MASBO 2023 Legislative Platform

MASBO's 2023 legislative priorities focus on school finance and operations – our areas of greatest experience and expertise. The Proposals outlined below are intended to provide Minnesota schools with adequate, stable and equitable funding and make school districts as cost-effective and efficient as possible.

Education Funding

**Increase Basic Formula Allowance**

The basic formula allowance is the largest source of revenue for all school districts, accounting for approximately 56% of a school district’s total operating revenue.

The Minnesota Legislature has not funded the basic formula allowance at the rate of inflation since 4% was provided in FY06 – FY07 after three consecutive years of zero increases. Over the past 20 years, inflation increased a cumulative 44.4%. Meanwhile, the basic formula allowance increased only 30.7%, or $1,762. This is $514 below the rate of inflation over that same time. Inflation exceeded the increase in the basic formula allowance in eight of the last 12 years. Although inflation in FY23 is at 8%, the state only funded the basic formula at 2%. If inflation continues at this pace, the difference of the basic formula is a loss of $777 per pupil.

**Local Optional Revenue (LOR)**

Local Optional Revenue (LOR) provides school boards the flexibility to offset annual shortfalls due to inflation from the various state funding formulas. Over the long term, it is reasonable to expect there will be future funding shortfalls similar to the shortfalls of the past 20 years. To help school districts address this shortfall, the legislature should provide school districts an additional $362 per pupil through LOR. Local school boards would have the discretion to use as much or as little of the levy authority as they deem appropriate, from $0 up to $362 per pupil.

**MASBO proposes the following:**

- **Increase the basic formula allowance by 5% each year over the next biennium and index the future increases to inflation.**
- **Provide an additional $362 per pupil in an optional levy through the Local Optional Revenue program.**

**About MASBO**

The Minnesota Association of School Business Officials (MASBO) is an independent, nonprofit professional association including more than 600 school business managers and related specialists. MASBO members are experts in the areas of school finance, public accounting, and school district support services (including facilities management, transportation, food services, and information management). We are dedicated to defining and maintaining the highest standards of financial and operations management for Minnesota schools.
Special Education Funding

School districts are required to fully meet the needs of students receiving special education services as mandated by state and federal law. Although school districts receive state and federal funding for these services, it does not fully cover the costs to provide these services. The rising needs for special education services, mental health struggles and addressing learning loss for students has compounded the pressure on the funding. School districts must cover these unfunded costs with dollars from their general fund that would otherwise be used for regular program instruction. This unfunded portion is called the cross-subsidy. A June 2022 report by the MN Department of Education showed the cross subsidy for the majority of districts ranged from $615 to $808 per pupil unit.

**MASBO proposes the following:**

- Fully fund the special education cross subsidy and provide stable and sustainable funding moving forward.

Facility Funding

The Long-Term Facilities Maintenance Revenue (LTFMR) and Lease Levy programs are instrumental in supporting school district needs to provide adequate learning space and maintain school buildings. For most school districts, funding for LTFMR is $380 per pupil. This funding has not increased since FY15, while inflation has increased by 47%.

**MASBO supports the following:**

- Increase LTFMR cap to $570 per pupil.
- Improve LTFMR by allowing more items in the Health & Safety program including boilers, roofs, sidewalks, parking lot improvements and by adding an exception to the LTFMR funding cap for these purposes.
- By annual board resolution, allow school boards to transfer funds from the LTFMR reserve to the operating capital reserve.

Property Tax Equalization

Equalization aid, which helps reduce local property taxes, particularly in low property value school districts, is a key to ensuring school districts have the same ability to generate revenue without significant variations in tax impact for their taxpayers.

According to a 2019 report from the Office of the Legislative Auditor (OLA), equalization aid was helpful when it was created, but the impact of the assistance has decreased over time.

We concur with the OLA recommendation that the Legislature consider improving the program to help pay for school district facilities in more districts with low tax bases and relatively high debt. We also recommend that the Legislature prioritize equalization of Local Optional and Voter Approved Operating Revenues, which are one of the limited methods districts have to increase revenue.

**MASBO supports the following:**

- Fully equalizing property tax levies with state aid and indexing the equalization factors to the growth in property values over time

Support Local Control and Reduce Unfunded Mandates

School districts operate under a complex system of laws and rules intended to address all areas of the public education system. Many of these mandates are not fully funded, which impacts school districts’ ability to meet the educational needs of students.

In addition, each year new legislation is advanced which often does not take into consideration the fiscal implications that could impact school district finances.

**MASBO asks the state legislature to:**

- Refrain from enacting any new unfunded mandates and allow schools districts the ability to make decisions based on local needs

In addition, **MASBO specifically proposes to:**

- Allow school districts to post school board minutes and budget information on the district website rather than published in a newspaper. Under current law, districts are required to annually publish a report of revenue and expenditure with their designated newspaper, but in many cases, local newspapers are no longer in business, causing districts to publish this information in papers outside the community.
- Expand the age limitation for use of Type III vehicles from 12 years to 15 years.
- Help school districts recover costs related to complying with data requests.

School Safety and Security

**MASBO supports the following:**

- Increase the safe school levy to $108 per pupil unit to help school districts address safety needs, student mental health, and social emotional learning (SEL).
- Expand LTFMR to allow for school physical safety and security improvements and add an exception to the per pupil cap for these purposes.

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