MASBO’s 2024 legislative platform focuses on the finance and operations needs of school districts – our areas of greatest experience and expertise. The proposals outlined below are intended to provide Minnesota schools with adequate, stable, and equitable funding.

We are grateful for the significant funding passed by the legislature in 2023 that helped address the many pressures school districts face. However, school districts continue to experience financial challenges due to the historic underfunding, staff shortages, student population shifts, federal funding cliffs, and implementing the new requirements enacted in 2023.

Our priorities for the 2024 legislative session follow. First and foremost, we ask the legislature to avoid implementing any additional mandates and to give school districts the autonomy to make decisions tailored to their local needs.

### Education Funding

**Increase the FY25 Basic Formula Revenue By 2%**

The Minnesota Legislature has not funded Basic Formula Revenue at the rate of inflation since 4.0% was provided in FY06 and 4% in FY07 after three consecutive years of 0% increases. Over the past 22 years since the General Education Levy was eliminated, FY03-FY25 inflation in Minnesota increased a cumulative 73.92%. Had the Basic Formula increased with the rate of inflation, it would have increased $3,671 from $4,966 in FY03 to $8,637 for FY25. Meanwhile, the Basic Formula has actually increased only a cumulative 46.61% or $2,315, which is $1,356 below the rate of inflation over that time. The gap has more than doubled and increased 125% from FY21 to FY25. The Basic Formula for FY25 should be increased by an additional 2% ($144) for FY25 from $7,281 to $7,425.

**Increase Local Optional Revenue to Restore Purchasing Power Lost to Inflation**

The first $424 tier of Local Optional Revenue was established by the 2013 Legislature. Per the Bureau of Labor Statistics, to have the same purchasing power as of September 2023 that $424 would have to be $560, or $136 higher. The second $300 tier of Local Optional Revenue was established by the 2019 Legislature. Per the Bureau of Labor Statistics, to have the same purchasing power as of September 2023, that $300 would have to be $360, or $60 higher. The total needed to restore purchasing power lost to inflation for both tiers is $196.

**Increase Operating Capital Revenue to Restore Purchasing Power Lost to Inflation**

The 2013 Operating Capital Revenue formula was established by the 2013 Legislature at a fixed $79 per pupil plus $109 multiplied Maintenance Cost Index calculated off the average age of square footage in the District. Those two dollar figures have been frozen since 2013. Per the Bureau of Labor Statistics, to have the same purchasing power as of September 2023, the $79 component would have to be increased by $25 to $104. Per the Bureau of Labor Statistics, to have the same purchasing power as 2013 as of September 2023, the $109 component would have to be increased by $35 to $144. The total needed to restore purchasing power lost to inflation for both tiers is $60.

**MASBO proposes the following:**

- Increase the basic formula allowance by an additional 2% for FY25.
- Provide an additional $196 per pupil in an optional levy through the Local Optional Revenue program.
- Increase the components of the Operating Capital formula by $60 to catch up with inflation.
- Provide ongoing state aid for summer term unemployment insurance or allow school districts to access additional funding through the unemployment insurance levy.

**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. During the 2023 legislative session school districts were provided with additional cross subsidy aid so that 44% of the special education cross subsidy shortfall was funded, with this amount moving to 50% beginning in three years. For this funding school districts are very thankful. The rising needs for special education services, mental health struggles and addressing learning loss for students continues to compound 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.

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. To have the same purchasing power as of July 2014, the LTFM funding per pupil would need to increase to $490.

MASBO supports the following:

• Increase LTFMR cap to $490 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.

Property Tax Equalization

Equalization aid, which helps reduce local property taxes, particularly in low property value 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 recommend the Legislature prioritize equalization of Local Optional and voter approved operating levies. These categories, which are one of the limited methods districts have to increase revenue, have equalization factors that are not linked to statewide averages and thus have fallen behind as property values increase.

MASBO supports the following:

• Fully equalize property tax levies with state aid and index the equalization factors to the growth in property values over time.

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:

• Avoid implementing additional mandates and give school districts the autonomy to make decisions tailored to their local needs.

In addition, MASBO specifically proposes to:

• Hold compensatory revenue harmless until we better understand the impact of the compensatory changes made in the 2023 legislative session.
• Give school districts flexibility to accrue and spend any restricted revenue over multiple years.
• 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.
• Help school districts recover costs related to complying with data requests.

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