

2017 EDUCATION AND TAX PROPOSALS

Governor Mark Dayton's E-12 education budget recommendations for the FY18-19 biennium include a \$609 million increase over current level spending. His proposal includes a 2% per year formula increase, \$74 million to expand voluntary pre-Kindergarten, \$40 million for special education aid and \$68 million to cover employer contribution increases as part of a proposal to fund the state teachers' pension.

The House E-12 education budget recommendations for the FY18-19 biennium include a \$270 million increase over current level spending. Their proposal includes a 1.25% per year formula increase, complete elimination of voluntary pre-K funding and restructuring of compensatory revenue. The House invests additional dollars to address the teacher shortage and provides additional funding for early learning scholarships.

The Senate E12 education budget recommendations for the FY18-19 biennium include a \$300 million increase over current level spending. Most of their \$300 million budget target goes towards the per-pupil formula increase, which is a 1.5% per year formula increase. The Senate also provides additional funding to address the teacher shortage, AP/IB, and concurrent enrollment teacher grants.

Below is a summary of the House, Senate and Governor's E-12 recommendations. Also included is a summary of the education provisions in the Tax Bills.

Budget Targets and Per Pupil Formula

	Budget target	Formula increase
Governor	\$709 million	\$121 per pupil per year
House	\$270 million	\$76 in FY 18, \$77 in FY19
Senate	\$300 million	\$91 per pupil per year

K-12 Education Provisions

Compensatory

Governor: Proposes no changes to compensatory.

House: De-links compensatory revenue from the basic formula allowance. Adds compensatory pilot grants to on-going compensatory revenue. Creates a new category called targeted compensatory revenue. Sets a statewide revenue amount of \$11 million for FY17 and \$15 million for FY18 and later. Distributes the revenue to school sites based on the count of free and reduced-price eligible students at each site but reduces the revenue for sites that have an MCA participation rate of 95 percent or lower. Makes compensatory pilot grants permanent but at lower amounts.

Senate: Makes compensatory pilot grants permanent. Proposes no additional changes to compensatory.

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Special Education

Governor: Recommends an increase in state special education aid by \$40 million in the FY2018-2019 biennium.

House: No proposed changes.

Senate: No proposed changes.

Teacher Shortage

Governor: No proposed changes.

House: Increases funding for the teacher loan forgiveness, collaborative urban educator, and grow your own programs.

Senate: Increases funding for Collaborative Urban Educator, Grow Your Own, and Concurrent Enrollment Teacher Training grants.

Pupil Transportation Adjustment

Governor: No proposed changes.

House: Provides \$5.5 million in FY18 and FY19 only for unreimbursed transportation costs.

Senate: No proposed changes.

Non-public School Aid

Governor: No proposed changes.

House: Includes in the definition of “textbook” an online book with an annual subscription cost (current law only grants authority for single-year costs of online textbooks and does not include multi-year subscriptions). Includes online course registration fees for advanced placement courses taken online in the definition of “software or other educational technology.”

Senate: Includes in the definition of “textbook” an online book with an annual subscription cost (current law only grants authority for single-year costs of online textbooks and does not include multi-year subscriptions). Includes online course registration fees for advanced placement courses taken online in the definition of “software or other educational technology.”

PSEO

Governor: No proposed changes.

House: Eliminates limits on postsecondary institutions’ ability to advertise or recruit high school students. Requires a school to allow a student enrolled in a PSEO course to remain at the school site during the regular school day and requires the school to adopt a policy that provides reasonable access

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to computers and technology during the school day. Requires a school board to adopt a policy regarding weighted grade point averages for students in dual enrollment courses.

Senate: No proposed changes.

Last In-First Out

Governor: No proposed changes.

House: Requires the school board and the exclusive representative of the teachers to negotiate an unrequested leave of absence plan.

Senate: No proposed changes.

Innovation Zones:

Governor: No proposed changes.

House: No proposed changes

Senate: Allows a group of school districts to form an innovation zone to research and implement innovative education programming models.

School Finance Legislative Study Group

Governor: No proposed changes.

House: Establishes a study group to recommend changes to the legislature to make school finance formulas more equitable and efficient. Requires appointment of 12 members: six members of the House of Representatives and six Senators. Requires the study group to submit its recommendations to the legislature by February 1, 2018.

Senate: No proposed changes.

Testing

Governor: No proposed changes.

House: Provides reimbursement only for students who qualify for free and reduced price lunch.

Senate: Provides reimbursement only for students who qualify for free and reduced price lunch.

MDE

Governor: Recommends \$3.2 million over the biennium to update MDE mainframe applications. These applications are used to calculate and distribute state and federal aid to school districts.

House: Proposes a cut to the agency of \$4.194 million over the biennium.

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Senate: Proposes a cut to the agency of \$9 million over the biennium.

E-Learning Days

Governor: No proposed changes.

House: Allows school boards to include plans for up to five days of instruction provided through online instruction due to inclement weather. Allows school boards to adopt e-learning plans after consulting with teachers. Requires plans to include accommodations for students who lack access to internet at home or digital devices, and accessible options for children with disabilities.

Senate: Same as House.

Food Service Contracts

Governor: No proposed changes.

House: Allows a school district food service management company to comply with federal regulations to allow for contract renewals for up to four additional years.

Senate: Same as House.

Referendum Notices

Governor: No proposed changes.

House: No proposed changes.

Senate: Allows a school district to mail referendum notice by bulk mail rather than first class.

Energy Use Reduction and Reporting for Public Schools

Governor: No proposed changes.

House: No proposed changes.

Senate: Requires a public school to enter and maintain monthly utility consumption data into the Minnesota B3 benchmarking program for all buildings under its custodial control.

Lead Testing

Governor: No proposed changes.

House: No proposed changes.

Senate: No proposed changes.

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Early Learning and Community Education Provisions

Voluntary Pre-Kindergarten

Governor: Recommends a \$175 million increase in funding for voluntary pre-Kindergarten program. Proposes a policy change to require schools with approved voluntary pre-Kindergarten to hire licensed teachers by school year 2020.

House: Eliminates voluntary pre-K. Appropriates an additional \$21 million in FY18 and \$19.7 million in FY19 only to make up for the loss of voluntary pre-k funding.

Senate: No change to current law.

School Readiness

Governor: No change to current law.

House: Appropriates an additional \$21 million in FY18 and \$19.7 million in FY19 only to make up for the loss of voluntary pre-k funding. Also allows a charter school to establish a school readiness program.

Senate: No change to current law.

ECFE

Governor: No change to current law.

House: De-links the ECFE formula from future formula increases. Increases ECFE revenue in FY18 from \$120 to \$140.77 and to \$141.20 in FY18.

Senate: No change to current law.

Early Learning Scholarships

Governor: Recommends extending access to scholarships to children ages zero to five.

House:

- Eliminates Pathway II.
- Postpones to 2020 for which a program must have a three- or four-star rating to accept an early learning scholarship.
- Extends access to scholarships to children ages zero to five.
- Requires that priority be made for children whose parents have children under age 21, who is pursuing high school or general education equivalency diploma; are in foster care or otherwise in need of protection or services; or have experienced homelessness, as defined under the federal McKinney-Vento Homeless Assistance Act, in the last 24 months.
- Appropriates an additional \$24.6 million for early learning scholarships.

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Senate:

- Extends access to scholarships to children ages zero to five.
- Requires that priority be made for children whose parents are under age 21, who is pursuing high school or general education equivalency diploma; are in foster care or otherwise in need of protection or services; or have experienced homelessness, as defined under the federal McKinney-Vento Homeless Assistance Act, in the last 24 months.
- Appropriates an additional \$2 million for early learning scholarships.

Early Learning Restructuring

Governor: No change to current law.

House:

- Creates a new position, the director of early education and development, under the Minnesota Department of Administration.
- Directs this administrator to set policy, coordinate programs, and serve as executive director of the Children's Cabinet.
- Authorizes the director to direct and control money, enter into agreements with other state agencies and direct the commissioner of education and the commissioner of human services on the administration of school readiness and Head Start programs as well as administer the early learning scholarships.
- Requires the director to coordinate program activities with the commissioner of human services and commissioner of education.
- Allows the director to charge a sliding fee for programs.
- Requires the director to limit the maximum aid a child may generate from a combination of programs based on family income level and requires the director to reduce the aid to a child that generates aid that exceeds the aid limit.
- Allows the director to establish education resource hubs throughout the state.

Senate: Calls for an early childhood care and education program study (due to the Legislature by January 15, 2018) to evaluate:

- integrating state resources for child care assistance
 - aligning family income eligibility requirements for early childhood care and education programs
 - coordinating outreach to families eligible to provide uniform notification about available program options
 - reducing duplicative paperwork and administrative burden and increasing the stability of funding for families of children eligible for early childhood care and education programs
 - maximizing child care assistance program integrity and payment mechanisms to increase fund accountability and efficiency
 - providing for local and state information technology investments and data sharing agreements necessary to support a system of coordinated care and education
 - coordinating internal and external evaluation of early childhood care and education programs to measure and report on their effectiveness and efficiency
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- transferring or consolidating powers and duties related to other early childhood care and education programs currently administered by the Department of Education, the Department of Human Services, or the Department of Health

Adult Basic Education (ABE)

Governor: No change to current law.

House: Lowers the ABE growth factor from 3 percent per year to 1 percent per year. Removes specific references to GED test and replaces terminology with commissioner-selected equivalency test.

Senate: No change to current law.

After-School Community Learning Grants

Governor: No change to current law.

House: Language was added establishing the policy behind a grant program but no funding is included.

Senate: No change to current law.

Tax Provisions

School Building Bond Agricultural Credit

Governor: No proposed changes.

House: Provides a property tax credit on all property classified as agricultural, excluding the house, garage, and surrounding one acre of land of an agricultural homestead, equal to 50 percent of the tax on the property attributable to school district bonded debt levies. Provides an open and standing appropriation to pay for the credit. Effective beginning with taxes payable in 2018.

Senate: Provides a property tax credit on all property classified as agricultural, excluding the house, garage, and surrounding one acre of land of an agricultural homestead, equal to 40 percent of the tax on the property attributable to school district bonded debt levies. Provides an open and standing appropriation to pay for the credit. Effective beginning with taxes payable in 2018.

Debt Service Equalization

Governor: Recommends \$20 million for FY18-19 increase to the state share of school debt service revenue.

House: No proposed changes.

Senate: Recommends \$14.18 million for FY19 increase to the state share of school debt service revenue

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Tax credits and deductions for education expenses and private school tuition

Governor: No proposed changes.

House: Extends the K-12 education subtraction and credit to pre-Kindergarten education programs; extends tax credits to private schools, increases the subtraction and credit amounts and the phase-out threshold for the credit and adjusts the phase-out annually for inflation.

Senate: Indexes the credit amount and the income thresholds at which the credit begins to phase out to claim the K-12 expenses credit, beginning in tax year 2019.

Credit for Private School Scholarship Donations

Governor: No proposed changes.

House: Allows new non-refundable credits for contributions to foundations that provide scholarships for nonpublic K-12 schools, make grants to charter schools, or are foundations that support public schools.

Senate: Allows new non-refundable credits for contributions to foundations that provide scholarships for nonpublic K-12 schools, make grants to charter schools, or are foundations that support public schools.

Credit for Obtainment of Master's Degree for Teachers

Governor: No proposed changes.

House: Allows new refundable credits for K-12 teachers who complete master's degrees in their field of licensure.

Senate: Allows new refundable credits for K-12 teachers who complete master's degrees in their field of licensure.

Election Dates

Governor: No proposed changes.

House: Requires school district referenda elections related to spending to be conducted on the first Tuesday after the first Monday in November of even- or odd-numbered years, to coincide with the annual general election date. Provisions in House Elections bill establishes five uniform dates throughout the year for local elections.

Senate: Senate Elections bill establishes four uniform dates throughout the year for local elections.

Referenda Ballot Language

Governor: No proposed changes.

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House: Requires a school district to state on both its referendum ballot and on its notice to taxpayers the amounts of any board-approved local optional revenue and board-approved referendum authority.

Senate: No proposed changes.