

COOPERATION AND COMBINATION OF SCHOOL DISTRICTS

Under Minn. Stat. § 123.35-.43 two or more school districts may develop and implement a cooperation and combination (c & c) plan. Additional districts may become part of a cooperation and combination at a later date through amending a c & c plan. Interested school districts should allow a minimum of three to six months to involve and inform parents, citizens, school staff, and students and to prepare a c & c plan, as well as the time to request funding for a c & c plan from the legislature and governor. Implementing a c & c plan takes school districts from one to four years. Please refer to the statutes or contact the Division of Program Finance (DPF) if you have questions on the cooperation and combination process or c & c plan components. ***Important Note: the cooperation and combination program is in statute, but not the original funding formula. Reauthorization of c & c funding by the legislature and the governor is necessary for school districts to receive any c & c revenues.***

I. Initiation of a Proposed Cooperation & Combination

- A) Notify DFP, Department of Education (MDE), of districts' interest in developing a c & c plan. Procure needed information on the c & c process and requirements
- B) Forward to DPF, prior to legislative session in which funding will be sought, school board resolutions to develop a c & c plan, a written agreement to cooperate and combine, and information on eligibility and the type of c & c plan desired under C) and D) below.
- C) Determine eligibility for c & c. To cooperate and combine, participating school districts must:
 - 1) Develop or have in place an existing interdistrict cooperation agreement under Minn. Stat. § 123Aa.32;
 - 2) Become members of an education district, if any of the districts is a member of an education district;
 - 3) Become members of a service cooperative, if any of the districts is a member of a service cooperative; and
 - 4) School districts must be contiguous and meet **one** of the following requirements:
 - a. at least two districts with a combined enrollment of 400 resident students in grades 7-12, with projected enrollment for grades 7-12 above 400 students for at least five years; or

- b. at least two districts that qualify for sparsity revenue and have an average isolation index of over 23 or that, when combined, qualify for secondary sparsity revenue; or
 - c. at least three districts with fewer than 400 resident students in grades 7-12 in the combined districts; or
 - d. at least two districts with fewer than 400 resident students in grades 7-12 if any district is located on the border of the state.
- D) Determine type of c & c plan to be developed (the timing of a combination referendum will vary with the plan):
- 1) Traditional--two years in cooperation, two years in combination if combination referendum approved in all districts; or
 - 2) Modified--one to three years in cooperation, one to three years in combination if combination referendum approved in all districts; or
 - 3) Fast Track--no years in cooperation, two years in combination if combination referendum approved in all districts (c & c plan may be less than five years).
- E) **Before or after the legislature and governor approve revenues for the c & c program, develop a c & c plan and submit plan by August 1 for review and comment and approval of the plan and the proposed combination by the commissioner. Any subsequent modifications of the c & c plan must also be submitted to the DPF for approval and/or possible resubmission to the commissioner for a further review and comment and approval.**
Commissioner, legislature, and governor approval will permit c & c revenues to flow to participating districts and authorize any related c & c levies to be made as appropriate. Revenues for c & c will vary depending upon the type of plan selected by the participating districts.

II. Cooperation and Combination Plan

A submitted c & c plan must follow the table of contents below and contain the following information. Any appendixes need to be coded to each item as appropriate (e.g. Appendix A2, C).

- A) **Eligibility Requirements:** provide the following:
- 1) School Board Resolutions—resolutions from all of the participating districts;
 - 2) Cooperation Requirements—a copy of the existing or proposed Minn. Stat. § 123A.32 Interdistrict Cooperation agreement between the districts, and information on education district/service cooperative membership;

- 3) Combination Requirement—specify how districts satisfy requirement as described in I. C) 4) above; and
 - 4) Type of C & C Plan—specify type as described in I. D) above.
- B) **Timelines for Implementing C & C Plan:** provide timelines for major components of plan over three to five+ years, depending upon the plan selected under I. D) above. Timelines will vary with the plan component. Districts with years of interdistrict cooperation may include timelines from those years as background information in addition to timelines for the c & c years.
- C) **Plan to Involve and Inform School Community:** detail actions taken and plans proposed to involve and inform the school community (parents, citizens, certified and non-certified staff, students) in the development and implementation of the c & c plan. Provide background information on the involvement of school community members in previous cooperative efforts if appropriate. Provide an outline plan for meetings, communications, hearings, and other means to involve or inform the school community through the years in which c & c revenues will be received and beyond.
- D) **Student Enrollments:** provide a table of grade-level K-12 student enrollments for each of the participating districts in the five previous school years, and a table with combined grade-level K-12 enrollment projections for the next five years.
- E) **Educational Soundness Statement:** if eligible for c & c under part I. C) 4) b, c, or d above, provide a statement on the educational soundness of the proposed combination and how the districts will meet statutory and rule requirements. In addition, provide information on opportunities or barriers to enlarging the c & c plan by including other neighboring districts.
- F) **County Auditor Plat Map:** provide a plat map from the county auditor in which the greatest proportion of land in the participating districts is located.
- G) **List of Rules or Laws:** provide a list of any rules or laws that exemption is sought from and/or that deter or impair cooperation or combination, if appropriate.
- H) **School Board Formation:** identify and detail the option selected for creating the new school board for the combined district*.
- 1) One elected school board of six or seven members, and, if desired, any elementary school boards;
 - 2) A combined school board gradually reduced over three to five years to six or seven members elected at-large; or

- 3) A combined school board gradually reduced over three to five years to six or seven members elected in election districts.

Note: election districts may be single member, multi-member, at-large, or a combination of these types. If election districts are being proposed, election districts must be drawn on the plat map. Election districts must be relatively equal in population and drawn according to township, city, or precinct election lines. School board candidates must reside in an election district and citizens may vote only for school board candidates in the election district in which they reside.

***A school board transition or orderly reduction plan must be submitted to the Secretary of State' Office for review and comment before the combination referendum (Minn. Stat. § 205A.11-12).**

- I) **Employees:** detail actions taken to complete each item before the effective date of the proposed combination
 - 1) Superintendent Selection—provide timetable and procedures to select one superintendent for the combined district (Minn. Stat. § 123B.143, subd. 1);**
 - 2) Administrative Assignments—provide timetable and procedures to change any administrative personnel assignments and duties;
 - 3) Teacher Bargaining Units—provide timetable and procedures to combine teacher bargaining units according to Minn. Stat. § 123A.32, subd. 3 and § 123A.75;
 - 4) Other Employee Bargaining Units—provide timetable and procedures to combine any other licensed or nonlicensed employee bargaining units and negotiate a plan of employment with the assistance of the bureau of mediation services; and
 - 5) Employee Incentives—specify any incentives that will be offered to licensed and nonlicensed employees such as early retirement, severance pay, and health insurance benefits. A separate levy or c & c revenues may be used for these expenses.

**If eligible for c & c under part I. C) 4) b, c, or d above, strongly consider sharing a superintendent and other staff with neighboring school district(s) to reduce overall staffing costs

- J) **Academic Programs:** describe and briefly discuss:
 - 1) Elementary Curriculum and Programs;
 - 2) Secondary Curriculum and Programs – especially proposed improvements in secondary course offerings in at least communications, mathematics, science, social studies, foreign languages, physical education, health, and career education;

- 3) Developing Learner Outcomes—procedures for involving parents, teachers, and other interested people in curricular areas;
- 4) Implications for Cooperatives—special education and secondary vocational cooperatives, joint powers agreements, education districts, and other cooperation arrangements if the districts combined and/or if they did not combine; and
- 5) Long-Range Educational Services—of the combined district and of the individual districts if the combination is not achieved.

K) Timetable and Procedures for Combining Extracurricular/Cocurricular Activities

- L) **Combination Referendum:** identify the month and year in which the combination referendum will be held, and whether a majority of those voting in each school district or a majority of those voting in the entire area proposed for combination will be needed to pass the referendum to authorize the combination;

M) School Building Sites

- 1) Elementary Schools—identify elementary schools, locations, and grades and number of students served during the cooperation phase and after the combination is effective. There should be only one location for each elementary school grade program (kindergarten excepted). If more than one school location for elementary grades, include under 4) an analysis of how combined district can continue to support multiple elementary programs and services;
- 2) Secondary Schools—identify secondary schools, locations, and grades and number of students served during the cooperation phase and after the combination is effective. There can be only one senior high program and, if possible, one location for all secondary school programs. If more than one secondary school location, include under 4) an analysis of how combined district can continue to support multiple secondary programs and services;
- 3) Closed Schools—identify any elementary or secondary schools proposed to be closed during the cooperation or combination phase, and explain why this is programmatically desirable and/or financially necessary. The c & c plan may contain assurances that, to the extent feasible, schools will remain open to serve students for a specified number of years; and
- 4) School Site Financial Analysis—provide a financial analysis of the combined district’s operational costs to keep identified schools open after c & c revenues expire and if current student enrollment trends continue. Identify what, if any, additional resources it would take (e.g. operating levies, program and staff

cuts) to continue to keep identified schools open and/or maintain multiple locations for elementary and secondary school programs. This analysis should cover at least ten years of cooperation and combination.***

***If requested, the Division of Program Finance, MDE, will provide management assistance to school districts if requested for purposes of completing this analysis.

N) **Timetable and Procedures for Combining School Bus Transportation**

Systems: specify how the participating districts will bring their separate school bus transportation systems (e.g. district-owned, contracted out) together into one system (e.g. combined district-owned, or one contractor)

O) **Finances:** Specify the following:

- 1) Debt Obligations—the amount of any participating district bonded debt, capital or energy loans, or down payment levy obligations in each participating district, and state whether the obligation will remain with the participating district’s taxpayers or will become in part or whole the obligation of all the taxpayers in the combined district;
- 2) Referendum Levies—the per pupil amount and duration of any operating referendum levies in the participating districts, and state whether the operating levies will be combined, recalculated, and continued at the same or a reduced level, or discontinued in the combined district. The combined operating referendum levies will assume the duration of the participating districts’ operating levy that has the greatest duration;
- 3) Operating Debt—the amount of operating debt that participating districts have as of June 30 before receiving c & c revenues **and**, if applicable, an estimate of the operational debt on June 30 of the year prior to the effective date of the combination in any of the participating districts, and state whether the obligation will remain with the participating districts’ taxpayers or will become an obligation of all the taxpayers in the combined district. An operating debt levy may be made for up to five years;
- 4) Other Levies—the amount and specific years of any early retirement and severance levy to be made by any of the participating districts, and the amount and specific years of a combined district transitional levy to be made to cover transition expenses from cooperation to combination; and

- 5) C & C Revenues and Expenditures—list the amount of c & c revenues that will be received for each year of c & c, including optional revenues or levies. Provide yearly budgets for the proposed expenditures for those revenues and levies for the time of c & c (two-five+ years). Provide a narrative explaining how the uses of c & c revenues clearly conform to the permissible uses of c & c revenues for the joint efforts of the participating school districts.

Note: a reasonable amount of revenues may be budgeted for cooperative expenditures in the school year prior to year one of receiving c & c revenues, and the budget may extend out beyond the two to four years of receiving c & c revenues. Up to 15% of total c & c revenues may be used as a reserve for a cash flow reserve.

III. Other Cooperation and Combination Steps

- A) **Publication of C & C Plan:** at least 60 days before the scheduled date of the combination referendum, each participating school district must publish at least a summary of their c & c plan, any modification or resolution of items in the plan, and the commissioner review and comment on the plan
- B) **Optional Levies:** early retirement and severance levy may be made over several years of c & c for retirements resulting from c & c, and a transitional levy may be made for up to three years to cover transitional expenses as approved by the commissioner
- C) **Reports to MDE:** cooperating school districts may submit joint reports that attribute information to each school district as required by MDE. A combined school district must report as a single unit
- D) **Combination Referendum**
 - 1) May be held before the combination (fast track), or in the first or second year of cooperation;
 - 2) If the combination referendum fails in one or more school districts, a second referendum may be held in those districts that did not approve the combination in the first referendum. If the referendum fails in any district a second time, the c & c plan must be modified before a third referendum is held, and all participating school districts must approve the third referendum for the combination to become effective; and
 - 3) After a combination referendum passes, the certified election results must be sent to the DFP, and a new school district number requested.

E) **Fund Transfers:** after a successful combination referendum, in the last year of cooperation or the first year of combination, the new combined school district may make permanent fund transfers between any fund except the debt redemption, food service, and health and safety funds.

F) **Failure to Implement C & C Plan**

- 1) If a combination referendum fails to pass in all districts after one, two, or three attempts and/or if any district decides not to carry out the c & c plan, notify the DFP, forwarding school board resolutions as appropriate; and
- 2) Upon receipt of school board resolutions or a determination by the MDE that the c & c plan will not be implemented, c & c revenue and any related levy authority will be terminated. C & C revenues received by the participating school districts may be recaptured by the state as appropriate.

For further information or questions, please contact the DFP at (651) 582-8781 or email John.Bulger@state.mn.us

Cooperation and Combination Revenues, Levies

All revenues are dependent upon reauthorization of c & c funding and commissioner approval of the proposed combination and c & c plan/any modifications of the plan. Revenues for years 3 and 4 depend upon a successful combination referendum in year 0, 1, or 2. Assume c & c plan approval year 0, 2002, levy in fall of 2003 for receipt of first revenue in 2003-04. Note: ppu=per pupil unit served K-12.

Year	2003-04	2004-05	2005-06	2006-07
Category	Year 1	Year 2	Year 3	Year 4
State Aid	\$100 ppu	\$100 ppu		
Local Levy**	\$100 ppu	\$100 ppu	\$100 ppu	\$100 ppu
Equalized	100%	75%	50%	25%

***May levy less than \$100--state/local % same*

Note: districts combining with 0 years of cooperation receive two or four years of revenue depending upon the c & c plan. If two years, receive \$100 ppu in state aid in year 1 of combination, and \$100 ppu local levy in years 1 and 2 of combination equalized at 50% and 25% respectively.

- Early retirement & severance levy optional local levy providing incentives for licensed and non-licensed staff; may levy for several years and/or also use c & c revenues
- Operating debt optional local levy up to five years by pre-existing or combined district for levy operating debt as of June 30 prior to year 1 of receiving c & c revenues
- Transitional levy optional local levy for transitional expenses from cooperation to combination; up to three years levy after combination referendum passes
- Operating referendum levy must spread levies over combined district up to combined revenue amount of combined districts
- Bonded debt levies for existing bonded debt continue for each pre-existing district or spread evenly or proportionately over combined district
- Other debt levies for capital loan, energy loan, or down payment levy continue for pre-existing districts or spread over combined district
- Revenue recapture provides for recapture of portion of recapture state aid received; total aid received minus \$50 ppu served per year will be recaptured from future revenue if cooperation ceases or combination fails

Use of Cooperation and Combination Revenues

Cooperation revenues may be used only for purposes of joint efforts between cooperating districts. The revenue shall be in a separate account. Expenditures must be coded using UFARS approved codes that clearly identify c & c revenues and expenditures. School boards shall mutually determine cooperative expenditures.

Permissible uses of c & c revenues include the following:

1. Secondary course offerings in communications, mathematics, science, social studies, foreign languages, physical education, health, and career education if the courses have specific learner outcomes
2. Participation of teachers in determining the learner outcomes
3. Staff in-service related to cooperation and combination
4. Capital expenditures for facilities or equipment as stipulated in Minn. Stat. § 124.243, subd. 6, clauses 3, 4, and 15, and Minn. Stat. 124.244, subd. 4, clauses 2, 3, 4, 5, and 6 if purposes are related to courses offered cooperatively.
5. Incentives for superintendents, principals, teachers, and other licensed and nonlicensed employees, such as early retirement, severance pay, and health insurance benefits

Note: c & c revenues may not be used for adjusting salary schedules of staff in the involved districts.