

Below you will find a final report from MASA's Lobbyist, Valerie Dosland of Ewald Consulting
Wednesday, May 21, 2008

Overall outlook

After weeks of intense around-the-clock negotiations and some long hours in the final days, leaders from the House and Senate along with Governor Pawlenty were able to reach a budget deal in the final hours of session that allowed the state to balance the budget and bring session to an end. The negotiated deal consists of \$350 million in budget cuts, along with using \$500 million from the state's reserve accounts while protecting a \$350 million cash flow account.

Other areas that were addressed included \$25 million in direct property tax relief, \$60 million in aids to local governments, a limit on city and county property tax levies, as well as increased funding for E-12 education.

Education Policy Bill

This session, the education funding and policy provisions were in separate bills. Governor Pawlenty vetoed the Education Policy Bill over concerns about a provision to change how and what information on schools and student performance is reported to the public in the School Report Card. Also included in the Bill was an increase to the compulsory attendance age from 16 to 18, a provision to make hockey the state sport and new graduation requirements for physical education.

ARTICLE 2 – EARLY CHILDHOOD THROUGH GRADE 12 EDUCATION, HF1812, BUDGET RECONCILIATION BILL

Text of

Bill: <https://www.revisor.leg.state.mn.us/bin/bldbill.php?bill=ccrhf1812C.html&session=ls85>

Appropriations and levy tracking:

<http://www.house.leg.state.mn.us/fiscal/files/k1208app.pdf>

One-time per pupil increase: Adds a one-time increase of \$51 per pupil in basic aid. The money is not put on the formula but is distributed to each school district as general education revenue for FY 09.

Operating capital reserve account transfer: Allows a school district to transfer up to \$51 per pupil from its operating capital account to its undesignated general fund balance. The school board must adopt a written resolution stating the amount of the transfer and declaring that the district's operating capital needs are being met prior to making the transfer.

Permanent school fund subtraction: Eliminates the permanent school fund subtraction, starting in FY2010, which provides approximately \$36 per pupil in additional revenue to school districts.

Lease levy: Increases the lease levy from \$100 to \$150 times the district's resident pupil units and increases the lease levy amount for members of an intermediate school district from \$25 to \$43 times the adjusted marginal cost pupil units.

Referendum ballot language: The ballot language required for a renewal of an existing operating referendum is changed from "you may be voting for a property tax increase" to "you are voting to extend an existing property tax referendum that is scheduled to expire." Makes the change effective for elections after June 30, 2008.

Safe schools levy: Requires the additional safe schools levy authority of \$3 per pupil unit that was added by the 2007 Legislature to be used only for expanding the availability of licensed school support staff.

Aid payment shift: Reverses the aid payment shift for districts in statutory operating debt to align with other districts.

Developmental screening aid: Increases in developmental screening aid to \$75 for three-year olds, \$50 for four-year olds, and \$40 for five-year olds.

Adult Basic Education Aid: The ABE growth factor is changed so that it is based on the average growth in state total contact hours over the prior 10 program years rather the state total contact hours in the second prior program year.

Cash flow borrowing: Specifically authorizes an intermediate school district to borrow against its expected receipt of state aids, federal aids, and membership fees and tuition payments from its member districts. Allows the intermediate school district, upon its member district approval, to amend its bylaws to allow it to pledge the full faith and credit of its member districts to repay the short-term borrowing of the intermediate school district.

Special education task force: Extends the special education task force for 1 year and directs the task force to submit a report to the Legislature recommending how state statutes and rules that exceed the minimum federal requirements might be amended to conform to federal requirements or made more effective as determined by a majority of task force members.

Kindergarten milk aid: Increases aid by \$402,000

MDE budget: The MDE budget is reduced by 4% or \$892,000

OMNIBUS TAX BILL I

OPEB: Authorizes cities, counties, and school districts to establish trusts for the payment of post-employment health benefits required to be recognized by GASB 45. Authorizes a municipality to issue bonds to fund actuarial liabilities to pay post-employment benefits.

OMNIBUS TAX BILL II

Local collaborative time study: Allows school districts and Intermediate School Districts to levy the amount of revenue needed to replace federal funds that have been disallowed resulting from the settlement of an audit by the Federal Office of Inspector General of Local Collaborative Time Study school-based services claimed in

Minnesota. This is effective for taxes payable in 2009, 2010, and 2011 only.

OMNIBUS PENSION BILL

Retirement earnings limitations for part-time and substitute

teachers: The maximum exempt income limit is increased to \$46,000.

430(b) vendors: Makes the selection of 403(b) vendors subject to collective bargaining. The school district and the exclusive representative of the employees must consider all of the following:

- (1) the vendor's ability to comply with all employer requirements imposed by section 403(b) of the Internal Revenue Code of 1986 and its subsequent amendments, other provisions of the Internal Revenue Code of 1986 that apply to section 403(b) of the Internal Revenue Code, and any regulation adopted in relation to these laws;
- (2) the vendor's experience in providing 403(b) plans;
- (3) the vendor's potential effectiveness in providing client services attendant to its plan and in relation to cost;
- (4) the nature and extent of rights and benefits offered under the vendor's plan;
- (5) the suitability of the rights and benefits offered under the vendor's plan;
- (6) the vendor's ability to provide the rights and benefits offered under its plan; and
- (7) The vendor's financial stability.

430(b) contributions: Increases the limit on the employer contribution to one-half of the available elective deferral permitted each year under the Internal Revenue Code, instead of being limited to \$2,000 each year; and requiring these supplemental plans to disclose fees and historic rates of return.

OMNIBUS DATA PRACTICES BILL

Violation of data practices act: Increases the penalty for a willful violation of the data practices act. Provides that a government entity is liable for exemplary damages of between \$1,000 and \$15,000 for each violation. Current law sets the damage range between \$100 and \$10,000 per violation.

Data sharing: Permits specified educational data to be shared between the Department of Education and the Minnesota Office of Higher Education for purposes of analyzing and improving instruction in public schools. Any analysis or report on the data must only contain summary data.

Third party vendors: Permits a school hiring authority to contract with an eligible third-party to conduct criminal background checks required by law and specifies certain requirements for the contractual arrangement. Requires that a school district inform an applicant for employment or a volunteer position if the application was denied following the results of a criminal background check. An individual who is a current employee or volunteer must also be informed if their status is terminated because of the results of a

background check.

MISCELLANEOUS LEGISLATION

Conflict of interests and contracts: Provides for an exception to a state law prohibiting a public official from participating in making contracts where the official has a personal financial interest in or benefits from the contract. Certain circumstances must be met: (1) the employee spouse receives no special monetary or other benefit that is substantially different from the benefits that other members of the group of employees receive under the contract; (2) a majority of school board members vote to approve the contract; (3) the school board member spouse refrains from voting; and (4) the school board publicly establishes the facts of the contract at the board meeting where the contract is approved. (HF2785/SF2653)

ECFE teacher licensure: Allows a school district to request a waiver or variance from the Board of Teaching. (HF2617/SF2796)

Closed meetings: All closed meetings, except those closed as permitted by the attorney-client privilege, must be electronically recorded at the expense of the public body. Unless otherwise provided by law, the recordings must be preserved for at least three years after the date of the meeting. (HF3367/SF3120)

Primary elections: Permits school boards to decide whether to hold a primary election to select nominees for the board. The school board must adopt a resolution no later than June 1 of any year, and is effective for all future elections until the resolution is revoked. (HF3172/SF2574)

Background checks: School districts are required to request a BCA background check on all individuals who are offered employment in a school and on all individuals, except enrolled student volunteers, who are offered the opportunity to provide athletic coaching services or other extracurricular academic coaching services to a school, regardless of whether any compensation is paid. (HF2657/ SF2597 and SF2369/HF2782)

Permanent school trust: Requires the Commissioner of Natural Resources to biannually report to the School Fund Advisory Committee and the legislature on the management of the school trust lands that shows how the commissioner will: (1) manage the school trust lands efficiently; (2) reduce the management expenditures of school trust lands and maximize the revenues deposited in the permanent school trust fund; (3) manage the sale, exchange, and commercial leasing of school trust lands to maximize the revenues deposited in the permanent school trust fund and retain the value from the long-term appreciation of the school trust lands; and (4) manage the school trust lands to maximize the long-term economic return for the permanent school trust fund while maintaining sound natural resource conservation and management principals. (HF3625 /SF3056)