
E-12 Education Legislation 2011 Special Session

Policy Provisions Finance Provisions

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August 2, 2011

Education Policy Topics for Discussion

- Reading by Grade 3
- Teacher & Principal Evaluation
- Task Forces
 - Teacher & Principal Evaluation
 - Integration Funding
 - Tiered Licensure
- Hours of Instruction
- Prone Restraint
- WIDA Standards
- Home School Changes
- Other provisions

Third Grade Reading Proficiency

- Literacy goal restated to have every child reading at or above grade level no later than the end of grade 3 and links the definition of comprehensive scientifically based reading instruction to the goal.
- Requires district to identify students who are not reading at grade level.
- Requires reading assessments to identify and evaluate students' areas of academic need related to literacy.
- Requires schools at least annually to give the parent of each student who is not reading at or above grade level timely information about the student's reading proficiency, services being provided to the student, and strategies for parents to help their student succeed in reading.

Third Grade Reading Proficiency

- Requires providing reading intervention to accelerate student growth.
- Requires staff development for elementary teachers be able to implement the five reading areas of comprehensive, scientifically based reading instruction and requires that licensed teachers recognize students' diverse needs in cross-cultural settings and are able to serve the oral language and linguistic needs of students who are English language learners.
- Requires a school district to adopt a local literacy plan to have every child reading at or above grade level no later than the end of grade 3. States what the plan must include and requires that the plan be posted on the district website.
- Commissioner to make available examples of methods or programs that provide comprehensive, scientifically based reading instruction and intervention methods.

Other Literacy Provisions

- Renames the Youthworks Act to **ServeMinnesota Innovations Act**.
- Program is established to provide funding for the commission to leverage additional federal and private funding.
- The commission is required to publish grant application guidelines consistent with state and federal law and require grantees to use research-based measures of program outcomes to generate data available to the commission for evaluation and public reporting purposes.
- Minnesota Reading Corps Program included under ServeMinnesota. Expands the reading corps program training provided by the commission and ties to basic reading instruction under sec. 122A.06 sub. 4 for children age 3 to grade 3.

Teacher Evaluation-Probationary

- Requires a school board to adopt a plan for at least three written periodic evaluations of probationary teachers per school year.
- Requires the first evaluation to occur within the first 90 days of teaching service.
- Requires a probationary teacher to complete 120 days of teaching service each year during the probationary period.
 - effective for collective bargaining agreements ratified after July 1, 2013.
- Requires a school board and the exclusive representative of the teachers to develop a probationary teacher peer review process that is consistent with the annual teacher evaluation process.
 - effective the day following final enactment and applies beginning for the 2014-2015 school year and later.

Teacher Evaluation: Continuing Contract

Allows a school board and the exclusive representative of the teachers to develop, through joint agreement, a teacher evaluation and peer review process for probationary and continuing contract teachers.

- If no agreement is reached, then the school board and the exclusive representative of the teachers must implement the plan the commissioner develops under this section.
- Effective the day following final enactment and applies beginning for the 2014-2015 school year and later.

Teacher Evaluation Process

- Establishes an annual teacher evaluation process:
 - for probationary and continuing contract teacher evaluations;
 - establishes a three-year professional review cycle and includes at least one summative evaluation performed by a trained evaluator others by peer review for continuing contract teachers;
 - is based on professional teaching standards;
 - is coordinated with staff development activities;
 - may allow time for peer coaching and teacher collaboration;
 - may include mentoring and induction programs;
 - must have option for teacher to develop and present a portfolio;

Teacher Evaluation Process

- Establishes an annual teacher evaluation process continued--requires:
 - agreed upon teacher value-added assessment models and state and local measures of student growth;
 - this data from is to be the basis for 35 percent of teacher evaluation results;
 - using longitudinal data on student engagement and connection and other student outcome measures;
 - a qualified and trained evaluators to perform summative assessments;
 - providing support to improve the performance of teachers not meeting professional teaching standards;
 - and discipline for a poorly performing teacher who fails to improve.

Teacher Evaluation Process

Other Provisions

- Defines individual teacher data as personnel data.
- Directs the department, in consultation with teachers and administrators and other education stakeholders, to create and publish a teacher evaluation process that complies with the requirements in this section.
 - Makes this section effective for the 2014-2015 school year and later.
- Provisions apply to continuing contract and cities of first class tenure laws.

Teacher Evaluation

- Makes inefficiency in teaching or in managing a school grounds for terminating a teacher's employment.
 - Makes this section effective for collective bargaining agreements ratified after July 1, 2014. (must be consistent with evaluation process)
- Amends the definition of "demote" to mean to reduce the compensation a person actually receives in the new position. Strikes language that defines "demote" to mean to reduce in rank or to transfer to a lower branch of the service or a position carrying a lower salary.
 - Makes this section effective immediately.

Principal Evaluation

- Includes an annual evaluation of school principals in the duties a school superintendent is required to perform.
 - Makes this section effective for the 2013-2014 school year and later.
- Directs school districts to develop and implement a performance-based system for annually evaluating school principals.
- Provisions are intended to provide districts with sufficient flexibility to accommodate district needs and goals in developing, supporting and evaluating principals.

Principal Evaluation

- Requires the evaluation to be designed to improve teaching and learning and to:
 - support and improve a principal's instructional leadership, organizational management and professional development;
 - include formative and summative assessments;
 - be consistent with a principal's job description, district plans and goals, the principal's own growth plans and goals, and support principals' leadership behaviors and practices, rigorous curriculum, school performance and high quality instruction;
 - Include on-the-job observations and previous evaluations;

Principal Evaluation

Continued

- allow surveys to help identify a principal's effectiveness;
 - use longitudinal data as an evaluation component and incorporate district achievement goals and targets;
 - be linked to professional development;
 - implement a plan to improve the performance of a principal not meeting standards of professional practice.
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- Commissioner and the associations of elementary and secondary school principals to convene a group of experts and stakeholders to develop an annual performance-based principal evaluation system model.

Principal Evaluation

- Directs the group to consider how principals develop and maintain high standards for student performance, rigorous curriculum, quality instruction, a culture of learning and professional behavior, connections to external communities, systemic performance accountability, and leadership behaviors that create effective schools and improve school performance.
- Group to consider whether to establish a multi-tiered evaluation system for newly licensed principals and more experienced school leaders.
- Group to submit a written report and all the group's papers to the legislature by February 1, 2012.
 - The group to expire on June 1, 2012.
 - Makes this section effective immediately and applicable to principal evaluations beginning in the 2013-2014 school year and later.

Tiered Licensure Task Force

- The board of teaching and the education commissioner are to convene and facilitate an advisory task force to develop recommendations for a statewide tiered licensure system premised on:
 - research-based professional competencies;
 - ongoing teacher professional growth;
 - an assessment system for evaluating teachers' performance aligned with value-added measures of student outcomes;
 - an expectation that teachers progress through various stages of teaching practice;
 - a periodic evaluation of the licensing structure;
 - encourages the task force to consider the "Model Core Teaching Standards" draft.
- Directs the board of teaching and the education commissioner to submit a report to the legislature by February 15, 2012.
 - Causes the task force to expire on February 16, 2012.

Length of School Year

- Replaces length of school year requirement based on days in 1997 calendar with a minimum number of hours for student instruction:
 - 425 hours for kindergarten (equivalent of 170 days @ 2.5 hours)
 - 935 hours grades 1 - 6 (equivalent of 170 days @ 5.5 hours)
 - 1,020 hours grades 7 -12 (equivalent of 170 days @ 6 hours)
- Hours of instruction excludes all meal times, e.g., breakfast, lunch, but includes a supervised recess immediately before or after lunch for elementary students and includes passing time for secondary students.
- Clarifies that this section does not supersede the commissioner's approval authority of a four-day school week under section 124D.126.

Integration/Segregation

- States that Minnesota does not condone school segregation.
- Integration revenue statute is repealed beginning in FY 2014.
- The current integration rule remains in effect with no sunset.
- Districts will still be required to submit budgets for approval to MDE.

Integration Revenue Replacement Advisory Task Force

- Commissioner to convene a 12-member advisory task force to develop recommendations for repurposing integration revenue funds to create and sustain opportunities for students to achieve improved educational outcomes.
 - 6 members appointed by the Commissioner.
 - 3 members appointed by the House Speaker.
 - 3 members appointed by the Senate.

Integration Revenue Replacement Advisory Task Force

- Requires the task force to consider how to effectively narrow and close the academic achievement gap and foster students' academic success, among other things.
- Commissioner to submit a task force report to the legislature by February 15, 2012, recommending how best to allocate funds previously allocated as integration revenue funds in order to achieve improved educational outcomes for students.
- Specifies that the funding allocation for the new program should ensure funding stability for districts between the current integration program and the new program.

Prone Restraint

- **Physical holding or seclusion.** Allows a school district to continue to use prone restraints with certain conditions until August 1, 2012. Requires the department to report back to the legislature on the use of prone restraints.
- “Until August 1, 2012, a school district may use prone restraints under the following conditions:
 - (i) a district has provided to the department a list of staff who have had specific training on the use of prone restraints;
 - (ii) a district provides information on the type of training that was provided and by whom;
 - (iii) prone restraints may only be used by staff who have received specific training;
 - (iv) each incident of the use of prone restraints is reported to the department within five working days on a form provided by the department or on a district's restrictive procedure documentation form; and
 - (v) a district, prior to using prone restraints, must review any known medical or psychological limitations that contraindicate the use of prone restraints.

The department will report back to the chairs and ranking minority members of the legislative committees with primary jurisdiction over education policy by February 1, 2012, on the use of prone restraints in the schools.”

Staff Development

- Two percent staff development set-aside requirement suspended for two more years (FY 12 & FY 13).
- Does not change statute about distribution and uses.

Enrollment Options

- Allows 9th & 10th grade students to enroll in college in the schools classes if, after all the 11th and 12th grade students have applied, more students are needed to offer the course.
- Expands eligibility for concurrent enrollment programs to include technical courses within a recognized career and technical ed program.
- Directs districts to provide information on postsecondary enrollment options to students in eighth and ninth grade.
 - Note: Access to PSEO for 9th and 10th graders is limited to college in the schools, and only when more students are needed to offer a course after 11th and 12th grade students have applied (see above).
- Limits the number of academic years 9th and 10th grade students may enroll in postsecondary courses for secondary credit. Students first enrolling in grade 9 are limited to 4 years; students first enrolling in grade 10 are limited to 3 years.

Home School: Reporting

- Removes annual reporting requirement to the superintendent in favor of reporting in the first year of home schooling in Minnesota and the seventh grade year.
- Requires providing information to the resident superintendent
 - in the first school year in which the child receives instruction after the age of seven,
 - within 15 days of when a parent withdraws a child from public school,
 - within 15 days of moving out of a district, and after a new resident district is established.
- Requires annual submission of a letter of intent to continue to provide instruction.
- Allows the superintendent to collect the required information in an electronic format.
- Superintendent to report to the commissioner on the total number of nonpublic children in the district.

Home School Documentation

- Directs the person in charge of providing instruction to maintain documents, (instead of making documents available) indicating that a home school student is receiving required instruction and has been assessed.
- Directs the parent of a home school student who enrolls in public school to provide the enrolling school or district with standardized test scores and other documents the school requires to determine placement and course requirements.
- Requires the person in charge of providing instruction to a child to make documentation available to a county attorney in certain circumstances.
- Requires the superintendent to report to the commissioner on the total number of nonpublic children in the district.

Home School: Drivers Training

- Allows a home school student's parent to certify the homeschool and home-classroom driver training status instead of the superintendent. (under age 18)
- Directs the Department of Public Safety to revoke a driver's license for falsifying the certification required to issue an instruction permit to a home school student.
- Makes it a violation to falsify the certification required to issue an instruction permit to a home school student.
- Repeals sections 120A.26, subdivision 1 (on-site visits), 120A.26, subdivision 2 (alternative to visits).

Non-Public

- Amends the definition under the nonpublic pupil aid statute to include electronic books in the definition of textbooks.
- Amends the definition under the nonpublic pupil aid statute to include electronic books in the definition of individualized instructional or cooperative materials.

Charter School Changes

- Cap for single purpose authorizers lifted.
- Deadline for change of authorizers delayed until 2012.
- Provides indemnification for authorizers and department.
- Make other technical changes.

English Language Proficiency

- Requires the department to adopt English language proficiency standards as statewide standards.
- Requires the commissioner to adopt the most recent English language proficiency standards for English learners developed by World-Class Instructional Design and Assessment. (WIDA)
- Sets a timeline for adopting the permanent rule.

Special Education

- Declares that a school district is not required to provide educational services to a student who is not a resident of Minnesota without an individualized education program and without a tuition arrangement or agreement from the placing authority to pay the student's education costs when that student is placed in a Minnesota residential facility.
- Clarifies that the Commissioner is authorized to designate the district of residence if there is a dispute between school districts regarding residency.
- Allows a parent to submit an application for an eligible child with disabilities to the Minnesota Academy for the Deaf or the Minnesota Academy for the Blind for a 60-90 day trial placement.

Third-Party Billing

- For children enrolled in medical assistance or MinnesotaCare, directs a school district to provide an initial and annual notice to the parent of a child with disabilities of the district's intent to seek reimbursement from medical assistance or MinnesotaCare for the individualized education program health-related services that the district provides to the child.
- The initial notice must inform the child's parent of the parent's right to request a copy of the child's education records on the health-related services that the district provided and disclosed to a third-party payer.
- Requires the district to ensure that the parent of a child with disabilities is given notice, in understandable language, of federal and state procedural safeguards available under this paragraph and paragraph (b).
- Allows districts that receive third-party reimbursements to use the payments for individualized education program health-related services the district provides or to help enrolled students with individualized education programs or individual family service plans.

Community Education

- Allows a school board of a school district with fewer than 6,000 residents, instead of 2,000 residents, to identify a person with a valid Minnesota superintendent license to serve as the community education director instead of a licensed community education director serving in that position.
- Deletes authority for a person with a principal's license to serve as community education director, but grandfathers in principals serving as a community education director on June 1, 2011.

Full-service school zones

- Allows a school board to establish full-service school zones.
- Creates the zones for a school in an area with higher than average crime that provides education, health or human services, or other parental support in a collaborative manner.
- Expands the definitions of "Regular Transportation" and "Excess Transportation" to allow for full-service school zones.

Misc Provisions

- Allows a school board to conduct meetings using interactive technology with an audio and visual link if the board complies with other requirements governing meetings of local units of government.
- Allows public high school students who graduate in the 2014-2015 school year or later to satisfactorily complete a career and technical credit as an alternative to completing a chemistry or physics credit required for graduation. Must meet standards of chemistry or physics.
- Revises the score notation on transcripts to "Pass"/"Not Pass" in order to not identify a student with a disability.

Things that did not pass.

- A-F Grading System
- Third Grade Retention
- Collective bargaining changes
- Vouchers
- Common core prohibition
- Rulemaking limitations
- Charter Districts

Education Finance Topics for Discussion

- Governor and Legislative E-12 Funding Positions
- E-12 Education Funding Changes
 - Cash Flow / Shifts
 - School Revenue Impact
 - Uses of Revenue
 - Other Related Changes
- Levy timelines

FRAMEWORK FOR BUDGET AGREEMENT

For E-12 Education, included:

- 60-40 Payment Shift
- \$50 + \$50 on General Education Formula
- \$132 million spending target over base
- Zero levy target
- Policy proposals from 6/29/11 GOP Offer off the table unless mutually agreed to

Governor's Position For E-12 Education Funding

- Increase general education formula - \$50 +\$50
- Retain linkage between compensatory revenue and basic formula
- Maintain special education growth factor at current law level
- Maintain integration funding
- Provide funding for early childhood education including quality rating system (QRIS)
- Provide funding based on student performance, focused on growth in reading and math at all grade levels
- Provide stable funding for all districts -- avoid major redistributions among districts that would create winners and losers

Legislative Position For E-12 Education Funding

- Increase general education formula - \$20 + \$21 in conference report
- Delink compensatory revenue from basic formula
- Reduce special education growth factor
- Eliminate integration funding
- Scholarships / Vouchers
 - Early Childhood
 - K-12 students in low performing schools
 - Early Graduation
- Provide funding based on student performance, focused on proficiency and growth in reading at Grade 3
- Increase funding for small schools
- Increase compensatory funding for large suburban districts with relatively low poverty concentrations

CASH FLOW

Aid Payment Shifts

- 60-40 payment schedule begins in FY 2012
- July 15 payment (during shutdown) was based on 90-10 pay schedule
- July 30 payment will be adjusted to reflect cumulative amount due under 60-40 schedule
- Under MS 127A.45, Subd. 7b, districts and charter schools in Statutory Operating Debt (SOD) will receive an advance final payment on June 20 to bring total general education aid for the year up to 90% of aid entitlement, but not to exceed the amount of SOD in the school or district. Limited to \$7.5 million statewide.
- Under M.S. 16A.152, Subd. 2, aid payment shift will be repaid when state budget improves
 - (after state cash flow account balance reaches \$350 M, state budget reserve reaches \$653 M, and aid payment schedule is restored to 90-10)

CASH FLOW

Aid Payment Shifts – Charter Schools

- 60-40 applies to charter schools as well as school districts
- Exception allowing Metro Deaf to receive 90-10 payments for state special education aid was extended to include Lionsgate.
- Current Payments to charter schools accelerated - the 60% current payments are spread over 16 payments, from July – February. No state aid payments to charter schools in March – June.
 - It's important for charter schools to submit accurate ADM estimates, lease aid data and special education budget information early in the fiscal year and to keep this data up-to-date!
- Final payments to charter schools accelerated – 75% of final payment will be paid July 15th (July 30th this year due to state shutdown); remaining 25% paid on October 30.

CASH FLOW

Property Tax Shift

- Property tax shift remains at 48.6% for FY 2011 and later
- Tax shift calculation methodology changed to use gross levies before state paid tax credits are deducted.
 - Enables MDE to calculate final tax shift amounts much earlier
 - Increases state total reduction for tax shift by \$14 million
 - The additional aid reduction due to the methodology change will occur with the final payment for FY 2011 on October 30, 2011
- Clarifies that, with the exception of the Oct 30 adjustment for FY 2011, aid reductions for tax shift are to be taken as close to the end of the fiscal year as possible.
- Tax shift will be repaid when state budget improves
 - (after state cash flow account balance reaches \$350 M, state budget reserve reaches \$653 M, and aid payment schedule is restored to 90-10)

CASH FLOW School Shift Summary

Aid Payment Shift @ 60-40 (vs 90-10)	\$2.195 Billion
Property Tax Shift (@ 48.6% of Gross Levy)	\$595 Million
Total School Shift	\$2.790 Billion

CASH FLOW

State Aid Payment Delays

- MS 127A.46 repealed – state no longer allowed to delay state aid payments to school districts to avoid state short term borrowing

FY 2012 REVENUE / ADM CHANGE FROM BASE By Strata

	Basic	Endow	All Other Changes	Total
STATE TOTAL	58	0	8	65
MPLS & ST PAUL	57	-3	18	71
OTHER METRO, INNER	58	0	5	63
OTHER METRO, OUTER	58	0	3	60
NONMET >=2K	58	0	6	63
NONMET 1K-2K	58	0	6	64
NONMET < 1K	58	0	12	70
DISTRICT TOTAL	58	-1	7	64
CHARTER TOTAL	57	12	12	82

FY 2013 REVENUE / ADM CHANGE FROM BASE By Strata

	Basic	One Time Compens.	Endow	Small Schools	Literacy Aid	Charter Lease	All Other Changes	Total
STATE TOTAL	115	19	0	19	58	-1	19	230
MPLS & ST PAUL	114	0	-7	0	63	0	53	222
OTHER METRO, INNER	116	20	1	0	56	0	16	208
OTHER METRO, OUTER	116	45	0	0	58	0	8	227
NONMET ≥ 2K	115	11	-1	0	53	0	16	195
NONMET 1K-2K	116	0	0	0	56	0	18	190
NONMET < 1K	116	0	0	186	66	0	28	396
DISTRICT TOTAL	115	20	-1	20	58	0	18	230
CHARTER TOTAL	114	0	25	0	58	-22	37	212

GENERAL EDUCATION REVENUE Formula Allowance

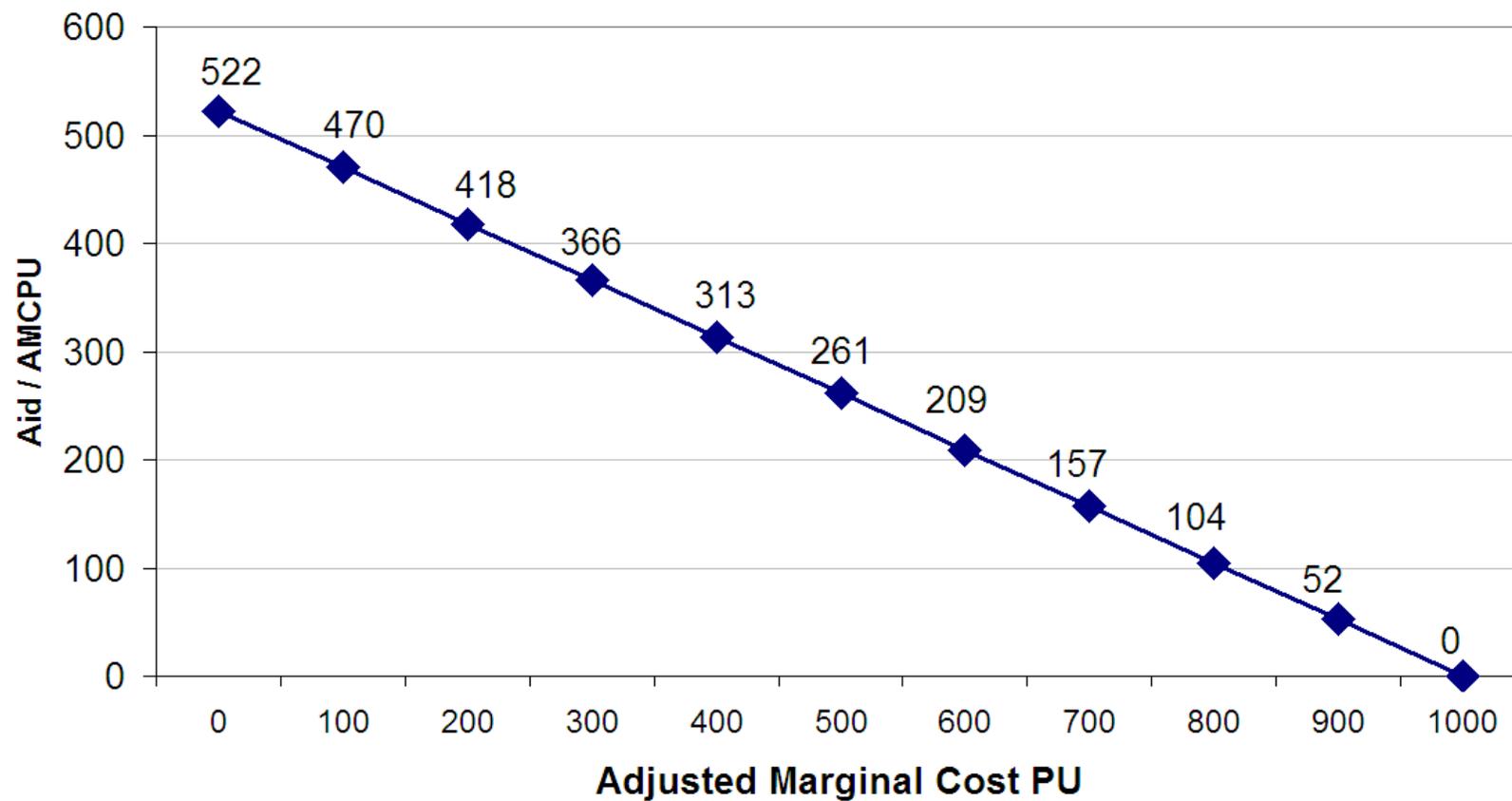
- FY 2012: \$50 increase (1%) to \$5,174
- FY 2013: Additional \$50 increase (1%) to \$5,224
- Linkages Remain Intact
 - Compensatory
 - Sparsity
 - Transportation Sparsity
 - Nonpublic Pupil / Nonpublic Transportation
 - Tribal Contract

GENERAL EDUCATION REVENUE

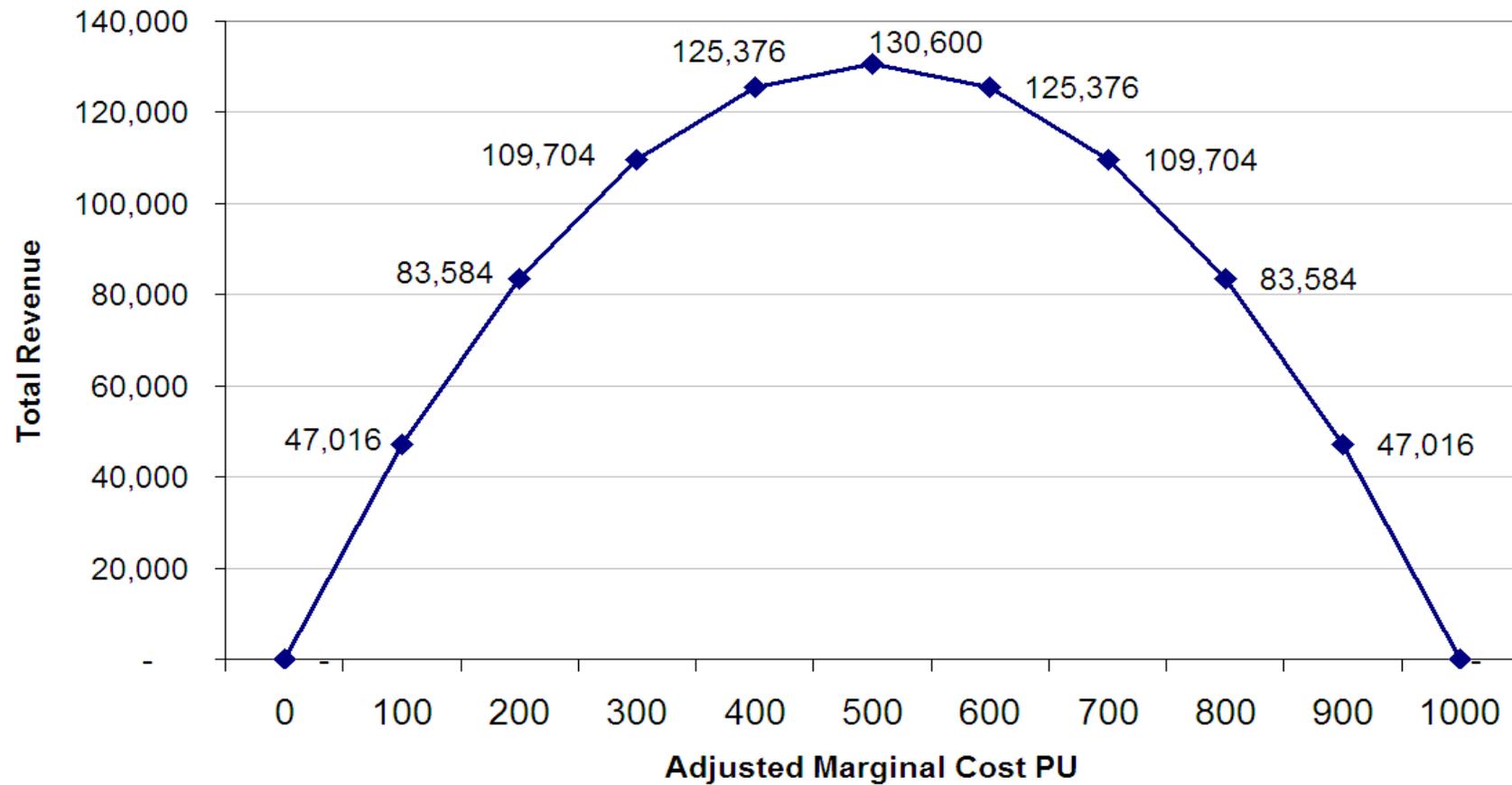
Small Schools Revenue

- New component of general education revenue, beginning in FY 2013. Funded with open & standing appropriation (no proration).
- School districts with fewer than 1,000 AMCPU qualify for revenue on a sliding scale:
 - Allowance / AMCPU = $\$522.40 \times (1,000 - \text{AMCPU}) / 1,000$
- Charter schools are not eligible for this revenue.

Small Schools Revenue / AMCPU FY 2013 and Later



Total Small Schools Revenue FY 2013 and Later



Compensatory Pilot Project Formula Aid

- One-time aid for FY 2013.
- The 20 largest districts in the state are eligible for this one-time aid if their regular compensatory revenue per compensatory pupil unit (free + $\frac{1}{2}$ of reduced price lunch count) is less than \$1,400 per compensatory pupil unit. The aid equals the amount needed to bring the district's compensatory aid up to the \$1,400 level.
- This revenue must be used for basic skills purposes as defined in Minn. Stat. §126C.15, subdivision 1. The allocation by building is to be determined locally.

Compensatory Pilot Project Formula Aid

		Current Compensatory/ Adj Count (Free + 1/2 Red.)	Additional / Adj Count (Amount Under \$1,400)	Estimated Gross Revenue
194	LAKEVILLE PUBLIC SCHOOL DISTRICT	454	946	1,127,115
284	WAYZATA PUBLIC SCHOOL DISTRICT	610	790	1,077,014
834	STILLWATER PUBLIC SCHOOL DISTRICT	613	787	948,994
112	CHASKA PUBLIC SCHOOL DISTRICT	620	780	1,049,826
833	SOUTH WASHINGTON COUNTY SCHOOL DISTRICT	701	699	1,654,935
272	EDEN PRAIRIE PUBLIC SCHOOL DISTRICT	781	619	967,594
196	ROSEMOUNT-APPLE VALLEY-EAGLE LAKE	799	601	2,955,111
728	ELK RIVER PUBLIC SCHOOL DISTRICT	840	560	1,488,960
11	ANOKA-HENNEPIN PUBLIC SCHOOL DISTRICT	1,115	285	2,940,039
621	MOUNDS VIEW PUBLIC SCHOOL DISTRICT	1,145	255	631,677
535	ROCHESTER PUBLIC SCHOOL DISTRICT	1,300	100	502,653
191	BURNSVILLE PUBLIC SCHOOL DISTRICT	1,383	17	58,681

Compensatory Pilot Project Formula Aid

	Large Districts Not Eligible (Current Aid > \$1,400)	Current Compensatory/ Adj Count (Free + 1/2 Red.)	Additional / Adj Count (Amount Under \$1,400)	Estimated Gross Revenue
622	NORTH ST PAUL-MAPLEWOOD S	1,401	-	0
271	BLOOMINGTON PUBLIC SCHOOL	1,578	-	0
279	OSSEO PUBLIC SCHOOL DISTRICT	1,672	-	0
281	ROBBINSDALE PUBLIC SCHOOL D	1,719	-	0
742	ST. CLOUD PUBLIC SCHOOL DIST	1,836	-	0
709	DULUTH PUBLIC SCHOOL DISTRI	1,859	-	0
1	MINNEAPOLIS PUBLIC SCHOOL D	2,490	-	0
625	ST. PAUL PUBLIC SCHOOL DISTRI	2,549	-	0

Endowment / Permanent School Fund

Effective with March 2012 Payment:

- Charter schools become eligible for payments
 - Charter schools will receive about \$12 /ADM in FY 12 and about \$25/ADM in FY 13
- Payment basis changed from Resident ADM to Adjusted ADM
 - Districts with a net gain of students under open enrollment will receive more; districts losing students under open enrollment will receive less.

Sparsity Revenue - Districts Closing Facilities

- Expands the sparsity revenue grandfather to cover decreases caused by neighboring school districts' decisions to close or relocate school facilities
- Removes requirement that school districts file a resolution to close a school and receive an adjustment to their sparsity revenue 60 days prior to the start of the fiscal year.
- ISD 356, Lancaster made eligible for revenue to offset the loss of sparsity revenue due to a school closing in the Kittson Central school district, beginning FY 12
- ISD 118, Northland, eligible for closed school sparsity revenue despite missing deadline, effective for FY 2011 .

Early Graduation - Scholarships

- Beginning FY 2012, early graduation achievement scholarship program provides higher education scholarships:
 - \$2,500 for graduation one semester early,
 - \$5,000 for graduation 2 semesters early,
 - \$7,500 for graduation 3 or more semester early
- Allows the student to use the scholarship at any accredited higher education institution, inside or outside of Minnesota.
- Early graduation military service award program provides cash awards to students who graduate early and enter the military – same amounts as above

Early Graduation – Revenue Reduction to LEAs

- Beginning in FY 2012, school districts and charter schools will no longer generate pupil units and associated funding for mid-year graduates who participate in one of these programs.
- Students who plan to participate will be asked to notify MDE as soon as possible.
- MDE will adjust pupil units for mid-year graduates if notified before final payments are calculated for the school year of early graduation
- If notified later, MDE will make adjustment to general education aid and general fund levies for the year in which the notice is received, based on the district's aid and levy per pupil unit for pupil-driven formulas for the school year in which the student graduated mid-year.

Other General Education Revenue Changes:

- January 15 teacher contract deadline and penalty is eliminated.
- Training & Experience Aid repealed effective for FY 2012
- Albert Lea added to list of districts receiving compensatory revenue pilot project aid @ \$150,000, beginning FY 2012

Uses of Revenue

- Two percent staff development set-aside requirement suspended for two more years (FY 12 & FY 13).
- Maintenance of effort requirement for licensed school support personnel eliminated.
- Requirement to reserve \$3 per pupil of the safe schools levy proceeds for licensed school support staff eliminated.

Uses of Revenue

- Uses of Operating Capital Revenue expanded to include the costs of leasing vehicles and the costs directly associated with closing a school facility, including moving and storage costs.
- Clarifies that cooperatives are required to allocate compensatory revenue to the school site generating the revenue in the same manner as school districts

Fund Transfers

- During fiscal years 2012 and 2013 only, authorizes a school district to transfer money from one fund or account to another if the following conditions are met:
 - The transfer must not increase state aid obligations or increase local property taxes;
 - Transfers cannot be made from the community service fund or the food service fund under this section;
 - The school board must adopt a resolution stating that the transfer will not diminish instructional opportunities for students;
 - The district must apply to the Commissioner to make the transfer. The application must include the amount to be transferred and the funds/accounts involved. It must be signed by the superintendent and approved by the school board.

Literacy Incentive Aid

- Begins FY 2013
- Includes Proficiency Aid and Growth Aid
- Proficiency aid = $\$85 \times \text{school's enrollment on October 1 of the previous year} \times \text{percent of third graders meeting or exceeding proficiency on the third grade reading MCA, averaged across the previous three test administrations (FY 10, 11 \& 12 for FY 13 aid)}$.
- Growth aid = $\$85 \times \text{school's enrollment on October 1 of the previous year} \times \text{percent of fourth graders making medium or high growth on the reading MCA, averaged across the previous three test administrations}$.
- For FY 2013 only, state total aid is capped at \$48,585,000. No proration is anticipated, but will depend on 2011 & 2012 test results.

Literacy Incentive Aid – Example Calculation

- In 2010:
 - 80% of 3rd graders were proficient in reading on MCAs
 - 75% of 4th graders made medium or high growth in reading on MCAs
- Example calculations:
 - Assume state average proficiency & growth percents from above
 - Assume 400 students enrolled in the school on prior October 1
 - Proficiency Aid = $\$85 \times 400 \times 80\% = \$27,200$
 - Growth Aid = $\$85 \times 400 \times 75\% = \underline{\$25,500}$
 - Total Literacy Aid = $\$52,700$
 - In the example, the aid comes to \$132 per student enrolled at the school ($\$52,700 / 400$ students)

Literacy Incentive Aid - Notes

- Includes district schools and charter schools
- Only those schools enrolling students in grades 3 or 4 and with MCA test results from the prior year generate revenue for the district or charter school.
- Schools with a broader grade span (e.g., K-8 elementaries) generate more with a given set of test results than schools with a narrower grade span (e.g., K-5 elementaries). This is probably an unintended consequence and may be adjusted down the road.
- While aid is generated using school level data, there is no requirement for funds to be spent at the school generating the revenue.
- The aid may be used for any general fund purpose.

Integration Aid

- The current integration funding formula remains in place for FY 2012 and FY 2013. Districts will still be required to submit budgets for approval to MDE.
- Integration revenue statute is repealed beginning in FY 2014
- The current integration rule remains in effect with no sunset.
- Interdistrict desegregation transportation funding remains in the base for FY 2014 and later
- Magnet school grants are eliminated, beginning in FY 2012.
- School district levy limits for taxes payable in 2013 will include an amount equal to the district's certified integration levy for taxes payable in 2012.

Integration Aid

The base budget for FY 2014 includes:

- Funding to cover the final payment for FY 13
- Funding to cover the 31% of FY 2014 integration aid for cities of the first class that is paid on July 15 and is recognized early (in FY 2013)
- Funding sufficient to cover 60% of the projected old law integration aid for FY 2014

The base budget for FY 2015 includes:

- Funding sufficient to cover 40% of the projected old law integration aid for FY 2014, plus 60% of the projected old law integration aid for FY 2015

Homestead Market Value Credit

Current credit:

- 0.4% of the first \$76,000 of market value, minus 0.9% of market value over \$76,000
- (maximum credit is \$304 for a \$76,000 homestead)
- Provides \$57.6 million for school districts in FY 2012
- The credit is repealed effective for taxes payable in 2012

Homestead Market Value Exclusion

- To neutralize the impact of the credit repeal on homeowners, a portion of each homestead's market value is excluded in determining the net tax capacity-based taxes.
- The exclusion of market value is equal to:
 - For homes valued up to \$76,000: 40% of value;
 - For homes valued above \$76,000: \$30,400 minus 9% of the valuation over \$76,000, which phases down to zero for homes valued over \$413,800.
- The Commissioner of Education is directed to adjust tax rates and equalizing factors for levies based on ANTC to neutralize the impact on education aids and levies.
- This will not impact referendum market value-based taxes.

Career and Technical Education Levy

- Beginning with taxes payable in 2012, increases the career and technical education levy to the greater of \$80 times the district's average daily membership (ADM) in grades 9 through 12, or 35 percent of approved expenditures
 - (instead of the *lesser* of \$80 times the district's ADM in grades 10-12 or 25 percent of approved expenditures).
- Limits the total statewide levy to not more than \$17,850,000 for taxes payable in 2012, \$15,520,000 for taxes payable in 2013 and \$15,545,000 for taxes payable in 2014 and later. Calls for the 35% rate to be reduced as needed to meet the caps.
- MDE is seeking clarification from the legislature on implementation of this levy, as the new formula generates more than \$19 million of levy authority, even if the 35% rate is reduced to zero.

Charter School Funding

- Charter School Lease Aid grandfather provision is eliminated beginning in FY 2013.
- Charter school start-up aid is repealed beginning in FY 2013. Schools that opened in FY 2011 will receive aid for FY 2012, but new schools opening in FY 2012 will not receive aid.

Special Education Funding

- Special education-regular and excess cost aid growth factors remain as in current law (4.6% special education regular; 2% excess cost.)

Facilities and Technology Funding

- Streamlines application procedures for school districts to apply for health and safety revenue; clarifies health & safety statute.
- Capital project levy referendum ballot language for renewals with no change in tax rate to indicate that voting yes would renew an existing capital projects referendum that is scheduled to expire.
- Authorizes building lease levy to finance building improvements for districts that are members of the “Technology and Information Education Systems” (TIES) joint board. Limits the total levy authority for participating districts to \$632,000 for taxes payable in 2012. No levy authority for taxes payable in 2013 and later.

Facilities and Technology Funding

- Makes Independent School District No. 284, Wayzata, eligible for the alternative facilities revenue program, beginning with taxes payable in 2012.
- Authorizes a school district that received a capital loan prior to January 1, 1997, to repay the full outstanding original principal on its capital loan prior to July 1, 2012, to satisfy its obligation to the state of Minnesota.

Libraries

- Removes the maintenance of effort requirements of cities and school districts for a library jointly operated by a city and school district.
- Makes this section effective retroactively to fiscal year 2011 and later.

Adult Basic Education

- Reduces the program growth factor for Adult Basic Education (ABE) from 1.03 to 1.02, beginning in FY 2012.

Early Childhood Education Scholarships

- Appropriates \$4,000,000 in FY 2013 for early education scholarships for children aged 3-5 in public or private early childhood preschool programs.
- A parent or legal guardian is eligible for an early childhood education scholarship if the parent or legal guardian:
 - (1) has a child three or four years of age on September 1, beginning in calendar year 2012; and
 - (2) (i) has income equal to or less than 47 percent of the state median income in the current calendar year; or
(ii) can document their child's identification through another public funding eligibility process, (e.g., Free and Reduced Price Lunch Program; Head Start; Minnesota family investment program; child care assistance programs under MS 119.)

Early Childhood Education Scholarships

- Scholarships are available on a first come, first served basis until funds run out.
- The commissioner of education must submit a written report to the education committees of the legislature by January 15, 2012, describing its plan for implementation of scholarships for the 2012-2013 school year.
- The base funding level for FY 2014 and later is \$2,000,000 per year.

Student Transportation

- Broadens a school district's pupil transportation authority for students attending area learning centers by allowing the district to transport area learning center pupils between buildings if space exists on an existing bus.
- Includes transportation of pupils for a curricular field trip activity on a school bus with a power lift when the lift is required by the student's disability or section 504 plan in the definition of "transportation services for pupils with disabilities," making this transportation eligible for state special education aid.
- Deletes cost per hour and cost per route from the options used to allocate costs among transportation categories.
- Authorizes an exemption from standard cost method for districts that contract for transportation services when certain criteria are met, including:
 - District bids contracts separately for regular/excess, special and non-authorized transportation;
 - District receives bids from more than one vendor for these categories;
 - Cost per mile does not vary by more than 10% among categories.

State Agency Budgets

- MDE budget reduced \$991,000 (5%) each year
 - Reflects Governor's recommendation
- Perpich Center for Arts Education also reduced 5% (\$534,000 each year)
- Minnesota State Academies operating budget not reduced, but \$309,000 reduction each year for food service restructuring

Reminder from 2010 Legislation: Omnibus Pension Bill (Chapter 359)

Increases employee and employer contribution rates for various public employee pension programs:

- Employee and employer contribution rates for PERA coordinated plan increased by 0.25% effective January 1, 2011:
 - Employee rate from 6% to 6.25%
 - Employer rate from 7% to 7.25%
- TRA rates will rise by 0.5 percent annually over a four-year period beginning July 1, 2011.
- TRA automatic 2.5 percent annual postretirement adjustment is suspended for 2011 and 2012 followed by a 2 percent increase until the plan becomes 90 percent funded.
- Duluth Teachers Plan and St. Paul Teachers Plan also have employee and employer rate increases.

Reminder from 2010 Legislation: Omnibus Pension Bill (Chapter 359)

	Employee		Employer	
	Basic	Coordinated	Basic	Coordinated
Current	9.0%	5.5%	9.5%	5.5%
FY 2012	9.5%	6.0%	10.0%	6.0%
FY 2013	10.0%	6.5%	10.5%	6.5%
FY 2014	10.5%	7.0%	11.0%	7.0%
After FY 2014	11.0%	7.5%	11.5%	7.5%

Levy Limitation and Certification Timelines

- Due to the State government shutdown and MDE hiring freeze, the Levy Limitation and Certification Report may not be available by September 8th.
- MDE is exploring options for delaying the September 30th proposed certification deadline.
- School districts should schedule a board meeting late in September to accommodate the delay.

Questions?

- More detailed summaries and spreadsheets are available on the MDE web site.
- For general questions, please contact staff person indicated on MDE summary.