

memo

To: Legislative Committee
From: Gary Cerkvnik
Re: Review

Our Legislative Committee met with Senate Majority Leader Bakk, Senator Tomassoni, and Representative Metsa to discuss the proposal to build and operate a co-located grades 7-12 high school near Merritt Elementary School in Mt. Iron.

Key issues that were discussed included timeline for the project, desire of the school boards to allow a public vote on the plan, funding for the development of a comprehensive plan, estimated costs, funding sources—including maximizing state aid debt equalization, future education funding, and legislative options.

The committee reviewed the main elements of the co-located school and the reasons it believed that cooperation was important to their student populations. The discussion primarily focused on expanding curriculum choices and improving academic performance for all students, college bound or not. A special emphasis was placed on vocational technical expansion and increased efficiency. The committee emphasized that current 7-12 space at the three districts is over 800,000 ft² and a new building would efficiently and economically be sized at about 315,000 ft² for 1,500 students.

The response from the legislators included the following:

- Recognition of the major and bold step that the three districts have taken to improve education.
- Acknowledgement of the increased capital spending necessary to keep old buildings functioning and the improved alternative of building a new building that would reduce costs, bring the best technology to students, and increase efficiency. Spending on the school's older facilities include:
 - \$16.5 million necessary in capital upgrades to the old MIB High School.
 - Annual minimum capital maintenance at Virginia's old high school from \$800,000-\$1.5 million per year.
 - Excessive capacity at Eveleth Gilbert.
- Legislators emphasized that the committee provide the public with specific operating cost savings to the districts' taxpayers, including any anticipated changes in employment levels, potential savings through attrition, and efficiencies likely to occur as a result of the shared campus.
 - Potential combination of business offices, joint purchasing, sharing of current qualified staff.
 - Reduction of utility and other operating expenses.
 - The committee noted that the planning process on curriculum, transportation, administration, governance, facilities, and extra-curricular issues would need to address these issues and develop answers to these efficiency potentials. Because the potential building of a joint school and its occupation are expected to take time, efficiencies can be met through retirements, attrition, and re-assignments.
- The plan to be developed must include clear messaging so the public understands the key elements of the proposal.

- The committee was instructed to begin drafting legislation with a focus on maximizing state debt equalization aid, creating a long-term school construction and improvement trust fund to this project and potentially other regional school issues, providing for debt protection for the taxpayers in case of a change in the state debt service equalization aid formula, allowing co-location to be eligible along with consolidation for increased state educational aid, and providing for co-location authorization, and to seek research advice.
 - After meeting with legislative staff, state debt service equalization aid for this project could range from \$1.9 million to \$4.4 million annually. The large difference is a function on how the debt would be allocated to each district and how that allocation would affect the state aid formula. To achieve the \$4.4 million state aid level, the 15% estimated market value cap would have to be lifted by legislative action.
 - The maximum allowable annual state debt service equalization aid for a consolidation would be \$2.6 million; for a co-located joint school, the maximum allowable annual state debt service equalization aid would be \$4.4 million with the 15% cap lifted.
- A discussion of the impact of taconite mining on the three school districts, and that nearly 20 million tons of production annually occurs within the districts.
- Support by the legislators for the districts to approach the IRRRB for funding for the development of the plan.

To these ends, we will begin the development of the various legislative pieces and put together a development plan for submission to the IRRRB.