

CONSOLIDATION OR DISSOLUTION OF A SCHOOL DISTRICT

Consolidating or dissolving a school district is an extensive, permanent form of school district reorganization and normally requires considerable lead-time, careful planning, and timely involvement of the school district staff and communities involved. The success of cooperation and combination in the 1990's demonstrated the value of more extensive planning, staff, and community involvement. In a situation where one school district is healthy and another district is experiencing serious financial, school facilities, or program difficulties, there may be a need for a quick consolidation. Sudden and rapid school district reorganization may prove to be most difficult if the school communities involved do not have a history of cooperation or have not been kept adequately informed of school district issues and difficulties.

Since the 1990's, most consolidation and combination attempts have been successful. In 1994, Minn. Stat. § 123A.48 Consolidation was amended to provide state aid incentives for school districts interested in consolidation, increasing its success rate.

Minn. Stat. § 123A.46 Dissolution and Attachment (hereafter dissolution), though rare, offers another school district reorganization alternative for school districts. In a dissolution a school district is dissolved and attached to one or more neighboring school district(s) instead of two or more school districts creating a new school district through a consolidation or combination. All statutes that impact school district reorganization have been amended over the years, usually making the reorganization process and alternatives more acceptable to interested districts.

Minn. Stat. § 123A.45 Detachment and Annexation involves procedures for citizens to initiate the detachment of parcels of land on the border of a school district. The process requires the approval of the school board of the school district from which the land is to be detached, and the county board in which most of the land proposed to be detached is located. Detachment and Annexation will not be covered in detail in this packet of information.

The following narratives illustrate the typical steps school districts should and must use when they choose to initiate and implement school district reorganization under consolidation or dissolution and attachment. The processes of consolidation and dissolution have many statutory provisions and steps in common, but they have some significant differences as well. Both laws have provisions in common such as the optional early retirement and severance levy and operational debt levy. Provisions of Minn. Stat. § 123A.75 Employees of Reorganized Districts, and other related statutes, also impact both processes.

Though no extensive plan is required for consolidation or dissolution as it is for cooperation and combination, it is recommended that consolidation or dissolution be studied for at least one school year before initiating the process the following school year. An optional plan is recommended and discussed below under the *Initiation of the Proposed Consolidation* section. Strong support and leadership efforts by school staff, school board, and citizens are necessary to develop the school community support needed to successfully propose, develop, and implement a plan for reorganization. For more detailed suggestions and procedures on how to proceed, please see the handout **Developing, Reviewing, and Implementing Proposed Reorganization Agreements**.

Upon request, Department of Education (MDE) staff from the Division of Program Finance will provide information, make presentations to interested school districts on any or all of these options, and help facilitate local efforts to develop and implement proposals for school district reorganization. Please call (651) 582-8781 if you have any questions or need further information on any of these matters.

Minnesota Statutes, Section 123A.48 Consolidation

Two or more school districts may be involved in a proposed consolidation. Interested school districts should allow a minimum of five or six months to complete the legal process of consolidation. Please refer to the statutory language if you have any questions on the steps or summary of the laws below.

Initiation of the Proposed Consolidation

- ___ 1. Notify MDE, Division of Program Finance of the intent to initiate the process of consolidation. Receive information on requirements if needed. Copies of school board resolutions, consolidation plan resolutions, public notices, etc. need to be provided to the team as the consolidation proceeds.
- ___ 2. To begin the process of a proposed consolidation, one of the following is necessary, preferably from all the school districts involved:
 - ___ a) a school board resolution expressing willingness to begin the process of consolidation with one or more designated school districts (school districts need not be contiguous); or
 - ___ b) a petition signed by the lesser of 25% of the resident voters or 50 resident voters presented to the county auditor in which the greatest amount of land in the proposed new district lies; such a petition must show the approximate area proposed for consolidation, and meet the requirements of Minn. Stat. § 205A.13 .
- ___ 3. School board resolution(s) or the citizen petition should make provisions for the resolution of the following items as part of the consolidation plat/plan:
 - ___ a) whether any bonded debt, capital or energy loan, or down payment levy obligations will remain the obligation of each pre-existing district's taxpayers, or become in part or whole the obligation of all the taxpayers in the newly consolidated district;
 - ___ b) whether any existing operating levy referendum revenues will be combined, recalculated, and continued at the same or reduced level in the newly consolidated district, or discontinued. The levy will be levied against the market value of the new district. The operating levies will assume the duration of the levy with the longest duration. The new district may not raise any more operating levy revenues than the combined revenue without a further referendum [Minn. Stat. § 123A.73, subdivisions 4-7];

- ___c) whether any existing operational debt as of June 30 of the year prior to July 1 of the effective date of the consolidation will remain an obligation of each pre-existing district's taxpayers, or whether any existing operational debt will become an obligation of all the taxpayers in the newly consolidated district using an operational debt levy made over five years [Minn. Stat. § 123A.73, subd. 9]; and
- ___d) whether the new school board will consist of six or seven members elected at large or through election districts. If election districts are proposed, specify one of the following options: single-member districts, multimember districts, at large, or a combination of these options. Election districts must be equal in population and be drawn according to township, city, or precinct election lines. Candidates must come from and citizens vote only in their election districts.

An orderly reduction plan for a transition school board may be proposed which gradually reduces the membership from any number of existing board members to six or seven members over four years, or election districts as proposed. **The orderly reduction plan must be submitted to the Secretary of State's office for review and comment [Minn. Stat. 123A.48, subd. 4 and 205A.11-12]. The orderly reduction plan must be approved by the Secretary of State's Office before the MDE commissioner can act on the submitted consolidation plat/plan.** Call the Secretary of State's Office at (651) 296-9217 for further information.

- ___4. All the involved school boards (or citizen petitions) must agree to the above provisions for the provisions to become part of the proposed consolidation plat/plan. Agreement on all issues must be reached no later than the end of the 45-day period after commissioner approval of the plat/plan. If no agreement is reached, the consolidation and related statutes provide for a six-member school board, combined and recalculated operating referendum levies against net tax capacity, and bonded debt to be paid by all the taxpayers in the newly consolidated district.
- ___5. Optional: as part of the staff and public support and understanding process, develop, agree upon, and submit a list of the student programs and services, school facilities, staffing, transportation, and financial changes, benefits, and issues to be resolved as a result of the consolidation.
- ___6. The county auditor in which the greatest portion of the land of the proposed consolidated district lies must prepare a consolidation plat and a required supporting statement [Minn. Stat. § 123A.48, subd. 5]; this information becomes part of the consolidation plat/plan submitted to the commissioner for approval.

Commissioner Approval of the Proposed Consolidation Plat/Plan

- ___ 1. The commissioner has 60 days to approve, modify, or reject the consolidation plat/plan or any provision relating to the disposition of bonded debt. The Division of Program Finance reviews the consolidation plat/plan on behalf of the commissioner, and advises school districts (or petitioners) on the requirements of the consolidation process.
- ___ 2. Prior to commissioner action on the consolidation plat/plan, 20 days are allowed for a request for a public meeting on the proposed consolidation, by any involved school board, county board of commissioners, or a petition from 20 resident voters living in the area of the proposed consolidation.

School Board Actions After Plat/Plan Approval

- ___ 1. For the consolidation process to continue, all involved school boards must vote affirmatively within 45 days after commissioner approval of the consolidation plat/plan. This school board vote is on the consolidation plat and on any items in the consolidation plan, if not previously resolved. A negative vote by any of the involved districts' school board not reversed within the 45-day period, or the lack of an affirmative vote by all school boards within the 45-day period terminates the consolidation process.
- ___ 2. If any school board is unable to obtain a majority vote by its members to accept or reject the plat/plan, a citizen petition equal to 20 percent of the votes cast in the last general election in that district may be submitted to the county auditor requesting a public vote to accept or reject the consolidation plat/plan. The county auditor shall notify the commissioner of the scheduled vote, conduct the election, and certify the results of the election to the commissioner [Minn. Stat. § 123A.48, subd. 10 .
- ___ 3. After all the affirmative school board and citizen votes to approve the consolidation plat/plan and continue the consolidation process have been taken, official public notice of the intent to consolidate by each involved school district is required. All involved school boards may then call for an election on the question of a proposed consolidation within 30 days after publication of their notice of intent to consolidate. Elections must then be held in all the involved school districts.
- ___ 4. If all of the involved school boards have not called for an election, citizens are then allowed 30 days after publication of the notice of intent to consolidate to petition for an election in one or more of the involved districts. If the school boards do not call for an election, and/or no citizen petition(s) representing 5% of the eligible voters are presented within the required time period, no citizen vote on the question of the proposed consolidation would be held.
- ___ 5. If an election is held in one or more of the districts, each school district is responsible to post notice of the election, prepare ballots, hold the election, and certify the results in their district. If a majority of the voters in any of the school district elections do not approve the proposed consolidation, the consolidation process is terminated.

Completion of Consolidation Process

- ___ 1. A final order is issued by the county auditor within 10 days of the election or 60 days after commissioner approval of the consolidation plat/plan, provided all election results approve the proposed consolidation, and other necessary approving resolutions of school boards have been adopted. Such a final order must be issued prior to the July 1 effective date of the consolidation specified in the consolidation plan.
- ___ 2. A school district number is assigned by the commissioner after receipt of a copy of the county auditor's order stating the effective date of the consolidation.
- ___ 3. Teachers and administrators (excluding superintendents) of the consolidated school district are employed/assigned on the basis of a combined seniority list, unless otherwise agreed by all of the exclusive representatives and school boards involved. If the district is consolidating with more than one other district, teachers are assigned to each district on the basis of seniority and the ratio of students assigned to each district, unless otherwise agreed by the boards and the exclusive bargaining representative for teachers [Minn. Stat. § 123A.75, subd. 1]. Several options exist for determining which teacher contract governs teachers in the consolidated district, or in the interim until a new contract is executed [Minn. Stat. § 123A.75, subd. 3].
- ___ 4. A superintendent may be selected by the new school board without regard to seniority [Minn. Stat. § 123B.143 subd. 1].
- ___ 5. Non-licensed staff are assigned to the newly consolidated district on the basis of existing contracts with exclusive representatives of the employees, or, if not or until covered by such an agreement, by the policies of the school board of the newly consolidated district.
- ___ 6. The new school board election, if applicable, is conducted by the county auditor within 20-60 days after a new school district number is assigned.
- ___ 7. The newly elected school board may immediately perform limited duties that relate to operations of the newly consolidated school district.
- ___ 8. If a school district is divided by a consolidation involving at least two other school districts and ceases to exist, the district's assets and liabilities will be divided by the commissioner.
- ___ 9. If the consolidation results in students being assigned to a different school, those students (including siblings) have until July 1 to consider open enrollment options [Minn. Stat. § 124D.03 subd. 7].
- ___ 10. Consolidation transition aid revenues of \$300 per pupil unit are provided for up to 1,500 pupil units during the first two years after the effective date of the consolidation --\$200 the first year, \$100 the second year. School districts that have been involved in a combination or consolidation within the past six years will receive reduced revenues. If state appropriations are insufficient, a local levy may make up the difference.

Revenues may be used to offer early retirement incentives for licensed and non-licensed staff, reduce operating debt, enhance learning opportunities for students, and for other costs incurred in the reorganization [Minn. Stat. § 123A.485].

- ___ 11. An optional reorganization operating debt levy may be made by the consolidated district over five years to eliminate any pre-existing operational debt. The levy may be spread over all the property of the newly consolidated district, or over the property of the pre-existing district incurring the operational debt [Minn. Stat. § 123A.73 subd. 9].
- ___ 12. Fund transfers may be made between any fund except the debt redemption, food service, and health and safety account one year prior to and in the first year after the effective date of the consolidation [Minn. Stat. § 123B.79 subd. 8].
- ___ 13. For districts that consolidate effective July 1 of an odd-numbered year, state aid shall not be reduced for these districts if the school boards and the exclusive bargaining representative of the teachers sign a collective bargaining agreement on or before March 15 of the following year [Minn. Stat. § 123B.05 subd. 3].

SAMPLE CONSOLIDATION TIMELINE

Completion Dates	Procedure and Time Allowed
Previous Year	Discussion, development, and agreement on consolidation plat/plan. MDE and county auditor notified.
December	School board resolutions or citizen petition from affected school districts sent to MDE, along with plat and supporting statement from county auditor. Resolution or petition should include resolutions on other items in consolidation plat/plan.
January	MDE receives plat/plan, allows 20 days for public meeting request. Public meeting on consolidation held if requested.
February	Commissioner approves, modifies, or rejects proposed consolidation plat/plan within 60 days of receipt.
March-April	School boards act on proposed consolidation, approve publishing of intent to consolidate, and then may call for an election within 45 days after commissioner plat/plan approval. Citizens may petition for election if school board is unable to obtain a majority vote on accepting or rejecting the plat/plan.
April-May	School boards publish notice of intent to consolidate. Citizens allowed 30 days to petition for an election.
May-June	School board provides at least 10 days notice of election.
June-July	Commissioner assigns school district number after receipt of order from county auditor setting effective date of consolidation (60 days from commissioner approval of plat, or 10 days after election).
July 1	Effective date of consolidation.

Minnesota Statutes, Section 123A.46 Dissolution and Attachment

Dissolution and attachment involves one school district attaching itself to one or more contiguous school districts. The dissolving school district ceases to exist. An interested school district or citizens group should allow a minimum of six months to complete the legal process of dissolution and attachment. Please refer to the statutory language if you have any questions on the steps or summary of the laws below.

Initiation of the Proposed Dissolution and Attachment

Notify MDE Division of Program Finance of the intent to initiate the dissolution process. Receive information on requirements if needed. Copies of school board resolutions, citizen petitions, dissolution plan resolutions, and public notices need to be provided to the team as the dissolution proceeds.

- ___ 1. To begin the process of a dissolution, one of the following is necessary from the school district proposing to dissolve itself:
 - ___ a) a resolution adopted by the county board in which the greatest amount of land of the school district proposed for dissolution lies; or
 - ___ b) a petition signed by a majority of eligible voters presented to the county board; such a petition must state the reasons for the dissolution, meet the requirements of Minn. Stat. § 205A.13 , and may include an advisory recommendation for the disposition of territory to be dissolved; or
 - ___ c) a certification from the school district clerk to the county board stating that in a referendum a majority of the voters favored dissolving the existing school district.

County Board Actions

- ___ 1. At the county board meeting at which a dissolution resolution by the county board is passed, or a citizen's petition or certification from the school board clerk is received, the county board must schedule a hearing on the proposed dissolution within 20 to 60 days of the meeting (assuming all applicable requirements have been met).
- ___ 2. Each adjacent school district is required to provide the following information to the county auditor before the hearing:
 - ___ a) outstanding bonded indebtedness, capital, or energy loans;
 - ___ b) net tax capacity of the school district;
 - ___ c) the most current tax rates of the district, including any referendum, discretionary, or other optional levies, and their duration; and
 - ___ d) a school board resolution stating the obligation of the taxable property of the dissolving district or portion thereof that is attaching itself to a school

district; such attaching property may be liable for none, a proportional amount, or other specified amount of the school district's obligations under a).

- ___3. The county board is required to issue an order within 90 days of the hearing. The county board's order may dismiss the dissolution proceedings, or dissolve the district and attach it to adjacent districts. If no order is issued, the proceedings are dismissed.

Completion of the Dissolution Process

- ___1. No dissolution election is required unless the order for attaching the territory of the dissolved district is different from the recommendation that was made in the petition or advisory ballot.
- ___2. If required, the election must be within 45 days of the order, conducted by the county auditor. If a majority of those voting in the district proposed to be dissolved do not approve the dissolution, the proceedings are dismissed.
- ___3. The effective date for the dissolution will be July 1 of an odd-numbered year after the order of the county board, unless otherwise agreed to in writing by the school board and the exclusive representative of the teachers in each affected district.
- ___4. Any existing excess referendum levies in the dissolved district or the district to which it is attached will be canceled unless the pre-existing district has 90% of the tax base in the enlarged district [Minn. Stat. 123A.73 subd. 3].
- ___5. Any existing operational debt as of June 30 of the year prior to July 1 of the effective date of the dissolution will remain an obligation of the pre-existing district's taxpayers, or it may become the obligation of all the taxpayers in the newly enlarged district through an operational debt levy of up to five years [Minn. Stat. 123A.73 subd. 9].
- ___6. Fund transfers may be made between any fund except the debt redemption, food service, and health and safety account within the first year after the effective date of the dissolution [Minn. Stat. § 123B.79, subd. 8].
- ___7. An optional transition levy may be made to cover certain transition costs such as negotiations and certain administrative expenses, subject to commissioner approval [Minn. Stat. § 123A.76].
- ___8. The school district(s) to which a dissolving district is attached may adopt a resolution directing the school board of the dissolving district to certify levies for general education in an amount not to exceed the authorized maximum. Upon receipt of the resolution, the dissolving district must certify the levies in the amounts and areas specified for taxes in the year the dissolution is specified.
- ___9. If a school district is attached to two or more school districts, the assets and liabilities will be divided by the commissioner.

- ___10. Teachers and administrators (excluding superintendents) of the dissolved school district are assigned on the basis of a combined seniority list, unless otherwise agreed by all the exclusive representatives and school boards involved. If the district is dissolving and attaching itself to more than one other district, teachers are assigned to each district on the basis of seniority and the ratio of students assigned to each district, unless otherwise agreed by the boards and the exclusive bargaining representative for teachers [Minn. Stat. § 123A.75, subd. 1]. Several options exist for determining which teacher contract governs teachers in the consolidated district, or in the interim until a new contract is executed [Minn. Stat. § 123A.75, subd. 3].
- ___11. An optional early retirement and severance levy may be made for up to five years to provide incentives for licensed and non-licensed staff [Minn. Stat. § 123A.73, subd. 12].
- ___12. Superintendents do not have any right of employment in the enlarged district on the basis of seniority [Minn. Stat. § 123B.143, subd. 1].
- ___13. If the dissolution results in students being assigned to a different school, those students (including siblings) have until July 1 to consider open enrollment options.
- ___14. For districts that dissolve effective July 1 of an odd-numbered year, state aid shall not be reduced for these districts if the school boards and the exclusive bargaining representative of the teachers sign a collective bargaining agreement on or before March 15 of the following year [Minn. Stat. § 123B.05, subd. 3].

SAMPLE DISSOLUTION AND ATTACHMENT TIMELINE

Completion Dates	Procedure and Time Allowed
Previous Year	Discussion and agreement on initiating dissolution and attachment proceedings involving one or more adjacent districts. MDE notified.
November 1	County board resolution, citizen petition, or school district certification presented to county board, sent to MDE. Resolution, petition, or certification may include an advisory recommendation on the disposition of territory in the school district to be dissolved.
January 1	County board hearing on proposed dissolution and attachment.
April 1	Order issued by county board within 90 days of hearing.
May 15	Election on dissolution held within 45 days if disposition of territory different than original advisory recommendation.
July 1	Effective date of dissolution and attachment.