



H.F. 4542

As amended by H4542DE2

Subject K12 Omnibus Finance Bill
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Overview

This bill is the K12 omnibus education finance bill. The bill 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 changes to general education programs by authorizing newly created programs to participate in the pupil transportation reimbursement for pregnant and parenting teens beginning in the 2020-2021 school year (existing programs remain eligible), 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	Definitions; pupil transportation [§123B.92, subd. 1]. Expands the definition of regular transportation aid to include the transportation of pregnant teens and teen moms to and from a school program that provides academic instruction, at least four hours of parenting training a week, and high-quality child care on site with the capacity to serve all children of enrolled pupils. Requires the program to have been established prior to January 1, 2018.
2	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 not yet 22 years old.
3	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: Education Excellence

Adds funding for Tribal contract schools in an amount equal to the funds that school districts receive from the Permanent School Fund, makes clarifying changes to the language for the concurrent enrollment teacher training program, and transfers \$625,000 per year for the next three years from school district concurrent enrollment aid to the 18 online program.

Section	Description – Article 2: Education Excellence
1	Permanent school fund replacement aid [§124D.83, subd. 2a]. Creates a per pupil aid for the state’s four tribal contract schools called the Permanent School Fund (PSF) replacement aid program. Sets the state general fund aid equal to the per pupil amount of aid provided to school districts and charter schools for the program (\$45.04 for fiscal year2020).
2	Statewide concurrent enrollment teacher training program. Clarifies the language for the statewide concurrent enrollment teacher training program.
3	Tribal contract school aid. Adds permanent school fund replacement aid to the ongoing appropriation for tribal contract school aid beginning in fiscal year 2021 (this aid is estimated at about \$33,000 for fiscal year 2021).
4	Concurrent enrollment aid. Reduces the fiscal year 2021 appropriation for concurrent enrollment aid by \$625,000. Lowers the base by the same amount for fiscal years 2022 and 2023. Restores the base to its initial amount of \$4,000,000 beginning in fiscal year 2024 (this money is transferred to the 18 online program).
5	Concurrent enrollment teacher training program. Increases the funding for the statewide concurrent enrollment teacher training program by \$625,000 for fiscal years 2021 to 2023.

Article 3: Distance Learning

Provides for compensation for hourly school employees and allows entities that contract with schools to provide services to be reimbursed for paying their employees, for changes in school employment practices related to COVID-19 related school closures, and the conversion to distance learning programs.

Section	Description – Article 3: Distance Learning
1	Distance learning period; 2019-2020 school year. Subd. 1. Definitions. Defines “distance learning period” as March 18 through May 4, 2020, unless extended by emergency executive order. Subd. 2. Distance learning period; employees. Provides that a school district or charter school must pay hourly employees for any hours they were scheduled to work but did not during the distance learning period. Subd. 3. COVID-19 cancellation; contract employer to pay eligible employees. Provides that employers who contract with schools to provide services may choose to pay employees for hours they were scheduled to work but did not during the distance learning period. If the employer chooses to pay those employees, the school district must reimburse the employer.
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	Truancy. Provides that student absences from March 1 through the end of the distance learning period do not count towards truancy referrals.
4	Effective date. Provides that sections 1 to 3 are effective retroactive to the beginning of the 2019-2020 school year and expire on June 30, 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

Section Description – Article 4: State Agency Emergency Powers

- not complete required licensure exams and extends by six months requirements for teacher license renewal.
- 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: 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 5: COVID-19 Formula Adjustments

- 1 Eligibility; regional library telecommunications aid.**
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 12. This change is revenue neutral on an entitlement basis for the biennium (moving \$708,000 between the two years), but because of February 2020 forecast adjustments, the appropriations show a different level of funding.
- 3 Literacy incentive aid; appropriations.**
Literacy incentive aid is reduced by \$92,000 in fiscal year 2020 because of the exclusion of the 2020 testing results which were incomplete due to the distance learning requirements necessitated by the COVID-19 actions. This reduction is built on top of the forecast changes to the appropriation.
- 4 Developmental screening aid.**
Developmental screening aid is reduced by \$10,000 in fiscal year 2020 and increased by \$1,000 in fiscal year 2021 because the counts of students served are frozen at the 2019 levels. This adjustment is on top of the February 2020 forecast adjustments.

Section Description – Article 5: COVID-19 Formula Adjustments

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 3 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 pupil transportation. 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 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.

Section Description – Article 5: COVID-19 Formula Adjustments

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 pupil transportation 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.

Subd. 9. Community education after-school enrichment programs. 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.

Subd. 10. 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 fiscal year 2020 to remain for the year even if the employees normally providing these services are providing alternative services.

Subd. 11. 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

Section Description – Article 5: COVID-19 Formula Adjustments

the remainder of the 2019-2020 school year. This provision authorizes the commissioner of education to move money between the two fiscal years to pay for additional screening activities in fiscal year 2021.

Subd. 12. 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. 13. 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 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 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.

8 Accounting.

Uniform Financial Accounting and Reporting Standards (UFARS) is a multidimension 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.

Section	Description – Article 5: COVID-19 Formula Adjustments
9	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.
10	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 6: Facilities, Fund Transfers, and Accounting

Authorizes certain fund transfers for the Marshall County Central and Ogilvie school districts and authorizes the Duluth school district to switch levy authority from its Long Term Facilities Maintenance revenue program to its debt service account to repay board-approved bonds for new facilities.

Section	Description – Article 6: Facilities, Fund Transfers, and Accounting
1	Fund transfers. Subd. 1. Marshall County Central. Authorizes Independent School District No. 441, Marshall County Central Schools, to transfer up to \$45,000 from its Early Childhood Family Education (ECFE) reserve account to the School Readiness reserve account on June 30, 2020. Subd. 2. Ogilvie school district. Authorizes Independent School District No. 333, Ogilvie, to permanently transfer on June 30, 2021, up to \$800,000 from its debt redemption fund to its undesignated general fund balance without making a levy reduction.
2	School building efficiencies; Duluth school district. Subd. 1. Plan. Requires Independent School District No. 709, Duluth, to develop a plan to sell Historic Old Central High School to a third party. Requires the plan to detail the expected deferred maintenance costs of that facility and to outline the new construction proposed by the district. Requires the plan to be submitted to the commissioner of education.

Section	Description – Article 6: Facilities, Fund Transfers, and Accounting
	Subd. 2. Public hearing. Requires a public hearing, including public testimony, on the proposal before the plan is submitted to the commissioner of education.
	Subd. 3. Review and comment. Requires the proposed projects to be submitted to the commissioner of education for a review and comment.
	Subd. 4. Bond authorization. Authorizes the Duluth school board, without voter approval, to sell up to \$31.5 million of general obligation bonds to fund the building projects outlined in the district’s plan.
	Subd. 5. Long-term facilities maintenance revenue. Requires the commissioner of education to adjust the school district’s long-term facilities maintenance revenue to reflect the savings outlined in this section.
	Subd. 6. Report. Requires the Duluth school district to report to the commissioner of education and the legislature during each even-numbered year about the outcomes and efficiencies achieved from activities authorized under this section.

Article 7: 2019 Corrections

Corrects mistakes and oversights from the 2019 Omnibus Education Bill.

Section	Description – Article 7: 2019 Corrections
1	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.
2	Referendum aid guarantee [§126c.17, subd. 7b] Corrects a drafting error in the calculation of the referendum aid guarantee.
3	Professional pathway to teacher licensure (Grow Your Own programs). Corrects an errant set of fiscal years.
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.

Section	Description – Article 7: 2019 Corrections
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 8: 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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