

Chapter 116

2020 Regular Session

Subject K12 Omnibus Finance Bill

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Overview

This chapter is the K12 omnibus education finance bill (a separate education policy bill was enacted during the first special session). The act contains COVID-19 provisions, changes to some education programs' structures and appropriations, February 2020 Forecast adjustments, and corrections necessitated by the 2019 K12 Finance bill.

Article 1: General Education

This article makes permanent the authority to serve certain early and middle college students through the age of 21, and removes a requirement that an increasing amount of general education compensatory revenue be reserved for only extended time programs.

Section Description – Article 1: General Education

- 1 Eligible pupils; graduation incentives program [§124D.68, subd. 2].**
Makes permanent the ability of an early middle college program to serve a student who is 21, but not yet 22, years old. Under current law, this authority expires at the end of fiscal year 2021.
- 2 Compensatory education revenue [§126C.10, subd. 3].**
Eliminates the state requirement that an increasing portion of compensatory revenue be reserved for extended time programming.

Article 2: School Closures due to COVID-19

This article exempts student absences from the distance learning period from the truancy law, lowers the minimum number of instructional days that must be served by a probationary teacher, and directs the commissioner to seek and allocate federal CARES act funding to schools in an equitable manner.

Section Description – Article 2: School Closures due to COVID-19

- 1 Truancy.**
Provides that student absences from March 1 through the end of the distance learning period for the 2019-2020 school year do not count towards truancy referrals.
- 2 Probationary teachers.**
Reduces the number of service days required for probationary teachers by the number of instructional days canceled for a COVID-19 related reason.
- 3 Instruction to commissioner; federal education stabilization fund application.**
Directs the commissioner of education to apply for the federal education stabilization funds in a manner that is consistent with the emergency executive orders of the governor so that the discretionary federal funds may be distributed across Minnesota’s schools in an equitable manner.

Article 3: COVID-19 Formula Adjustments

Authorizes additional uses for the Regional Library Systems’ telecommunications access money, addresses school finance formula glitches resulting from the conversion to the distance learning model, authorizes general fund transfers for school districts, and appropriates \$49,000 to PELSB for certain computer system needs.

Section Description – Article 3: COVID-19 Formula Adjustments

- 1 Eligibility; regional library telecommunications aid [§134.355, subd. 8].**
Authorizes a regional library system to use any unspent telecommunications aid, after meeting its obligations for category one and category two services under the e-rate program, to expand its Internet access capabilities for the system and its patrons.
- 2 Achievement and integration aid; appropriations.**
Moves integration aid between fiscal years 2020 and 2021 to accommodate the one-year carryforward allowed in section 6, subdivision 11. This change is revenue neutral on an entitlement basis for the biennium (moving \$708,000 between the two years). February 2020 forecast adjustments are applied to the appropriations as well.

Section Description – Article 3: COVID-19 Formula Adjustments

3 Statewide testing and reporting system; appropriations.

Reduces the fiscal year 2020 appropriation for statewide testing by \$180,000 for fiscal year 2020 only. This adjustment is related to the reduced testing during the spring of 2020.

4 Developmental screening aid.

Adjusts the development screening aid to match February 2020 forecast adjustments (the developmental screening aid allocation is modified for fiscal years 2020 and 2021 in section 6, subdivision 10).

5 Professional Educator Licensing and Standards Board.

Increases the fiscal year 2021 appropriation for PELSB by \$49,000 to pay for onetime computer costs required by article 4 of this bill.

6 School aid formula adjustments.

Adjusts school aid formulas so that revenue is not lost to schools due to COVID-19 closures and adjustments to the delivery of educationally-related services. These provisions are intended to reflect that school employees are still employed, but may be providing services and activities in different manners for the remainder of the 2019-2020 school year.

Subd. 1. Special education. For purposes of calculating the base for special education, authorizes school districts to include in its eligible fiscal year 2020 expenditures, expenditures for employees and contracted services that would have been eligible for state special education aid under Minnesota Statutes, section 125A.76, and for special education tuition billing under Minnesota Statutes, sections 125A.11 and 127A.47, in the absence of school closures due to COVID-19.

Subd. 2. School meals. Minnesota supplements the federal payments for school meals. Minnesota's state aid is distributed based on the actual number of breakfasts, lunches, and school milk served to students. As of March 16, 2020, all school districts have converted over to providing the meals under the summer food service program. The state appropriations savings due to the lower meal counts is reallocated to schools providing summer food service meals for the remainder of the school year. Note: This is a reallocation of revenue that would otherwise be lost to school districts for the remainder of fiscal year 2020.

Subd. 3. Career and technical revenue. School districts receive career and technical revenue based on 35 percent of the actual costs of services provided to career and technical education (CTE) students. Should this appropriation fall short of the February 2020 Forecast estimate for the program, MDE is authorized

Section Description – Article 3: COVID-19 Formula Adjustments

to recalculate CTE revenue amounts in an equitable manner to ensure the full expected amount of funding is distributed to schools.

Subd. 4. Nonpublic pupil transportation aid. School districts provide transportation services for nonpublic schools. Many school districts provide this service through contracted transportation services. The school districts are reimbursed for this service based on a formula that determines the costs of the program. This provision authorizes MDE to recalculate the aid, if necessary to ensure that the full appropriation is distributed to school districts. Note: This is a base adjustment for fiscal year 2022.

Subd. 5. Interdistrict desegregation and integration transportation aid. School districts are reimbursed for certain interdistrict transportation expenses for students participating in voluntary integration efforts. This provision allows MDE to recalculate the appropriation so that state aid is not foregone. Note: This is a base adjustment for fiscal year 2021.

Subd. 6. Adult basic education aid. Adult basic education (ABE) programs are funded by the state through an aid formula that reflects the number of hours of service provided to program participants (contact hours). This provision allows MDE to readjust the contact hour reimbursement rate to fully spend the appropriation. Note: This is a base adjustment for fiscal year 2021.

Subd. 7. School employees; maximizing state revenue. The state aid formulas for special education and CTE are dependent on a statutorily defined group of essential employees providing these services. For accounting purposes, school food service employees may only be counted for their work spent on food service activities. This provision grants MDE flexibility in these categories of funding to ensure that funds wouldn't be lost due to state-imposed restrictions. The provision is not intended to modify a school district's use of qualified staff to provide services.

Subd. 8. Literacy incentive aid. A school district's literacy incentive aid is based on a three-year rolling average of its third and fourth grade reading scores. This provision excludes the spring of 2020 testing period from the rolling average and requires that literacy aid amounts be adjusted to match the February 2020 forecast level of spending for the program.

Subd. 9. School age care programs. A school district may offer an afterschool program for its children with disabilities who are in grades kindergarten to 6 and the costs of that program are reimbursable through the school age care revenue program. This provision authorizes the full amount of the expected revenue for

Section Description – Article 3: COVID-19 Formula Adjustments

fiscal year 2020 to remain for the year even if the employees normally providing these services are providing alternative services.

Subd. 10. Early childhood screening revenue. Early childhood screening revenue is a current year reimbursement formula that provides money to school districts for each child screened that provides a greater amount of money for each screening for the youngest children. A child must be screened before beginning kindergarten. Most districts have canceled remaining screening opportunities for the remainder of the 2019-2020 school year. This provision requires the commissioner of education to calculate screening aid for fiscal years 2020 and 2021 based on the number of children screened in fiscal year 2019.

Subd. 11. Achievement and integration revenue. Achievement and integration revenue is required to be spent in the year the funds are received. This provision authorizes a school district to carry over any unspent balance in fiscal year 2020 to fiscal year 2021.

Subd. 12. Report. Requests MDE to report to the legislature on how funds were reallocated among school districts for the remainder of the 2019-2020 school year due to the flexibility provided by this section.

7 **Accounting.**

Uniform Financial Accounting and Reporting Standards (UFARS) is a multi-dimension accounting system that each school district must use. UFARS assigns each financial transaction a 17-digit code which attributes the spending to the proper place. An “object” code’s major categories include salaries and benefits among others. This section authorizes a school district to continue to account for the hours that an employee is paid in the same salary and benefit categories as if the employee were performing the employee’s regular job functions under the distance learning model of education. A similar provision was included in the 2019 snow days’ law.

8 **Fund transfers; fiscal year 2020 only. This section authorizes operating fund transfers.**

Subd. 1. Fund and account transfers allowed. Allows a school district, charter school, or a cooperative unit to make operating fund and account transfers for fiscal year 2020. Limits the amounts to be transferred to revenue not already assigned or encumbered.

Subd. 2. No aid or levy effect. Requires that a fund or account transfer under this section be revenue neutral for the district and not affect its receipt of aid or levy.

Subd. 3. Board approval required. Requires board approval for fund and account transfers made under this section. Requires the transfers to occur before the

Section Description – Article 3: COVID-19 Formula Adjustments

books for fiscal year 2020 are closed. Requires the fund and account transfers to be well documented.

Subd. 4. Commissioner’s guidance. Requires the commissioner of education to issue guidance for the fund and account transfers made under this section. Requires the guidance to identify both eligible purposes for the transfers and eligible accounts and funds.

9 Revenue restrictions; after-school enrichment.

A portion of the community education revenue formula authorizes school districts to levy for a portion of their costs for after-school enrichment programs. This provision authorizes the levy to continue for the remainder of fiscal year 2020 even if the employees normally providing this service are providing alternative services for the school district.

10 Cash flow adjustment; fiscal year 2021 only.

Requires the commissioner of education to accept and approve an application for a modification to a school district’s cash flow payments under the metering schedule if a delay in property tax receipts is shown to affect the district’s ability to repay its bondholders (this is a change in cash flow only, not a change in revenue). Note: For most districts, the next payment to bondholders is due in August of 2020.

Article 4: State Agency Emergency Powers

Creates and legislatively approves certain waivers of state law regarding assessments, graduation and course requirements, and potential licensure issues faced by prospective and current teachers.

Section Description – Article 4: State Agency Emergency Powers

1 Commissioner of education and Professional Educator Licensing and Standards Board COVID-19 emergency powers.

Grants power to the commissioner of education to waive requirements related to earning credit, class advancement, or graduation, based on a COVID-19 disruption. The section also waives state assessment and standardized testing requirements for the 2019-2020 school year. Finally, the section requires the Professional Educator Licensing and Standards Board to issue provisional licenses for candidates who could not complete required licensure exams and extends by six months requirements for teacher license renewal.

Section Description – Article 4: State Agency Emergency Powers

2 Reporting; right of action.

Clarifies that the article does not create a right of action for any individual, entity, or group and requires reporting to the legislature.

Article 5: 2019 Miscellaneous Corrections

Corrects mistakes and oversights from the 2019 Omnibus Education Bill.

Section Description – Article 5: 2019 Miscellaneous Corrections

1 Construction and skilled trades counseling.

Requires the commissioners of education and labor and industry to incorporate construction and skilled trades into career counseling services for middle and high school aged students by identifying high-growth, in-demand skilled trades and including information on various career paths and associated jobs, the salary profiles of those jobs, and the credentials and other training desired by employers for those jobs. Note: this provision was inadvertently dropped from the 2019 K12 omnibus bill.

2 Referendum allowance limit [§126C.17, subd. 2].

Corrects the calculation of the operating referendum allowance limit to conform to the intent of the 2019 law.

3 Referendum aid guarantee [§126c.17, subd. 7b].

Corrects a drafting error in the calculation of the referendum aid guarantee.

4 Minnesota Department of Education agency appropriation.

Adds to the agency base for fiscal year 2024 a Teacher Retirement Association (TRA) adjustment required by a 2018 law.

5 Minnesota State Academies agency appropriation.

Adds to the agency base for fiscal year 2024 a TRA adjustment required by a 2018 law.

6 Perpich Center agency appropriation.

Adds to the agency base for fiscal year 2024 a TRA adjustment required by a 2018 law.

Article 6: Forecast Adjustments

Makes adjustments to fiscal year 2020 and 2021 appropriations to match the February 2020 Forecast data to match the best estimates of the state aid required for each K12 appropriation. Generally, a change in the estimated pupil counts, or a change in program participation is the most likely cause of a forecast adjustment. The changes in the appropriations are real, but they have no fiscal impact related to the K12 budget because the changes are built into the forecast estimate of the budget base.



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