80-20-10: Bringing Equity to Minnesota's School Finance System

Report of the School Finance Working Group

November 5, 2020

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Executive Summary

Minnesota is facing a crossroads for the second quarter of the 21st century.

- Will we reignite our belief and support for a high quality, equitable education for all our youth which leads to economic vitality and a high quality of life for our citizens as it did in the second half of the 20th century?
- Or will we accept and continue the past 20-year downward drift in support for public education compared with other states, relative to inflation and personal income, which results in inequitable tax burdens and stagnant educational outcomes.

Headline-grabbing news announces the large and persistent racial and economic achievement and graduation gaps. What's missing from those headlines are the following trends:

- General education basic revenue has lost 10% ($658 per student) of its buying power compared to Consumer Price Index (CPI) adjusted inflation since 2003;
- State and local education revenue as percent of Minnesotans' personal income has fallen from 4.4% in 2000 to 4.0% in 2021; with no inflation in the general education formula for Fiscal Year 2022 and Fiscal Year (FY) 2023, state and local education revenue as a percentage of Minnesotans' personal income will decline further to 3.9 percent by FY 2023; as a result, total state and local revenue for preK-12 education will be $1.959 billion lower than it would be if the FY 2000 investment of 4.4 percent of personal income had been maintained;
- Since 2000, Minnesota has fallen from 17th to 19th in states' ranking of educational spending per pupil, from 104.2% of the national average spending per pupil to 103.1%, and the average teacher salary has fallen from 95.2% to 94.3% of the national average.

There's an old saying, "You get what you pay for." Minnesota is paying less today for education than in the 20th century as a percentage of our personal income and getting–at best–uneven results 20 years into the 21st century.

To thoughtfully review key funding streams, identify school finance reform options, and seek consensus on recommendations for systemic change, the School Finance Working Group of 24 members representing diverse perspectives was convened and met 20 times for over a year.

The recommendations of the working group contained in this 80-20-10: Bringing Equity to Minnesota's Education Finance System report will enable Minnesota to regain its leadership and truly educate the World's Best Workforce in the following four ways:

- Improving the adequacy and stability of pre-K through grade 12 education funding by restoring the equal basic revenue per pupil regardless of zip-code to 60% of general revenue;
- Targeting revenue to close the achievement and opportunity gaps;
- Improving staff recruitment, retention, and development; and
- Providing equity for communities' taxpayers so that similar tax burdens provide similar resources to educate the children in communities' school systems.

The working group organized itself into sub-groups around 10 pressure points in current education funding. These sub-groups produced 46 separate recommendations which were shared over the course of nine months with the full working group. A culminating activity of the working group was to ballot on the endorsement of these sub-group recommendations. (Appendix D) Endorsements ranged from 100%

to 45% with an average of 85.75% and median of 90%. After much discussion, the working group determined to include all sub-group recommendations in this report for consideration.

The 46 recommendations are summarized here with details in 10 topic areas in the full report.

To provide basic education funding at a level sufficient to ensure that every public school in the state is able to provide a quality education for its students, the largest, single recommendation is to restore the equal basic revenue per pupil regardless of zip-code to 60% of projected general fund revenue.

Following the 80-20-10 approach reduces the reliance on state aid for basic revenue from 100% to 80% by incorporating 20% board authorized Local Education Revenue (LER), equalized at 150% of the state's average referendum property wealth. This redefinition of basic revenue would by itself increase basic revenue per pupil statewide to $8,208, from the current $6,567 per pupil.

To project forward to FY 2023, the working group estimated inflationary increases of 2% for two years and recommends rolling into basic revenue seven current formulas to simplify the funding system, bringing the combined basic revenue allowance to $8,704, of which 80% or $6,964 would be fully state funded, and 20% or $1,740 would be LER. To maintain the buying power of basic revenue going forward, basic revenue is to be forecasted in the state budget at the prior year CPI.

For local communities to have the opportunity to raise a modest amount of additional revenue to address local priorities, school district voters may approve operating referendums up to 10% additional revenue over and above basic revenue, $870.40 in FY 2023, with their tax effort equalized at 125% of state average referendum property wealth per pupil.

As a result of this redefinition of basic revenue:

- Fifty-three percent of Minnesota's students in 256 school districts would see an increase in basic revenue due to change from Local Optional Revenue (LOR) to LER ranging from $17 to $917 per Adjusted Pupils (ADM).
- The disparities in unrestricted general education revenue would drop from 23.9% to 7.0%.

The following recommendations also increase available districts' and charter schools' general education revenue with provisions addressing costs related to unique student and district characteristics:

- Reducing cross subsidies in English Language Learner, special education and pupil transportation cost adjustment revenues;
- Funding cost differentials relating to district geography and size with improved Small Schools Revenue and a new Location Adjustment Revenue; and
- Making adjustments for charter schools to provide them the state share of LER and LAR.
- Strengthening Concurrent Enrollment Aid and Safe Schools Revenue

To target revenue to close the achievement and opportunity gaps the working group recommends the following proposals:

- Increasing and recommending modifications of Compensatory, Achievement and Integration, Extended Time and Charter School Extended time revenues, and American Indian Aid;
- Creating new categorical aids of Tribal Contract, Racial Equity, Full Service, Education Support Personnel (ESP) staffing at ESSA Schools and Full Service Community Schools revenue; and

- Expanding early learning opportunities for 4-year-olds with either a universal program for 56,000 students (K-4) or a targeted approach for 23,000 four-year-olds eligible for free or reduce-priced lunch (Jump Start).

<u>To improve staff recruitment, retention and development</u> the working group recommends the following:

- Increasing and making modifications to Q Comp/Alternative Teacher Professional Pay System (ATPPS), Teacher Loan Forgiveness and Teacher Candidate grants which are paid student teacher internships; and
- Creating new categorical aids of Teachers of Color in Greater Minnesota, Student Support Personnel, and Education Support Personnel (ESP) Training.

<u>To ensure equity for communities' taxpayers</u> and that all school districts have equitable access to revenues financed with the property tax, given the wide variation in property tax base per student among school districts, 80-20-10 equalizes the following school levies with significant statewide impact:

- All operating revenue funding streams are equalized at either 150% or 125% of the state average property wealth;
- Lease levies and Safe Schools Levies, currently 100% local taxpayer effort, are equalized at 125% of state average property wealth;
- The state share of the over $1 billion annual property taxes for school bonded debt payments is increased from 7% to 17% with the following provisions:
    - Lowering the threshold to qualify for Debt Service Equalization (DSE) to 10% extending DSE to an additional 78 districts and indexing the equalization at 100% of state average property wealth per pupil.
    - Creating a new Homestead bond credit lowering home owners' tax burden by $51 million in 205 school districts.

$2.533 to $2.755 billion is the estimated new revenue required for full implementation of these 46recommendations depending on early learning programming with an increase of $2.612 to $2.790 billion in aid and a levy reduction of $36 to $78 million. This investment reflects 4.6% of Minnesotans' total personal income. Minnesotans supported education with 4.6% of personal income as recently as 1997 and exceeded that from 1992 through 1996 with investments ranging from 4.7%-4.9%.

The working group is not unaware of the economic conditions and forecasted multi-billion-dollar deficits for this biennium and FY 2022-2023. The recommendations will need to be phased in over time keeping the following in mind:

- All 10 topic areas need to be addressed, not topic A before B before C; and
- Improving the adequacy and stability of preK-12 general education funding is fundamental and undergirds the ability of schools to address any of the more specific topical areas.

The revenue projections throughout the report are based on the fully implemented vision of the School Finance Working Group, not the first year of a multi-year phase in, and if every local school board opts to levy the maximum amount for every category that can be approved by school board resolution under state law.

Each recommendation in this report is set within a context for the recommendation and has revenue, aid and levy projections. The projections are based on estimated data for FY 2023 (2022-23 school year, because FY 2023 is both the first year possible for full implementation and it is the farthest that data can be estimated from databases used by MDE for the February 2020 budget forecast.

Background

The Commissioner of Education convened this School Finance Working Group in September 2019 "to address education funding issues with the help of Minnesotans who work with our schools every day, and to make sure that all perspectives are represented…. [The] work will focus on carefully and thoughtfully reviewing key funding streams, identifying school finance reform options, and seeking consensus on recommendations for systemic change that will:

- Improve the adequacy and stability of pre-K through grade 12 education funding;
- Prioritize equity;
- Simplify education funding;
- Preserve local control;
- Close the achievement gap;
- Promote high achievement for all students; and
- Direct resources to high quality teaching and learning." (Appendix A)

The 24 members of the working group consisted of parents, school officials, teachers, and public members and was determined by the commissioner. (See Appendix B) The working group held 20 meetings from Sept. 21, 2019, through Oct. 22, 2020. Six were in-person meetings pre-COVID-19, and 14 meetings were virtual.

The working group organized itself into sub-groups to address 10 School Finance Issue Categories/+Pressure Points (Appendix C). The following pressure points were the categories of revenue that the working group felt were most responsible for inadequate funding and disparities among districts' funding:

1. Basic Formula
2. Special Education Cross Subsidy
3. English Language Cross Subsidy
4. Achievement Gap
5. Pupil Support Staff to Student Ratios
6. Some Funding Steams Are Not Equally Available to All School Districts
7. Funding Streams Vary Among Different Types of Local Education Agencies
8. Pupil Transportation Funding
9. Property Tax Levy Equalization
10. School Finance System Complexity

The sub-groups met independently of the full working group meetings to study one pressure point and propose recommendations. Each sub-group made one presentation to the full working group describing the pressure point, often including a case study, and made recommendations.

These sub-groups produced 46 separate recommendations which were shared over the course of nine months with the full working group. A culminating activity of the working group was to ballot on the endorsement of these sub-group recommendations. (Appendix D) Endorsements ranged from 100% to 45% with an average of 85.75% and median of 90%. After much discussion, the working group determined to include all sub-group recommendations in the report for consideration.

These recommendations are organized by topic. Within each topic, current formulas and levies are addressed before new proposals which are labeled "New."

Minnesota's Constitution regarding Education Funding

School finance decisions must consider the state's constitutional responsibility as interpreted by the courts.

Minnesota's Constitution requires the state to provide adequate uniform funding for all public school students in the state.

Minnesota Constitution, Article 13, Section 1
…it is the duty of the legislature to establish a general and uniform system of public schools. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.

Minnesota Supreme Court, Skeen v. State of Minnesota, August 20, 1993
…education is a fundamental right in Minnesota. However, the current system of state educational finance satisfies that fundamental right, particularly where all plaintiff districts are provided with an adequate level of education which meets or exceeds the state's basic educational requirements and where the districts are given sufficient funding to meet their basic needs…
…our decision …requires the state to provide enough funds to ensure that each student receives an adequate education and that funds are distributed in a uniform manner…
…the State of Minnesota provides an adequate and uniform education which meets all state standards. It merely allows localities to augment this basic amount…
…the determination of education finance policy, in the absence of glaring disparities, must be a legislative decision because it involves balancing the competing interests of equality, efficiency, and limited local control…

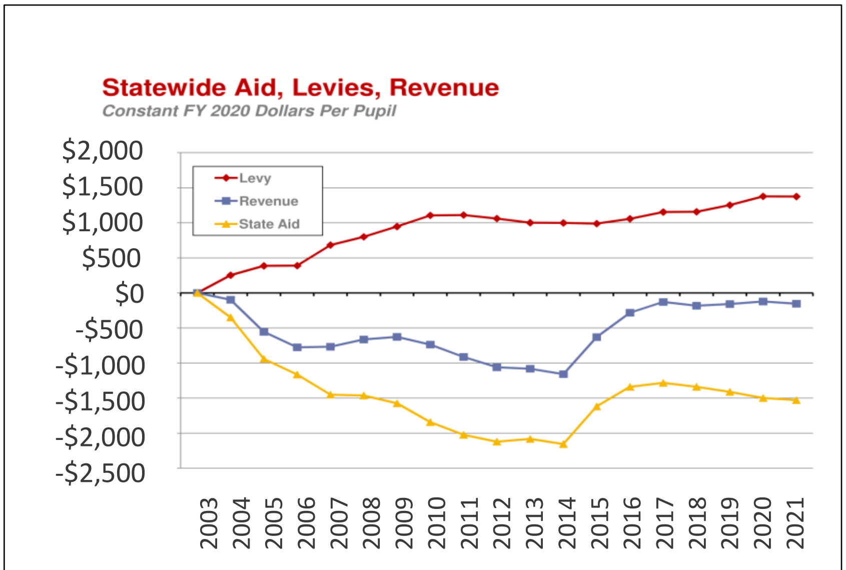
Context: Minnesota's 20-year drift downward in education funding

Twenty years after the adoption of the Big Plan in 2001 which replaced the Minnesota Miracle of 1971 by converting the aid-equalized levy mixture of the Minnesota Miracle to all state aid, Minnesota's funding of education has drifted downward relative to inflation, in comparison to other states, relied more on variable funding in voter-approved operating referendums, and increased tax burdens on lower property wealth districts' taxpayers.

Over the same 20 years, educational outcomes measured by state accountability tests have stagnated with a large, persistent achievement gap while the percentage of children of color has more than doubled from 16% to 34%.

Specific 20-year educational funding trends in Minnesota include the following:

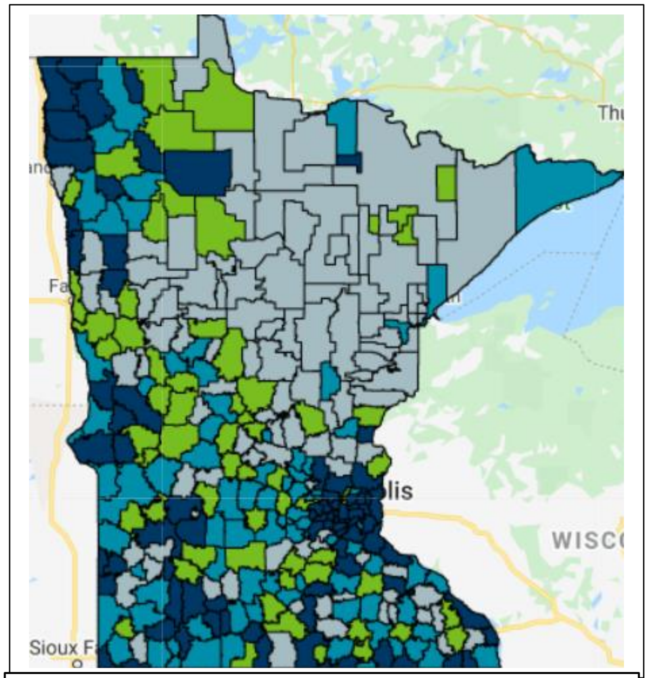
- General education basic revenue which in 2003 was 70% of all general education revenue has fallen to 53% of general education revenue in 2021 and is projected to fall to 51% in FY 2023;
- General education basic revenue has lost 10% ($658 per student) of its buying power compared to CPI adjusted inflation since 2003;
- Since 2003, total state general fund revenue has declined $1,529 while levies have increased $1,375 in constant 2019 dollars adjusted for the Implicit Price Deflater (IPD) inflation measure as shown in chart;



Prepared by Jeff Van Wychen for MN Rural Ed Association. Used with permission.

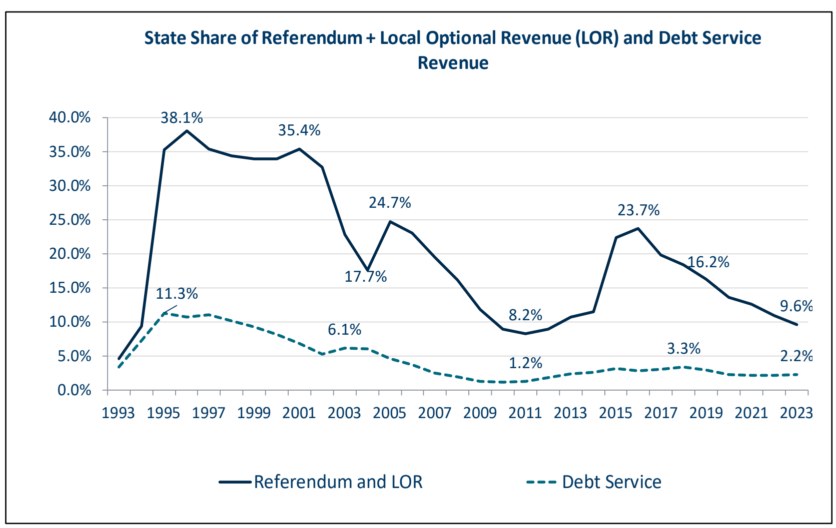
- State and local education revenue as percent of Minnesotans' personal income has fallen from 4.4% in 2000 to 4.0% in 2021; as a result, Minnesota's investment in E-12 education in FY 2021 is $1.256 billion lower than it would have been had the 4.4% rate continued with no change;
- Under current law, with no inflation in the general education formula for FY 2022 and FY 2023, state and local education revenue as percent of Minnesotans' personal income will decline further to 3.9 percent by FY 2023, and total state and local revenue for E-12 education will be $1.959 billion lower than it would be if the FY 2000 investment of 4.4 percent of personal income had been maintained;

- Since 2000, Minnesota has fallen from 17th to 19th in states' ranking of educational spending per pupil, from 104.2% of the national average spending per pupil to 103.1%, and the average teacher salary has fallen from 95.2% to 94.3% of the national average;



Above the per Pupil Average $864
Above the District Median $450 to $864
Below the District Median $450
NO Operating Referendum Revenue
View Interactive Map

- Local property taxes as a source of general fund revenue has risen from 7.2% in 2003 to 19% in 2023;
- The standard cap on the maximum voter approved operating referendums in FY 23 is $1,785 which is 27% of basic revenue;
- For FY 21 the average voter-approved operating referendum is $864 per pupil and 82 districts have operating referendums greater than $864 while 102 districts have $0 in operating referendum revenue as shown in map;
- The disparity in general education revenue (5th to 95th ratio) has been on a roller coaster; increasing from 18.6% in FY 2003 to 31% in FY 2013, falling to 18.2% in FY 2016 after the addition of board-approved Local Optional Revenue, and is now trending upwards again to 23.9% in FY 2021.
- Only 12% ($300) of the total of board-approved ($724) and the maximum voter-approved local revenue ($1,785) is equalized at an adequate level (146% of average RMV/RPU) to truly put taxpayers statewide on an equal footing as to the tax burden to raise equal dollars; and
- The state share of local raised general fund revenue (Local Optional and Operating Referendum) has fallen from 35.4% in 2002 to 9.6% in 2023 as shown in chart.



Systemic Reform

Systemic reform implies the existence of a coherent system. The Principles for Education Funding and Implementation Parameters that follow below were created by a working group sub group and are the working group's recommendations to guide the development of an educational finance system that is both adequate and equitable as called for in the working group's charge statement.

The work group applied these principles and parameters to its recommendations except for those found in the Closing Achievement/Opportunity Gaps and Addressing Racial Equity, and Improving Staff Recruitment, Retention and Development sections which were developed too late to allow for a rigorous application of these principles and parameters.

Ten Principles for Education Funding and Levy Equalization

1. Education funding should be set at a level sufficient to ensure that every public school in the state is able to provide a quality education for its students.

2. Basic funding, which provides uniform funding statewide for every student, should be supplemented by categorical revenue sufficient to cover added costs related to unique student and district characteristics including but not limited to racial and socioeconomic (SES) demographics which vary among schools and districts, and to support state priorities including closing the opportunity/achievement gap.

3. Local communities should have the opportunity to raise a modest amount of additional revenue to address local priorities.

4. School finance calculations should be simplified as much as possible without sacrificing equity. For example, levy equalization formulas should be standardized, minimizing the number of different equalization formulas.

5. State and local funding should come from a mix of state general fund resources and local property tax levies to ensure stable funding over time and to allow for limited local control.

6. Predictable, annual forecasted increases in basic revenue indexed to inflation should allow school districts and charter schools to make longer-term investments to improve and expand student learning opportunities.

7. Given the wide variation in property tax base per student among school districts, the state should equalize all school levies with significant statewide impact to ensure equity for communities' tax payers and that all school districts have equitable access to revenues financed with the property tax.

8. When equalization is provided using equalizing factors, the equalizing factors should be set at or above the state average tax base per student to ensure that districts with low tax base per student are not disadvantaged in raising revenue compared with districts having higher tax base per student.

9. All equalizing factors should be indexed to the state average tax base per student to prevent erosion of the state share of funding as average tax base per student grows with inflation.

10. When equalization is provided using a formula that includes a uniform tax rate (e.g., community education, ECFE), the tax rate should be set low enough so that districts with below average tax base are not required to levy a higher tax rate to generate the same revenue per capita compared with districts having higher tax bases.

Implementation Parameters within Principles for Education Funding

After examining the pressure points separately over the course of eight months, the working group established implementation parameters to simplify Minnesota’s education finance system. These parameters limit and provide guidance as to the aid/levy mix for funding formulas and the choices for levy equalization. These parameters are consistent with the Education Funding and Levy Equalization Principles and are integrated with the 80-20-10 Basic Revenue proposal.

1. For new programs or increases to existing programs for which districts are eligible based on students:
    a. A state aid and local levy revenue mix is applied to either the entire funding or the increase in funding;
    b. The local levy portion is equalized at 150% of average RMV/RPU or Adjusted Net Tax Capacity (ANTC)/APU when the program/proposal has a direct link to specific student educational programming such as special education; and
    c. The local levy portion is equalized at 125% of average RMV/RPU or ANTC/APU when the program/proposal is indirectly linked to educational outcomes such as Q Comp (ATPPS).
2. For new programs or increases to existing categorical programs for which some districts are eligible due to their geographic location, size or other factors unrelated to students such as transportation sparsity,
    a. Funding is board authorized;
    b. Entirely local levy equalized at 125% of average RMV/RPU; and
    c. Adjusted against a district’s referendum allowance should the district have an allowance; the referendum cap would remain at 10% of basic revenue so the room under the cap would be increased by an equal amount.
3. Current programs which are entirely local levy remain so and are equalized at 125% or 100% of average ANTC/APU or 125% RMV/RPU depending on their current tax base.

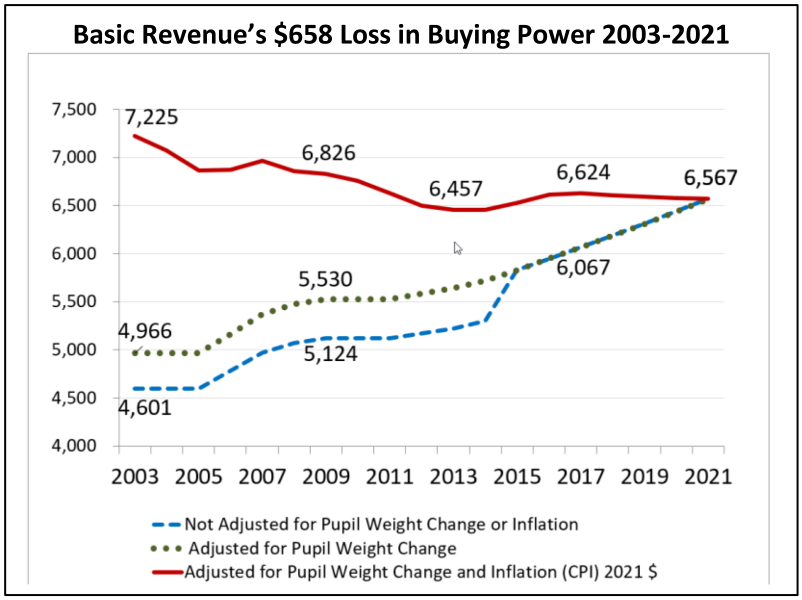
80-20-10 Basic Revenue Redefined

<u>Context:</u>

Basic revenue, also known as the formula allowance, at $6 billion in FY 2019 is the largest single component of general education revenue and each local school board determines how to allocate that money among school sites and programs, subject to certain legislative restrictions.

Simply put, the single greatest decline in educational funding over the past 20 years has been the 10% ($658) loss in general education basic revenue's buying power compared to CPI adjusted inflation since 2003.

In addition, general education basic revenue which in 2003 was 70% of all general education revenue has fallen to 53% of general education revenue 2021 and projected to fall to 51% in FY 2023.



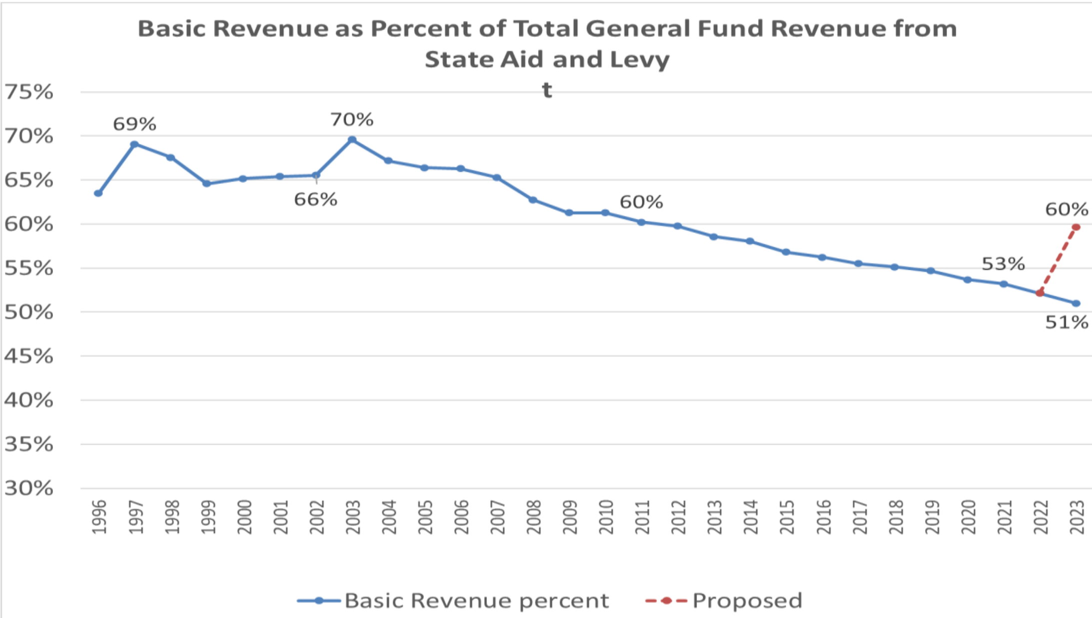
As a result, school districts have turned to voters for approval of operating referendums which has increased the financial inequities across the state due to the lack of equalization of tax payer burdens. Without equalization, lower wealth districts need a higher tax rate to raise the same dollar amount per pupil than is required in higher wealth districts. Evidence for this trend includes the following:

- In FY 2020 the state average operating referendum per adjusted pupil unit was $753, but 1/3 of districts had $0 operating referendum revenue and 1/4 of districts had over $900 per pupil;
- The disparity in general education revenue (5^{th} to 95^{th} ratio) which had fallen to 18.6% in FY 2003, reached a high of 31% in FY 2013, fell again to 18.2% in FY 2016 after the addition of board- approved Local Optional Revenue, and is now trending upwards again to 23.9% in FY 2021;
- The cap on the maximum voter-approved operating referendums in FY 2023 is $1,785 which creates a 27% variance in basic revenue; and
- Only 12% ($300) of the total of board-approved ($724) and the maximum voter-approved local revenue ($1,785) is equalized at an adequate level (146% of average RMV/RPU) to truly put taxpayers statewide on an equal footing as to the tax burden to raise equal dollars.

<u>Recommendations:</u>

The fundamental and largest single recommendation is to improve the adequacy and stability of pre-K through grade 12 education funding by restoring the equal basic revenue per pupil regardless of zip-code to 60%. This is half way back to 70% and is where Minnesota was in 2011. This recommendation also reduces the reliance on state aid for basic revenue from 100% to 80% by incorporating 20% Local

Education Revenue (LER) equalized at 150% of RMV/RPU. To maintain the buying power of basic revenue going forward, basic revenue is to be forecasted at the prior year CPI.



1. Basic Revenue redefined

a) Beginning in FY 2023, redefine "basic revenue" to include both the formula allowance, which would continue to be fully state funded, and "Local Education Revenue", (LER), which would replace Local Optional Revenue (LOR), and be funded with a local property tax on Referendum Market Value (RMV), equalized at 150 percent of the state average RMV per Resident Pupil Unit (RPU), eliminating the separate calculations for Tier 1 and Tier 2 of the current LOR.

b) 80 percent of the new basic revenue would be in the formula allowance, and 20 percent would be LER. To reach the 80-20 funding mix, $917 per pupil unit of referendum revenue would be rolled into LER, making the total LER allowance $1,641.

c) For a district where the referendum revenue is less than the sum of the $917 transferred to LER, there would be a net board authorized LER increase up to the amount of the difference.

d) The new combined basic revenue allowance of $8,208 would then be increased for inflation at 2% per year over the base, and set at $8,540 for FY 2023, of which 80 percent ($6,832) would be funded fully with state aid, and 20 percent ($1,708) would be funded with an equalized levy.

e) Finally the working group recommends rolling the seven formulas that follow into basic revenue which would result in adding $132 bringing basic revenue to $8,704 when fully implemented: equity revenue, transition revenue, gifted and talented revenue, literacy incentive aid, telecommunication equity aid, Tax Base Replacement and Referendum minimum aids.

f) The combination of these three changes would increase the combined basic revenue allowance for FY 2023 to $8,704, of which 80 percent or $6,964 would be fully state funded, and 20 percent or $1,740 would be LER.
    a) Increase in formula allowance = $6,964 - $6,567 = $397
    b) Increase in board authorized LER/LOR = $1,740 - $724 = $1,016
    c) Reduction in voter approved referendum = up to $917

d) Reduction from program eliminations averages $132

g) For later years, the combined basic revenue amount would be indexed for inflation using the prior year CPI and the increases forecasted in state budgeting.

h) These predictable, indexed increases are more important than maintaining the specific 80-20 funding mix or the 90-10 payment schedule. What is important is to have mixes and schedules that work for the state and school districts while maintaining predictable, indexed increases in basic revenue.

Revenue projections for FY 23 are as follows:

Basic Revenue Recommendations	Proposed Revenue Increases	Proposed Aid Increases	Proposed Levy Changes
Redefine Basic Revenue	$ 204,745,442	$ 440,719,376	$ (236,117.934)
Inflation for FY 21 & 22	$ 345,395,287	$ 308,089,256	$ 37,311,032
Estimated FY 23 Investment	$ 550,140,729	$ 748,808,632	$ (198,806,902)

2. Reduce the variability in general education revenue caused by voter approved operating referendums from 27% of basic revenue to 10% of basic revenue is the second recommendation of the working group. Hence the name "80-20-10" for the reform recommendations in this report.

Implementation steps to achieve this recommendation:

a) The standard referendum cap of $1,780 would be reduced by $917 to reflect the funding moved from referendum revenue to the LER portion of basic revenue leaving $863.

b) The standard cap would be indexed at 10% of basic revenue for FY 2023 and later. With the combined basic revenue at $8,704 for FY 2023 after adjustments for inflation and the roll-ins, the adjusted standard cap would be $870.40. Districts receiving sparsity would still be exempt from the cap, and the few districts with allowances grandfathered over the standard cap would continue to receive the grandfathered amount.

c) The remaining referendum revenue would be equalized up to the standard cap at 125 percent of the state average RMV per RPU thereby eliminating the separate calculations for Tier 1, Tier 2 equalized LOR and operating referendum revenue, unequalized referendum revenue, tax base replacement aid and the referendum/LOR aid guarantee aid.

Charter School LER Aid

Context

In the state, 164 charter schools served 59,763 ADM in 2018-19.

With the increasing reliance of Minnesota's general fund revenue on local property taxes with both voter-approved Operating Referendum Revenue and board-authorized Local Option Revenue, charter schools have been left behind. Charters receive the state equalization aid portion of the district in which they are located. Since charters are mainly in the Twin Cities and many districts receive no equalization in the current formulas, that results in zero revenue. In addition, a charter a few miles away in a district with equalization will receive revenue, which creates an uneven playing field for charters among themselves.

Additionally, charter schools do not generate certain categorical revenues such as safe schools revenue or extended time revenue.

What charters have been able to do is to make themselves attractive to families of students with special needs to receive the basic revenue those students and continue to have 90% of the unreimbursed special education costs covered in FY 21 and later with 80% billed back to the resident district and 10% paid by the state.

Recommendations

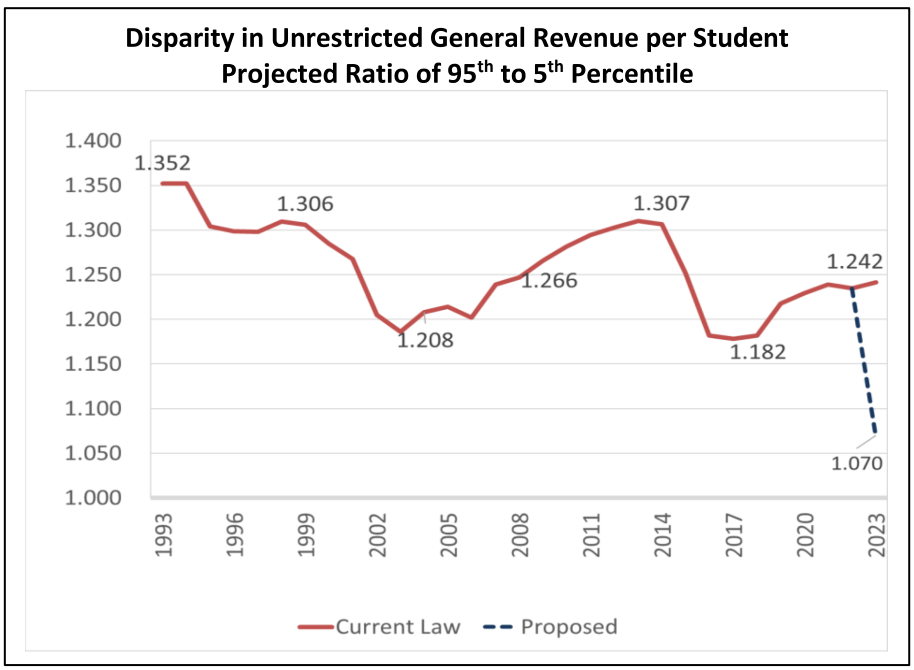
Charter School Funding -- Replace current referendum and LOR adjustments for charter schools with LER funding based on state average LER aid per pupil unit;

Charter School Recommendations	Proposed Revenue Increases	Proposed Aid Increases	Proposed Levy Changes
LER State Aid Average	$ 37,856,063	$ 37,856,063	$ 0

Effects of 80-20-10 Recommendations

53% of students are in the 256 school districts which would see an increase in basic revenue due to change from LOR to LER ranging from $17 to $917 per Adjusted Pupils (ADM).

The disparity in unrestricted general education revenue would drop from 24.2% to 7.0% as can be seen in the chart.



Funding Cost Differentials Related to District Geographic Location and Size

Small Schools Revenue

Context

Since FY 2012 school districts with fewer than 960 APU have received Small Schools Revenue (SSR). Fewer students than 960 APU increase inefficiencies to provide a well-rounded education, provide transportation and nutrition, and a full range of extracurricular activities. In FY 2019, 171 school districts received SSR.

Minnesota went through a series of consolidations in the '80's and '90's, but they have become a trickle recently for two reasons:

1 The distance between towns with schools is now greater, leading to the question how long should students be on the bus to and from school; and

2 A greater recognition of the role rural schools play in their communities. Mara Casey Tieken, in her study Why Rural Schools Matter (2014), made the observations that "rural schools foster the social interactions of rural communities…. as one of the handful of public spaces that bring a community together. Rural schools … lend both political power and identity….and after the school is closed, things just sort of shut down…Now it is a lonely sign with forgotten town name." (pp. 158-160)

There are two issues with SSR as currently written which impair its ability to support small schools:

1. The funding factor of $544 was 10% of the formula when SSR was written and is fixed and not keeping up with basic revenue; and
2. It is a curvilinear formula getting larger from 960 down to 480 students which makes sense as inefficiencies increase, but then declines from 480 students and smaller while inefficiencies keep increasing.

Recommendations

1 Restore the Small Schools Revenue allowance to 10% of basic revenue;

2 Flatten the curve for districts with fewer than 480 pupil units; and

3 The current aid is integrated with the proposed increase by making the SSR formula 50% aid and 50% local levy equalized at 125% of average RMV/RPU.

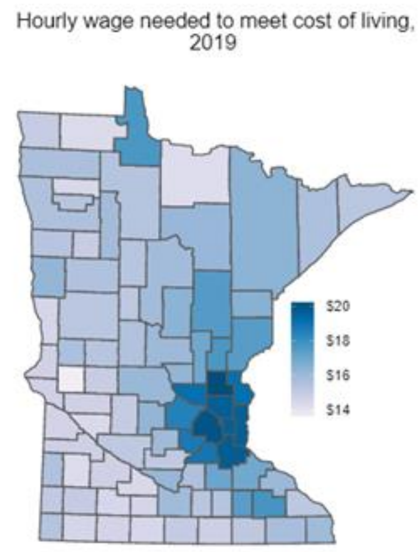
Small Schools Revenue Recommendations	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Increase
Small Schools Revenue	$ 12,851,236	$ 4,805,867	$ 8,045,370

Location Adjustment Revenue

Context

One aspect of equity is the equalization of purchasing power that is associated with geographic location. Two recent studies have found detailed data for cost differentials among Minnesota's counties:

- A Center for Rural Policy and Development 2020 report on costs of living; and
- A 2018 academic study of wage costs.



Center for Rural Policy and Development 2020

The 2018 study (Alexander, N.A.; Holquist, S; and Kim, H) created a Geographic Cost Education Index (GCEI) to measure this difference, and it ranged from .71 to 1.12 based on 2011-2013 wage data.

The authors conclude that uneven labor costs among districts have the effect of uneven purchasing power; districts [at the higher end of the scale] are unable to purchase the same level of educational resources for the same fiscal effort.

Furthermore, not only are wealthier districts clustered at the higher end but also "when those districts were located in urban communities, they tended to serve higher portions of students eligible for lunch subsidies. This finding is especially troubling because it means that these higher-cost urban districts not only had to stretch their nominal dollars farther than average-cost districts, they also had to do so while serving more students placed at risk." (ibid, p. 160)

Geographic Cost Education Index (GCEI) =.23 + .77(*(20% of County Average Wage 3 year average + 80% of Regional Average Wage 3 year average)/State Average Wage 3 year average)

Recommendations

1. Create Location Adjustment Revenue (LAR), a new component of general education revenue, based on the Geographic Cost Education Index (GCEI) with this formula: ((GCEI>.8)-.8)*Basic Revenue*15%=District LAR;
2. Fund with a levy on RMV equalized at 125 percent of the state average RMV/RPU to address regional cost differences for districts above .8 GCEI;
3. This new revenue would be offset against an eligible district's referendum allowance;
4. The referendum cap would remain at 10% of basic revenue so the room under the cap would be increased by an equal amount; and
5. For an eligible district where the referendum revenue is less than the new revenue allowance, there would be a net increase in board authorized local revenue in the amount of the difference.

One hundred fifty-nine (159) districts would qualify for LAR and 13 are eligible for max LAR $418 based GCEI calculations done with data from 2011-2013 and which need to be updated

Location Adjustment Revenue (LAR) Recommendation	Proposed Revenue Increases	Proposed Aid Increases	Proposed Levy Changes
LAR Annual Revenue	$ 191,310,070	$ 33,474,371	$ 157,835,700
Referendum Adjustment Offsetting LAR	$ (115,587,342)	$ (12,216,401)	$ (103,370,940)
Net LAR Revenue	$ 80,594,203	$ 26,129,443	$ 54,464,760

Charter School LAR Aid

Context

In 2018-19, 164 charter schools served 59,763 ADM.

With the increasing reliance of Minnesota's general fund revenue on local property taxes with both voter-approved Operating Referendum Revenue and board authorized Local Option Revenue, charter schools have been left behind. Charters receive the state equalization aid portion of the district in which they are located. Since charters are mainly in the Twin Cities and many districts receive no equalization in the current formulas, that results in zero revenue. In addition, a charter a few miles away in a district with equalization will receive revenue, which creates an uneven playing field for charters among themselves.

Additionally, charter schools do not generate certain categorical revenues such as safe schools revenue or extended time revenue.

What charters have been able to do is to make themselves attractive to families of students with special needs to receive the basic revenue those students and continue to have 90% of the unreimbursed special education costs covered in FY '21 and later with 80% billed back to the resident district and 10% paid by the state.

Recommendation

Charter School Funding: Provide LAR funding for charter schools located in districts with Geographic Cost Education Index (GCEI) greater than .80 based LAR allowance for district of residence and state average aid portion of LAR;

Charter School Recommendations	Proposed Revenue Increases	Proposed Aid Increases	Proposed Levy Changes
LAR GCEI for District of Residence and State Aid Av.	$ 4,871,474	$ 4,871,474	$ 0

Reducing Cross Subsidies

English Language Learners (ELL)

Context:
The English Language Learner formulas have fixed amounts per student which have not kept up with inflation. The concentration cap in ELL is unrealistically low for districts with a significant ELL population.

The goals of working group ELL recommendations are to reduce the ELL cross subsidy to approximately 50% by adjusting the funding per student and the cap for inflation. These goals are addressed within the implementation parameters for programs tied directly to student programming: an aid/levy mix equalized at 150% of average RMV/RPU or ANTC/APU.

Ninety-five percent of students generating ELL revenue are students of color.

Recommendation:

1. Increase initial ELL revenue per EL student from $704 to $1,015 and the EL concentration allowance from $250 to $360 to adjust for inflation, and
2. Extend the ELL concentration formula from the current cap of 11.5 percent (established in 1998) to 23 percent (increasing the maximum concentration revenue per EL student to $720 for districts with 23 percent or higher EL concentration).
3. Fund the proposed $38.6 million increase in revenue with 80 percent state aid and the remaining 20 percent with a levy equalized at 150 percent of the state average ANTC per APU.

English Language Learner (ELL) Recommendations	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Increase
Increase per student allowance and cap on concentrations of ELL students	$ 38,305,347	$ 29,249,476	$ 9,055,871

Special Education (SPED)

Context:
The special education cross subsidy which are the funds school districts must take from general education revenue to back fill SPED-mandated costs not covered by the state and federal SPED funding is projected to grow to an average of $843 per ADM in FY 2023 with current law.

The SPED cross subsidy has grown from 8% of the formula to 12% over the past 15 years and is projected to grow to 15% or more over the next 10 years. The combined state and federal cross subsidy varies among districts from low to high cross subsidy by $1,715, creating a 27% inequity in the formula dollars available for regular education.

The SPED formulas are multiple and complex. Districts receive the least of three initial cost formulas and the greatest of two excess cost formulas. SPED transportation is 100% reimbursed. Factor in tuition adjustment and districts receive the Net Special Education Aid subject to Hold Harmless (minimum calculation) and Growth Limit (maximum calculation)

The goals of the working group SPED recommendations are (1) to reduce the state's share of the cross subsidy to zero, and (2) simplify the formulas. These goals are addressed within the implementation parameters for programs tied directly to student programming: an aid/levy mix equalized at 150% of average RMV/RPU or ANTC/APU.

Recommendations:

1. To hold the cross subsidy constant at the FY 2021 level, increase state total special education revenue by $36.6 million for FY 2023 by increasing cross subsidy reduction aid from 6.43% to 10.3% of the cross subsidy.

2. To eliminate the state portion of the cross subsidy (an additional $85 million in FY 2023), simplify the special education formula, and fund a portion of special education revenue with an equalized levy to maintain the overall state and local shares of school funding while improving school levy equalization for all programs, do the following:

    a. Replace the three formulas currently used to calculate initial special education aid with a single formula reimbursing 50% of prior year nonfederal special education expenditures and 100 percent of current year special transportation expenditures;

    b. Replace the two formulas currently used to calculate excess cost aid with a single formula reimbursing 44.1% of prior year nonfederal special education expenditures not reimbursed with initial aid that exceed 4.1% of a district's general education revenue;

    c. Further increase cross subsidy reduction revenue percentage to 11.49%;

    d. Fund cross subsidy reduction revenue and the special education hold harmless with an equalized levy, equalized at 150% of the state average RMV/RPU tax base per student.

    e. The federal cross subsidy would remain and is significant. The cross subsidy reduction revenue funded with an equalized levy on RMV could be expanded to include the federal cross subsidy. But there are philosophical and practical issues in taking that step which require more discussion.

Special Education Recommendations	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Increase
Total SPED Recommendations	$ 121,396,522	$ 34,559,015	$ 86,837,507

3. Reform charter tuition calculations:

    a. The average hourly rate for charter school tuition billing for charter schools with less than 70% special education students would be limited initially to 200% of the average hourly rate for the district in which the charter school is located;

    b. Charter schools with higher tuition rates would be held harmless initially for 75% of the loss of revenue resulting from the tuition rate cap;

    c. Over time, the 200% would be reduced to 125% and the hold harmless would be phased out.

4. Strengthen third party billing**:**
    a. Allow Licensed School Social Workers to third party bill; and
    b. Create stronger language requiring all charter schools to third party bill to reduce tuition billing to districts.

5. Improve cost containment:
    a. Workload analysis and school board policies implemented and followed. This will lead to greater expenditure predictability as districts would be following a process to right size staffing each fiscal year.
    b. Utilize partnerships with other districts or in arrangements such as a cooperative to share staffing/services with other districts for those disabilities that do not require a full time staff member.
    c. Utilize partnerships with other districts or in arrangements such as a cooperative to increase office efficiencies.

Transportation Cost Adjustment Revenue

Context

In 1995 and 1997, the separate transportation fund was eliminated, $170 was added to the formula, and a transportation sparsity formula was established to adjust for the funding changes. For the past few years, districts with greater square miles and charter schools have been advocating that the sparsity formula from 1997 leaves them with large unreimbursed transportation costs. The 2018 legislature responded with an 18.2% adjustment in state aid.

Bemidji and Forest Lake made presentations to the working group and requested 100% cost reimbursement. The working group was reluctant to provide 100% cost reimbursement, because many districts negotiate contracts for these services with transportation providers. With districts negotiating these contracts, districts need "skin in the game" for healthy negotiations.

Recommendations

1. The current pupil transportation cost adjustment would be increased from 18.2 percent to 70 percent of the unreimbursed cost;
2. Funded with a levy on NTC equalized at 125 percent of the state average RMV/RPU;
3. The adjustment would be offset against a district's referendum allowance based on FY 2019-21 data. The referendum cap would remain at 10% of basic revenue so the room under the cap would be increased by an equal amount; and
4. For districts where the referendum revenue is less than the adjustment, there would be a net board increase in authorized local revenue in the amount of the difference.

Pupil Transportation Cost Adjustment Recommendation	Proposed Revenue Changes	Proposed Aid Changes	Proposed Levy Changes
70% Cost Reimbursement	$ 13,202,442	$ 3,291,262	$ 9,911,180
Eliminate the 18.2% aid cost reimbursement	$ (3,432,635)	$ (3,432,635)	$ 0
Net 70% Cost Reimbursement	$ 9,769,807	$ (141,373)	$ 9,911,180

Simplifying Current Formulas

Context

Over the past 20 years, Minnesota's education funding has gotten more complex as governors and legislatures attempted to address issues, ameliorate inequities in funding, and make political and ideological compromises, all within biennial budget targets. As a result, there are multiple tiers on equalization factors, multiple formulas for SPED, and an increased number of smaller funding streams.

Recommendations:

1. The working group recommendations on basic revenue and pressure points simplify education funding in the following ways:
    a. Redefining basic revenue into 80% aid and 20% LER;
    b. Replacing three tiers of LOR and operating referendum equalization with one Tier;
    c. Linking and indexing formulas including the operating referendum cap to basic revenue;
    d. Standardizing equalization factors to three (150%, 125%, or 100%) and indexing them to average statewide property values RMV/RPU or ANTC/APU;
    e. Replacing three initial special education revenue and two excess cost calculations with one formula for each;
    f. Replacing two tiers of DSE with one; and
    g. Having the same 10% debt threshold for DSE and for the Homestead Credit.

2. The following current smaller formulas are recommended to be rolled into basic revenue, because either they are expected to be unnecessary with the increased basic revenue and indexed equalization factors or the formulas or their implementation do not further the education equity commitment:

    a. Current General Fund Unrestricted Funding Streams

        i. Literacy incentive aid
        Beginning in fiscal year 2013, school districts and charter schools qualify for literacy incentive aid. The aid consists of two parts, Proficiency Aid and Growth Aid, which are both based on third- and fourth-grade grade students' performance on the state reading test called the Minnesota Comprehensive Assessment (MCA).

        ii. Equity revenue
        The equity revenue formula consists of three parts: basic equity revenue; low referendum equity revenue; and a supplemental equity amount equal to $50 per pupil unit. Equity revenue is designed to provide additional revenue to districts with lower amounts of referendum revenue. To calculate equity revenue, the state is divided into two regions: a seven-county metro region and a greater Minnesota (non-metro) region. Equity revenue is calculated separately for districts within each of the two regions.

iii. Referendum/LOR minimum aid

For FY 2015, significant changes were made in referendum calculations and LOR was introduced. School districts were guaranteed to receive at least as much state aid for referendum and LOR as the district would have received for referendum under old law. For later years, the guarantee is reduced if a district's referendum revenue decreases or its tax base per student increases.

iv. Tax Base Replacement Aid

Referendum tax base replacement aid was implemented by the 2001 Legislature as a mechanism designed to compensate school districts for the loss of agricultural land and cabin tax base. Tax base replacement aid is a frozen dollar amount based on fiscal year 2003 characteristics.

v. Transition revenue

Transition revenue provides school districts with a partial grandfather or hold-harmless due to changes in general education revenue formulas enacted on several occasions by the legislature.

b. Current General Fund Dedicated Funding Streams

i. Gifted and Talented

The revenue, $13 per pupil unit, must be reserved and spent only to:
1) identify gifted and talented students;
2) provide education programs for gifted and talented students; or
3) provide staff development to prepare teachers to teach gifted and talented students.

ii. Telecom Equity Aid (TEA)

School districts, charter schools, and nonpublic schools are eligible for state aid to pay for a portion of their telecommunications and Internet access costs. The telecommunications/Internet access aid program grants school districts and charter schools that belong to a telecommunication cluster state aid equal to 90 percent of the schools' unreimbursed telecommunications costs; if the district or charter school is not a member of a telecommunications cluster, the aid equals 90 percent of the unreimbursed cost exceeding $15 per pupil unit. The aid amount is prorated to the state appropriations cap, which substantially reduces each school district's aid payment.

iii. These two categorical funding streams do raise the policy question of whether one or both of these dollar amounts should continue to be restricted in their use?

Formula Simplification Recommendations	Proposed Revenue Changes	Proposed Aid Changes	Proposed Levy Changes
Total of seven formulas rolled into Basic Revenue	$ (204,934,059)	$ 89,046,496	$ (89,041,496)
Literacy Incentive Aid	$ (46,062,000)	$ (46,062,000)	
Equity Revenue	$ (112,350,373)	$ (17,398,106)	$ (94,952,267)
Tax Base Replacement Aid	$	$ (8,099,878)	$ 8,099,878
Transition Revenue	$ (30,187,101)	$ (3,392,458)	$ (26,494,643)
Referendum Minimum Aid	Rolled into Referendum Revenue Change		
Gifted and Talented Aid	$ (46,062,000)	$ (46,062,000)	
Telecom Equity Aid (TEA)	$ (3,736,871)	$ (3,736,871)	

3. As a result of these seven formulas being rolled into basic revenue, basic revenue will increase by $204,934,059. This will make the following increases:

Formula Simplification Recommendations	Proposed Revenue Increases	Proposed Aid Increases	Proposed Levy Changes
Basic Revenue by $164 to $8,704 per APU	$ 171,346,310	$ 152,690.793	$ 18,655,516
Extended time for charter schools	$ 1,588,928	$ 1,588,928	$ 0
Location Adjustment Revenue (LAR)	$ 3,790,837	$ 740,961	$ 3,049,876
LAR Operating Referendum Adjustment	$ (1,952,157)	$ (170,271)	$ (1,781,887)
Small Schools Revenue	$ 530,661	$ 390,004	$ 140,657
Racial Equity	$ 9,328,605	$ 9,328,605	$ 0

4. A hold harmless provision is needed for four rural school districts whose Tax Base Replacement Aid reduction (TBRA) is larger than their operating referendum and equity levy decreases. Without a hold harmless provision, the taxpayers in these districts will see an increase in their levy without their school board being able to moderate it and without new revenue being generated to educate the students served by the district. Two are smaller and two are significant.

ISD #	District Name	Levy Increase per pupil	Total Levy Increase
308	Nevis	$1	$852
550	Underwood	$9	$5,553
264	Herman Norcross	$682	$67,557
2171	Kittson Central	$718	$186,150
	Total		$260,112

Equalizing Current Levies

Operating Capital

Context

Operating capital, which must be reserved and used for equipment and facility needs, is currently equalized at 300% of ANTC. The equalization percent has gyrated wildly over the past 20 years, because it was used to equalize whatever changes to levies were being proposed to keep net state levies neutral.

Recommendation

Operating capital is indirectly related to student outcomes and should be equalized at 150% as are other general education and categorical general education revenues within this parameter.

Operating Capital Recommendation	Proposed Revenue Increase	Proposed Aid Decrease	Proposed Levy Increase
Index to fully state-funded portion of basic revenue	$ 0	$ (37,859,159)	$ 37,859,159

Equalize Career and Technical Education, Capital Projects and Reemployment Levies

Context

Current statute allows districts to:

- Support Career and Technical Education with a local levy for allowable expenses equalized at a fixed factor, $7,612, which is currently 84% of average ANTC/APU;
- Go to the voters to approve capital projects referendums, usually for technology, which are not equalized and provide a large advantage to property wealthier districts to receive approval; and
- Pay for unemployment claims with local levies which are not equalized.

Recommendation

Equalize all three levies at 125% of ANTC/APU.

Equalizing Levies Recommendation	Proposed Revenue Increases	Proposed Aid Increases	Proposed Levy Decreases
Career and Tech Ed	$ 0	$ 8,776,246	$ (8,776,246)
Capital Projects Referendum	$ 0	$ 15,706,659	$ (15,706,659)
Reemployment	$ 0	$ 1,258,829	$ (1,258,829)

Community Services Levies

Context

Community education revenue allowances are based on the following per capita amounts and the total allowance is raised with a uniform tax rate of 0.94% of ANTC:

- Basic community education: $5.42 per capita, with a minimum of 1,335 population;
- Youth services: $1 per capita with a minimum of 1,335 population; and
- Youth after school enrichment: $1.85 per capita with a minimum of 1,335 population, and an additional $0.43 for districts over 10,000 in population.

With the steady increase in state-wide property values, the percentage of state aid of community education revenue at 0.94% has fallen to 0.6% in FY 2021 and is projected to fall to 0.4% in FY 2023. Because of the per capita limits in allowances most districts raise their allowance at a tax rate lower than 0.94%. This combination of a low state share of revenue for poorer wealth districts and lower tax rates for wealthier communities is the inverse of property tax equalization.

School-age child care may be provided by school districts for students in grades K-6 for hours outside of the school day and are primarily funded by participant fees on a sliding fee schedule. Approximately 50% of districts provide school-age child care.

Districts with school-age care programs receive school-age care revenue for the additional costs of providing services to children with disabilities or children experiencing temporary family or related problems. The levy is equalized with a fixed factor of $2,318 which is only 25% of the state average ANTC/APU. As a result of this low equalization and the districts participating in Child Care Revenue, local levies fund 100% of this program.

Home visiting is an important function in closing the opportunity/achievement gap, but it exceeds the Implementation parameters.

Recommendations

1. Lower the Community Education tax rate to increase the state share of revenue; and
2. Equalize both school-age care and home visiting at 125% of ANTC/APU.

Equalizing Community Education Levies Recommendation	Proposed Revenue Changes	Proposed Aid Changes	Proposed Levy Changes
Community Education	$ 0	$ 3,746,191	$ (3,746,191)
School Age Child Care	$ 0	$ 5,577,925	$ (5,577,925)
Home Visiting	$ 0	$ (356,158)	$ 356,158

Closing the achievement/opportunity gaps and addressing racial equity

Compensatory Education Revenue

Context

Compensatory education at $561.5 million in FY 2019 is the largest and most widely distributed categorical revenue to address families' economic inequities in Minnesota's educational funding.

Compensatory revenue is provided to school sites based on the number of students at the site eligible for free or reduced-price (FRE) meals. The formula is often referred to as a concentration formula because as the concentration of students eligible for FRE meals increases, the compensatory revenue per compensatory pupil also increases. Sixty-two percent of students generating compensatory education revenue are students of color.

At least 50% of the revenue must be distributed to qualifying programs at each site. Compensatory revenue is used through a wide variety of eligible usages to meet the educational needs of pupils whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age.

While school districts and charter schools have always had to encourage families to complete FRE forms, this has become more problematic last year. The result is a steady decline in forms completed and students eligible for FRE meals. Reasons for this trend, based on anecdotal evidence, include a growing general reluctance by people to fill out forms due to privacy concerns, the reluctance of people who have recently arrived in the United States who are concerned that filling out forms could jeopardize their residency or opportunity to obtain a Green Card, and an increasing number of parents believe child(ren) will be fed at school whether or not they fill out a FRE application.

Districts can also directly certify students through a 'direct match' with income information held by the state for participants in certain public assistance programs. But this works for only a few districts and runs into some of the issues listed above for the decline in parents completing FRE forms.

Compensatory revenue was reviewed by the Legislative Auditor who released their study in March 2020 and made the following key recommendations:

- The Legislature should repeal the statute requiring school districts to report on whether compensatory revenue raised student achievement.
- The Legislature should require school districts to report whether programs paid with significant amounts of compensatory revenue are consistent with best practices, and MDE should identify future best practices.
- The Legislature should consider changing the calculation of compensatory revenue to lessen the downsides of using prior-year counts of qualifying students. MDE should evaluate additional methods for obtaining counts of these students.
- The Legislature should repeal the statute requiring school districts to reserve a share of compensatory education revenue solely for extended-time programs.
- The Legislature should clarify the requirement for a school board-adopted plan when school districts reallocate compensatory revenue.

Recommendations

1. Provide incentives or a small amount of funding to have districts report out on how funding is being used, what's working, why is it working, how do they know, what obstacles are they having and what other support do they think they need.
2. Create a mechanism where districts can share best practices/successful programs that are working to close the achievement gap.
3. Build incentives for districts willing to try best practices that have worked -- create a structure around this goal -- start small and scale up Multi-Tiered Systems of Support (MTSS). Can there be additional staffing for certain programs?
4. Add revenue for MTSS and middle school model for more equitable eligible uses of compensatory funding;
5. Gather data and investigate the following questions: Is the funding amount right? Is the distribution appropriate? Is there accountability? How is spending happening in districts? What's working? Who is doing well? Is there a lack of support and training on possible use of this funding?
6. Replace free and reduced-price lunch eligibility percentage with a new measure to allocate compensatory education revenue; and
7. Consider a hold harmless clause in the short term.

No costing has been done for these recommendations above.

Achievement and Integration (A&I) Revenue

Context

There are 171 school districts that participate in the Achievement and Integration (A&I) program. These districts are either Racially Isolated (RI) with a protected class of students 20% greater than Adjoining District(s), Adjoining Districts, or Racially Isolated Schools (RIS) with 20% more protected class students than the district average for same grades served.

Districts are to set goals and implement strategies to
1. increase racial and economic integration;
2. reduce achievement disparities; and
3. increase access to effective and diverse teachers.

A&I revenue is provided through a mix of aid and levy, with 70% of the revenue provided in state aid and the remaining 30% provided through the local levy or other local resources. Total revenue in FY 19 was $105.5 million with $73,822,000 in aid and $31,638,000 in levy. This is projected to grow to grow to $123 million FY 2023 with a combination of aid and levy. The A&I program has lost 15% of its buying power to inflation since adopted in 2014, and 30% of the revenue is an unequalized local levy on Net Tax Capacity (NTC)

It is questionable about how many school districts A&I revenue for research-based programs that encourage school integration. Districts should highlight research-based or effective practices to share with other districts.

Recommendations

1. Increase Achievement & Integration Revenue allowance by 15% for FY 2023 to Restore Buying Power Lost to Inflation Since FY 2014
2. Link allowance for FY 2024 and later to basic formula
3. Equalize 30% levy at 125% of state average ANTC/APU
4. MDE should improve oversight of how districts utilize achievement and integration aid.

Achievement and Integration Recommendations	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Decrease
A&I recommendations	$ 15,792,824	$ 21,288,084	$ (5,495,260)

American Indian Aid

Context

Minnesota ranks as one of the worst states in the nation for Native American students. Native American students in Minnesota have a 51% on-time graduation rate; white students have an 88.4% on-time graduation rate.

Recommendation

Increase American Indian Aid. Provide $60,000 for the first 20 students plus $1,212 times the number of students over 20. This is an increase of $854 per American Indian student.

American Indian Aid Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Aid formula	$ 26,180,222	$ 26,180,222	$ 0

Extended Time

Context

Extended time for students participating in extended educational programming is allowable up to .2 APU, but the dollar amount is fixed at $5,117 and is not .2 of the formula allowance. Sixty-two percent of students generating extended time revenue are students of color.

Recommendation

Increase the extended time allowance by indexing it equal to the formula allowance for the fully state-funded portion of basic revenue.

Extended Time Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Index to fully state-funded portion of basic revenue	$ 18,947,141	$ 18,947,141	$ 0

Charter School Extended Time

Context

The extended time revenue program allows a school district to count a student who participates in extended programming for up to an additional 0.2 students in ADM for the time the student spends in extended day, extended week, summer school, or other additional programming authorized by the learning year program. The extended time revenue allowance is $5,117.

For charter schools offering extended time services, beginning in fiscal year 2017, per pupil extended time revenue equals 25 percent of the district average amount for that year.

In general, students that qualify for graduation incentives are much more diverse than the overall student population.

Recommendation

Provide the same level of funding to charter schools that administer remedial and targeted services for at risk students as school districts (currently $5,177 per extended time pupil unit, with a cap of 0.2 extended time ADM per student, but proposed to be increased to the same rate as the basic formula allowance, currently $6,567)

Charter School Extended Time Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Aid formula	$ 6,237,424	$ 6,237,424	$ 0

NEW -- Tribal Schools Contract Aid

Context

School districts and charter schools receive revenue from the Permanent School Trust Fund. Prior to 2010 this revenue was deducted from basic revenue so it did not affect school district revenues. Since 2010, it has not been deducted, and it increases basic revenue for public school students. In FY 21 this revenue is estimated to be $44.13 per pupil. Because it is a trust for public schools, Board of Indian Education (BIE) Tribal Schools do not receive this additional basic revenue. Minnesota has made a commitment for equal treatment as to basic revenue for students enrolled in Tribal Schools.

Recommendation

Provide state aid revenue for Tribal Schools equivalent to what school districts and charter schools receive from the Permanent School Trust Fund payments.

Tribal Schools Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Revenue equivalent to School Trust Fund payments	$ 21,000	$ 21,000	$ 0

NEW -- Racial Equity Aid

Context

Minnesota has some of the worst racial achievement and opportunity gaps in the country.

- The graduation rate gap between white students and Black students in Minnesota is higher than 20 points.
- The graduation rate gap between white students and Hispanic students in Minnesota is higher than 20 points.
- Minnesota has the second highest postsecondary attainment gap between white and Black residents, ages 25 to 64.
- Minnesota has the eighth highest postsecondary attainment gap between white and Hispanic residents, ages 25 to 64.

Nationally, this achievement gap is also reflected in the resources available to schools. High poverty nonwhite schools get $13, 813 per student while high poverty white schools get $14,322 per student.

Recommendation

Provide a significant investment, comparable to compensatory revenue, to school districts and charter schools to expand services for students of color and American Indian students. Schools would receive the sum of a flat rate equal to 8.2% percent of the basic revenue allowance ($854 in FY 2023) plus a concentration rate equal to the product of 16.4 % of the basic revenue allowance times the district's protected student concentration percent ($854 for a district with a 50 percent concentration of protected students) for each student in a protected class. The formula would be fully funded with state aid, be focused on research-based practices to close the achievement and opportunity gap, and have at least 95 percent of funds spent at the site that generates the aid.

Racial Equity Aid Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Aid formula	$ 482,769,437	$ 482,769,437	$ 0

NEW -- Full Service Community Schools (FSCS)

Context

The goal of the community school model "is to improve population-level outcomes across the cradle-to-career continuum through smarter data access and use, resource alignment, practice sharing, shared ownership and accountability, and policy changes" (Coalition for Community Schools, Strategic, 2018).

Becoming a Full Service Community Schools (FSCS) requires commitment from the school board, leadership, staff and stakeholders. After a needs assessment, partners are recruited who often co-locate in the school. There is some evidence that community school programs when implemented with fidelity to an evidence-based model helped to narrow the achievement gap between low-income students and their peers (Child Trends, 2014).

There have been 203 school sites identified for comprehensive support as the lowest 5% of Title I schools (primarily elementary schools) or high schools graduating less than 67% of any student group. There have been 159 school sites identified for targeted support as schools where any student group performs at or below the average of the lowest 5% of Title I schools and other criteria. The only support for these identified schools is that comprehensive support schools have received on-going technical assistance from the Regional Centers of Excellence.

Fifty-five percent of students in school sites identified for comprehensive and targeted support are students of color.

Recommendations

1. $250,000 in Full Service Community School funding for every school identified for comprehensive (198 sites) and targeted support (159 sites) in Every Student Succeeds Act (ESSA) for a total (357) sites.
2. Three Year Phase in FY 2023-25, prioritizing comprehensive support sites first, with 50% state aid and 50% local equalized levy at 125% of ANTC/APU. Annual costs shown below.
3. Student Health Pupil Support: The proposals for school health centers and to increase the number of school nurses are included in the Full Service Community School proposal as allowable expenses.

Full Service Community Schools Recommendations	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Increase
Three-Year Phase in FSCS	$ 89,250,000	$ 63,720,889	$ 25,529,111

NEW -- Trauma Incentive Aid

Context

In a single academic year, Minnesota's students cumulatively lost 106,913 instructional days due to exclusionary interventions.

- American-Indian students were 10 times more likely to be suspended or expelled than their white peers.
- African American students were eight times more likely to be suspended or expelled than their white peers.
- Students of color were twice more likely to be suspended or expelled than their white peers.
- Students with disabilities were twice more likely to be suspended or expelled than their peers without a disability.

**Figures from the 2015-2016 school year, Minnesota Department of Human Rights, 2019*

Adverse Childhood Experiences (ACE) are a simple way to measure the amount of trauma experienced as a child. Higher ACE scores are correlated with negative life outcomes. ACE scores are disproportionately higher for students of color, immigrant students, students receiving special education services, LGBTQ+ students, and students experience housing insecurity.

Recommendation

Provide grants to 80 schools of $250,000 each annually, with a preference for schools identified for comprehensive support under the ESSA or schools within districts with large discipline disparities identified by the Minnesota Human Rights Department. This will target funds to schools with disparities in discipline and/or achievement. Grant applications would include information about the level of educator buy-in with restorative practices, parent engagement, and how this fits within a community needs.

Schools that implemented trauma-informed, restorative practices models with fidelity have witnessed:

- A reduction in punitive disciplinary actions and problematic behavior over time.
- Greater respect for teachers, education support professionals across racial and ethnic groups.
- Fewer differences in the number of misconduct/defiance referrals issued to students in the Asian/White and Latino/African-American racial and ethnic groups.
- Increased student connectedness.
- Improved student academic achievement (credit accrual and progression toward graduation).
- Improved school climate

Trauma Incentive Aid Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Aid formula	$20,000,000	$ 20,000,000	$ 0

Education Support Professionals

Context

Education Support Professional (ESP) are the most diverse educators, and leave the profession at an incredibly high rate. They also serve students with the highest needs, including students receiving special education services. Students of color comprise a large percentage of students who receive special education services.

Recommendation

For schools identified for targeted or comprehensive support, provide:

- An ESP in every classroom to provide support for students' needs
- Close the ESP wage gap and raise starting pay to at least $20 an hour
- Consistent professional workforce in order to meet student needs

This could be rolled out to high poverty districts then all districts as well.

ESPs Support Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Aid formula	$ 29,000,000	$ 29,000,000	$ 0

This hasn't been fully costed out yet. It would depend on the districts and charter schools identified for support, their number of classrooms and current number of ESPs, and their pay rates.

Expanding early learning opportunities

Context

There is widespread understanding and support for the value of high-quality early learning as a means to closing the opportunity/achievement gap. Minnesota has significantly increased funding for the early learning opportunities in the past decade in a piecemeal fashion. As a result, the state now has the following issues with early learning funding and opportunities for children and families:

- Complexity of eight (8) major funding streams, including crossing Fund 01 and Fund 04
  - Early Childhood Family Education (ECFE), Early Childhood Screening, Early Learning Scholarships (Pathway I and Pathway II), Head Start, Kindergarten Entry Profile, School Readiness, School Readiness Plus (SRP), Voluntary Prekindergarten (VPK)
  - Braiding funds is made more challenging due to differing requirements of the funds
- Early childhood education is relatively new and it does not have existing infrastructure like K-12
  - Space/facilities, transportation, licensed teachers, data systems, etc.
- Funding amounts are unable to provide high quality early childhood programming and services.
  - Adequate number of instructional hours, high quality staff, family engagement, English Language Learner services, etc.
  - Are funding amounts high enough to make lasting differences and close learning gaps?
- Funding amounts are not available and/or equitable among districts.
  - School Readiness examples: Fisher $8,369 per APU; Lyle $14,814; Nett Lake $3,094; Milroy $3,171.
  - Nearly 40%of the total school readiness revenue comes from parent fees/tuition.
  - VPK/SRP not available to all school districts
  - High-quality early learning is not available even to all 4-year-olds eligible for FRE.
- A child care shortage is statewide but felt most acutely in Greater Minnesota.

Recommendations

The working group developed and costed the following two approaches to early learning for 4-year-olds:

- 'K-4' which is universal grade prior to kindergarten for Minnesota's approximately 56,000 four-year-olds with a minimum 510 hours of prekindergarten including existing VPK/SRP; and
- 'Jump Start to Learning' is targeted for approximately 23,000, four-year-olds eligible for FRE with a minimum 510 hours of prekindergarten including existing VPK/SRP which continue as is.

Both proposals are recommended to be phased in over three years, FY 23, 24 and 25. Both of these proposals increase the number of pupils in the system and so are funded through all pupil-driven formulas in the same manner as pupil units in kindergarten through grade 12.

Overwhelmingly (17 of 20 or 85%) of the working group supported expanding early learning opportunities. In the details of the two proposals (K-4 and Jump Start), a balloting consensus was not apparent. This is not surprising as the working group did not spend a lot of time discussing these proposals nor were members of the working group chosen for the early learning expertise. In fact one member stated, "More time and conversation should be had for the K-4 and Jump Start [early learning proposals]."

For these reasons both the K-4 and Jump Start proposals are included and costed in the final recommendations. The working group recommends that more work be done with those familiar with early learning research and stakeholders to develop a final early learning recommendation.

Side-by-Side Comparison of K-4 and Jump Start 4 year-old Early Learning Programs	
Early Learning Solution A: **K-4**	Early Learning Solution B: **Jump Start**
Universal Access Create Universal Prekindergarten for 4–year-olds (K-4) as grade in general fund that meets VPK/SRP quality standards for all providers and teacher licensure for public and charter schools.	**Income Targeted** All 4-year-olds eligible for FRE provided minimum 510 hours of prekindergarten with VPK/SRP quality standards for all providers and teacher licensure for public and charter school providers.
Students served Approximately 56,000 Attendance is not compulsory	**Students served** Approximately 23,000 Attendance is not compulsory
Fund 01 ● .6 APU basic revenue and linked formulas (literacy aid, achievement and integration, compensatory, transportation) ● Aligns with K-12 pay and benefits.	**Fund 04** ● .6 APU basic revenue goes through Community Services Fund 04. ● Need to develop a methodology to link to general fund formulas linked to basic revenue ● Early childhood programs need to be aligned with K-12
Existing EC Funding Streams ● Continue to support three year olds and younger. ● A final percentage of School Readiness, Pathway I, and Pathway II that would remain for 3-year-olds and younger needs to be determined. ● Initial funding assumption is to roll in 67% of School Readiness, Pathway I, and Pathway II funding and leave 33% for purposes described above.	**Existing EC Funding Streams** ● Continue to support three year olds and younger and provide support for a sliding fee schedule for families of 4-year-olds not eligible for FRE. ● A final percentage needs to be determined. ● Initial assumption is to roll 46% of School Readiness, Pathway I and II into Jump Start and leave 54% for the purposes above.
Contact Hours Minimum 510 hours of prekindergarten with VPK/SRP quality standards.	**Contact Hours** Minimum 510 hours of prekindergarten with VPK/SRP quality standards.
Special Education ECSE remains as separate grade and is entitled to classroom inclusion and same revenue streams.	**Special Education** ECSE remains as separate grade and is entitled to classroom inclusion and same revenue streams.

<table>
<tr><th>Early Learning Solution A: K-4</th><th>Early Learning Solution B: Jump Start</th></tr>
<tr><td>Mixed Delivery
Funding is available only to public school districts and public charter schools as any other K-12 grade. A district or charter school may contract with Head Start or licensed child care centers, family child care programs, or a community-based organization to provide eligible children with developmentally appropriate services that would meet VPK quality standards.</td><td>Mixed Delivery
40% of each district's funding is reserved for mixed delivery providers which meet VPK quality standards and reserve seats for ECSE students to provide inclusion opportunities. Unused mixed delivery dollars roll to the school district on June 30.</td></tr>
<tr><td>Cost
Estimated cost over three years before rolling in existing scholarship and SR funding:
● FY23: $120m, Aid $100m, Levy $20m;
● FY24: $241m, Aid $201m, Levy $40m;
● FY25: $366m, Aid $306m, Levy $60m.</td><td>Cost
Estimated cost over three years before rolling in existing scholarship and SR funding:
● FY23: $52m, Aid $45m, Levy $8m;
● FY24: $108m, Aid $92m, Levy $16m;
● FY25: $167m, Aid $143m, Levy $24m.</td></tr>
<tr><td colspan="2">Advantages – Applicable to Both K-4 and Jump Start</td></tr>
<tr><td colspan="2">● Positive effects on children's school readiness have been observed in both targeted and universal programs, demonstrating benefits for children across the socioeconomic spectrum.
● Estimates of returns on investment in prekindergarten range from the modest ($2 for every $1 invested) to the substantial ($17 for every $1 invested).
    ● No cost-benefit analysis of a prekindergarten program has ever found zero return, and any return that exceeds $1 for every $1 spent means the program pays for itself and more.
Source: Meloy, B., Gardner, M., & Darling-Hammond, L. (2019). Untangling the evidence on prekindergarten effectiveness: Insights for policymakers. Palo Alto, CA: Learning Policy Institute.
● Expands prekindergarten options available to 4-year-old children and families.
● Could use funds to build and/or support mixed delivery partners in community.</td></tr>
<tr><td>Advantages of K-4
● Program is universal, available to all children.
● In a study of examining the cost efficacy of universal and targeted programs, it was concluded that the constellation of evidence is consistent with universal pre-K delivering greater benefits to the population it serves, relative to the costs, than targeted pre-K.
● Benefits similar to universal kindergarten.
    ● In Fund 01 so it more easily aligns with K-12.
    ● Simplifies prekindergarten options available to 4 year-old children and their families.</td><td>Advantages of Jump Start
● Program is targeted to children who presumably need a "jump start" in closing the opportunity/achievement gap.
● May simplify prekindergarten options available to 4-year-old children and their families.</td></tr>
</table>

<table>
<tr><th>Early Learning Solution A: K-4</th><th>Early Learning Solution B: Jump Start</th></tr>
<tr><td>Disadvantages
● Costs an estimated additional $190m, net costs after rolling in portions of School Readiness and Pathways I and II
● Potentially an initial lack of licensed teachers</td><td>Disadvantages
● Extra effort to align with K-12
● Added complexity to funding formulas
● Relies on FRP counts, which likely undercounts groups like immigrant families and families who avoid filling out paper work.</td></tr>
<tr><th colspan="2">Equity – Applicable to Both K-4 and Jump Start</th></tr>
<tr><td colspan="2">● Increases funding for high-quality early childhood programming.
● Mixed delivery includes community-based programs and encourages culturally-responsive programming.
● Linked formulas provide additional support and hours or days of instruction for students needing more intensified instruction.
● Both potentially increase the supply and quality of early education and care programs in a community, but Jump Start is more focused on this component</td></tr>
<tr><td>Equity
● Policy recommendation from the Children’s Equity Project and the Bipartisan Policy Center calls for ensuring all education legislation prioritizes racial, ethnic, linguistic, socioeconomic, and ability-based integration.
● A report from the Poverty & Race Research Action Council calls attention to the value of socioeconomic and racial/ethnic diversity within prekindergarten classrooms.
● Eliminates eligibility criteria and some administrative rules, creating more equitable funding and access.
● Equitable compensation for early childhood and K-12 professionals and support staff.</td><td>Equity
● This provides funding to target children with the highest need.
● A. Rolnick and R. Grunewald’s 2003 economic analysis posited at 16% annual return for a high-quality pre-school investment for approximately 20,000 Minnesota 3 and 4 year-olds in poverty.
● An equalized local levy option can be added for communities which wish to expand this to all 4-year-olds or lower the cost significantly in the sliding fee schedule for families.
● Comparable compensation for public early childhood and K-12 professionals and support staff.</td></tr>
</table>

Investment cost estimates for FY 2023 and for Full Implementation FY 2023- FY 2025

K-4 Early Learning Recommendation	Proposed Revenue Changes	Proposed Aid Changes	Proposed Levy Changes
K-4 Total Increase	$ 393,881,224	$ 326,976,428	$ 66,904,796
Estimated School Readiness and Pathways reduction	$ (22,455,333)	$ (22,455,333)	$ 0
Net Three Year Investment	$ 379,036,008	$ 310,838,555	$ 66,904,796

Jump Start Early Learning Recommendation	Proposed Revenue Changes	Proposed Aid Changes	Proposed Levy Changes
Jump Start Total Increases	$ 168,744,378	$ 143,347,778	$ 25,396,600
Estimated School Readiness and Pathways reduction	$ (11,227,666)	$ (11,227,666)	$ 0
Net Three Year Investment	$ 157,516,712	$ 132,120,112	$ 25,396,600

Another Idea for Consideration

The working group also wishes to bring to state leaders' attention the option to restructure state government by combining all Child Care Assistance Program (CCAP) child care funding and early learning education funding into one governmental unit as they cannot be conceptually separated. Put this combined unit into MDE. Reconsider the Children, Families and Learning Department title. Integrate children's support and education birth to graduation.

There have been efforts to do this in the past: 2011 report, Office of Early Learning, and talk of breaking up DHS in 2019. This approach is beyond the scope of this working group, but was noted, and can be done with either K-4 or Jump Start.

Improving Staff Recruitment, Retention and Development

Q Comp/ATPPS

Context

Q Comp started in 2005 with a $75.636 million annual allocation. In 2015-16, it reached the funding cap with one site partially funded and a waiting list was started. The funding cap raised in FY 2016 to $88.118 million. The increased funding covered the waiting list and additional districts, but when interest exceeded the cap, a new waiting list was started that continues to grow and is currently at 25 schools and charters.

Total Q Comp base revenue of $129 million includes $40.6 million in local levy equalized at fixed factor of $6,100 which is 67% of average ANTC/APU.

Thirty-three percent (111/336) of the states' school districts participate and they receive $169/student which is currently prorated and they can levy up to $91 per student to receive a total of $260 per student. Forty-five percent (73/164) of the charter schools participate and receive approximately $245 per student depending on the average levy. Participating cooperatives and Intermediates receive $3,000 per teacher.

Fifty-four percent of the state's students attend a Q Comp participating district or charter.

The combination of this significant investment being limited to one third of the districts, 45% of charter schools, and affecting a little over half the state's students clearly shows large inequities for professional development across the state. Districts are not even applying anymore for Q Comp, because of the cap and current wait list.

Recommendations

1. Expand Q Comp aid of $169 for every district to do Teacher Development and Evaluation (TDE);

2. Districts may levy $91 per pupil equalized at 125% of average ANTC/APU should the district want to add the performance pay option;

3. For cooperatives and intermediates, all receive $2,000 for every co-op teacher for TDE and may choose to add $1,000 for performance pay;

4. All of these amounts are to be indexed to the basic revenue state aid formula;

5. Three-year phase in FY 2023-2025. . . Annual revenue increase shown below;

6. 2% set aside for TDE continues as currently in statute;

7. Maintain all allowable uses of – Q Comp and add loan forgiveness as an allowable use; and

8. The 2015 TDE/ATPPS Working Group recommendations (Appendix E) need to be updated and enacted with further work to integrate with PELSB Tiered licensing, standards of practice, and relicensing and the implications of the on-going changes in student demographics as they affect teacher cultural competence and culturally responsive teaching.

Q Comp (ATPPS) Recommendations	Proposed Revenue Increases	Proposed Aid Increases	Proposed Levy Increases
Three Year Phase-in Extend Q Comp to all districts/charters-	$ 110,480,522	$ 96,895,492	$ 13,585,030

Expand Teacher Loan Forgiveness

<u>Context</u>

Teacher loan forgiveness provides licensed educators a significant benefit that helps to offset lower public sector salaries. Currently teachers qualify for loan forgiveness through the state, and can receive $1,000 in loan forgiveness each year, but the total appropriation is capped at $250,000, meaning many educators cannot receive this benefit.

<u>Recommendation</u>

Increase annual loan forgiveness to $2,000 a year and increase the total amount of funding to $2 million. Broaden funding to include related service providers (school counselors, school nurses, school social workers, school psychologists, speech language pathologists, school-based occupational therapists, and other support personnel).

Expanded Teacher and Related Service Provider Loan Forgiveness Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Aid formula	$ 1,800,000	$ 1,800,000	$ 0

Fund semester long student teaching experiences

<u>Context</u>

One out of every three teachers leaves the profession in the first five years of employment. Teachers of color leave at a rate 24% higher than their white counterparts. Research shows that high teacher turnover rates in schools negatively impact student achievement for all the students in a school, not just those in a new teacher's classroom.

The current teacher candidate grants program (MS 136A.1275) totaling $557,067 reached 119 student teachers in FY 2019 with a maximum grant of $5,000.

Recommendation

Improve teacher attrition by providing a more in-depth student teaching experience. Make a $12,000 semester-long internship available to all 2,400 teacher candidates that enter the field each year. These internships should be open to teacher candidates earlier than their senior year of college. If funds did not cover all teacher candidate applicants, teacher candidates of color and American Indian teacher candidates should be prioritized.

Semester-long Internships for Teacher Candidates Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Aid formula	$ 29,000,000	$ 29,000,000	$ 0

NEW -- Scholarships for Teacher Candidates of Color and American Indian Teacher Candidates

Context

Over a third of Minnesota's students are students of color or American Indian students, while 96 percent of teachers are white. Research has shown the impact of having teachers that reflect their students; for Black male students, a Black male teacher can lead to lower dropout rates, fewer disciplinary issues, more positive views of schooling and better test scores. White students also benefit from having teachers of color.

Recommendation

Provide $10,000 scholarships at Minnesota public colleges or universities to 1,000 teacher candidates of color or American Indian teacher candidates annually, leading to up to 11,000 teachers of color or American Indian teachers licensed over 15 years.

Teachers of Color Scholarships Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Aid formula	$ 10,000,000	$ 10,000,000	$ 0

NEW -- Teachers of Color in Greater Minnesota

Context

The student population of Minnesota is diversifying not just in the urban core, but also across rural counties and regional centers. One out of every three teachers leaves the profession in the first five years of employment. Teachers of color leave at a rate 24% higher than their white counterparts. Creating affinity groups for mentoring has shown reductions in teacher attrition.

Recommendation
Provide a funding stream for schools in Greater Minnesota to create multi-district affinity groups for geographically isolated educators of color or American Indian mentors in smaller school districts, including providing stipends to mentors of color or American Indian mentors.

Greater Minnesota Teachers of Color Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Aid formula	$ 2,000,000	$ 2,000,000	$ 0

NEW -- Student Support Personnel Aid

Context

Minnesota has 6,000 fewer school counselors, school social workers, school nurses, and school psychologists than necessary to meet the needs of our students, as determined by the ratio of students to the practitioners in schools. Education researchers have linked student support personnel to closing achievement gaps:

- School social workers provide children in need with access to transportation, academic supports, counseling, basic nutrition, and in some cases they help students find housing.
- School nurses are often the only medical professionals a student will see for months. Nurses educate students on allergies, mental health, hygiene, and emotional regulation.
- Speech language pathologists provide interventions that are linked to self-regulation that are key indicators of "adaptive development."
- School counselors and psychologists provide education on social-emotional learning through a racial-justice lens.

Recommendation

Create a funding stream similar to governor's proposed student well-being aid to school districts for school nurses, school counselors, chemical dependency counselors, social workers, and psychologists to fund these ratios for our students. Provide $477 times the number of students enrolled for school districts and charter schools, with a floor of $240,000 for school districts and a floor or $80,000 for charter schools. Intermediate districts and other cooperatives enrolling students would receive $100 times the number of students enrolled in member districts.
Set aside a portion of the funding to:

- Expand higher education programs and provide scholarships for people who want to become school nurses, school counselors, chemical dependency counselors, social workers and psychologists. Create funding streams to cover all re-licensure/initial licensure requirements required for the school nurses, school counselors, chemical dependency counselors, social workers, and psychologists, particularly focused at increasing the number of people of color in those roles.

Student Support Personnel Aid Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Aid formula	$ 484,639,424	$ 484,639,424	$ 0

NEW -- Special Education Training to Education Support Professionals

Context

Education Support Professionals (ESP), or paraprofessionals, are the most diverse educators, and leave the profession at an incredibly high rate, largely due to lack of training for the position. They also serve students with some of the highest needs, including students receiving special education services. Students of color comprise a large percentage of students receiving special education services.

Paraprofessionals play an important role in the education of students with disabilities. Paraprofessionals need to understand the disability of the children with whom they work and be knowledgeable of the accommodations and services that will help them be successful in the classroom. Providing funding to support paraprofessionals to receive paid orientation and professional development will enable them to better support the individual needs of students with disabilities. Without proper training, paraprofessionals may unintentionally adversely impact a student's behavior, resulting in additional challenges. Providing opportunities for paraprofessionals to receive training and meet with students' teachers will be beneficial to both students and professionals. There is a need for additional funding.

Recommendation

Provide all education support professionals (ESPs) working primarily in special education with 20 hours of special education focused professional development annually. This must be paid training and it must supplement, not supplant, the professional development being offered all district staff and ESPs. This training is specific to special education training (transportation, de-escalation) and is not to include trainings such as blood-borne pathogens. A majority of ESPs primarily work in special education.

Special Education Paraprofessionals Training Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Aid formula	$ 14,594,514	$ 14,594,514	$ 0

Facility Levies and Bonded Debt

Long Term Facility Maintenance Revenue (LTFMR)

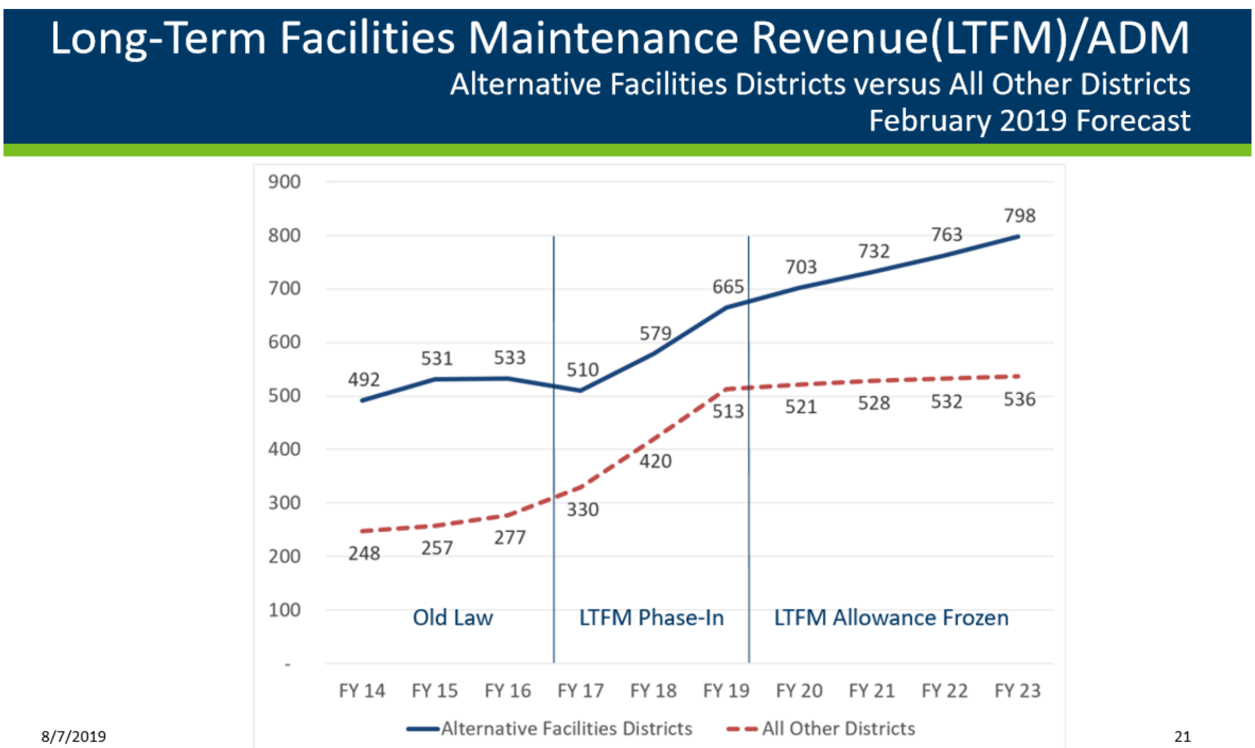
<u>Context</u>

In 2015 the legislature created Long Term Facility Maintenance Revenue (LTFMR) to support 307 districts' deferred maintenance projects, increasing facility accessibility, and health and safety purposes. LTFMR may not be used for the construction of new facilities, for the purchase of portable classrooms, to finance lease purchase agreements, for energy-efficiency projects, or for violence prevention and facility security, ergonomics, or emergency communications devices.

LTFMR is financed with an equalized levy at 123% of a modified ANTC in which agriculture land is discounted 50% for equalization aid only. Districts submit 10-year plans to MDE for approval, and have authority to bond against future LTFMR. The LTFMR allowance increased for three years from FY 2017-2019 and is now capped at $380 per pupil.

The largest 25 school districts continued their eligibility for the Alternative Facilities program. These districts also submit 10-year plans, but are not capped with a $380 per pupil allowance. They levy what they need to accomplish their plans. The large gap in funding for districts' facility maintenance was the impetus for the 2015 legislature's action to create LTFMR.

The gap between the 25 largest districts and all other districts, which was closing as a result of 2015 legislation, is now growing again. By FY 2023 it will be larger than it was in FY 2014.



Recommendations

1. Goal: Close the gap between Alternative Facility districts and all other districts over three years.
2. To prevent the gap from reappearing in future years, do one of the following:
    a. Make all school districts eligible for LTFMR based on the district's 10-year facilities plan approved by the commissioner without a statutory limit on the amount that can be raised without voter approval, consistent with current practice for the 25 districts now eligible for Alternative Facilities revenue; or
    b. For FY 2026 and later, adjust the non-alternative facility districts aid and levy formula allowance for inflation (link to CPI or general education formula). Specify that non-alternative facility districts shall receive not less than 80% of average for alternative facility districts.
3. Expand the existing authority for projects over the lesser of $100,000 per building, or $200 per pupil (ADM), to include all projects eligible for LTFMR over this threshold subject to commissioner approval; and
4. When the gap is closed and with either of the above methods to prevent a gap from reoccurring, for FY 2026 and later expand LTFMR eligibility to school facility remodeling improvements for safety, security, and pre-K programming.

Long Term Facility Maintenance Revenue Recommendations	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Increase
LTFMR recommendations	$ 155,260,000	$ 59,668,841	$ 95,591,159

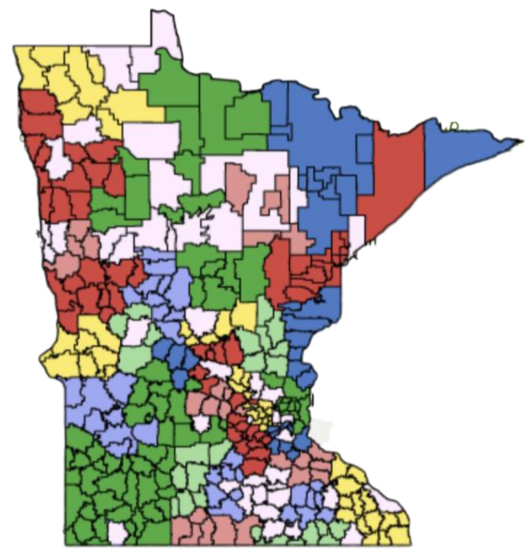
Lease Levy

Context

The leased facilities levy authority allows districts to levy to pay rent on leased facilities. Upon the commissioner's approval, districts may levy for leased facilities when the leased facility is for non-regular instructional purposes such as SPED Level IV, vocational education centers, or alternative education centers and would be economically advantageous.

Lease levies are unequalized providing property wealthier districts lower tax rates to raise similar lease levy amounts. The lease levy must not exceed the lesser of the lease costs or $212 per pupil unit, except that a school district that is a member of one of the four intermediate school district in the Twin Cities metro serving SPED students which may levy an additional $65 per pupil unit for space in intermediate facilities.

Minnesota's Cooperatives and Intermediate School Districts



Greater Minnesota school districts rely on cooperatives to help provide specialized instructional programs and facilities for high-need students. Cooperatives face an unprecedented growth in these students and lack appropriate spaces. Member districts of cooperatives do not have the lease levy financing tool available to members of intermediate districts to provide similar well-designed, appropriate learning spaces available for Twin Cities' metro students.

Recommendations

1. Equalize all building lease levies at 125% Average ANTC/APU to enable districts with low tax base to participate and reduce inequities between high tax base and low tax base districts;
2. Allow Greater Minnesota cooperatives to access the same lease levy authority as intermediates ($65 per member district student);
3. Allow school districts to use lease levy for cooperative facilities even if they once owned the facility; and
4. Allow school districts to form joint powers boards to bond for improvements and new facilities for cooperative purposes.

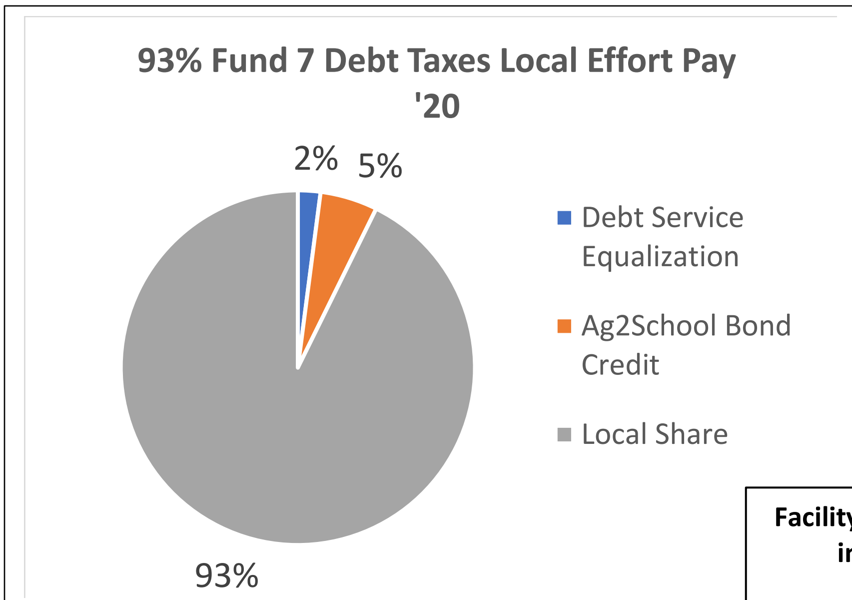
Lease Levy Recommendations	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Decrease
Lease Levy recommendations	$ 1,000,000	$ 25,353,424	$ (24,324,139)

Debt Service Equalization

Context

Minnesota has set a goal of developing the World's Best Workforce and initiated a series of legislative actions to work toward that goal. One of the key elements in achieving this goal is developing school facilities that equip 21st Century learners for their future careers. The reality in Minnesota is that most of our school facilities fall short of what today's learners need. Many of them are old, and even more need repair and advancements so they aid teachers in providing learning environments where students can thrive. Fifty percent of our school facilities were built before 1976 and prior to the digital revolution, and 25% of school facilities are between 54 and 125 years old.

One of the key reasons this statistic is so sobering – and has only gotten worse – is the lack of state investment in facilities. Local property taxpayers provided over $1 billion, 93%, of all facility bonded debt in Pay 2020. Total Fund 7 Bonded Debt levies are projected to grow to $1.24 Billion in three years.



Facility Bonded Property Taxes in Pay '20 in millions

Local Share	$1,026
Debt Service Equalization	$23
Ag2School Bond Credit	$58
Total	$1,107

DSE is applied prior to levy certification and targets districts with higher voter approved bonded debt.

DSE has two Tiers of equalization:

- Tier 1:
  Threshold = 15.74% (the minimum percentage the debt payment is of the district's ANTC)
  Equalization factor = .5533*Av ANTC/APU = $5,075 (Average ANTC/APU = $9,172 in Pay '20)
- Tier 2:
  Threshold = 26.24%,
  Equalization Factor = 100%*Av ANTC/APU = 9,172 in Pay '20

The current impact of DSE is very limited both in total state share and which districts qualify:

- (Pay 2020/FY 2021) Debt Service Equalization (DSE) = $22.8 m;
- Two percent of the total debt levy;
- Lowers bonded facility tax levies for 37 school districts' taxpayers and leaves 295 unaffected; and
- Three districts absorb $15,745,140 of DSE or 69% of the total (Farmington, St. Michael Albertville, Virginia).

Recommendations

Improve the DSE formula as follows:

1. Lower the threshold to qualify for debt service equalization from 15.74 percent to 10 percent of Adjusted Net Tax Capacity (ANTC);
2. Replace two-tiered equalization with a single tier, equalized at 100 percent of state average ANTC per third prior year pupil unit;
3. Index future equalization at 100% of state average ANTC/APU to maintain stability in state and local shares of revenue; and
4. Debt levies under the long-term maintenance program would be equalized through that program and excluded from this program.

What is the Impact of the DSE recommendations?

- 115 Districts qualify, 78 more than currently qualify, lowering Bonded Debt tax levies
- $52.1 m increase in equalization aid and levy reduction
- Total DSE = $74.1 m
- 6.1% of Projected Fund 7 Bonded Debt in Pay 2022/ FY 2023

Homestead Bond Credit

Context

The Ag2School Bond Credit is applied after the levies are certified and have an advantage of being more transparent to the taxpayers on their Truth in Taxation statements.

The Ag2School Ag Bond Credit was enacted in 2018 at 40% of all school Fund 7 debt levies (excluding OPEB bonds) on Agricultural Land & Timber Net Tax Capacity (NTC): all of class 2a and 2b agricultural land (excluding the house, garage, and 1 acre), class 2d property, and class 2c managed forest land (timber).

In 2019 the following schedule of increases in the Ag2School Credit from 50% to 70% was enacted.

Taxes Payable Year	Increase in Ag2School	Total Ag2School Percent
2019	40%	40%
2020	10%	50%
2021	5%	55%
2022	5%	60%
2023	10%	70%

Of the current $1,026 million in local bonded debt taxes, three property classes: Homestead, including Ag homestead, and Residential Non-Homestead Residential (1-3 unit apartments) paid $594 million in 2020, 58% of the total local share of bonded debt levies.

Recommendation:

Initiate a Homestead Bond Credit as follows:

1. Provide a bond credit similar to the Ag2School bond credit for three property classes: Homestead, including Ag homestead, and Non-Homestead Residential (1-3 unit apartments) and
2. Make the credit equal to 30% of school debt service tax in excess of 10% of Net Tax Capacity (NTC) to a max credit of $200.

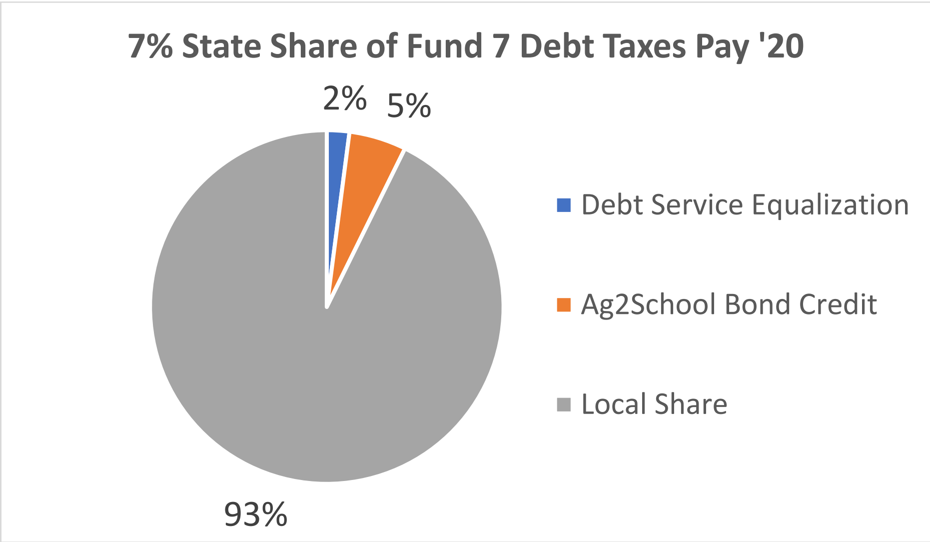
What is the Impact of the Homestead Credit recommendation?

- $50.8 million statewide credit
- 205 districts' tax payers would see a reduction in school bonded debt taxes
- 4.2% of Pay '20 Fund 7 Bonded Debt Taxes

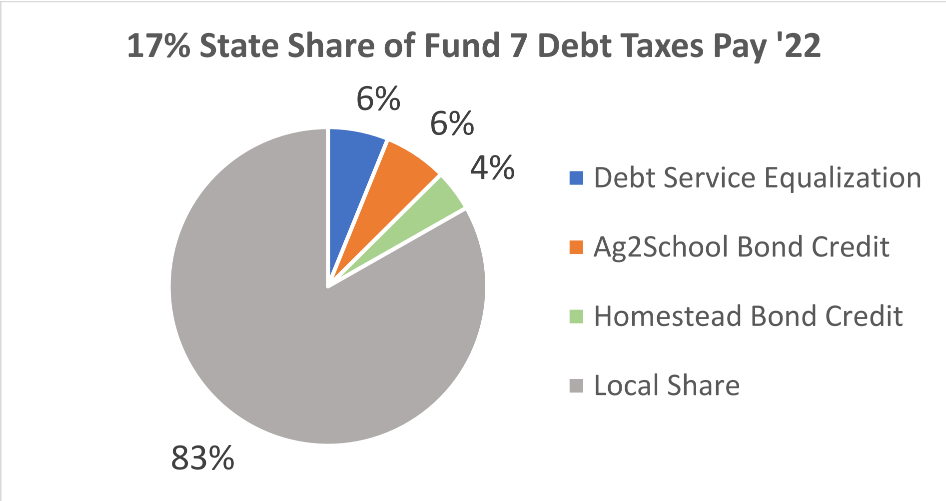
Facility Bond Recommendations	Proposed Revenue Increases	Proposed Aid Increases	Proposed Levy Decreases
Improved DSE Equalization	$ 0	$ 52,094,225	$ (52,094,225)
Homestead Credit	$ 0	$ 50,882,552	$ (50,882,552)

The Impact of both improved DSE equalization and initiating a Homestead Bond Credit:

Current State Share of Debt Service Levies



Proposed State Share of Debt Service Levies



Strengthening Other Programs

Concurrent Enrollment Aid

Context

In 2018, 28,519 high school students enrolled in concurrent enrollment dual credit classes. This is a 46% increase from 2013. There is good evidence that students who take concurrent enrollment classes in high school tend to enroll at a higher rate in post-secondary institutions and are more successful than students who do not take such classes. School districts' support these dual credit courses by doing everything they do for other classes and paying a Minnesota college or university for the credits and a relationship with a college supervising instructor.

Minnesota supports school districts with a $4 million annual appropriation which is currently prorated at 35% of the $11.4 million in expenses for school districts and charter schools.

Recommendations
1. Eliminate proration of concurrent enrollment aid;
2. Making it a forecasted program, and
3. Link the allowance for FY 2024 and later to basic formula

Concurrent Enrollment Recommendation	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Change
Eliminate Proration and Link to basic formula	$ 7,444,400	$ 7,444,400	$ 0

Safe Schools Revenue

Context

Safe schools revenue has fixed dollar amounts per pupil in base, on-going revenue which have not changed for a number of years despite occasional one-time increases. The base revenue is an unequalized levy on Net Tax Capacity (NTC).

Cooperatives and charter schools do not receive any revenue. Small schools receive insufficient revenue at $36 per APU to do much for any of the many allowed uses of safe schools revenue.

Recommendations
1. Increase allowance from $36 to $72 per student for districts, with a minimum per district of $30,000; and
2. from $0 to $72 for charter schools;
3. from $15 to $30 per member district student for intermediates;
4. from $0 to $30 per member district student for other cooperatives; and
5. Equalize the levy at 125 percent of the state average ANTC / pupil.

Safe Schools Recommendations	Proposed Revenue Increase	Proposed Aid Increase	Proposed Levy Increase
Total of all recommendations	$ 51,481,019	$ 26,957,032	$ 24,523,987

Impact of Recommendations, Conclusions and Next Steps

Revenue Impacts

Between $2.533 billion and $2.755 billion is the estimated new revenue required for full implementation of these 34 clear consensus recommendations depending on early learning programming with an increase of $2.612 to $2.790 billion in aid and a levy reduction of $35 to $78 million. The $2.755 billion reflects 4.6% of Minnesotan's total personal income. Minnesotans supported education with 4.6% of personal income as recently as 1997 and exceeded that from 1992 through 1996 with investments ranging from 4.7%-4.9%.

The revenue projections throughout the report are based on three assumptions:

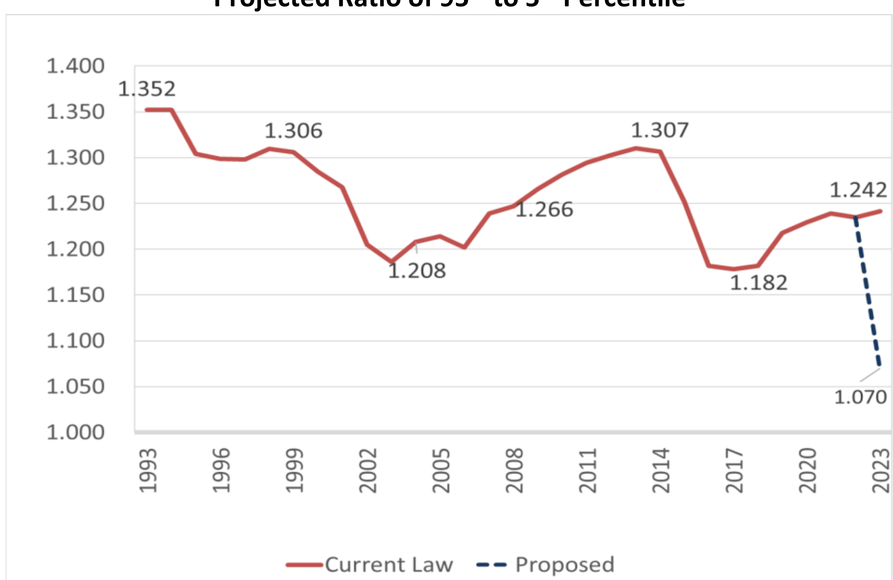
- The fully implemented vision of the school finance working group, not the first year of a multi-year phase in;
- Every local school board opts to levy the maximum amount for every category that can be approved by school board resolution under state law; and
- Estimated data is for Fiscal Year (FY) 2023 (2022-23 school year, because FY 2023 is the both the first year possible for full implementation and the farthest MDE can estimate data using the databases used by MDE for the February 2020 budget forecast.

The working group is recommending increasing opportunities for prekindergarten with two proposals for further study. As an alternative to K-4, Jump Start is targeted for 4-year-olds eligible for free and reduced-price lunch. If Jump Start were to be implemented the average increase in general revenue would be $1,405 or an 11.5% increase over 2021 and totals to $1.361 billion.

Both are significant increases but the difference is not insignificant. To simplify the analysis of the impact of the recommendations, K-4 will be used throughout.

These recommendations reduce the Disparity in Unrestricted General Education Revenue from 23.9% to 7.0% by providing more revenue to districts currently receiving the least revenue. The redefinition of basic revenue to move $917 per pupil from operating referendum to a board authorized Local Education Revenue means that the school boards of 102 districts with no operating referendum can generate up to the maximum increase of $917 per pupil. The 75 districts with operating referendums of $917 per pupil or more receive no increase from this change. School boards in the other 155

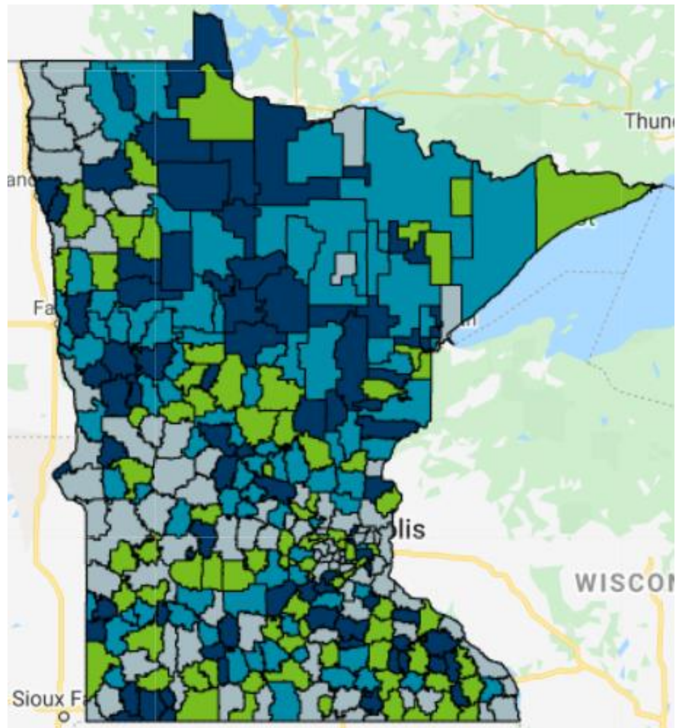
Disparity in Unrestricted General Revenue per Student
Projected Ratio of 95th to 5th Percentile



districts have authority to raise an amount less than $917 per pupil depending on their current operating referendum.

The change in basic revenue is mitigated by the new Location Adjustment Revenue and for districts which will see reductions in special education and English Language learners cross subsidies. Additional funding results from increases and new revenue streams closing the achievement/opportunity gaps, early learning and teacher recruitment, retention and development.

Assuming school boards levy the maximum allowable revenues, which is unlikely, all 24 recommendations increase districts' revenues a median of 25% above current districts' revenues. Using the 5th-95th methodology, increases in revenue range from 16.5% to 37%. The distribution can be seen in the map and in the following strata analysis.



80-20-10 Proposed per Pupil Revenue Increases Assuming Districts' School Boards Levy the Maximum

- Smallest Revenue Percentage Increases <21.4%
- Below the Median Increases 21.5% to 24.9%
- Above the Median Increases 25% to 28.7%
- Largest Revenue Percentage Increases >28.8

View Interactive Map

MDE Revenue Strata Analysis

MDE does an analysis of aid and levy changes with a strata analysis in which the changes are broken out by six types of districts, or strata, based on size and geographic location. This is the strata analysis for all revenue changes included in the 46 working group recommendations.

MDE / School Finance	Change - Proposed Revenue per Pupil Unit (If all Districts Levy the Maximum)									
	School Finance Working Group Recommendations									
FY 2023 Estimates - February 2020 Forecast Data										Nov. 5, 2020
Strata	Students (APU)	Current Law Total	Basic	LOR /LER	Referendum	Oth Gen Ed-Links	LAR	Small School	Equity	Gifted
SCHOOL DISTRICT TOTAL	888,475	11,873	397	1,018	(832)	39	219	15	(116)	(13)
CHARTER SCHOOL TOTAL	79,571	12,301	397	498	-	86	62	-	(116)	(13)
GRAND TOTAL	**968,045**	12,241	**397**	**976**	**(764)**	**44**	**207**	**14**	**(116)**	**(13)**
MPLS & ST PAUL	73,949	14,154	397	1,016	(1,124)	102	403	-	(50)	(13)
OTHER METRO, INNER	97,231	12,512	397	1,016	(1,121)	41	382	-	(95)	(13)
OTHER METRO, OUTER	304,165	11,634	397	1,016	(1,044)	20	366	0	(101)	(13)
NONMET>=2K	211,210	11,214	397	1,016	(401)	40	53	0	(140)	(13)
NONMET 1K-2K	101,531	10,709	397	1,020	(214)	41	36	5	(155)	(13)
NONMET < 1K	94,848	11,457	397	1,032	(374)	66	21	134	(142)	(13)

Strata	Transition	Lit Incent	Telecom	EL	Sp Ed	Transp Exs Cost	Achiev & Integ	Indian Ed	Extend Time	Racial Equity
SCHOOL DISTRICT TOTAL	(31)	(48)	(4)	31	167	11	18	27	23	463
CHARTER SCHOOL TOTAL	(29)	(42)	(1)	132	(343)	-	-	15	80	974
GRAND TOTAL	**(31)**	**(48)**	**(4)**	**40**	**125**	**10**	**16**	**27**	28	**508**
MPLS & ST PAUL	(215)	(44)	(2)	119	300	-	38	24	86	1,267
OTHER METRO, INNER	(11)	(47)	(2)	40	232	2	29	17	29	792
OTHER METRO, OUTER	(13)	(49)	(2)	18	175	12	19	15	15	439
NONMET>=2K	(16)	(49)	(3)	30	154	13	13	29	20	317
NONMET 1K-2K	(18)	(49)	(7)	10	92	12	8	50	13	219
NONMET < 1K	(15)	(49)	(12)	11	93	19	7	54	4	188

Strata	Full Serv Comm Schls	K-4	Q Comp	Suppt Staff	Sp Ed Para PD	Safe Schools	Conc Enroll	LTFM	Total	Percent Change
SCHOOL DISTRICT TOTAL	79	381	109	450	13	37	8	175	2,636	22.2%
CHARTER SCHOOL TOTAL	179	509	111	382	20	72	1	-	2,975	24.2%
GRAND TOTAL	**92**	**392**	**114**	**501**	**15**	**53**	**8**	**160**	**2,750**	**22.5%**
										-
MPLS & ST PAUL	257	522	125	467	14	36	3	-	3,728	26.3%
OTHER METRO, INNER	100	380	13	445	11	36	3	90	2,767	22.1%
OTHER METRO, OUTER	41	387	44	436	11	36	5	171	2,400	20.6%
NONMET>=2K	72	360	176	444	14	36	10	205	2,776	24.8%
NONMET 1K-2K	64	370	157	448	15	36	16	263	2,815	26.3%
NONMET < 1K	71	333	196	530	16	43	17	258	2,884	25.2%

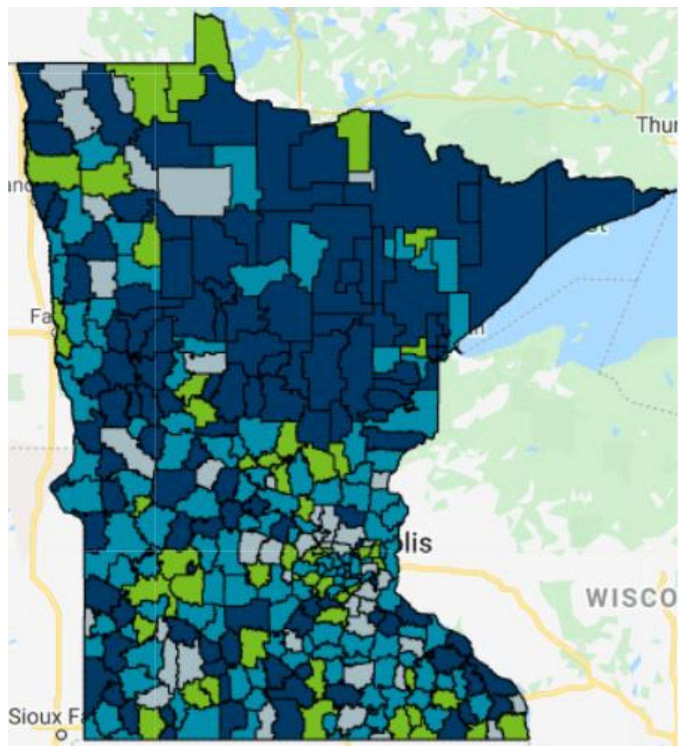
Levy Impacts

Ten of the 46 sub-group recommendations do not affect revenue, they only affect the state share of local levies to equalize all levies and to simplify equalization factors to 100%, 125% or 150% of average Adjusted Net Tax Capacity per pupil or Referendum Market Value per pupil.

In addition, many of the recommendations affecting revenue also affect the levies attached to them, all of which are equalized. In total, these levy changes result statewide in a levy reduction from $35 million to $78 million depending on the early learning proposal implemented. Jump Start results in a $78 million levy reduction, K-4, $35 million. For consistency this levy analysis assumes the K-4 proposal. The overall levy reduction is the reason the state aid increases of $2.612 billion to $2.755 billion are larger than the revenue increases for all 46 recommendations. Again, $2.755 billion is with K-4 and $2.612 billion is with Jump Start.

The 80-20-10 closes gaps in funding in the Local Education Revenue portion of basic revenue, Location Adjustment Revenue and Long Term Facility Maintenance Revenue all of which have board authorized equalized levies. School boards can under levy and raise what revenue they need. This analysis assumes all school boards will certify all allowable levies to the maximum. This is a false assumption, but the only one which provides comparable data.

Despite the overall 1.3% decreases in levies, there is a wide range in districts' levy decreases and increases especially in Greater Minnesota. Part of the reason for this is the current 80% variation between the strata of districts with the lowest levies per pupil (Non Metro<1,000) and (Other Metro Inner) as can be seen in the levy Strata analysis on the next page. Lower base property tax amounts per pupil, as is the case for all three non-metro strata, will create a higher percentage change for the same dollar amount per pupil as compared to metro districts which have higher base rates. Districts that currently under levy will have higher authorized percentage increases.



80-20-10 Proposed per Pupil Levy Changes Assuming Districts' School Boards Levy the Maximum

- Larger Levy Percentage Decreases >-7%
- Smaller Levy Percentage Decreases <-7%
- Smaller Levy Percentage Increases <.13.6%
- Larger Levy Percentage Increases >13.7%

[View Interactive Map]

The median district property tax change is +7.0%. Taxpayers in 95 school districts can see tax decreases and tax payers in 227 districts could see tax increases. Using the 5th-95th methodology, authorized levy changes range from -15.5% to 45%. The largest reductions and increase are in smaller rural school districts.

MDE Levy Strata Analysis

MDE / School Finance

Change - Proposed Levy per Pupil Unit (If all Districts Levy the Maximum)

School Finance Working Group Recommendations

FY 2023 Estimates - February 2020 Forecast Data — Nov. 5, 2020

Strata	Students (APU)	Current Law Total	LOR /LER	Referendum	LAR	Small School	Equity	Transition	TBRA/Ref Guar
SCHOOL DISTRICT TOTAL	888,475	3,860	503	(834)	181	9	(107)	(30)	9
CHARTER SCHOOL TOTAL	79,571	-	-	-	-	-	-	-	-
GRAND TOTAL	**968,045**	3,547	462	(765)	166	8	(98)	(27)	9
MPLS & ST PAUL	73,949	4,704	628	(1,113)	325	-	(50)	(215)	0
OTHER METRO, INNER	97,231	5,138	712	(1,140)	338	-	(94)	(11)	1
OTHER METRO, OUTER	304,165	4,185	601	(1,059)	306	0	(101)	(13)	3
NONMET>=2K	211,210	2,870	365	(384)	37	0	(128)	(15)	1
NONMET 1K-2K	101,531	2,645	319	(173)	22	5	(135)	(12)	4
NONMET < 1K	94,848	2,866	302	(388)	11	80	(116)	(12)	70

Strata	EL	Special Educ	Transp Exs Cost	Oper Capital	Career and Tech	Reemploy	A&I	Comm Serv Fund	Full Serv Commun Schls
SCHOOL DISTRICT TOTAL	10	98	11	43	(10)	(1)	(6)	(10)	29
CHARTER SCHOOL TOTAL	-	-	-	-	-	-	-	-	-
GRAND TOTAL	9	90	10	39	(9)	(1)	(6)	(9)	26
MPLS & ST PAUL	37	154	-	30	(7)	(3)	(10)	(6)	106
OTHER METRO, INNER	19	129	2	48	(7)	(2)	(5)	(10)	44
OTHER METRO, OUTER	8	104	15	46	(10)	(1)	(6)	(8)	17
NONMET>=2K	7	75	12	39	(12)	(2)	(8)	(15)	23
NONMET 1K-2K	3	70	11	39	(12)	(1)	(5)	(12)	15
NONMET < 1K	3	86	14	41	(9)	(1)	(1)	(8)	21

Strata	K-4	Q Comp	Capital Projects	Lease	LTFM	Debt Service Equaliz	Debt HMSTD Credit	Safe Schools	Grand Total	Percent Change
SCHOOL DISTRICT TOTAL	77	15	(18)	(29)	108	(59)	(57)	16	(51)	-1.3%
CHARTER SCHOOL TOTAL	-	-	-	-	-	-	-	-	-	0.0%
GRAND TOTAL	70	14	(16)	(27)	99	(54)	(53)	25	(37)	-1.0%
MPLS & ST PAUL	122	29	-	(7)	(15)	-	(60)	24	(31)	-0.7%
OTHER METRO, INNER	96	(12)	(29)	(41)	47	(40)	(83)	21	(18)	-0.3%
OTHER METRO, OUTER	79	(8)	(39)	(37)	113	(46)	(55)	17	(74)	-1.8%
NONMET>=2K	64	32	(4)	(35)	114	(104)	(66)	9	7	0.2%
NONMET 1K-2K	66	29	(1)	(20)	161	(77)	(45)	11	261	9.9%
NONMET < 1K	60	55	(1)	(7)	184	(48)	(32)	28	331	11.6%

Conclusions

The recommendations of the working group contained in 80-20-10: Bringing Equity to Minnesota's Education Finance System will enable Minnesota to regain its leadership and truly educate the World's Best Workforce in the following four ways:

- Improving the adequacy and stability of pre-K through grade 12 education funding by restoring the equal basic revenue per pupil regardless of zip-code to 60% of general revenue;
- Targeting revenue to close the achievement and opportunity gaps;
- Improving staff recruitment, retention, and development; and
- Providing equity for communities' taxpayers so that similar tax burdens provide similar resources to educate the children in communities' school systems.

Since 2000, Minnesota's education funding has drifted downward relative to inflation, in comparison to other states, relied more on variable funding in voter approved operating referendums, and increased tax burdens on lower property wealth districts' taxpayers. By 2023 funding will be $1.959 billion less per year as a percentage of Minnesotans' total personal income. This is a reduction from 4.4% to 3.9% of personal income.

Over that same time period, the expectations and challenges facing Minnesota's schools and educators have increased. In 2000, student achievement was not disaggregated meaning that the large and persistent achievement gaps were invisible in 2000. To close the achievement/opportunity gaps is an increase in expectations. The percentage of children of color has increased from 16% to 34% reflecting the net immigration into Minnesota over the same period. This is an increase in the complexity of educational challenges.

The working group estimates it will take $2.755 billion in new revenue to address the working group's charge to "thoughtfully review key funding streams, identify school finance reform options, and seek consensus on recommendations for systemic change that will:

- Improve the adequacy and stability of pre-K through grade 12 education funding;
- Prioritize equity;
- Simplify education funding;
- Preserve local control;
- Close the achievement gap;
- Promote high achievement for all students; and
- Direct resources to high quality teaching and learning." (Appendix A)

While $2.755 billion is a big investment, it is 4.6% of Minnesotans' total personal income. Minnesotans supported education with 4.6% of personal income as recently as 1997 and exceeded that from 1992 through 1996 with investments ranging from 4.7%-4.9%. This level of investment is not out of reach. It is not even outside our recent history.

The working group wishes to thank the commissioner for calling the working group together and the fine staff work of members of the department critical to the effectiveness of the working group. We also give special thanks to Christine Tucci Osorio and Cherie Johnson for being co-chairs of the group, John Gimpl for his facilitation, Fred Nolan for coalescing member recommendations in this report, and Tom Melcher for his finance analysis, historical perspective, and coordinating the work of the program finance section.

Looking Forward

The working group is not unaware of the economic conditions and the most recent $2.3 billion forecasted deficits for this biennium and $4.7 billion for the FY 2022-23 biennium. Clearly the 80-20-10: Bringing Equity to Minnesota's Education Finance System recommendations will need to be phased in over time as was the 1970's Minnesota Miracle which took six years. Things to keep in mind include the following:

- All 10 topical areas need to be addressed, not topic A before B before C. The working group determined not to leave any topic or sub-group recommendation out of the final report;

- Improving the adequacy and stability of pre-K through grade 12 general education funding is fundamental and undergirds the ability of schools to address any of the more specific topical areas. Improving and stabilizing general education funding recommendations include the following: Redefining Basic Education--80-20-10, Funding Geographic Cost Differentials, Reducing Cross Subsidies, and Simplifying Formulas. All recommendations in these areas were endorsed by 90% or more of the working group members.

- Providing equity for communities' taxpayers so that similar tax burdens provide similar resources to educate the children in communities' school systems for both general education and facilities will provide more stability in education funding equitably under the local control school boards which will set individual phase-in schedules. The recommendations Equalizing Current Levies and Improving Equity in School Facilities were endorsed by 90% or more of working group members.

- The 28 recommendations Improving the adequacy and stability of pre-K through grade 12 general education funding and property tax equalization account for $1.045 billion in new revenue, $1.182 billion in new aid and a reduction of ($137) million in property taxes.

- There is work yet to be done, including the following:

    - Three separate sub-groups contributed to the 10 categorical funding streams addressing closing the achievement/opportunity gaps. Currently early learning has eight major funding streams and is a nightmare to manage for school leaders. No one in school finance wishes the same challenge of "braiding" multiple funding streams with varying rules to address this critical issue facing Minnesota. Also, these recommendations were developed too late to allow for a rigorous application of the Principles of Education Funding and Implementation Parameters.

    - Expanding early learning is a priority of 84% of the working group. The working group provides two models for consideration: K-4 which is a universal option for all 56,000 four-year olds or Jump Start which targets 23,000 Four-year olds.

    - Two sub-groups contributed to the recommendations addressing staff recruitment, retention and development leaving work to be done. Q Comp/ATPPS needs to integrate with TDE and new PELSB rules and this may require cross agency cooperation. The teacher recruitment and retention recommendations are in areas administered by the Office of Higher Education and will need cross agency work. Also, these recommendations were developed too late to allow for a rigorous application of the Principles of Education Funding and Implementation Parameters.

80-20-10 as a plan does bring equity to Minnesota's Education Finance System. Now it is up to state leaders in both the executive and legislative branches to re-ignite our belief and support for a high quality, equitable education for all our youth which leads to economic vitality and a high quality of life for our citizens as it did in the second half of the 20th Century.

The tragic alternative for both our children and our state is to accept and continue the past 20-year downward drift in support for public education compared with other states, relative to inflation and personal income, which results in inequitable tax burdens and stagnant educational outcomes.

Appendix A: Charge Statement for Working Group

September 4, 2019

Dear School Finance Working Group:

I hope everyone is off to a great start of a new school year! Thank you for agreeing to be a member of the commissioner's School Finance Working Group.

During the 2019 Legislative Session, I have heard from students, educators and school leaders across Minnesota how important the education budget is. With that, I made a commitment to convene a School Finance Working Group to address education funding issues with the help of Minnesotans who work with our schools every day, and to make sure that all perspectives are represented on this working group. Our work will focus on carefully and thoughtfully reviewing key funding streams, identifying school finance reform options, and seeking consensus on recommendations for systemic change that will:

- Improve the adequacy and stability of pre-K through grade 12 education funding;
- Prioritize equity;
- Simplify education funding;
- Preserve local control;
- Close the achievement gap;
- Promote high achievement for all students; and
- Direct resources to high quality teaching and learning.

As we look at the programs and services required to best meet the needs of our children, it is important that we keep in mind our responsibility to students, and our need to provide accountability to the public.

The working group will hold its inaugural meeting on Saturday, September 21, 9 a.m. – 12 noon, at the Minnesota Department of Education, 1500 Highway 36 West, Roseville, MN 55113, Conference Center A, Room 13. The agenda for this meeting will include:

- introductions;
- review of the charge to the Working Group;
- overview of recent school finance trends;
- discussion of current system;
- setting the calendar and preliminary agendas for upcoming meetings.

Thank you for your participation and for your willingness to serve our state.

Together,

Mary Cathryn Ricker

Mary Cathryn Ricker, NBCT
Commissioner

Appendix B: Work Group Members

School Finance Working Group

Name	Affiliation
Anthony Williams	Community Ed Manager: Adult Ed., Minneapolis Public Schools
Amy Nelson	Vice President of Minnesota PTA
Bernie Burnham	Education Minnesota, Vice President, Teacher, Duluth Public Schools
Cathy Erickson	Minnesota School Boards Association (MSBA),Duluth Public Schools, CFO/Executive Director
Cathy Nathan	Advocacy Commissioner of Minnesota PTA
Cheryl Johnson	Minnesota Administrators of Special Education (MASE), Executive Director, Goodhue County Education District
Chris Leinen	Minnesota Association of School Board Officials (MASBO), Director of Business Services, Bemidji School District (retired)
Christine Osorio	Association of Metropolitan School Districts (AMSD) Superintendent, North St. Paul-Maplewood Oakdale Public School District
Chuck Wiger	Senate, DFL; Ranking Member, Education
Don McNeil	Parent Advocacy Coalition for Educational Rights (PACER) Representative,Attorney, Heley, Duncan & Melander, PLLP
Eugene Piccolo	Executive Director, Minnesota Association of Charter Schools
Fred Nolan	Executive Director, Minnesota Rural Education Association (MREA) (retired)
Janey Atchison	Teacher, Murray Middle School - St .Paul Public Schools
Jennifer Murray	Superintendent, Fond Du Lac – Ojibwe
Jim Davnie	Representative for House DFL
John Carlson	Director of Minnesota Association of School Board Officials (MASBO), Rochester Public Schools Executive Director of Finance
John Vento	Robbinsdale, School Board , MSBA
Les Fujitake	Minnesota Association of School Administrators (MASA), Superintendent, Bloomington Public Schools
Marcy Doud	St. Paul Public Schools, Office of Specialized Services
Michelle Borchardt	Minnesota School Boards Association (MSBA), School Board Director, Tri-City United
Nicola Alexander	University of Minnesota Associate Professor,College of Education and Human Development Organizational Leadership, Policy and Development
Ron Kresha	Representative, House Republican Caucus
Shaun Laden	Education Support Professional, Minneapolis
Steve Massey	Schools for Equity in Education (SEE), Superintendent, Forest Lake Public School District

Appendix C: Pressure Points List

1) **Basic Formula**
   a) The basic formula has not kept pace with inflation since 2003. Overall, the portion of total school district and charter school state aid and levy revenue funded through the basic formula has fallen from 70 percent to 53 percent, while the portion funded with referendum and local optional revenue (LOR) has increased from 5 percent to 12 percent.
   b) Increased reliance on operating referendum elections and local optional revenue to fund programs has created:
   c) growing variations in unrestricted revenue per student for general education programs among districts
      i) wealth-based disparities in property tax burdens among districts to fund comparable levels of revenue per student for general education programs
      ii) potential funding instability, as a substantial portion of general unrestricted revenue must be renewed by voters every 10 years or less
      iii) increased complexity of funding calculations

2) **Special Education Cross Subsidy**
   a) Growing amount of special education cost not funded with categorical aid puts added pressure on unrestricted general revenues (basic formula, referendum, LOR), exacerbating the issues outlined above.
   b) Uneven distribution of special education costs funded with unrestricted general revenue creates significant variation among districts in the portion of unrestricted general revenue available to fund general education programs.

3) **English Learner (EL) Cross Subsidy**
   a) Growing amount of EL cost not funded with categorical aid puts added pressure on unrestricted general revenues (basic formula, referendum, LOR), exacerbating the issues outlined above
   b) Uneven distribution of costs funded with unrestricted general revenue creates significant variation among districts in the portion of unrestricted general revenue available to fund general education programs.

4) **Achievement Gap**
   a) What changes should be considered in school finance policies/formulas to help close the achievement gap?
   b) Achievement and Integration Aid
   c) Basic Skills Revenue (Compensatory and EL)
   d) American Indian Education Aid
   e) Funding for Rigorous Coursework (e.g., Advanced Placement (AP), International Baccalaureate (IB), Career and Technical Education (CTE)
   f) Targeted Grants
   g) Other

5) **Pupil Support Staff to Student Ratios**
   a) What changes should be considered in school finance policies/formulas to help bring down Minnesota's high ratio of pupil support staff (e.g., counselors) to students?

6) **Some Funding Streams Are Not Equally Available to All School Districts**
   a) Q Comp (Capped)
   b) Early Learning (e.g., voluntary prekindergarten/ school readiness plus (VPK / SR+), Early Learning Scholarships) (Capped)
   c) Long Term Facilities Maintenance (Alternative Facilities districts are not limited to a statutory maximum revenue per pupil unit while other districts are subject to a limit).
   d) Full Service Community Schools

7) **Funding Streams Vary Among Different Types of Local Education Agencies**
   a) Charter schools receive the referendum equalization aid allowance and first tier local optional aid allowance, but not other portions of referendum and LOR funding. They also do not receive other revenues funded with levy (e.g., safe schools revenue), and receive a limited amount of extended time revenue based on 25 percent of the statewide average extended time revenue per adjusted pupil unit. Offsetting this is their ability to bill the resident school district for 90% of unfunded special education costs (100% for charter schools that serve > 70% special education students).
   b) Safe Schools (Intermediate members receive added revenue; members of other coops do not.)
   c) Building Lease Levies (Intermediate members receive added revenue; members of other coops do not.)
   d) Tribal contract schools are funded differently from other schools. They receive tribal contract aid to guarantee a minimum amount from the combination of general education aid and federal Bureau of Indian Education (BIE) funding, but do not receive other state aids such as permanent school trust fund payments.
   e) Minnesota's school finance system currently adjusts for some geographic and economies of scale factor affecting the cost of delivering education, (e.g., transportation sparsity, elementary and secondary sparsity, small school revenue), but not for geographic wage variations. Approximately 12 states adjust school funding for regional cost differences. Should Minnesota school funding be adjusted for regional cost differences?

8) **Pupil Transportation Funding**
   a) Wide variation in portion of expenditures funded with categorical aid creates significant variation among districts in the portion of unrestricted general revenue available to fund general education programs. Transportation sparsity formula has not been updated in many years.

9) **Fees**
   a) Address unpaid student lunch debt?
   b) Move toward universal free meal programs?
   c) Reduce reliance on fees more generally?

10) **Enrollment Options**
   a) Address financial impacts of enrollment options programs (e.g., concurrent enrollment, PSEO, open enrollment)?
   b) Should referendum revenue follow students to an Area Learning Center (ALC) or Alternative Learning Program (ALP)?

Property Tax Levy Equalization

c) While the state share of overall school funding is higher than in most states, state aids are not used as efficiently as they could be to neutralize the effects of tax base disparities among districts. As a result, districts with low tax base per student must levy a significantly higher tax rate to generate the same level of revenue per student as districts with higher tax base per student. Current state levy equalization formulas should be reviewed and adjusted to make the overall approach to levy equalization more efficient and more consistent among programs. More specifically:
   i) Some major levies are not equalized at all, creating significant variations between high and low wealth districts in tax rates required to raise a given amount of revenue per student and making revenue inaccessible to districts with very low tax base per student:
      (1) Safe Schools
      (2) Achievement and Integration (30% levy portion)

d) Some levies are equalized at a very low rate, making equalization ineffective:
   i) Debt Service Equalization
   ii) School Age Care

e) Most levy equalization formulas are not indexed to the state average tax base per pupil, causing the state share of revenue to decline significantly from year to year as tax base grows with inflation. This is especially significant for operating referendum and local optional levies.

f) Reintroduction of a uniform local levy for basic revenue would greatly reduce the variation in tax rates between low and high tax base districts to raise comparable amounts of revenue per student.

11) **School Finance System Complexity**
   a) Roll Local Optional Revenue into the basic formula?
   b) Roll selected categorical funding streams into the basic formula?
   c) Simplify Equity Revenue by eliminating separate calculations for metro and nonmetro districts?
   d) Simplify special education funding?
   e) Phase out some grandfather / hold harmless provisions?
   f) Are current grade level pupil weights still appropriate?

Appendix D: Ranked Ballot Results

School Finance Working Group Ballot Results										**10/23/2020**
Ranked by percent endorsement of those voting on each sub-group recommendation										
Rank	**No.**	**Sub-Group Recommendations**	**SE + E % of votes**	**Likert Score**	**Strongly Endorsed**	**Endorsed**	**Endorsed with Modification**	**Not Endorsed**	**Total Votes**	**Did Not Vote**
1	11.2	Career and Tech Equalization	100.00%	2.85	17	3	0	0	20	
2	3.1	EL Cross Subsidy reduced	100.00%	2.84	16	3	0	0	19	1
3	1.4	2% and 2% FY 21 & 22	100.00%	2.80	16	4	0	0	20	
4	11.1	Operating Capital Equalization	100.00%	2.80	16	4	0	0	20	
5	11.3	Capital Projects Equalization	100.00%	2.80	16	4	0	0	20	
6	1.6	Extended time =100% formula	100.00%	2.79	15	4	0	0	19	1
7	4.2	Concurrent enrollment aid	100.00%	2.75	15	5	0	0	20	
8	11.4	Reemployment Equalization	100.00%	2.75	15	5	0	0	20	
9	11.8	Debt Service Equalization	100.00%	2.75	15	5	0	0	20	
10	12.1	Reducing # of Tiers and Factors	100.00%	2.75	15	5	0	0	20	
11	6.6	Long Term Facility Maintenance	100.00%	2.65	13	7	0	0	20	
12	2.1	SPED Cross Subsidy Reduction & Formula Simplification	95.00%	2.70	15	4	1	0	20	
13	12.2	Rolling 7 formulas into Basic Rev	95.00%	2.70	15	4	1	0	20	
14	1.3	Basic Revenue Redefined 80-20-10	95.00%	2.65	14	5	1	0	20	
15	8.1	Pupil Transportation Adjustment	95.00%	2.65	14	5	1	0	20	
16	7.4	Safe Schools Revenue	95.00%	2.60	14	5	0	1	20	
17	11.5	Community Ed Levy Reduction	95.00%	2.60	14	5	0	1	20	
18	11.6	School Age Care Equalization	95.00%	2.60	14	5	0	1	20	
19	11.7	Home Visiting Equalization	95.00%	2.55	13	6	0	1	20	
20	7.1	LER for Charter Schools	94.74%	2.42	10	8	0	1	19	1
21	7.5	Lease Levy	94.44%	2.50	11	6	0	1	18	2
22	4.4	Compensatory Ed replace FRE eligibility with new measure	90.00%	2.60	14	4	2	0	20	
23	7.3	Tribal School Revenue	90.00%	2.60	15	3	1	1	20	
24	6.2	Location Adjustment Revenue	90.00%	2.50	14	4	0	2	20	
25	2.2	Charter School billing limited	90.00%	2.45	11	7	2	0	20	
26	6.3	Small Schools Revenue	90.00%	2.35	10	8	1	1	20	
27	11.9	Homestead Bond Credit	90.00%	2.35	10	8	1	1	20	
28	7.2	LAR for Charter Schools	90.00%	2.30	10	8	0	2	20	
29	1.5	Basic Revenue Indexed to CPI	88.24%	2.65	14	1	1	1	17	3

Rank	No.	Sub-Group Recommendations	SE + E % of votes	Likert Score	Strongly Endorsed	Endorsed	Endorsed with Modification	Not Endorsed	Total Votes	Did Not Vote
30	6.4 ^ 6.5	Expanding Early Learning: K-4 or Jump Start	84.21%	2.42	14	2	0	3	19	1
31	6.1	Q Comp	84.21%	2.37	12	4	1	2	19	1
32	4.9	Achievement & Integration Rev	80.00%	2.35	14	2	1	3	20	
33	4.6	American Indian Aid Increase	80.00%	2.20	10	6	2	2	20	
34	4.8	Charter school extended time	80.00%	2.15	10	6	1	3	20	
35	4.3	Compensatory Ed for data reporting, MTSS & Middle Sch	77.78%	2.11	10	4	0	4	18	2
36	4.5	Racial Equity Aid	75.00%	2.05	10	5	1	4	20	
37	5.6	Teacher Loan Forgiveness	75.00%	2.00	9	6	1	4	20	
38	4.1	Full Service Community Schools	70.00%	2.05	11	3	2	4	20	
39	5.5	Student Teaching Paid Internships	70.00%	1.85	9	5	0	6	20	
40	6.4	K-4 Universal Pre School	68.42%	1.89	9	4	1	5	19	1
41	5.2	Teacher Candidate Scholarships	65.00%	1.85	9	4	2	5	20	
42	5.3	Rural Affinity Group Aid	65.00%	1.80	8	5	2	5	20	
43	5.1	Student Support Personnel Aid	65.00%	1.80	9	4	1	6	20	
44	6.5	Jump Start Pre School for FRE	63.16%	1.84	10	2	1	6	19	1
45	4.7	Trauma Incentive Aid	60.00%	1.70	8	4	2	6	20	
46	5.7	Ed Support Personnel Training	55.00%	1.55	7	4	2	7	20	
47	5.4	Ed Support Personnel Aid	45.00%	1.40	6	3	4	7	20	
		Average % Endorsment and Rank	85.75%	2.33						
		Median Endorsemend and Rank	90.00%	2.50						
		Likert Scoring								
		Strongly Endorsed	SE	3.00						
		Endorsed	E	2.00						
		Endorsed with Modification	EM	1.00						
		Not Endorsed	NE	0.00						

Appendix E: Member Comments

Comments Submitted on Ballots

The letters that introduce a new comment refer to a specific member of the working group.

1.0 Basic Formula

***Comments/Modifications on Basic Formula*:**

g) 1.1 Understand this to mean that this would eliminate the need to get a renewal at the local level in most cases.
1.4 This sets a precedent to begin indexing to inflation.

j) This set of recommendations redefining, restoring, forecasting Basic Revenue will be a solid bedrock for Minnesota's school finance providing equity for all students and property tax payers regardless of zip-code.

k) Given that the Basic Formula is the heart of state funding for education, schools need to have the ability to plan programming and services on sustainable long-term basis – so tying the formula to the inflation rate is critical if we want to have a consistency of service for students.

o) Gives more responsibility/authority to locally elected boards.

p) The charge of this working group was to review key funding streams, identify areas for change and seek consensus to simplify, preserve local control while prioritizing equity and promoting high achievement. Address the basic formula as described above accomplishes these goals through the elimination of some categoricals, addressing levy inequities, and meeting the needs while allowing school districts to set in place their own plans for addressing equity and achievement.

q) These are all critical funding methods for all school districts. The combined conversion of referendum and creation of LER creates a solid foundational platform for districts. District will still have the option to underlevy LER, but with additional state aid equalization, a district not at the cap could see at least some new money without a large tax burden. Linking the formula to inflation is great!

r) 1.1 Basic Revenue Redefined

While I applaud the increase in the basic formula that helps to staunch the bleeding our schools have faced since the early 200s, I have concerns about the 80/20 proposal and its ability to have local school boards, responsive to property taxes, underfund a student's education. The governor has said many times that a student's zip code should not determine their education; this creates a new system with the same problem. Think of a school district where people are angry at the changing demographics of the student population and choose to not fund schools out of implicit or explicit racism. What if a school board ran on divesting the school of funding? How is this fair to the students in that district?

I would support this proposal with one of the following modifications (listed in order of preference):

- Fully fund the proposal with state aid
- Instead of a locally approved levy, have a statewide levy that that could be adjusted at the state level
- Do not allow school boards to not authorize the full funding

1.5 Basic Revenue Inflator

This is a pretty conservative way to measure inflation. Using an implicit price deflator would be a more accurate reflection of inflation.

2.0 Special Education Cross Subsidy

Comments/Modifications on SPED Cross Subsidy:

b) I would strongly endorse a proposal that fully closes the cross subsidy. Relying of the Federal Govt to hit 40% is not an adequate excuse for keeping the cross subsidy where it would be, even with new funds.

g) 2.2 An attempt at capping charter school bill back rates

i) I thought we were going to require charter schools to do third party billing. I wish our recommendation would close the cross subsidy.

j) Providing school boards a tool to address the districts' cross subsidy reduces the inequity of the SPED cross subsidy on the revenue available for all students in a district. Applying this equalized, board authorized levy for the state's portion of the cross subsidy is a good, safe start. Simplifying the SPED formulas at the same time is a bonus and helpful to all involved in SPED and responsible to manage and explain SPED finance.

k) 2.1 – It is important for the state to in the short term to hold the cross-subsidy constant – but the intermediate goal should be for the state to buy down the cross-subsidy and the long-term goal should be for the state to cover all special education costs not funded by the federal government.

2.2 – Support for this depends on three things: 1] charter schools receiving equitable funding across the board as laid out in all of the recommendations, 2] a phase in of the limit on rates, and 3] a provision for dealing with small schools under 100 students whose costs are going to be higher given the lack of being able to scale services.

l) Addressing the special education cross subsidy is one of the most important issues facing Minnesota education funding. Congress committed to fund 40 percent of the cost of educating students with disabilities through the passage of the Individuals with Disabilities Education Act. Unfortunately, this commitment has never been fully realized. According to my research, since 2009, the average Federal share per child as a percentage of the national average per pupil expenditure has declined in each year except for one year. FY 2020's Federal share per child as a percentage was 13%, the lowest since FY 2001. Current Federal spending under IDEA is at $13.317 billion. In the current school year 2020-2021 (not controlling for the cost of the COVID-19 pandemic), the Federal appropriation for IDEA was $27.7 billion less than full funding, meaning States and school districts across the country had to cover this amount. Until the federal government steps up with the promised 40%, Minnesota will continue to need to dedicate additional funding toward special education. The recommendations are a step in the right direction but are not sufficient to fully resolve the cross subsidy issue without the help from the federal government. It is important that we provide the needed funds for both general education and special education so all Minnesota students can receive a quality education.

p) This pressure point is near the top of every district's short list. The current formula is complicated and difficult to predict. This proposal covers the state share of the cross subsidy. Charter school funding for special education doesn't currently relate to costs as is done in independent school districts because of their inability to access the same funding streams. 2.2 begins to address this issue.

q) This is so critical for districts, especially those with volatile SPED enrollments. I strongly support the work that was done to look at the SPED formulas and additional Cross Subsidy.

r) 2.1 Hold Cross Subsidy Constant

I understand the motivation to only fund the state cross-subsidy and not the federal cross-subsidy, however this leaves school districts with an ever-widening budget hole as they provide services to more complex needs and more students receiving special education. We have no expectation that the federal government will ever meet its obligation. I would fully support this proposal with more funding, particularly a recommendation that closes the cross-subsidy.
2.2 Charter schools/special education funding
I strongly support this proposal; however I would like us to add a requirement that charter schools be directed to pursue third party billing prior to billing a district for services for students.

3.0 English Learner (EL) Cross Subsidy

***Comments/Modifications on English Learner (EL)Cross Subsidy*:**

g) The goal here was to reduce the cross-subsidy by 50% - note the concentration adjustment

j) Providing school boards a tool to address the districts' cross subsidy reduces the inequity of the EL cross subsidy on the revenue available for all students in a district.

k) The increase in funding along with a longer period of time that a student can receive services is important in assisting ELL student in succeeding academically in the school and as lifelong learners, citizens and being able to be economically successful.

o) Revenue should offset referendum authority. Same as Transportation Sparsity.

p) The EL formulas have not been indexed to inflation and need to be addressed

q) This is important revenue for those districts seeing increasing EL students and needs.

s) Increase to support teacher PD, ESL licensure incentives, and student resources.

4.0 Achievement Gaps and Racial Equity

***Comments/Modifications on Achievement Gaps and Racial Equity*:**

a) 4.1, 4.3, 4.7 and 4.9 funding may not be as necessary given the significant addition of Racial Equity Aid and significant increases to general education funding.

b) I marked 4.4 as EM because I'd like to know the impact of the changes from FRL to a new measure.

f) At this time, MASBO does not support new programs. The MASBO priority is fixing the funding system where things are not available equally to all districts or where one type of education is prioritized better than another (like intermediates over cooperatives), fixing the formulas to be more equitable and understandable, and restoring revenue lost to inflation over the years. New programs or ideas, while great in their conceptual form, should not be prioritized and put forward at this time.

g) 4.1 Group is suggesting a three year phase in.
4.2 Note this means it would be linked to inflation.
4.4 The group did not make a recommendation on what the new measure should be.
4.5 This proposal has the largest impact on the total funding per student resulting in an increase of $3K per student. Also 95% of the funds in this formula would be spent at the site that generates the aid.
4.6 The attempt here is to catch up American Indian Aid to the new racial equity aid.

j) These solutions address two important aspects of the achievement/opportunity gaps: the racial inequity in achievement/opportunity and the need to support schools identified for support with more than technical assistance. However, many of the recommendations need modifications.

4.1 Full Service Community Schools is focused on schools identified for support with a broadly defined categorical funding stream that requires local support with an equalized levy to assure full buy-in at the board and district level. This should be the template for categorical funding.
4.5, 4.6, and 4.9 Racial Equity Aid, American Indian Aid and Achievement and Integration revenue should be rolled into one, simplified formula. The rolled in current AMI aid and Achievement and Integration revenue should allow the Racial Equity flat rate and concentration rate to be restored to 10% and 20% respectively. Funding should follow the current Achievement and Integration aid levy mix but at 80-20 to match Basic Revenue. The policy applications for AMI and A&I would apply to funds generated by AMI students and for districts electing to be in A&I consortia. Similar to current AMI funding, districts should receive a minimum of $20,000 to be able to have some impact with the funding.
An alternative to consider rather than this flat and concentration formula is to start with an added .1 to APU for every student of a protected class for the flat portion and only have a separate concentration factor in this formula.
4.7 "Provide grants to 80 identified schools of $250,000 each annually," is confusing to me. Is this a different 80 schools each year? A school site is one-and-done, or can the same site get multiple, even continual grants? If the intention is continued support, then the 50-50 funding model of full service community schools should be adopted for trauma informed schools. But if it is one-time grant money, then 100% aid is appropriate.

k) 4.1 – Concern how this will work for charter schools given that charters do not have levies.
4.4 – Support finding ways to determine Aid that does not depend on parents having to complete paperwork for the child to be eligible for Aid. It is critical that schools be held harmless especially during this Pandemic era.
4.5 – It is time for the state to address racial equity head on and make specific investments in "global majority" students and ensure that those funds are actually spent on programs and services for these students and limit administrative costs to no more than 5% of the Revenue.
4.7 – Support the concept but if we are really going to deal with trauma – this needs to be an ongoing effort as there are kids in every generation of students with traumatic issues and supporting this work through a grant program rather than ongoing Aid – likely will mean that these services, etc. will quietly disappear after the end of the grant.
4.8 – Given the population of charter schools is over 62% "global majority" students, 21% English learners, and over 50% low income – charter schools should have equal access to resources to provide extended learning opportunities for these students.
4.9 – Support rolling Achievement & Integration Revenue into the new Racial Equity Revenue as there is little evidence that the current Revenue program is achieving the intent of the program.

n) Full-Service Community Schools feels more like a grant program. Less important to include in overall budget.

p) On number 4.7, unclear as to whether this a competitive grant? If the MHRD report is used this will favor metro and this is not just a metro issue. There is also a cost to districts to write and oversee the grant. On number 4.8, charters are funded at a much higher level currently for SWDs. This is addressed in the sped recommendations. I think this proposal contradicts that one.

q) This was a tough section to complete. My struggle here is we are adding "new" items and not using the basic premise of fixing and streamlining our current school funding formulas and models. And while some of the concepts may deserve further discussion, none of them were vetted through a finance/formula lens. And they were created in a vacuum. If other committees had been given the green light to add new concepts and funding streams I would add 20 more myself. It was my understanding that the purpose and meaning of this work group was to work through our funding processes and make them better and if possible more equitable. I voted no on items that do not have history, conversation/debate attached to them. They should not be attached to a finance workgroup when they are policy related discussions.

r) I strongly support the following items that were recommended by the Racial Equity and Student Support Personnel Subgroup:

- Item 4.1, funding for the creation of more full-service community schools, a proven strategy for increasing academic achievement, improving school climate, and improving graduation rates for all students.
- Item 4.3, which provides resources to the department of education to facilitate the sharing of best practices for closing achievement gaps across the state.
- Item 4.5, a bold proposal to provide new categorical funding streams to help serve the needs of students of color. We know what measures will help close Minnesota's persistent achievement gaps, and these funds are a bold recognition that the state needs to invest in anti-racist, equitable interventions to build schools worthy of all children.
- Item 4.6, which increases state aid for schools serving Native American students. Minnesota has the worst graduation rate in the nation for Native American students, and this problem can be directly linked to systemic underfunding of this population by local, state, and federal governments.
- Item 4.7, which provides money for schools to transition toward trauma-informed, restorative practices. We know this move will improve school climates by helping reverse the racial discipline gaps in Minnesota that are a civil-rights violation, especially the racial discipline gaps experience by Black boys and girls.
- Item 4.9, which increases the amount of money directed at achievement and integration aid

s) Allow/Encourage districts to use the New Racial Equity Incentive and New Trauma Incentive to support Teacher of Color programs which have been shown to benefit all students. "In combination with Teacher Candidate Scholarships 5.2"

t) 4.3 & 4.4 We agree that there has to be a better way to measure eligibility for extra compensatory funds - but would there still be an option to apply for free and reduced lunch? We don't want our families to feel that they don't or can't fill out the forms for FR lunch. 4.7 - While this is definitely a start, our question is - where did the 80 schools come from? We would think that there is a larger number of schools in need of the Trauma Incentive Aid (and can we talk about how this title isn't great - maybe Trauma Intervention?)

4.8 - Our struggle is the lack of data about the success of individual charter schools. While public, there seems to be quite a bit of turnover in some models/methods and some charter schools don't seem to be able to stay open over time, leading to a lack of data about their success.

5.0 Pupil Support Staff to Student Ratios and Teacher Shortages

***Comments/Modifications on Pupil Support Staff to Student Ratios and Teacher Shortages*:**

a) I would like to see 5.1, 5.3, 5.4 and 5.7 reduced or eliminated due to substantial increases to the general education formula and LOR. Perhaps reduce this cost by 50%. Perhaps we should recommend 5.2 and 5.3 be funded by Higher Ed.

e) 5.4 I agree ESP salary wages needs to increase, but this should be based on the local labor market and not set Statewide. Today, we do not set the salary/wages for any other employment bargaining group.
5.7 **The State must provide this funding. I** would be opposed in creating another unfunded mandate/cross-subsidy.

f) At this time, MASBO does not support new programs. The MASBO priority is fixing the funding system where things are not available equally to all districts or where one type of education is prioritized better than another (like intermediates over cooperatives), fixing the formulas to be more equitable and understandable, and restoring revenue lost to inflation over the years. New programs or ideas, while great in their conceptual form, should not be prioritized and put forward at this time.

i) Being a student teacher unpaid was the hardest semester for me! I was working 40+ as a teacher. Plus, I had to pay for like 10 credits to student teach! So I basically paid the university for me to work. HUGE barrier, please fix!!

j) 5.1 The shortage of support personnel is a symptom of a system starved for resources which has tried to keep "cuts away from the classroom." Further supporting this perspective is that the number of school licensed social workers has increased dramatically, because a portion of their salaries can be reimbursed for IEP's they were included in. The number of social workers is usually not included in the "counselor/student" ratios. Also this would create a categorical for a type licensed professional, which I do not think is good policy. If the concern that districts need to be motivated to hire support personnel, that can be met with an expanded Support Staff Grant Program initiated in 2017 with $12.3 m. These were six-year grants. The first four years a 1:1 match local to state funding and the last two 3:1 local to state match. See details from 2017.
5.2 Having teacher candidates come out of undergraduate teacher prep debt free would be an excellent motivator to draw college students to education. But I would begin the scholarships after candidates were accepted to colleges of education, and use loan forgiveness to address loans students took out before they entered colleges of education. I would also insure students in all economic develop regions qualify for scholarships.
5.4 While schools identified for comprehensive and targeted support should have additional resources, using a categorical funding stream to target a type of employee is not wise state policy.
5.5 Paid student teacher internships are a must. Teacher candidates are in financial need and paid internships is becoming the norm in all industries.
5.7 Q-Comp was originally intended for more than teachers for professional development. An alternative to separate categorical would be include in policy that para professional development is part of Q comp and all districts are eligible for Q Comp. If needed, a small amount per student could be added to Q-Comp aid to be sure this para professional support was accomplished.

k) 5.3 – Not completely sure of the need at this point given how few teachers of color or American Indian teachers in the state and even more so in rural areas
5.7 – Support – but districts and charter schools should have to commit to contribute to the funding of this training or increasing the salary of those who successfully complete training.

o) New formulas add layers to an already overly complex system of formulas. New revenue + new reporting and new restrictions and new MDE oversight duties.

p) Simplification of the Basic Revenue Formula was a goal of the task force. All of the work leading up to these proposals worked to increase funding of the basic formula to a level that would allow districts to be adequately funded and break down the silos that often get in the way of us creating holistic systems for children. Anytime additional systems or requirements are put into place there is an increased cost. The adequate funding that could be realized in the basic formula redo will allow for this and other supports without creating silos again or locking districts into a one size fits all situation. I believe this falls out of many of these items move away from simplifying the formula and increasing it to a level that covers our needs. Some actually adds new requirements. Scholarships, loan forgiveness, teacher incentive programs are addressed in legislation. It complicates it to add another layer here. We should work to increase the level of funding and depth of those regulations. Wages are part of union negotiation issue or should be addressed through legislation on minimum wage. There is not one topic above that I don't feel has merit. However, many of these items felt like they fell outside of the charge of our committee's work and belonged in a legislative priority list rather than an analysis of the current school funding system.

q) This is policy and not something that should be a part of school finance improvements, structures, and streamlining.

r) I strongly support the following items that were recommended by the Racial Equity and Student Support Personnel Subgroup:

- Item 5.1, which will grant districts resources to hire more school support personnel. Minnesota does not meet the minimum staffing ratios for any category of school support personnel, and districts across this state need dramatically more nurses, psychologists, social workers, counselors, and speech-language pathologists.
- Item 5.3, which allows districts in Greater Minnesota to create racial-affinity groups for educators of color who too often feel so isolated that they leave the education profession.
- Item 5.4, which would place an education support professional in every classroom of an ESSA identified school.
- Item 5.5, which provides stipends for student teachers to lessen the burden placed on these candidates.
- Item 5.6, which expands the state teacher student loan forgiveness program to vital staff that have been excluded for too long.
- Item 5.7, which provides additional, paid training, on top of the required professional development already offered, to every education support professional working in special education.

s) 5.4 Shift $10,000,000 to support district grow your own programs, incentivizing pathways for ESPs to become classroom teachers in schools identified as ESSA Comprehensive and Targeted Support.

t) 5.4 - Still struggling with a mandate of $20/hour.

6.0 Funding Streams Not Equally Available to All School Districts

***Comments/Modifications on Funding Streams Not Equally Available to All School Districts*:**

a) Item 6.2: Not all costs associated with a high purchasing power reside within the district. It is hard to argue that labor cost is higher in one district over another based on the cost of living in said district. Teachers may not live in the high cost district.

e) 6.4/6.5 I support both, if funding is an issue moving forward, the Jump Start is where we should put the effort.

f) At this time, MASBO does not support new programs. The MASBO priority is fixing the funding system where things are not available equally to all districts or where one type of education is prioritized better than another (like intermediates over cooperatives), fixing the formulas to be more equitable and understandable, and restoring revenue lost to inflation over the years. New programs or ideas, while great in their conceptual form, should not be prioritized and put forward at this time.

i) Universal K-4 for all Students!!!

j) 6.1, 6.6 Currently Q-Comp and LTFM are unequal treatments of teachers, districts and students that need to end.

6.4, 6.5 In early learning, Jump Start is more focused to provide equity in education.

6.2, 6.3 Location Adjustment and Small Schools address economic issues due to location and district size. The reliance on equalized levies to address these issues is the appropriate funding tool to rely on those who choose to live and operate businesses in those communities.

k) 6.3 – Provide small school aid which is supposed to help address administrative costs of a school districts to include small charter schools

6.5 – Priority should be given to children who have the least build-in "family and social capital" – not talking about money.

o) Simplify the several EC programs into one.

p) Small Schools Revenue has not been adjusted to keep up with basic revenue and doesn't follow increasing needs as numbers decrease which calls for some type of sliding scale. This proposal would work to relieving these issues. On 6.6, all types of districts have these same needs. This change creates equity between rural and metro entities. Each of the Early Childhood proposals brings challenges. 'K-4" implementation would require additional space and with that cost in districts which our current social distancing situation makes even more difficult. 'Jump Start to Learning' requires FRE info which we are in many cases unable to attain. In the end, if we are to achieve the goal of equity than I must chose 'K-4'. We know that the largest return on our money is early investment.

q) More time and conversation should be had for the K-4 and Jumpstart.

r) 6.4 and 6.5 Early Learning

Education Minnesota supports finding an equitable solution to funding early learning and childcare for all children in the state. Unfortunately, these two options do not meet that threshold. Minnesota students and families deserve an early-learning system that honors the work of all educators, especially those working with our youngest citizens. Education Minnesota has been working with early learning and childcare stakeholders for eighteen months and will release an EPIC paper on this topic shortly.

t) 6.1 - Do all districts WANT to do Q-Comp? Is this something that needs to be implemented statewide?

6.4 - We don't like the burden of having PreK being put solely on the school districts, nor asking districts to contract with outside preschools to accommodate the numbers. However, 6.5, we like that there is this option for students who really need it.

7.0 Funding Streams that Vary Among Different Types of Local Education Agencies

***Comments/Modifications on Funding Streams that Vary Among Different Types of Local Education Agencies*:**

i) I would like schools to know they can use safe school funding for counselors and mental health professions!

j) 7.1-7.5 all address major inequities for students education due to the typed of educational organization they attend.

k) 7.1, 7.2 – Chartered public school students need to be treated equally in terms of funding – or there is no equity for over 63,000 or 7% of all public school students.
7.3 – All students should get their share of Revenue form the School Trust Fund.
7.4 – All students should be eligible for Safe School Funding no matter what public school they attend.
p) On 7.4 and 7.5, all types of districts have these same needs. This change creates equity between rural and metro entities. The above changes for charters will decrease differences between charters themselves, allow charters to collect categoricals which they have been left out of and correct special education funding reimbursement issues.
q) These are based on equity and providing more access to needed funds.

8.0 Pupil Transportation Funding

***Comments/Modifications on Pupil Transportation Funding*:**
j) Pupil Transportation Cost Adjustment addresses a cost factor due to location, district size and presence of charter schools. The reliance on equalized levies to address these issues is the appropriate funding tool to rely on those who choose to live and operate businesses in those communities.
k) Support this increase in funding although the formula is still confusing.
o) This is a step in the right direction. Does not completely solve the fairness problem as transportation costs are driven MILES DRIVEN which are a function of geography and parental choices and Charter School choices, all of which are outside the control of the local school district. The subtraction from referendum revenue is unfair because those schools receiving revenue in excess of their costs are allowed to keep those surpluses rather than having them offset their referendum operating revenue.
q) Transportation funding is COMPLICATED because costs are not uniform! This bridges some gaps but would love to continue to talk through the challenges.

11.0 Property Tax Equalization

***Comments/Modifications on Property Tax Equalization*:**
i) Can the homestead credit be a renters credit for people who don't know their home?
j) 11.1-11.7 Address basic tax payer fairness for these revenue sources.
11.8, 11.9 Debt Service Equalization (DSE) and Homestead Bond Credit (HBC) are both needed to provide an increased state share of facility debt taxes both in districts with higher debt service costs for voter approved bonds (DSE) and districts with above 10% tax rates for all forms of facility debt (HBC).
o) Recognizes differences in local property wealth.
r) 11.10 Homestead Bond Credit for all
We know in Minnesota there are racial disparities in who owns a home and who rents. This proposal does not benefit renters. Per Department of Revenue, this credit is not available to non-citizens. It also creates a perception of disinvesting in public education. This costs the state $50 million but does not increase education funding to any school district and will have a negligible impact on a district's ability to raise revenue, as this report assumes the board can approve most referenda. I would support this recommendation if it were either paired with an increase in the renter credit, targeted to low-income homeowners, and available to all Minnesotans.

t) While we don't disagree with any of this- anything that helps equalize education is not a bad thing- when being explained, it needs to be made very clear what the overall benefits are to education across the state and to taxpayers.

12.0 School Finance System Complexity

***Comments/Modifications on School Finance System Complexity*:**

e) 12.2 I understand there would need to statutory changes to the TEA and Gifted and Talent dedicated funding streams for this recommendation to take effect.

j) The increases in Basic Revenue in section 1, the cross subsidy reductions in sections 2 & 3, and the new revenues in Location Adjustment and Small Schools should provide districts and charters the ability to fund Telecom expenses and Gifted and Talented with general revenue. The other five formulas are hold overs from previous reforms or band aids on the current inequitable Basic Revenue system.

Rolling these seven formula into Basic Revenue is predicated on implementation of this 80-20-10 reform package, and cannot be adopt by itself.

o) Makes the formula system simpler.

t) Yay for reducing number formulas.

Grand Totals

***Comments/Modifications on Grand Totals or Overall Package*:**

i) Universal Pre-K!!!

Help pre-service teachers with costs/getting paid during student teaching.

Don't just hold the cross subsidies, but close them!

Ensure charter schools do third party billing, we are leaving money on the table!

j) As a percentage of personnel income, Minnesotans are underfunding public education by $1.959 B in FY '23 as compared to 2020. I think we make a stronger case for the 80-20-10 reform package if it comes in under $2 B with Jump Start and $2.2 B with K-4 as that is adding essentially a 14th grade to the K-12 system and absorbing what had been a private day-care expense into the public system.

k) Overall the package is a good and sound proposal which addresses the loss of purchasing power over the last two decades, addresses the inequities of funding for students who attend chartered public schools, tackles head on the racial inequities that exist, balances urban and rural situations, and brings some needed simplification to the overall education finance system.

m) Overall, I endorse each recommendation with the following comments:

1. Add narrative as appropriate to show "the deliverable" for each recommendation, especially as it relates to WBWF metrics.
2. Recommendations should be prioritized/scalable for rollout with rationale.

q) While I appreciate the process we went through, I'm struggling with the policy and non-finance related reasoning for additions.

If we move forward with all of the items as a group, I would want to have disclaimers or committee members be able to explain the challenges with this presentation. If there are folks with concerns, those should hold and be vetted to be considered in the future or as a separate proposal.

u) Modifications - I would appreciate the opportunity to review and comment on the draft of Executive Summary. Hope the Tom Melcher's role is recognized. If I had to select a priority pressure point = the general ed formula increases linked to inflation.

Appendix F: Final Report for the TDE/ATPPS Alignment Working Group

TDE/ATPPS Work Group

Teacher Development and Evaluation/Alternative Teacher Professional Pay System (TDE/ATPPS) Alignment Work Group

Purpose:

> "*To better align Minnesota's alternative teacher professional pay system under Minnesota Statutes, sections 122A.413 to 122A.416, and Minnesota's teacher development and evaluation program under Minnesota Statutes, sections 122A.40, Subdivision 8, and 122A.41, Subdivision 5, and effect and fund an improved alignment of this system and program.*"

The TDE/ATPPS Alignment Work Group was charged with the task of seeking alignment between the Alternative Teacher Performance Pay System Statute (ATPPS, also known as Q-Comp) and the Teacher Development and Evaluation (TDE) Statute. During discussions at five face-to-face meetings coordinated by the Minnesota Department of Education, the work group reviewed both laws, looked at existing funding mechanisms and budgets for both ATPPS and TDE programs, and listened to perspectives from both ATPPS districts and non-ATPPS districts with regard to implementation of both laws.

After discussion and consensus building that allowed all members of the work group to give their thoughts and opinions, the general recommendation of the work group is to keep the integrity of both laws intact while merging the two statutes into one overall statute. The funding recommendations will maintain the quality of programming that currently exists for districts participating in ATPPS while creating the same opportunities for districts that have not been part of ATPPS as they comply with state expectations for high quality teacher development and evaluation practices.

Three Premises:

The following 11 process recommendations and three funding recommendations are based on three premises:

1) The fundamental expectations of both laws are based on current research and best practices with regard to teacher development and evaluation and should be kept in place in future legislative action, with the option of providing performance pay for teachers which has less convincing research support as a means toward better student achievement.

2) The recommendations should be taken as a package and not as individual, stand-alone statements. The work group supports a comprehensive approach to both teacher development and evaluation. Evaluating teachers without the necessary support for their development and continued growth is not sound practice and at the same time support and development of teachers should be

tied to fair and reliable evaluation practices which include multiple, sound measures and trained evaluators.

3) Neither teacher development nor evaluation programs (nor the combination thereof) will be viable without the necessary funding to support the mandate.

As co-chairs of the work group, we are available along with department staff to answer questions you have about the recommendations from the work group. A list of members of the work group as well as materials and documents used may be found at the following link: Teacher Development and Evaluation / Alternative Teacher Professional Pay System (ATPPS) Alignment Work Group.

Kelley Spiess, Co-Chair
Q Comp Coordinator
Bloomington Public Schools

Misty Sato, Co-Chair
Professor, University of Minnesota
Campbell Endowed Chair for Innovation in Teacher Development

Process Recommendations

Recommendation 1. Given that TDE and ATPPS have many similar expectations, the programs should be combined under the current statute 122A.40 and 41 with all of the following program elements. (Note: This recommending body strongly supports that all of the following elements should be in place in order for a "combined" statute to be viable. Selecting portions of the following recommendations would be deemed insufficient to meet the expectation of supporting student learning through teacher development and evaluation.)

Programs should continue to be developed locally and jointly-agreed to by districts and teachers with a state default model in event of no agreement.

All districts should be required to comply with the new statute. (Note: Currently, ATPPS is voluntary.)

Recommendation 2. As is currently required in the TDE statute, and in accordance with best practices in teacher development and evaluation, the focus of a locally developed program should be on the development and evaluation of teachers as a means toward improving student outcomes.

- Teacher development should be guided with individual growth and development plans as an integral part of the evaluation and support cycle.
- Individual growth and development plans should be linked to the data and information embedded in formative feedback and summative evaluations given to the teacher in order to be a guide for instructional growth of the teacher.
- In alignment with Minnesota Statutes, section 122A.60, the professional learning opportunities for teachers should be aligned with local site goals.

Recommendation 3. As is currently required in the TDE statute, and in accordance with best practices in teacher development and evaluation, the summative evaluation of the teacher should be based at minimum on a three-year data collection cycle and include opportunities for ongoing feedback and development with, at minimum, annual feedback provided to the teacher.

Summative evaluations that have consequences for employment decisions should be conducted by supervisors/administrators.

Formative coaching and feedback should be conducted by peer coaches, mentors and/or supervisors/administrators.

Recommendation 4. As is currently required in the TDE statute, and in accordance with best practices in teacher development and evaluation, measures of teacher effectiveness should use data on student academic growth, observations of teachers' practice, and a measure of student engagement.

These data sources should be used together to guide coaching and formative feedback to the teacher as well as for the summative evaluation of the teacher.

Recommendation 5. Professional learning opportunities for teachers should follow best practices as already described in Minnesota Statutes, section 122A.60.

In alignment with Minnesota Statutes, section 122A.60, professional development opportunities should be embedded in the regular working hours of the teacher, and thus be job-embedded.

In alignment with Minnesota Statutes, section 122A.60, professional development opportunities should include teacher-to-teacher collaboration through activities such as coaching, mentoring and professional learning communities.

Recommendation 6. The locally developed program should include opportunities for teachers to take on professional roles, such as peer reviewer, peer observer, mentor, peer coach, instructional coach, professional learning community facilitator, team leader or other roles that allow for sharing of best practices and wisdom of experience through peer collaboration. These roles should be clearly structured.

Recommendation 7. As is currently required in the TDE statute and in accordance with best practices in teacher development and evaluation, all data within the program should be considered personnel data.

Observation and meeting notes used for developmental purposes by peer coaches, mentors or others who are not the summative evaluator can be disclosed only with teacher's consent.

Observation and meeting notes used for developmental purposes by peer coaches, mentors or others who are not the summative evaluator cannot be used by the teacher for purposes other than their growth and development.

Protocols for aggregating school-wide or district-wide data need to be established locally and assure anonymity of individuals.

Recommendation 8. Provision for alternative compensation or performance pay should be locally determined and will not be a requirement of all districts. (Note: currently, ATPPS expects performance pay.)

Compensation may be annual or tied to agreement specifications.

Recommendation 9. The definition of teacher should be as in Minnesota Statutes, section 122A, which specifies that a teacher must hold a valid Minnesota license.

An appropriate evaluation process should be used for other professionals related to their job description and/or their licensure requirements.

Recommendation 10. The Minnesota Department of Education should be charged with the following responsibilities related to the development, support and review of the locally developed program.

- Secure assurance from each district that all requirements of state statute are being met.

- Provide support and training for districts based on need.
- Create support materials that will allow districts to perform self-review and engage in continuous improvement.
- Create materials that will help districts align the locally developed program with other expectations in statutes such as World's Best Work Force and Staff Development Program expectations in Minnesota Statutes, section 122A.60.
- Support districts in reporting on their local use of state funding.

Recommendation 11. Regarding probationary teachers, Minnesota Statutes, section 122A.40, Subdivision 5, and section 122A.41, Subdivision 2, should be amended to allow for the following:

- Probationary teachers should receive formative evaluations and feedback at least three times periodically throughout each school year during the probationary period of employment ("the first three consecutive years of a teacher's first teaching experience").
- The evaluation of the probationary teacher should align with the evaluation expectations in this combined TDE and ATPPS statute, with the provision that the probationary teacher have a summative evaluation at the end of each of the three years of probationary period of employment.
- The probationary teacher enters the three-year evaluation cycle at the beginning of the fourth year of employment.

Funding Recommendations

Funding Recommendation #1: The Legislature should combine these programs into one program implemented under the provisions of Minnesota Statutes, sections 122A.40 and 41. Equal funding should be provided to all districts at the level currently available under Minnesota Statutes, section 122A.415, and consistent with the provision in other recommendations in this report.

Funding Recommendation #2: All districts should receive the state allocation of $169/student for implementing the provisions in Minnesota Statutes, sections 122A.40 and 41 (Teacher Development and Evaluation), to develop, improve and support teachers and improve student learning and success. Use of these funds must be used for the following program elements and others per Minnesota Statutes, sections 122A.40 and 122A.41:

- Minimum of one summative evaluation in a three year cycle.
- 35 percent based on student academic growth.
- Professional roles such as peer reviewer, coach, observer.
- Student engagement measures.
- Individual growth and development plan.
- Classroom observations and feedback.
- Job-embedded professional development.

Funding Recommendation #3*:* All districts and charter schools should have access to local levy authority with equalization of up to $91/student to further enhance teacher development and improve student learning if they adopt and implement at least three of the following additional program elements:

- Teacher leadership positions.
- New teacher mentoring and induction support.
- Supplemental/additional job-embedded professional development.
- Performance incentives at the school or individual level based on student outcomes and/or teacher performance.
- Reform of the salary schedule tied to evaluation results.

Funding Recommendation #4: The role of the Minnesota Department of Education should be to provide professional development, implementation support, technical assistance, levy certification and verification of the use of the funding through expenditure review (UFARS reporting).