08	5,074	0.9769	5,707	-8	5,081	7
2008-09	5,124	0.9908	5,682	-32	5,153	29
2009-10	5,124	1.0000	5,630	-84	5,201	77
2010-11	5,124	1.0203	5,518	-196	5,306	182
2011-12	5,174	1.0503	5,412	-302	5,462	288
2012-13	5,224	1.0676	5,376	-338	5,553	329
2013-14	5,302	1.0807	5,391	-324	5,620	318
2014-15**	5,382	1.0987	5,382	-332	5,714	332

Source: Formula Allowance and CPI-U are from Minnesota Department of Education, Referendum Cap Inflation Estimate 2012

* Consumer Price Index for all urban consumers for the Minneapolis-St. Paul area.

** Formula Allowance of \$5806 adjusted for change in pupil weighting. The real dollar increase is \$80 or 1.5%

2) Authorize local school boards to extend an existing operating referendum on a year-to-year basis, subject to a reverse referendum

Maintenance of current funding in these difficult economic times is a challenge at best. Submitting a levy previously approved by voters again to the voters requires the commitment of local resources to conduct the election and to communicate with voters. While the 2013 Legislature granted the authority to districts to authorize up to \$300 per pupil of referendum authority for up to five years, districts with amounts in excess of that are still required to hold an election, and the \$300

simply supplants a portion of their existing referendum revenue. Extension of an existing referendum by the local school board will not result in a tax increase. In all likelihood, because enrollment is declining in two-thirds of Minnesota districts, the operating levy will decrease. Allowing local school boards to extend the full amount of their existing referendum authority on a year-to-year basis, or for a similar up to five-year period, subject to a petition for a reverse referendum, is a natural extension of the \$300 of board approved levy authorized in the 2013 legislation.

Proposal #2: Mandate Reform and Reduction

Background

The “business” side of E-12 education is complex, and it is very difficult, if not impossible, to be aware of and comply with all the rules and regulations that are mandated by state and federal legislative bodies. Compliance with multiple mandates, particularly those that are unfunded, takes attention and resources from the place they belong – the students. Minnesota Statutes 2009, Section 127A.05, Subd. 2, requires the Commissioner of Education to “review all education-related mandates in state law and rule once every four years to determine which mandates fail to adequately promote public education in the state.” In recent years the Legislature eliminated numerous mandates which will help districts spend more time and money on what matters most – our students. During these continuing difficult economic times, it is appropriate to continue to assess mandates and recommend reform and other efficiencies as a way to help school districts ease the burden and costs of providing education services in Minnesota moving forward.

Two classes of mandates are placed on school districts by the state. The major source is legislation, but often additional burdens are imposed on districts by the MDE in the application of statute or federal law as it interprets legislative intent. Every new statute results in a new set of administrative requirements that consume district resources. A case in point is SERVS, a data and compliance system which began implementation in 2009. When fully implemented, it is intended to be a repository of all types of district data, which will be interfaced to ensure accountability. Interface is still a long way down the road, and, the level of detail SERVS requires imposes an onerous burden on districts that struggle to comply with the best of their abilities. For

example, there are applications that include budget amounts for each federal grant. In addition, there are separate budgets that must be entered, and as requests for funds are submitted, they must equal *to the penny* the actual amounts recorded in the school district’s accounting system and the amount budgeted in the application. Imagine that when a district is creating its budget, staff must predict to the penny the cost of each staff person’s benefits by line item, many of them based on percentages. So if one person takes an unpaid day, or changes insurance coverage, every line item must be recalculated. This results in multiple minute entries to force the two systems to match. Additionally, SERVS is not integrated with other older data systems, and MDE staff must use their limited time and outdated technology to devise ways to compare various data bases. In fact, in the past year MDE was compelled to go back to using an old data collection system to collect budgets for federal special ed programs, since SERVS wasn’t able to collect all the needed data.

Although several mandates were eliminated during the last several Legislative sessions, it is imperative to continue to inform our legislators and the governor of the unnecessary burdens that are being placed on school districts by these mandates that really do not promote public education and many that are unfunded.

Proposals

We recommend for repeal or revision those that have negative, unintended consequences in their implementation. Although there are many mandates that should be repealed or revised, the most immediate priorities for this year are:

1) Invest in Infrastructure

Some of the mandates imposed on school districts result from the inadequate technology infrastructure at MDE to provide vehicles for districts to deliver information to the department. UFARS and EDRS are each obsolete systems more than 30 years old, which are based on antiquated programming language, and are unable to integrate with each other or other systems. SERVS has been developed in recent years, but is currently limited to only certain federally-funded programs. It is not user-friendly, and the MDE doesn't have adequate resources to refine it to satisfy both federal monitoring requirements and the needs of the State.

MASBO supports MDE's technology requests to MN.IT and believes the department of education is due for more adequate funding in its technology infrastructure.

2) Publishing Requirements (M.S.123B.10)

This statute mandates the publication of minutes and budget information in a legal newspaper despite decreasing readership. Allow school districts more flexibility to publish minutes on their websites with a simple notice in the newspaper stating the web address where the information can be found. This can reduce expenses for all districts in these tough economic times while still providing access to minutes and budget information. **Revise.**

3) Reserved Revenue for Staff Development (M.S. 122A.61)

Districts are required to reserve at least two percent of basic revenue for in-service and staff development. While this requirement has been waived for 2012 and 2013, districts should be permanently given discretion as to the amount expended in the area of staff development. **Repeal.**

4) Provide Funding to Implement Staff Evaluation Systems (M.S. 122A.41)

2011 Legislation requires districts to evaluate teachers beginning in 2014-2015 using either a model developed by the district that meets legislated guidelines, or to use a state-designed evaluation model. The development and/or implementation of these models will require additional staff time. **Revise** to fund the effective development and implementation of the new evaluation models.

Proposal #3: Facility Funding

Background

Minnesota Public School buildings are the backbone of every community.

Maintenance of these buildings accounts for 10-15% of a school district's operating expenditures. Many of these costs are attributed to building inefficiencies which could be corrected with more adequate capital funding. Furthermore, funding for Minnesota public school buildings is not equitable among the state's school districts.

The 2013 Legislature directed the Education Commissioner to convene a working group to develop recommendations for reforming the financing of prekindergarten through grade 12 education facilities to create adequate, equitable, and sustainable financing of public school facilities throughout the state.

Proposal

MASBO **recognizes and supports** the following recommendations of the School Facility Financing Working Group.

- 1) Establish a new long-term facilities maintenance revenue program to replace the current alternative facilities, deferred maintenance and health and safety revenue programs, which provides adequate, equitable and sustainable long-term maintenance funding for all school districts.
- 2) Improve the debt service equalization formula by increasing the portion of debt service revenue that is eligible for equalization, restoring the state share of equalized revenue, and indexing future equalization.
- 3) Equalize the capital projects referendum levy.
- 4) Establish a new school facilities improvement revenue program to replace the current building lease levy, providing all school districts with access to a uniform allowance per student for locally defined facility needs.
- 5) Increase the operating capital revenue allowances and index operating capital for inflation.
- 6) Provide enhanced debt service equalization to address unique situations or needs.
- 7) Streamline the review and comment process.
- 8) Address the facilities needs of other educational entities.

Proposal #4: Statewide Health Insurance Pool

Background

Annually Education Minnesota (EM) has authored legislation to create a Statewide Health Insurance Pool for all Minnesota School Districts. The previous bills have made the health insurance pool mandatory for all school employees. All legislators, school boards and employees should be informed that some rates will increase and others will decrease with this health insurance pool.

Creating the statewide mandatory insurance pool required by previous EM bills has not addressed the real factors that are driving school districts' health-care costs upward. Factors contributing to increases include an aging employee population, prescription drug costs, benefit plan design, utilization rates, high-tech procedures and the high cost of insuring retirees.

A one-size-fits-all approach to health care does not bode well especially when we live in a state where the same medical procedures can vary widely in cost by region. School district employees will not be better served with this type of approach to health insurance coverage.

There is little credible evidence that a statewide health insurance pool will reduce premiums for participants. In 2010, a local impact note provided by Minnesota Management and Budget estimated a small savings statewide, it also indicated that individual districts will see different levels of cost or savings. As a result, little, if any, savings are expected from a statewide health insurance pool.

The composition of the governing board of the pool proposed by the EM bills is a major concern. The EM bills have not required that governing board members have knowledge or expertise in insurance. Such knowledge is essential to ensure that this pool will be well managed. Expert management of this type is critical.

A statewide health insurance pool will add another layer of administrative bureaucracy and limit the ability to be on the cutting edge of any further reform issues. Having a statewide health insurance pool will not only result in less local control but an inability to respond quickly to changing health insurance market conditions.

School districts should continue to have the right to purchase services from the best provider in the market. A state law mandating that districts purchase insurance from a sole provider takes away a right from local employee groups and local school boards to choose their provider.

Proposals

MASBO makes the following recommendations regarding the Statewide Health Insurance Pool:

If a statewide school health insurance plan is placed into statute:

- A) It shall be voluntary.
- B) The governing board shall include members with knowledge and expertise in health insurance — districts' business and/or human resource directors.

About MASBO

The Minnesota Association of School Business Officials (MASBO) is an independent, nonprofit professional association that was chartered in 1950. Its membership includes more than 600 school business managers and related specialists. MASBO is one of 50 state affiliates of the Association of School Business Officials International, which serves members from the United States, Canada, and 20 other nations.

MASBO is dedicated to defining and maintaining the highest standards of financial and operations management for Minnesota schools. The Association's principal purposes are:

a. To provide opportunities for school business officials to meet, discuss, and study all phases of school business administration.

b. To cooperate and collaborate with other school professional associations and with state officials to enhance the quality of Minnesota schools.

c. To provide leadership that promotes increased efficiency and effectiveness in the administration of Minnesota schools.

MASBO members possess high levels of expertise in the areas of school finance, public accounting, and school district support services (including facilities management, transportation, food services, and information management). Our members have established positive working relationships with fellow professionals in all branches of state and local government, as well as business leaders.

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