

HF4098 - 0 - Innovation Research Zone Program Established

Chief Author: **Steve Sandell**
 Committee: **Education Finance Division**
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 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	2,086	4,067	4,266	
Total	-	-	2,086	4,067	4,266	
Biennial Total			2,086			8,333

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	2	2	2
Total	-	-	2	2	2

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023	
General Fund	-	-	2,086	4,067	4,266	
Total	-	-	2,086	4,067	4,266	
Biennial Total			2,086		8,333	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	2,086	4,067	4,266	
Total	-	-	2,086	4,067	4,266	
Biennial Total			2,086		8,333	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
Biennial Total			-		-	

Bill Description

Section 1

Subd 1 establishes the Innovation Research Zone Program. It outlines requirements for participation, including development of a research zone plan. Provides many examples of innovative delivery models and approaches that can be utilized.

Subd 2 outlines the laws and rules that research zones are exempt from once they have an approved plan.

Subd 3 establishes the Innovation Research Zone Advisory Panel that the Commissioner is required to convene to review all plan applications.

Subd. 4 establishes that plans must receive Commissioner approval, based on recommendations of the Innovative Research Zone Panel. Also requires the commissioner to annually post a list of the approved innovation zone exemptions on MDE's website. The first list must be posted by July 1, 2020.

Subd. 5 requires approved Innovation Research Zone plans submit project evaluations to the Commissioner every two years. The commissioner must summarize results of the projects in a report to the House and Senate committees with jurisdiction over k-12 education in each odd numbered year.

Subd 6 states that existing Innovation Research Zone Partnerships plans that were approved under Laws 2017, First Special Session chapter 5, article 2, section 52 may submit a plan amendment and are exempted from the approval plan process outlined in Subd 3.

This section is effective the day following final enactment.

Section 2

Subd 1 appropriates money from the general fund to the Department of Education.

Subd 2 Makes unspecified funds available for Innovative Research Zone Partnerships beginning in FY 2021. Requires the Commissioner to provide planning and implementation grants.

Assumptions

1. It is assumed that this bill applies to both districts and to charter schools.

2. It is assumed that charter schools that already generate extended revenue under Minnesota Statutes, section 124E,20, subd. 1(b) would not be eligible for the extended time revenue under this bill because they generate a fixed amount of extended time revenue equal to 25 percent of the statewide average extended time revenue per adjusted pupil unit regardless of the number of participation hours in the program.
3. It is assumed that districts would not need to have a state-approved alternative program to be approved to participate in an Innovation Zone program and generate extended time revenue.
4. Examples of allowable extended time purposes include “learning that takes place beyond the school day and school walls” (lines 2.10-2.11), CTE programs after school, on weekends, and during school breaks, including summers” (lines 3.15-3.22) and removing the limitation generation of extended learning time revenue beyond students eligible under 124D.68 (lines 5.6-5.7).
5. While innovation zone programs that operate during the regular school day/school year will have additional staff costs, they will not generate additional ADM and thus do not have an additional ADM cost for this bill. The courses costed out in this note are thus a subset of all of the courses offered in these programs.
6. It is assumed that the district or charter school hosting a class or program would need to assign a separate site number for the extended time CTE program(s) so that average daily membership (ADM) can be accurately calculated, i.e., membership hours in the program divided by 1,020 hours.
7. It is assumed all participants would need the same type of Continual Learning Plan (CLP) currently required for students enrolled in state-approved alternative programs (line 3.21). It is assumed that the district or charter school hosting the class or program is responsible for the participants’ CLPs.
8. It is assumed that if a participant in an extended time CTE program also generated extended time ADM in a state approved alternative program, all of the extended time ADM would be prorated so that the student’s total ADM did not exceed 1.2. However, for purposes of this fiscal note it is assumed that students participating in extended time CTE classes and programs are not already generating extended time ADM.
9. It is assumed that each metro partnership would include three districts or charter schools and each outstate partnership would include six districts or charter schools. For the first year (FY21) it is assumed that the number of districts or charter per partnership is two for the metro area and four for outstate.
10. It is assume that each metro partner district or charter school would offer three extended year/day classes and each outstate partner district or charter school would offer one extended year/day class. For the first year (FY21) it is assumed that the number of extended year/day classes offered by each partnership is five for the metro area and 2 for outstate.
11. It is assumed that each class would enroll 15 students to make the offering cost effective.
12. It is assumed that each class would be 204 instructional hours.
13. It is assumed that because extended time revenue is a component of general education revenue that the classes must be taught by teachers with the same level of expertise and licensure as teachers during the core school day.
14. It is assumed that students must be in one of grades 10, 11 or 12 to participate in these classes and generate revenue.
15. It is assumed that online learning approval is needed for an innovation zone program if any participant would be fully online with no classroom instruction required.(lines 5.3-5.5).
16. It is assumed that all participants would be in grades 10 through 12 with a pupil unit (PUN) weighting of 1.2.
17. It is assumed that although lines 3.20-3.23 mean that students must be scheduled into classes that will allow seniors to graduate at the end of their first semester, the bill does not require them to graduate mid-year. It is assumed that no 12th grade students will choose to graduate early. MDE did not find significant numbers of students graduating early who participated in the prior learning year program that allowed for acceleration.
18. There are several program concepts that are ambiguous. It is assumed that the commissioner, in consultation with the Innovation Zone Advisory Panel, is authorized to define and clarify those requirements to applicants.
19. The appropriation total is 90% current year and 10% prior year of the total extended time revenue.

20. An additional 2.0 Education Specialist 2 FTE will be needed at MDE to administer the changes in this program. Under current law, extended time revenue can only be generated by students in state-approved alternative programs. With this bill, extended time revenue can be generated by almost all students, which will result in a need to review a large number of additional programs. The expanded scope of this program will also require additional staff in Adult Education (ABE) and Career and Technical Education (CTE) to conduct evaluations, manage advisory panel activities and participate in the preparation of required legislative reports. In CTE and ABE the majority of the staffing time is paid by federal funds outlined in the federal law. The work of this bill/proposal is not in alignment with those programs, therefore federal funds can't be used to pay for the time of this work.

21. There will be MN-IT costs associated with updates to the data collection programs.

Expenditure and/or Revenue Formula

		FY 2021	FY 2022	FY 2023
1	Metro partnerships	6	6	6
2	Outstate partnerships	6	6	6
3	Districts per metro partnership	2	3	3
4	Districts per outstate partnership	4	6	6
5	Classes offered by each metro partner district	5	6	6
6	Classes offered by each outstate partner district	2	3	3
7	Total metro classes (1 x 3 x 5)	60	108	108
8	Total outstate classes (2 x 4 x 6)	48	108	108
9	Total classes (7 + 8)	108	216	216
10	Students per class	15	15	15
11	Hours of instruction per class	204	204	204
12	Total membership hours (9 x 10 x 11)	330,480	660,960	660,960
13	Total ADM (12 / 1,020)	324	648	648
14	Pupil Unit weighting factor	1.2	1.2	1.2
15	Pupil Units (13 x 14)	389	778	778
16	Extended time rate	5,117	5,117	5,117
17	Additional XT revenue (15 x 16)	1,990,513	3,981,026	3,981,026
18	90% current year	1,791,462	3,582,923	3,582,923
19	10% prior year	-	199,051	398,103
20	Total cost	1,791,462	3,781,974	3,981,026

Salary Costs:

	FY20	FY21	FY22	FY23
Education Specialist 2 (2 FTE)		288,848	284,991	284,991
Total:		288,848	284,991	284,991

MN.IT Costs for FY2021 only:

Staff	Hours	Rate	Estimated Costs
2 Developers	56	\$110/hr	\$6,160

Total fiscal note costs:

	FY20	FY21	FY22	FY23
Extended Time Revenue		1,791,462	3,781,974	3,981,026
MDE Salary		288,848	284,991	284,991
MN.IT		6,160		
Total:		\$2,086,470	\$4,066,965	\$4,266,017

Long-Term Fiscal Considerations

The costs are ongoing.

Local Fiscal Impact

None.

References/Sources

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