

March 2019
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Minneapolis Public Schools Targets Statewide Issue At Legislature

March 22, 2019 Executive/Legislative Committee Meeting

7:30 a.m.
Room 304
Anderson Center
Bethel University
Arden Hills

April 12, 2019 Board of Directors Meeting

7 a.m.
Quora Education Center
NE Metro 916
Little Canada
<https://goo.gl/maps/EG2bcsS9zuK2>

April 26, 2019 Executive/Legislative Committee Meeting

7:30 a.m.
Room 304
Anderson Center
Bethel University
Arden Hills

May 3, 2019 Board of Directors Meeting

7 a.m.
Quora Education Center
NE Metro 916
Little Canada
<https://goo.gl/maps/EG2bcsS9zuK2>

AMSD's Mission

To advocate for state education policy that enables metropolitan school districts to improve student learning.



Association of
Metropolitan School Districts

Minnesota's special education funding system needs repair and has for many years. As educators, we always do the best with the resources we have available. We have reached a point, however, where needs far exceed resources and funding. Districts from Faribault to International Falls are grappling to serve all students with too few dollars, and now is the time for the state to fulfill its constitutional requirement to provide for a general and uniform system of public schools.

The term *cross-subsidy* has been used to refer to the amount of money districts spend on special education services compared to the amount of state and federal funding they receive. In Minneapolis, we have stopped saying cross-subsidy, which suggests taking money from general education students to pay for special education services. This unfairly pits the welfare of students against one another.

Those who serve students know the special education services provided are every bit as important to student success as general education services. That's why we should all call this situation what it is: the underfunding of special education.

Community and regional effects on special education costs

Special education is underfunded in every single Minnesota district, but certain factors influence the impact of that underfunding:

- where the district is located
- the availability of medical services
- the number of nonprofit organizations in the area
- the location of emergency family shelters and transitional housing
- state and local housing policies.

These aren't just factors that impact underfunding, though--they are the stories of our students.

"Josie" is greeted at the curb of her house by her special education bus and her intervener, who remains with her at all times during the school day. This is vital because Josie has cognitive delays, is medically fragile, and is both blind and deaf. Josie's intervener helps her understand classroom instruction provided by a special education teacher and two special education assistants.



Continued on page 2

From the Chair

We were so pleased to see that Gov. Walz's budget recommendations include several of AMSD's platform priorities including increasing the basic formula by 3 percent for the 2019-2020 school year and beginning to address the escalating special education cross-subsidy. A preliminary survey of our member school districts shows that a 3 percent formula increase and investments to contain the special education cross-subsidy are the minimum level needed to avoid a budget shortfall. I am also pleased that Gov. Walz recognizes that school operating referendums provide funding for core programs and that locally-elected school boards should have the ability to renew this base level of funding. AMSD members stand ready to work with the Governor and legislators to make sure these critical policies and investments are adopted into law.

Stephanie Levine, school board member from West St. Paul-Mendota Heights-Eagan, is chair of AMSD.

Minnesota Must Fund a General and Uniform System of Public Schools That Truly Serve *Every* Child

Continued from page 1

During her school day, Josie receives therapy from a variety of providers: a speech therapist, physical and occupational therapists, and a teacher of adapted physical education. All staff who work with Josie receive consultation and services from a teacher of the visually impaired, a Deaf/Hard of Hearing teacher, an audiologist, the licensed school nurse and a health service assistant.

They carry out doctors' orders and monitor Josie's health needs. They also ensure Josie is always accompanied by two staff who can carry out her emergency health plan if it's needed. Josie uses many pieces of adaptive technology throughout her school day, including special seating, a voice output device, sensory equipment and visual supports.

The total cost for Josie's special education support services is \$103,000 per year.

Students in school districts throughout the state have similar stories, especially those in urban areas. Families whose children require medical care, like Josie, necessarily move to regional centers with top-rate medical facilities. As a result, cities like Rochester, Duluth, St. Cloud, St. Paul and Minneapolis educate high numbers of students with multiple medical needs. And an increasing number of students statewide require the support of several adults *in addition* to their licensed teachers and educational assistants. The annual cost per individual student can, as in Josie's example, exceed \$100,000.

Additionally, many of Minnesota's new immigrant families have endured unimaginable hardship in their quest to make a better life for their children. Children who grew up in refugee camps may have experienced limited access to medical treatment, potable water and food. Many of these children arrive in the U.S. with medical challenges that affect their learning.

The Legislature and other policymakers need to include these regional and community impacts on a district's special education costs and funding formulas. AMSD and the Minnesota Rural Education Association are advocating for state law changes that recognize these cost differences. Between those two associations, nearly every Minnesota school district is represented.

Open enrollment and tuition billing impact on special education costs

The second major cost driver affecting special education costs is *tuition billing* for students who attend a charter school or enroll in a district outside their home district, otherwise known as open-enrollment.



For any student who open enrolls or attends a charter, the resident district does not collect revenue for that student, but must--according to state law--pay for the unreimbursed costs of special education services provided to that student. These charge-backs to districts are skyrocketing. For Minneapolis Public Schools, they now top \$23 million a year. The amount charter schools have charged back to MPS for unreimbursed special education services has doubled in just four years, while the number of students served has grown much more modestly.

For charter schools that primarily serve students with individual education programs (IEPs), state law allows them to charge back 100 percent of the unreimbursed costs--both for special education and general education. If their building lease is \$8,000 or \$9,000 per pupil, the resident district can expect to pay the vast majority of that expense (everything beyond \$1,304 per pupil in charter school lease aid). Some charter schools bill their students' home districts more than \$60,000. There is no method under state law to

appeal these costs, and there is no cap on the amount that can be charged back. Resident districts must simply pay the bill.

As districts seek to build balanced budgets, they must control costs. That is why these charge-backs are so vexing to those trying to be good stewards of public funds. There is no control over the cost or appropriateness of services that schools outside our districts deliver, and no way to budget for unknown expenses.

All of these things need to be addressed, and quickly. We want Minnesota to be known as a place that provides special education students with the care and educational, emotional and physical supports they deserve. The state must do its part: Minnesota must fund a general and uniform system of public schools that truly serve *every* child.

This month's member spotlight was submitted by Superintendent Ed Graff, Minneapolis Public Schools.



Governor Proposes \$733 million Investment in E-12 Education

Gov. Tim Walz released his biennial budget recommendations to the 2019 Legislature on Feb. 19 with E-12 education a clear priority. The Governor proposed an investment of more than \$733 million with the bulk of his proposal going toward increasing the basic formula by 3 percent for the 2019-20 school year and an additional 2 percent for the 2020-21 school year. Overall, the Governor’s proposed budget provides an increase in state funding of just over \$2 billion.

The spending increase is funded by roughly \$1.27 billion in new tax revenues and \$755 million from the forecasted 2019 surplus. The Governor proposes to raise new general fund dollars as follows:

- **Corporate Franchise Tax: \$631 million.** Largely by capturing new revenues associated with federal conformity.
- **Sales and Use Tax: \$425 million.** From ending the dedication of taxes associated with rental car and auto parts to transportation.
- **Individual Income Tax: \$95 million.** By capturing new revenues associated with federal conformity. This is offset by increases in the Working Family Credit, an Angel Investor Credit and Social Security tax relief.
- **Reverse three tax cuts passed in 2017.** The Governor’s proposal would reinstate inflation adjustments for tobacco taxes and the statewide property tax paid by businesses, and freeze the exemption amount for the estate tax at current levels (rather than allowing it to rise further.)



Gov. Tim Walz



Commissioner of Education Mary Cathryn Ricker appearing before the Senate E-12 Policy and Finance Committee earlier this year. Ricker appeared before both House and Senate education committees to discuss the Governor’s proposed biennial budget.

Education Commissioner Mary Cathryn Ricker appeared before both the House Education Finance Committee and the Senate E-12 Finance and Policy Committee to present the Governor’s E-12 Education budget proposal.

Commissioner Ricker emphasized in both hearings that this budget was Gov. Walz’s realistic expectation for education funding—despite [a disappointing February economic forecast](#).

And, following the forecast, Gov. Walz indicated no change in his goals. “This forecast validates the approach,” Walz told reporters. “We must make investments in economic growth, and my investments in education, jobs and transportation will do just that.”

Many of the Governor’s budget themes are in alignment with the [2019 AMSD platform](#), including: formula

funding increases; addressing special education cross-subsidy costs; teacher recruitment/retention funding; school safety funding; and giving locally-elected school boards the autonomy to renew existing operating referenda.

Highlights of the Governor’s proposed education budget with regard to AMSD’s platform include:

- **Basic Formula Increase.** An increase to the basic school district funding formula of 3 percent the first year of the biennium (FY20), and 2 percent the second (FY21). The per -pupil formula would increase by \$189, from \$6,312 to \$6,501 in FY20, and by an additional \$130 to \$6,631 in FY21. Those figures represent a total investment of \$523 million.
- **Special Education Cross-Subsidy / Hold Harmless.** An investment of \$77 million (\$22.9 million in FY20 and \$53.9 million in FY 21), to hold the current special education cross-subsidy at the FY 2019 level of \$830 per pupil. The Governor also proposes updating tuition billing rates paid by the resident district for open-enrolled students from 90 percent to 85 percent of the unfunded costs for FY 2020 and to 80 percent for FY 2021 and later.
- **Teacher recruitment and retention.** To address the teacher shortage overall—and in particular, the shortage of teachers of color and American Indian teachers—the Governor’s proposed budget recommends the following:
 - * \$8 million (\$4 million per year) for teacher recruitment and retention including additional funding for student teaching grants, expanding concurrent enrollment courses for intro to teaching, and \$2 million for mentoring, induction, and retention grants.
 - * Broadening non-traditional pathways to teacher licensure known as “Grow Your Own” grants to more school districts, requiring that grants focus on teacher candidates of color or American Indian teacher candidates.

Continued on page 4

E-12 Education Prioritized in Governor’s Budget

Continued from page 3

- **School Safety.** The Governor proposes an investment of \$26 million to enhance school safety. This funding would be able to be used to add school counselors, support staff, facility security measures and more. It includes one-time state aid to districts and charter schools equal to \$9 per-pupil in FY20. In FY21 and beyond, the Safe Schools Levy allowance is increased from \$36 per pupil to \$54 per pupil with a minimum revenue amount of \$22,500 per district. In addition, the levy would be equalized to assist districts with low property tax bases.
- **Voluntary Pre-K.** The Governor’s budget proposes to maintain funding for Minnesota’s voluntary Pre-Kindergarten initiative begun by Gov. Mark Dayton. Totalling \$59 million, there are currently 4,000 students in 140 schools across 80 school districts and charter schools receiving this funding that is set to expire under current law.
- **Regional Centers of Excellence.** \$8 million to expand services at Minnesota’s Regional Centers of Excellence.
- **Full Service Community Schools.** \$2 million annually into the Full Service Community Schools model.
- **Homelessness/Housing Instability Support.** A \$1 million investment to provide support for areas not covered by federal funding such as school supplies, hygiene items, extended school hours and staff services.
- **Local Control.** The Governor also proposes to allow locally-elected school boards to continue future operating referenda by board action for referenda approved after July 1, 2019. AMSD advocates for making this authority effective for existing referendums.

2020-21 Biennium Budget Proposed Increases

Budget Area	Amount
E-12 Education	\$733 million
Health & Human Services	\$284 million
Jobs, Economic Development, Housing, Commerce	\$213 million
Higher Education	\$158 million
State Government & Veterans	\$112 million
Property Tax Aids & Credits	\$77 million
Transportation	\$77 million
Environment	\$38 million
Agriculture	\$8.9 million
Debt Service, Capitol Projects, Other	\$85 million

In addition, the Governor also proposes:

- Moving \$70.7 million per year of existing scholarship funding into a special revenue fund to allow for flexibility for unspent funds to be reallocated and to simplify the payment system.
- Shortening the MCAs by eliminating off-grade questions, and also eliminates the reporting of a career and college readiness trajectory for grades 3-8.
- School linked mental health grants were included in the Human Services Budget at \$4.65 million in FY 2020 and \$4.915 million in FY 2021.
- The HHS budget also includes \$8.18 million in FY20 -2021 and \$20.48 million in FY 2022 -2023 to improve the Child Care Assistance Program (CCAP).
- The Housing budget includes \$3 million per year for the Homework Starts with Home program and \$2 million per year to assist with homelessness prevention.

[Link: View the Governor’s Overall Budget Proposal](#)

[Link: Governor’s Budget Education Fact Sheet](#)