



Education and Leadership for a Lifetime

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September 3, 2020

Dear Superintendent, School Board Members, Presidents and Heads of School,

The Minnesota State High School League has provided educational opportunities for students through education-based fine arts activities and athletics for over 100 years. In addition, it provides leadership, education and governance for 43 different activities and all member schools in Minnesota. The impacts of the COVID-19 pandemic have been profound, yet the value of student experiences in MSHSL activities and athletics is important and well documented. As a result, the desire of students, families, schools, and communities to continue to provide and take part in these important opportunities remains strong. The League remains committed to these two primary goals in this difficult year:

- Provide participation opportunities in MSHSL activities and athletics to the greatest extent possible, and
- Provide these opportunities in the safest way possible for all participants, coaches, directors, schools and communities.

The COVID-19 pandemic has had and will continue to have dramatic impacts on the operations and financial situation of the Minnesota State High School League, yet it has only increased the workload for the League as it has for you and your school. As a direct result of the programming impacts of COVID-19 and the reduction of revenue, the financial responsibility of our member schools will increase significantly for this 2020-2021 school year. As a member school, the details of your membership dues for this school year have been set by the Board of Directors at their August 4, 2020 Board Meeting. These details can be found in the enclosed document titled "2020-2021 Membership Fee Summary."

Background

The Minnesota State High School League has maintained a practice of limiting the financial support from member schools to the greatest extent possible, while continuing to be responsive to the strong desires of our schools to grow programming within our organization. The League does not receive any direct financial support from state funding, but rather is primarily funded through four major sources: tournament ticket sales, member school dues and fees, sponsorship agreements, and broadcast contracts. In addition, it is important to know that the MSHSL is required to hold reserves that may not exceed 50% or be less than 20% of the annual expenses of the League. Over the past few years, ticket sales at tournaments has declined and expenses in all categories have grown. Therefore, the League has made reductions and accessed available reserves which are now at the lower limit of approximately 20%.

While the Board of Directors constantly monitors the League's financial situation, this past school year additional review was done to address the growing gap between revenues and expenses. While actions have been taken to reduce the costs in nearly all areas within the League, in February of 2020, the Board of Directors made the decision to approve increased fees for member schools which were projected to increase the annual revenue from member schools from \$1.2 million to \$1.9 million. Given the magnitude of the programming and services that are provided, this amount will be well short of the costs of operations for 2020-2021. More detail on these membership services and the additional programming that has been added since 2007, please see the enclosed document titled "Membership Benefits." For the past few years, the League's annual budget has been approximately \$9 million. The primary source of revenue has been our state tournaments, with more than 75% of League revenue coming from ticket sales, sponsorships and broadcast revenues. More detail on the MSHSL budget for 2019-2020 and 2020-2021 are available on the attachment titled "Minnesota State High School League Budget Summary."

The anticipated loss of 75% of the League's revenue due to the uncertainty of state tournament events has created the need for further adjustments in our finance model. Looking back, the 2019-2020 fiscal year for the League withstood nearly \$600,000 in losses due to the cancellation of the final stages of the Girls Basketball State Tournament and the entirety of the Boys Basketball State Tournament. Through reductions in operational costs, staffing, printing costs and many more items, and the anticipated forgiveness of a Paycheck Protection Program Loan obtained by the League, the final budget for last year is predicted to finish at approximately the same level as it was projected.

Process

Recognizing the unprecedented challenge that the League faces this fiscal year, the MSHSL Board of Directors called for the creation of a Finance Task Force to study the current situation and provide recommendations to the Board of Directors for their review and action in developing a 2020-2021 Budget. This task force included member school representatives in the positions of school board members, superintendents, principals, activities administrators and coaches and included the members of the MSHSL Board of Directors Audit/Finance Committee. Representation was sought from public and nonpublic schools, including home schools, that were both large and small, as well as metro and outstate. A detailed summary is included in this packet and titled "Finance Task Force Summary."

The Task Force studied the annual budget, the financial impact of COVID-19 on programming and tournaments, the anticipated costs of maintaining critical aspects of League programming including catastrophic and concussion insurance for all student participants, education and certification of coaches, registration and certification of officials, leadership and management of all activities and programs, eligibility and governance of bylaws, policies and rules as well as many other services.

The MSHSL Finance Task Force recommended the following for the coming fiscal year:

- Approve an annual budget of \$5 million (reduced from approximately \$9.1 million in 2019-2020).
- Maintain all MSHSL activities and athletics to the greatest extent possible within the COVID-19 pandemic.
- Fund the basic costs of the MSHSL through member fees based on traditional membership dues and activity fees as well as two additional installments based on size of school.
- Provide member school refunds or credits if revenues exceed expenses for the 2020-2021 school year. These refunds or credits should be based on the membership fees as determined by the Board.
- Establish financial advisory committee that extends beyond the members of the Audit/Finance Committee of the Board of Directors.

At the August 4, 2020 Board of Directors meeting, the Board approved the recommendations of the Task Force and established member dues based on the model recommended by the Task Force. The model for the 2020-2021 membership fees is illustrated in the "Finance Task Force Summary" and the actual amounts for your school or schools are included as a separate attachment, titled "2020-2021 Membership Fee Summary."

Responsive Financial Actions

The Board of Directors has been proactive in managing the expenses of the League and has implemented a number of cost-cutting measures over the past 24 months. Among the many actions of the Board are these examples:

- The League reduced its staffing from 23.5 FTE to 19.5 FTE through layoffs and retirements that were not rehired. This resulted in a reduction of 17% of League Staff.
- Placed a freeze on salaries for employees of the League for the 2020-2021 fiscal year.
- Reduced printing costs of the State Tournament programs in 2019-2020 through reduced volume and creative program options and has taken steps to reduce cost even further in 2020-2021 should tournaments be possible.
- Eliminated the MSHSL *Bulletin* and replaced it with the online newsletter titled MSHSL *Connect*.

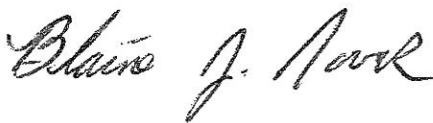
- Eliminated the costs of bi-annual Area Meetings and replaced these informative sessions with interactive online meetings for the entire state titled "*The LEAD Network.*"
- Reduced Board of Directors and Committee costs using online meetings which has eliminated most costs related to mileage, travel, food and lodging.
- Reduced operational costs of the MSHSL League Office through reduced maintenance, change in communications providers, significant reduction in staff expenses for travel, lodging, etc. and reductions in supplies.

Representatives of the League have been active in sharing the concerns regarding the MSHSL Budget over the past two years with our important professional organizations including Minnesota School Board Association (MSBA), Minnesota Association of School Administrators (MASA), Minnesota Association of Secondary School Principals (MASSP) and the Minnesota Association of Activities Administrators (MNIAAA). These presentations have taken place at annual conferences as well as direct interaction with the Board of Directors within each organization over the past few months. Each of the leadership groups in your fine organizations have shared their support for the opportunities and leadership provided by the League and recognize the unique challenges that the League has encountered.

It is important for you to know that our Board has supported the actions to continue forward with the rebuild of our MSHSL website which is critical in the efforts to grow our communication with our activity administrators in each of our member schools, along with better informing the public of information and news of the MSHSL. With an initial rollout this past month, we are excited by the efficiencies it will provide and the ways it will better serve our member schools and the public.

With the direction of the Board of Directors and the creation of a model of an organization that is funded by its membership, the League is positioned to continue to lead our schools and provide opportunities for students. Everyone who participates in League activities and athletics thanks you and your school community for maintaining your membership and partnering in providing the opportunities that have long been a part of the Minnesota State High School League.

Sincerely,



Blaine Novak
President, MSHSL Board of Directors
Superintendent, New York Mills



Erich Martens
Executive Director, MSHSL

Enclosures:

- Finance Task Force Summary
- Membership Benefits
- Minnesota State High School League Budget Summary
- 2020-2021 Membership Fee Summary



2020-2021 MINNESOTA STATE HIGH SCHOOL LEAGUE

Finance Task Force Summary

The MSHSL Board of Directors created a Finance Task Force to assist the League in creating a budget and a model of finance for the coming 2020-2021 school year. This task force was assembled with representation from large and small schools, public and nonpublic, as well as metro schools and outstate schools. Together this group reviewed historical financial information and programming costs. They assessed the current needs of the member schools and the impacts of the ongoing COVID-19 pandemic on MSHSL programming and finance. The primary tasks assigned by the Board of Directors was to prepare a potential budget that would sustain the programming and services that the MSHSL has provided for years and to build an equitable model of revenue to meet these needs.

The Task Force began with consensus on the guiding principles that would inform and direct the work that they would do. These guiding principles included:

- The opportunities provided for students in MSHSL activities and athletics are critical to the high school educational experience
- Maintaining current MSHSL programming and the support provided to our member schools are the major focus of the task force
- Building a sustainable financial model for the short term and long term is required.
- The model must address equity and fairness and recognize the unique characteristics of our member schools
- Sharing excess revenue back to member schools has been a consistent practice of the Minnesota State High School League and is a goal for future budgets

Through multiple meetings, and significant discussion along with the review of financial documents, and a strong consideration that state tournaments will not occur this year in the way they have in the past, the Task Force provided the Board of Directors with three potential models that could be used to equitably share the costs of the operations of the League across all members. The Board of Directors discussed these models and ultimately approved a hybrid model of membership dues which incorporates the activity fee model as a portion of the school's responsibility and then also added two additional membership dues installments that were identified by school size and mirrored the classification system that is in place for our four class athletic programs.

A basic grid of the installment plans for the 2020-2021 school year is shown here:

# of Schools	Enrollment	Class	Current Membership Fees due 10/1/2020	Installment Plan #1 due 11/30/2020	Installment Plan #2 due 2/28/2021
64	1234-3276	AAAA	Invoiced 8/1/2020	\$ 5,500	\$ 5,500
64	570-1228	AAA	Invoiced 8/1/2020	\$ 4,500	\$ 4,500
128	205-568	AA	Invoiced 8/1/2020	\$ 3,500	\$ 3,500
138	102-204	A	Invoiced 8/1/2020	\$ 2,500	\$ 2,500
66	51 - 100	A	Invoiced 8/1/2020	\$ 1,500	\$ 1,500
46	5-50	A	Invoiced 8/1/2020	\$ 500	\$ 500
Home Schools	1-4		Invoiced 8/1/2020	\$ 0	\$ 0
506			\$ 1,900,000	\$ 1,555,000	\$ 1,555,000

It is important to note that the installments will be invoiced approximately 45 days before the due date, and that these installments are in addition to the annual membership dues and corresponding activity fees for which each member school has already been invoiced.

The Task Force also provided two important recommendations for the MSHSL Board of Directors. These recommendations were also approved by the Board of Directors and will be implemented this school year in supporting the League financially going forward:

- The League should develop a strategic marketing plan, including accessing outside expertise, to generate significant financial support for MSHSL Athletics and Fine Arts, and
- The League should consider the creation of a (Coronavirus) Financial Advisory Committee with regular meetings to advise MSHSL staff and Board of Directors

The current plan for membership fees based on both activity fees plus installments over the course of the year based on school size was approved as a short-term plan. This would ensure that the League could continue to provide activities and services for member schools through a COVID-19 pandemic. When the effects of this pandemic subside, the League would continue forward with a long-term plan that aligns membership fees with the operational and insurance costs of the League. This long-term plan will be informed by the work of the Finance/Audit team along with the entire Board of Directors and created and approved by the Board of Directors later this school year.

The Minnesota State High School League thanks all of our member schools for their continued support and incredible work that they have done to create opportunities in our activities and athletics in the 2020-2021 school year.

Membership Benefits

MEMBER-REQUESTED SERVICES AND PROGRAMMING



-
- 43 programs including Athletics, Fine Arts, and Adapted Athletics
 - On-call administrative support for Member Schools
 - Coaches education
 - Officials registration and education
 - Leadership and professional development opportunities
 - Eligibility and governance
 - Legislative advocacy
 - Sports medicine
 - Concussion insurance
 - Catastrophic insurance
 - Recognition and awards programs
 - Tournament administration
 - Statewide media coverage of events
 - Technology systems and services
 - Activity specific technology support
 - Publications
-



MINNESOTA STATE HIGH SCHOOL LEAGUE

The following items for Member Schools were added at their request between 2007 and 2019. From 2007-2019, Member Schools Fees remained unchanged.

Added Activity or Athletic Programs:

- Robotics
- Clay Target
- Visual Arts
- Lacrosse

Safety Enhancements:

- Anyone Can Save a Life Program
- Purchase AED's for MSHSL events

Enhancements for Coaches

- Head Coaches Education Program
- Online Coaches Education Requirements

Enhancements for AD's

- New AD Education in conjunction with MNIAAA
- Athletic Directors Cohort
- Tournament Passes-AD's

Enhancements for Officials

- Officials Background Checks
- Officials Training Clinics
- Officials Online Contracts
- Hire Coordinator of Officials
- Tournament Passes-Officials

Additional Programming and Services:

- HeadStrong Concussion Insurance Program
- Cyber Liability Insurance
- 4-Class Baseball/Softball
- 3-Class Golf
- 2 Nordic Ski Teams per Section
- 6A Football
- Instant Replay-Hockey & Football
- Qtr. Final Football Neutral Sites
- Consolation Basketball-Girls and Boys
- Baseball Pitch Counts
- Adapted Bowling Online Score Reporting
- QRF utilized for seeding
- TrackWrestling Program for Section/State
- Statewide media coverage of activities- Hire Media Specialist

Minnesota State High School League

Budget Summary

2019-2020 Approved Budget

2020-2021 Approved Budget

9/3/2020

	MSHSL Budget 2019-2020	MSHSL Approved Budget 2020-2021
Revenues		
Tournaments/Television/Sponsors	\$ 7,294,522	\$ -
School Registrations	\$ 1,216,000	\$ 5,000,000
Officials/Coaches Fee	\$ 443,500	\$ 170,000
Other/School Supplies	\$ 213,400	\$ 88,300
Total Revenues	\$ 9,167,422	\$ 5,258,300
Expenses		
Tournaments	\$ 3,345,150	\$ -
Membership Insurance	\$ 793,700	\$ 751,000
Membership Materials	\$ 283,900	\$ 223,200
Officials/Coaches	\$ 390,000	\$ 272,000
Personnel	\$ 3,385,200	\$ 2,982,000
Operations/Administration	\$ 1,376,900	\$ 1,144,200
Total Expenses	\$ 9,574,850	\$ 5,372,400
Excess of revenue over (under) expenses	(407,428)	(114,100)



2020-2021 MINNESOTA STATE HIGH SCHOOL LEAGUE

2020-2021 Membership Fee Summary for *Lakeview High School*

This is not an invoice – please do not pay.
Schools will receive separate invoices on October 15, 2020 and January 15, 2021

*Lakeview High School MSHSL Enrollment: **170**

August Invoice Summary – sent July/August 2020, due 10/1/2020

Description	Fee
Annual Membership Fee	\$160.00
\$1 Per Student Fee	\$170.00
Activity Fee Registration Total (\$160 per activity)	\$2720.00

August Invoice TOTAL: **\$3050.00**

November Membership Fee – to be sent 10/15/2020, due 11/30/2020

Description	Fee
COVID-19 Installment 1	\$2500.00

February Membership Fee – to be sent 1/15/2021, due 2/28/2021

Description	Fee
COVID-19 Installment 2	\$2500.00

2020-2021 Membership Fee Total **\$8050.00**

*MSHSL Enrollments are determined in even-numbered years by the Board of Directors using the most current MARSS Report to the MDE for grades 9, 10, 11 and 12. From those enrollment numbers, the Board of Directors subtracts 40% of the free/reduced lunch count reported.

