

# 2015

## Legislative Platform



masbo

Minnesota Association  
of School Business Officials

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# Introductory Statement to MASBO Legislative Platform

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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

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MASBO has a standing Legislative Committee; its 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 2015.

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 I: School Finance

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## Background

For more than 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's 2014 average composite ACT score of 22.9 was the highest in the nation among the 30 states in which more than half the college-bound students took the test (76% took the test in Minnesota). Minnesota has led the nation in average composite ACT scores for eight consecutive years. The national composite score was 20.8. This level of excellence was built in the late '90s and early years of the next decade which provided the foundation enabling Minnesota students to excel. In subsequent years, Minnesota K-12 schools have endeavored through prudent management to maintain this level of excellence during a very challenging financial environment.

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 revenue streams such as integration revenue. Public schools are the social conscience of their communities. Transportation, extra nutrition costs (breakfast, snacks), additional pupil support, and the additional recruiting costs of hiring the most qualified educators are examples of added expenses required to close the achievement gap.

Student success depends greatly on the state legislature providing adequate funding and maintaining school district flexibility to meet these financial challenges. We applaud the work the 2013-2014 legislature did to recognize and address these challenges. The

basic formula allowance increase; paying back money borrowed from schools; providing additional local levy authority; all-day kindergarten; and additional special education funding will only help us serve students better.

However, our work is ongoing and we continue to remain focused on funding. A basic benchmark by which to measure progress toward adequate funding is 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 would have to be higher than the current level by \$343 (6.3%) to have kept pace with inflation since 2004-05. 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

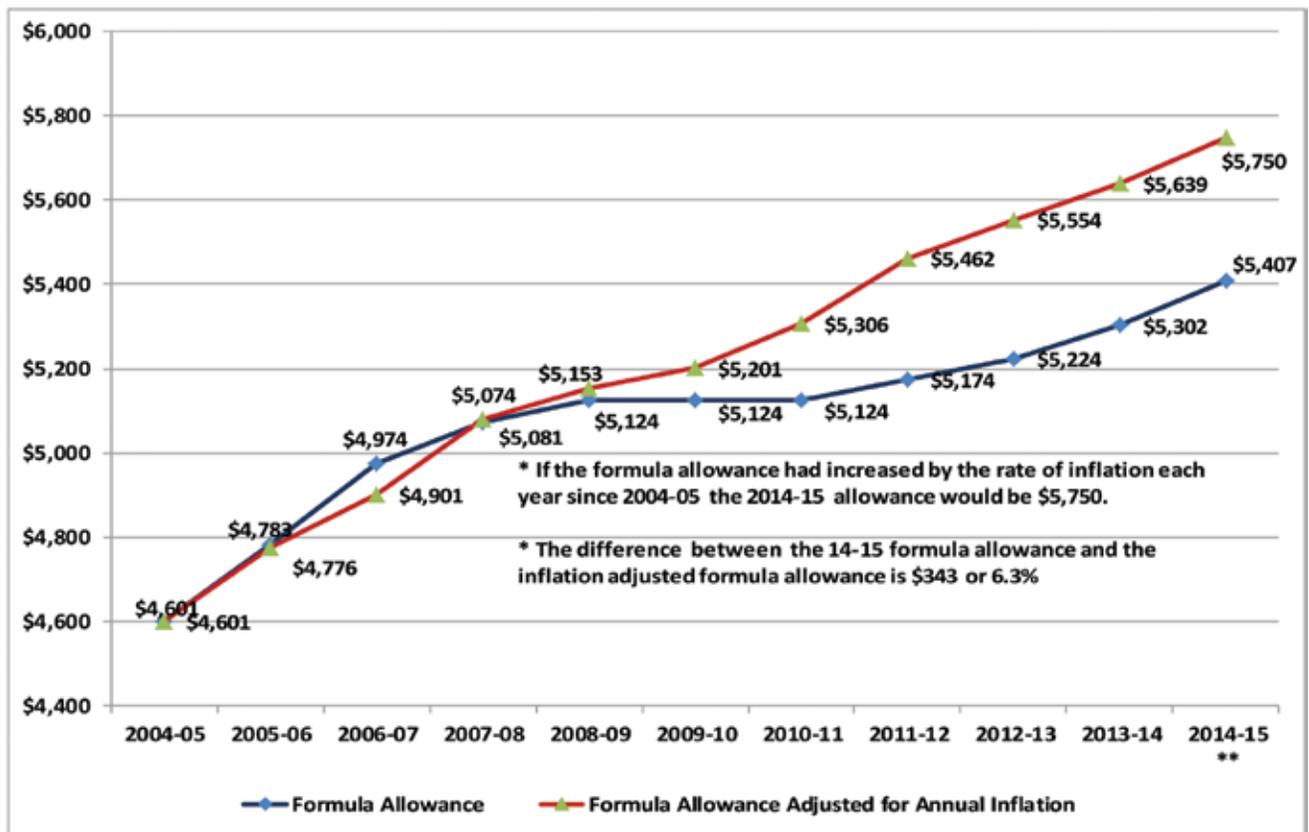
### *1) Provide adequate funding*

**Increase basic formula at rate of inflation.** The basic formula limit is \$5,831 per pupil for the 2014-2015 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 in fiscal years 2014 and 2015 have helped school districts remain solvent. However, due to rising operating costs,

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

Adjusted for inflation



SOURCE: Formula Allowance and CPI-U are from Minnesota Department of Education, *Referendum Cap Inflation Estimate 2014*

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

\*\* The real dollar increase in the Formula Allowance for 2014-15 is 2.0% or \$105. The balance of the increase to \$5,831 is to adjust the Formula Allowance for the change in student weighting.

Prepared by Ehlers

school districts have had to adjust their budgets to make ends meet, resulting in significant increases in class size and program reductions. Factoring out the increase in per pupil funding related to the change in pupil weighting, the basic allowance was increased by \$105 for FY 2015 (or 2%), which matched inflation. It is important the basic formula be increased every year, at a minimum, by the current rate of inflation so that education funding is not further eroded.

*2) Allow 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. Running a renewal referendum for a levy that has been previously approved by voters requires the commitment of significant local resources to conduct the election and to communicate with and inform the voters of a district.

The 259 districts with voter-approved referendum authority in excess of \$724 did not receive additional revenue from the new board approved levy authority. Allowing local school boards in those districts to extend the full amount of their remaining referendum authority on a year-to-year basis, for up to a five-year period, subject to a petition for a reverse referendum, is a natural extension of the new board approved levy authority of up to \$724 per pupil provided by the legislature.

### **3) Provide funding to implement staff evaluation systems**

In 2011, the legislature passed a law requiring districts to evaluate teachers based on a state-designed evaluation model, or one that meets the legislated guidelines, beginning in 2014-2015. Although the implementation of this law requires additional staff time, training, and resources, only minimal funding has been provided. The 2014 Legislature appropriated \$10 million in one-time funding — but more will be needed for successful implementation. As a result, districts have had to divert resources from other programs to fund

the new evaluation requirements. We recommend that the state fully fund the implementation of the new evaluation models.

### **4) Fully fund College in Schools program**

The College in Schools program (MS 124D.091) is a partnership between public schools in Minnesota and the public Universities and Colleges of Minnesota. It has saved students and their families millions of dollars and has provided more academic opportunities. In the early years, the program was funded appropriately — but it is now woefully underfunded. The 2014 Legislature increased the appropriation for this program for FY15, which still falls short in meeting the needs of the program by 45%. When the program reverts back to the \$2,000,000 appropriation in FY16, the program will be underfunded by nearly 75%.

The appropriation for the highly successful College in Schools program should fully fund the program.

# Proposal 2: Support Local Control and Reduce Unfunded Mandates

## Background

Despite the best of intentions, new legislation often results in more administrative requirements that consume and divert district resources away from student learning. Therefore, the Legislature must continually assess existing mandates and recommend reform to allow Minnesota school districts to reduce costs not directly related to improved student learning.

The “business” side of E-12 education is complex, and it is difficult to keep abreast of and comply with the many rules and regulations mandated by state and federal legislative bodies. Compliance with multiple mandates, particularly those that are unfunded, takes attention and resources away from our classrooms.

The state imposes two types of mandates on school districts. The first, and major, sources of mandates are through legislation. The second, but equally burdensome, source of mandates come through the interpretation and applications of state or federal law imposed by the Minnesota Department of Education (MDE). As funding has been reduced for state agencies, MDE has suffered staffing losses causing backlogs in many of departments. These backlogs are detrimental to the efficient operation of school districts; elimination of more mandates would relieve some of the pressure on MDE.

Minnesota Statute 127A.05, subd. 2, requires the Commissioner of Education to “review all education-related mandates in state law or rule once every four years to determine which mandates fail to adequately promote public education in the state.” MASBO members appreciate that in recent years the Legislature has eliminated some mandates that will help districts focus more time and money on student learning.

MASBO requests state leaders either fund mandates or increase districts’ flexibility to make decisions locally based on local needs. And, we request legislators continue assessing mandates and recommending reform and other efficiencies as a way to help school districts ease the administrative and financial burdens of providing education services in Minnesota moving forward.

## Proposals

We recommend for repeal or revision those mandates with 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 both 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 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) Clarification of Food Service Contracts for School Districts**

MASBO recommends that Minnesota districts be allowed to follow the USDA guideline for a one year contract with a maximum of four one-year renewals, and also not be required to go out to bid in the same year. This will allow for more competitive bidding, and lower bid costs for districts.

## **5) Electronic Transfer Statute Clarification**

For many school districts, credit card or electronic payment methods have provided increased efficiency and cost savings over a standard check requisition process. Questions have been raised by school auditing firms and the Minnesota State Auditor's office regarding MS471.38, subdivisions 1 and 3, involving these types of payment methods. This statute has been interpreted to require signatures from electronic vendors, and to include specific verbiage as part of the transaction.

Other specific components of the statute state that a district "shall not audit or allow the claim until the person claiming payment, or the person's agent, reduces it to writing or an electronic transaction record, in terms and signs a declaration to the effect that such account, claim, or demand is just and correct and that no part of it has been paid." And, "a written confirmation of the transaction shall be made no later than one business day after the transaction and shall be used in lieu of a check, order check or warrant required to support the transaction."

Some school auditors report that they will issue findings if this interpretation of the statute is not followed. Clarification regarding this statute is needed to provide realistic and practical guidelines to districts regarding these kinds of transactions.

## Proposal 3: Facility Funding

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### 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 that 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 Commissioner of Education to convene a working group to develop recommendations for reforming the financing of pre-kindergarten through grade 12 education facilities to create adequate, equitable, and sustainable financing of public school facilities throughout the state. The scope of the recommendations included funding options for facilities projects currently financed with debt service, alternative facilities, deferred maintenance, health and safety, building lease and operating capital revenues.

The 2014 Legislature reviewed the recommendations of the working group, and adopted the full recommendation to streamline the review and comment process (#7), and partially adopted the recommendation to provide enhanced debt service equalization to address unique situations or needs (#6) for those districts which suffer natural disasters. While that action is a good first step, MASBO recognizes and supports the full implementation of all eight recommendations of the School Facility Financing Working Group.

### Proposal

MASBO recognizes and supports the work of School Facility Financing Working Group and supports legislation to adopt all recommendations.

# Proposal 4: Health Insurance Transparency Act

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## Background

Last session, the Health Insurance Transparency Act (HITA) was passed, regulating how school districts solicit bids for health insurance. HITA added much administrative expense and burden to the health insurance renewal processes for many districts, and also provided unfair advantages to the Public Employment Insurance Program (PEIP), while other organizations that provide health insurance bids must provide them with no additional funding.

MASBO proposes the following changes to the current HITA law in order to improve the legislation.

## Proposals

1. PEIP's interpretation of the law is that districts currently in the PEIP program do not have to go out for bid every two years, unlike those districts that are fully insured or self-insured through a service cooperative. This provides an unfair marketing and financial burden on other insurance providers. MASBO proposes that all districts enrolled in the PEIP program should be required to go out for bid every two years as well.
2. Under current Minnesota law, exclusive representatives of the largest bargaining unit (in most cases, this is the teachers union) can decide to get a proposal from PEIP and leave their current carrier and/or service provider regardless if the proposal is more expensive or offers less coverage for districts' insured members. MASBO proposes that if districts are required to solicit bids every two years under this legislation, the ability of the exclusive representatives to leave their current carrier should be rescinded, and the authority for these decisions should be returned to the school boards.
3. PEIP has taken the stance that should a district ask for a bid through a service cooperative, they do not need to respond to that request. PEIP should provide a quote to all districts that ask for a proposal regardless if it is from a fully insured district or one that is in a self-insured program through a service co-op. MASBO also proposes that districts should not be required to obtain a quote from PEIP.
4. Under current HITA law, fully insured districts and self-insured districts through a service cooperative program are required to go out for bids every two years. This again places additional expense and administrative burden on these districts and the result is increased premiums. MASBO proposes that the requirement to obtain bids every two years should be eliminated, allowing individual districts (management and employees) to decide to go out for bid at least every four years if with a service cooperative or five years if fully insured.

# MASBO Board of Directors 2014-2015

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Independent School District 112  
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Steve Anderson, President-Elect  
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MASBO  
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## MASBO Legislative Committee

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Earl Athman, Vice Chair  
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Margo Bauck  
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Schools

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Joel Sutter  
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Paul Bourgeois  
Minnetonka Public Schools

Laura Lund  
Centennial Schools

Lori Volz  
Albert Lea Public Schools

## About MASBO

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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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