



TO: School Superintendents
Charter School Directors
School District Business Managers
School Board Members
Library Directors
Non-Profit Directors

FROM: Alice Seagren
Commissioner

DATE: June 15, 2005

SUBJECT: Impact of Legislative Impasse on School Districts, Charter Schools, Libraries, and Non-Profits

As you know, the Minnesota State Legislature concluded its regular 2005 session on May 23, 2005, without enacting a K-12 education budget bill. Although a special session began immediately after the end of the regular session, there can be no assurance that a K-12 education budget bill will be enacted by July 1, 2005. The K-12 education budget bill appropriates funds for the payment of state aids to school districts and charter schools, authorizes the allocation of federal aids received by the state to school districts and charter schools, authorizes funding for libraries and appropriates funds for ongoing Department of Education operations. This letter is to notify you of the potential impacts on school districts, charter schools, libraries, and non-profits in the event that no K-12 education budget bill is enacted by July 1, 2005.

STATE AGENCY OPERATIONS

If funds are not appropriated for ongoing Department of Education operations by July 1, all Department operations would be shut down immediately on July 1, 2005, except for functions that will be presented to the Courts and as outlined in this memorandum. The Department of Finance, the Department of Revenue, certain other state agencies and the Legislature would remain open, because funding has been appropriated in other bills that have been enacted. If you have any questions regarding general state agency operations, please contact Tammy McGlone at 651-582-8835 or tammy.mcglone@state.mn.us or Chas Anderson at 651-582-8207 or chas.anderson@state.mn.us

OPEN AND STANDING APPROPRIATIONS

General education aid, property tax credits, and debt service equalization aid are funded with open or standing appropriations. In the absence of legislation changing the funding formulas for these programs and specifically appropriating funds for the next biennium, payments will be made using the formulas in effect for fiscal year 2005. In addition to the basic formula, general education aid includes compensatory, limited English proficiency, extended time, sparsity, transportation sparsity, operating capital, training and experience, equity, transition and referendum aid. The Department of Education will calculate the aid payment amounts for these programs before June 30 based on February 2005 current law forecast data. Some delays may occur in processing these payments due to the very limited availability of some Department of Education staff to assist in resolving any issues that may arise in aid payment processing. If you have any questions, please contact Tom Melcher at 651-582-8828 or tom.melcher@state.mn.us or Audrey Bomstad at 651-582-8793 or audrey.bomstad@state.mn.us

STATE AND FEDERAL CATEGORICAL AND FORMULA AIDS

State categorical aids are appropriated by fiscal year in the biennial budget, with each fiscal year beginning on July 1 and ending on June 30 of the following calendar year. Our current biennial budget is due to end on June 30, 2005. In the absence of legislation specifically appropriating funds for state categorical aids to school districts, charter schools, libraries, and non-profits for the next biennium, we will have no authority to make payments for these programs after June 30, 2005. The K-12 education budget bill also authorizes the Department of Education to distribute all federal grants and aids to school districts, charter schools, and other agencies. In the absence of legislation specifically authorizing the Department of Education to make these payments, we will have no authority to make payments for these programs after June 30, 2005. However, Governor Pawlenty will request that the Courts allow some appropriations to proceed forward at FY 2006 current law funding. It should be noted that while FY 2006 current law funding will proceed forward, there will be no or limited staff available to make corrections into any of the systems to update student counts and/or other information. Staff will be available to make system updates and corrections once an education budget bill passes the legislature and is signed by the governor. If you have any questions, please contact Tom Melcher at 651-582-8828 or tom.melcher@state.mn.us or Audrey Bomstad at 651-582-8793 or audrey.bomstad@state.mn.us

State categorical and formula aids that districts, charter schools and libraries WILL receive in the event of a government shutdown	Federal categorical and formula aids that districts, charter schools and libraries WILL receive in the event of a government shutdown
<ul style="list-style-type: none"> • General education aid, including all components (basic, compensatory, limited English proficiency, extended time, sparsity, transportation sparsity, operating capital, training and experience, equity, transition and referendum aid) • Special education-regular and excess Transition for disabled students aid 	<ul style="list-style-type: none"> • Special Education Formula Aid (Part B) • Special Education Pre-school Formula Aid (Part C) • Special Education Grants for Infants and Families with Disabilities • Title I Formula Aid • Title I Program for Neglected and Delinquent

State categorical and formula aids that districts, charter schools and libraries WILL receive in the event of a government shutdown	Federal categorical and formula aids that districts, charter schools and libraries WILL receive in the event of a government shutdown
<ul style="list-style-type: none"> • Aid for children with disabilities • Alternative teacher compensation aid • Charter school building lease aid • School lunch aid • School breakfast aid • Adults with disabilities aid • Tribal contract aid 	<ul style="list-style-type: none"> • Title II – Part A Improving Teacher Quality and Teacher Quality Enhancement • Title II – Education Technology Grants Formula Grants • Title V Formula Aid • Federal Food Program Breakfast • Federal Food Program Lunch • Federal Food Program Special Milk • CACFP Food Service • CACFP Commodities • Summer Food Program for Children

State categorical and formula aids that WILL NOT be sent to districts and charters in the event of a government shutdown	Federal categorical and formula aids that WILL NOT be sent to districts and charters in the event of a government shutdown
<ul style="list-style-type: none"> • Integration aid • Magnet school grants • Inter-district desegregation • Success for the future/ Indian education aid • AP/IB aid • Nonpublic pupil transportation aid • Early childhood family education aid • First grade preparedness • Developmental screening aid • Head Start • Learning readiness aid • Referendum tax base replacement aid • Online learning aid • Abatement aid • Charter school start-up aid • Community education aid • Adult basic education aid • Nonpublic pupil aid • Health & safety aid • Alternative facilities bonding aid • Library state funding • Several smaller aids and grants 	<ul style="list-style-type: none"> • Adult Basic Education • Carl Perkins Grants • Charter School Start-Up Grants • Charter School Lease Aid • Voluntary School Choice Grants • Learn and Serve and Serve America • Even Start • Special Education Discretionary Grants • Special Education Preschool Discretionary Grants • Special Education Program Improvement Grants • Special Education Technical Assistance Grants • LSTA Funding to Libraries • Title I Accountability and School Improvement Grants • Title II – Education Technology Grants Competitive Grants • English Language Acquisition Grants • Safe and Drug-Free Schools and Communities Grants • Byrd Scholarships • Migrant Education Grants

State categorical and formula aids that WILL NOT be sent to districts and charters in the event of a government shutdown	Federal categorical and formula aids that WILL NOT be sent to districts and charters in the event of a government shutdown
	<ul style="list-style-type: none"> • Education for Homeless Children and Youth Grants • 21st Century Community Learning Grants • Title V State Level Activity Grants • Math Science Partnership Grants • Reading First Grants • Rural Education Grants • Refugee and Entrant Assistance Discretionary Grants • School Health Program Grants • CACFP Audit • CACFP Sponsor Admin • Summer Food Program Sponsor Admin

CREDIT ENHANCEMENT APPLICATIONS

If funds are not appropriated for ongoing Department of Education operations by July 1, applications for participation in the school district credit enhancement program under Minnesota Statutes, Section 126C.55, must be submitted to the Department of Finance, instead of the Department of Education, for the duration of the shutdown. School districts must also notify the Department of Finance, instead of the Department of Education, if the district believes it may be unable to make a principal and interest payment on any outstanding debt obligation on the date it is due. The notification must be provided as soon as possible, but not less than 15 working days before the date the payment is due. Please direct these materials to:

Peter Sausen, Assistant Commissioner
 Minnesota Department of Finance
 400 Centennial Office Building
 658 Cedar Street
 St. Paul, MN 55155-1603

Questions should be directed to Peter Sausen at 651/296-8372 or peter.sausen@state.mn.us

SPECIAL EDUCATION MAINTENANCE OF EFFORT

State and federal special education funding will proceed forward at FY 2006 current law funding. However, two issues should be noted. First, there will be limited staff to update systems and make any corrections to the data. Therefore, this function will not occur during the government shutdown. All updates and corrections will happen once an education budget bill has passed and is signed by the governor. Second, the Governor’s biennial budget to the legislature recommended an additional \$12 million each year in FY 2006-07 in funding for the excess cost aid formula in order to maintain effort

with federal requirements and funding. If the legislature fails to appropriate an additional \$12 million per year in state aid, the State and schools districts will lose \$12 million in federal special education funding starting in FY 2007. If you have any questions, please contact Tom Melcher at 651-582-8828 or tom.melcher@state.mn.us.

STATEWIDE TESTING PROGRAM

As you may know, Minnesota is under extreme deadlines for compliance with the federal requirement *No Child Left Behind*. Failure of the State to meet the deadlines will result in significant consequences, including loss of federal funding to school districts and charter schools. In order to preserve federal funding, the Department of Education will proceed forward with its obligations for the statewide testing program and the requirements for Adequate Yearly Progress (AYP). However, staffing for these activities will be extremely limited. The schedule for the Basic Skills Test (BST) and activities for the Minnesota Comprehensive Assessments (MCAs) will continue as follows:

Basic Skills Tests in Mathematics, Reading, and Written Composition – July 2005

June 30, 2005	Districts and Schools Receive ALL Testing Materials
July 1, 2005	Vendors Begin Processing Additional Materials Requests
July 19, 2005	Written Composition Test Administration Date
July 20, 2005	Reading Test Administration Date
July 21, 2005	Mathematics Test Administration Date
July 22, 2005	Make-up Date for all BSTs
July 25 - 26, 2005	Districts and Schools Ship Materials to Vendors
August 5, 2005	Online Early Correction System Opens
August 11, 2005	Online Early Correction System Closes
August 24, 2005	District Assessment Coordinator Receives Final Online Reports
November 24, 2005	Last Date to Submit Any Type of Appeal or Request for Rescore

Because of the minimal staffing at the Department, districts and schools will need to rely upon the vendors' Customer Service lines for answers to questions and solutions to problems during the duration of the shutdown. Problems should be reported to Data Recognition Corporation for the reading and mathematics BSTs, and to Pearson Educational Measurement (PEM) for the written composition tests.

Data Recognition Corporation
 A68638
 13490 Bass Lake Road
 Maple Grove, MN 55331
 1-800-510-3089

Pearson Educational Measurement
 A61634
 2510 North Dodge St.
 Iowa City, IA 55420
 1-800-627-7990 Extension 824