

HF4415 - 1E - COVID-19 School Closures; 2019-2020 School Year

Chief Author: **Jim Davnie**
 Committee: **Education Finance Division**
 Date Completed: **4/27/2020 9:23:06 PM**
 Lead Agency: **Education Department**
 Other Agencies:
 Prof Educator Licensing Std
 Bd

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
Education Department						
General Fund	-	(718)	539	9	(137)	
Prof Educator Licensing Std Bd						
General Fund	-	342	(293)	-	-	
State Total						
General Fund	-	(376)	246	9	(137)	
	Total	-	(376)	246	9	(137)
	Biennial Total		(130)			(128)

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
Education Department					
General Fund	-	-	-	-	-
Prof Educator Licensing Std Bd					
General Fund	-	-	-	-	-
	Total	-	-	-	-

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman **Date:** 4/27/2020 9:23:06 PM
Phone: 651-284-6439 **Email:** alyssa.holterman@lbo.leg.mn

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2	Biennium			Biennium	
Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
Education Department					
General Fund	-	(718)	539	9	(137)
Prof Educator Licensing Std Bd					
General Fund	-	342	(293)	-	-
Total	-	(376)	246	9	(137)
Biennial Total			(130)		(128)
1 - Expenditures, Absorbed Costs*, Transfers Out*					
Education Department					
General Fund	-	(718)	539	9	(137)
Prof Educator Licensing Std Bd					
General Fund	-	-	49	-	-
Total	-	(718)	588	9	(137)
Biennial Total			(130)		(128)
2 - Revenues, Transfers In*					
Education Department					
General Fund	-	-	-	-	-
Prof Educator Licensing Std Bd					
General Fund	-	(342)	342	-	-
Total	-	(342)	342	-	-
Biennial Total			-		-

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State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	(718)	539	9	(137)	
Total	-	(718)	539	9	(137)	
Biennial Total			(179)		(128)	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman **Date:** 4/27/2020 9:19:26 PM
Phone: 651-284-6439 **Email:** alyssa.holterman@lbo.leg.mn

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023	
General Fund	-	(718)	539	9	(137)	
Total	-	(718)	539	9	(137)	
Biennial Total			(179)		(128)	
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	(718)	539	9	(137)	
Total	-	(718)	539	9	(137)	
Biennial Total			(179)		(128)	
2 - Revenues, Transfers In*						
General Fund	-	-	-	-	-	
Total	-	-	-	-	-	
Biennial Total			-		-	

Bill Description

Article 1

Section 1

Subd. 1(a) defines the distance learning period as March 18, 2020 through May 4, 2020, or later if extended by executive order.

Subd. 1(b) includes a cooperative unit in the definition of a “school district” for the purposes of this section.

Subd. 2 defines employees during the distance learning period. States that school districts and charter schools must compensate employees defined in this section for any hours scheduled but not worked at the employee’s regular rate of pay.

States that school districts and charters may schedule an employee to work on tasks outside of their normal purview, subject to MN Department of Health guidelines, labor agreements and charter and school district policies.

Employees include those who were scheduled to work during the distance learning period, did not work on a scheduled day or worked fewer than the number of scheduled hours, did not receive compensation for all of the scheduled hours that day

Subd. 3 outlines provision of pay for contract employees who provide student-related services through the school year. States that a school district or charter school and the contract employers may, by mutual agreement, adjust the regularly scheduled daily contract rate in special circumstances.

Section 2

States that the minimum number of days of teacher service for probationary teachers is 120 days less the number of instructional days that were cancelled due to COVID-19 related closures.

Section 3

Revises the definition of truancy during the period of March 1, 2020 through end of the distance learning period.

Section 4

States that provisions of sections 1 to 3 are effective the day following final enactment and are retroactive from the beginning of the 2019-2020 school year. States that section 1 to 3 expire on June 30, 2020.

Article 2

Section 1

Allows regional public library systems flexibility to use their e-rate program funding in improving access to the internet and other digital and online resources.

Section 2

Subd. 1 states that employees and contracted services that would have been eligible for special education aid and for special education tuition billing in absence of school closures due to COVID-19 must be included as eligible expenditures for calculation of state special education aid and special education tuition billing.

Subd. 2 requires the commissioner to adjust the state breakfast and lunch aid appropriations remaining on or after March 16, 2020 to reflect the new delivery model (the summer food service program). Districts and charter schools participating will receive reimbursement on a "per meal" basis.

Subd. 3 allows the commissioner to recalculate career and technical revenue for fiscal years 2020 and 2021 for expenses incurred on or after March 18, 2020 by any mechanism that equitably distributes the full amount of the remaining appropriation paid to school districts, cooperatives and charter schools based on the February 2020 forecast.

Subd 4 allows the commissioner to adjust nonpublic pupil transportation expenditures used to calculate aid for fiscal year 2022 by any mechanism that equitably distributes the full amount of the appropriation paid to school districts based on the February 2020 forecast.

Subd 5 allows the commissioner to adjust the fiscal year 2020 expenditures used to calculate fiscal year 2021 interdistrict desegregation transportation aid by any mechanism that equitably distributes the full amount of the appropriation paid to school districts based on the February 2020 forecast.

Subd 6 allows the commissioner to recalculate the adult basic education aid by adjusting the contact hour rate or otherwise adjusting formulas so as to appropriate the full amount of aid indicated in the February 2020 forecast.

Subd 7 allows the commissioner to include any counts and costs of essential personnel provided by individuals who were essential personnel prior to March 13, 2020, for the purpose of maximizing state aid payments to school districts, cooperative units and charter schools, consistent with the February 2020 forecast.

Subd. 8 for fiscal years 2021, 2022 and 2023 excludes tests administered during the 2019-2020 school year in the calculation of literacy incentive aid and three-year growth percentages.

Subd. 9 allows community education after-school enrichment revenue expenditures occurring on or after March 18, 2020 to continue and allows for fund transfer authority outlined in Section 2 of this article.

Subd. 10 allows school age care revenue to be used for the purposes listed in Section 4.

Subd. 11 directs the commissioner to calculate each school district's early childhood screening revenue using formula amounts set in statute for each age group and the 2018-2019 counts, for fiscal years 2020 and 2021 only.

Subd. 12 allows a school district or charter that has not spent the full approved amount of its achievement and integration revenue in fiscal year 2020 to carry forward the unspent portion into fiscal year 2021.

Subd 13 requires the commissioner to notify districts and charters of the formula changes in this section as soon as practicable. The commissioner must issue a report describing the formula changes and distributional impact on this section

to the legislative committees with jurisdiction over K-12 education matters by January 15, 2021.

Section 3

States that services paid under Section 2 including expenses recorded in the food service fund may be charged to the same Uniform Financial Accounting and Reporting Standards (UFARS) code to which the service is charged for an instructional day.

Effective the day following final enactment and retroactive to the beginning of the 2019-2020 school year.

Section 4

Subd. 1 states that for fiscal year 2020 only, school districts, charter schools and cooperatives may transfer any funds not already assigned to or encumbered by staff salary and benefits or encumbered by federal law from certain reserved accounts or operating funds to the undesignated balance in any other operating funds.

Subd. 2 provides definitions for “eligible on-site child,” “closure period” and “distance learning period” for this act.

Subd. 3 outlines the allowable uses of funds transferred under this section:

- 1.) Provide care to eligible on-site children during the school day;
- 2.) Pay for additional transportation costs needed to provide distance learning;
- 3.) Pay for additional costs related to technology needed to provide distance learning;
- 4.) Pay the portion of staff salary and benefits of employees paid through the community service fund normally funded by fees; and
- 5.) Pay the portion of food service salary and benefits normally funded with meal reimbursement revenue.

Subd. 4 states that fund or account transfers under this section must not increase state aid obligations to the district or school, or result in additional property tax authority for the district. States that a fund or account transfer is limited to the operating funds and accounts of the school district, charter school or cooperative unit.

Subd. 5 states that a fund or account transfer under this section is effective June 30, 2020 and that the school board must approve any fund or account transfers.

Subd. 6 requires the commissioner of education to prepare and post guidance on the department’s website on allowable uses and fund and account balance transfers authorized under this section.

Section 5

Allows a school district that is unable to make a required payment from its debt service fund because of a delay in receipt of property taxes to apply for modified cash flow payments. Effective for fiscal year 2021 only.

Section 6

In applying for federal education stabilization funds, instructs the commissioner to prioritize distribution and expenditure of funds in a manner that complies with executive orders on K-12 education, including employee compensation.

Article 3

Section 1

Grants the commissioner of education emergency powers.

The commissioner of education is granted authority to waive:

- 1.) the required number of instructional days and hours;
- 2.) required credits and for earning of credits, including credits for advancement in grade;
- 3.) state graduation requirements; and
- 4.) state requirements on standardized assessments, including requirements allowing students to take a college entrance exam.

Any savings attributable to waiving of statewide assessments for the 2019-2020 school year must be distributed equitably among schools.

Requires the commissioner to consult with representatives of school boards reflective of school districts throughout the state before granting these waivers.

Provisions in this section expire on June 30, 2020.

Section 2

States that a court must not construe anything in this article as creating a right of action for a student, parent, teacher licensure applicant, teacher preparation program, teacher preparation program provider, or any other individual or entity to enforce any provision in this article.

Assumptions

Article 2, Section 2 makes changes to various school funding formulas impacted by the COVID-19 school closures. This ensures districts and charter schools receive all of the state aid set forth for these programs in the February 2020 forecast. Overall these formula changes are intended to be budget neutral relative to the February 2020 forecast, with the exception of literacy aid in subdivision 8, early childhood screening in subdivision 11 and achievement and integration in subdivision 12.

Literacy aid is calculated using two different factors, the Grade 3 proficiency rate and the Grade 4 growth rate with three years of data. Both of these factors have been slightly decreasing, historically. However, in the February forecast the Grade 3 proficiency rate begins to rebound in FY20 and slightly increases from FY21 to FY23. Excluding FY20 data and substitution older data for the three year average slightly reduces the aid for FY2021 through FY2023.

FY2020 and FY2021 early childhood screening counts will be set at FY2019 levels, which will result in a small savings in FY20 and a small cost in FY21.

It is assumed that 1% of the achievement and integration expenditures for FY20 will be unspent and carried forward into FY21. This will reduce the entitlement for FY20 and increase the entitlement for FY21 by an offsetting amount. On an appropriations basis, this will result in a decrease in FY20 with an offsetting increase split between FY21 and FY22 due to the 90/10 split.

It is assumed the MDE will not incur additional costs for administering and monitoring the temporary operating fund transfer authority set forth for fiscal year 2020 in Article 2, Section 3. The language requires that transfers only be allowed if they do not result in additional state aid entitlements for school districts or charter schools (or property tax revenue for school districts).

It is assumed that approximately 40 districts would apply for a modified aid payment schedule due to delays in receiving property tax receipts sufficient to make required payments from their debt service fund. MDE believes this could result in about \$1.7 million in aid payment modifications, but would not result in additional overall state general fund costs. Instead it would have a small impact on state general fund cash flow.

It is assumed that there will be \$10,000 or less in savings to the state resulting from the commissioner waiving statewide assessments for the 2019-2020 school year. This is because the majority of the cost for administration is the preparation and set up of the systems. Since the MCA and MTAS windows had already opened that work has been completed. MDE is working on a contract amendment that would detail all of the tasks impacted by canceling of the 2020 administration. MDE will equitably distribute any savings to districts.

It is assumed that all students will participate in distance learning. Services for students with IEPs will be adjusted to best meet the needs of the individual students. It is assumed that services required by their IEP/IFSP will continue in a remote manner and that they will generate the same number of service hours as would have been generated if instruction was provided on-site.

It is assumed that students who are unable to participate in distance learning due to COVID-19 can be kept on the rolls beyond 15 consecutive days absence and continue to generate membership. It is assumed that students who are able to participate in distance learning but who choose not to participate must be withdrawn after 15 consecutive days of absence.

Calculations in this fiscal note are relative to the February 2020 forecast. A forecast adjustments article will need to be enacted this session in order for costs in this fiscal note to stand.

Expenditure and/or Revenue Formula

<u>Literacy Aid (in 1,000s)</u>				
	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>
February 2020 Entitlement	44,892	44,632	45,124	46,062
Proposed Entitlement	44,892	44,529	45,059	45,917
Change	0	-103	-65	-145
	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>
Current Appropriation	40,403	40,169	40,612	41,456
Prior Year Appropriation	4,573	4,489	4,463	4,512
Total Appropriation	44,976	44,658	45,075	45,968
Revised Current Appropriation	40,403	40,076	40,553	41,325
Revised Prior Year Appropriation	4,573	4,490	4,453	4,506
Revised Total Appropriation	44,976	44,566	45,006	45,831
Total Appropriation Change	0	-92	-69	-137

<u>Early Childhood Screening (in 1,000s)</u>					
	<u>FY19</u>	<u>FY20</u>	<u>FY21</u>	<u>FY22</u>	<u>FY23</u>
February 2020 Entitlement	3,608	3,620	3,605	3,580	3,567
New Entitlement	3,608	3,608	3,608	3,580	3,567
Entitlement Change	0	-12	3	0	0

	FY19	FY20	FY21	FY22	FY23
Current Appropriation	3,248	3,258	3,245	3,222	3,211
Prior Year Appropriation	360	360	362	360	358
Total Appropriation	3,608	3,618	3,607	3,582	3,569
Revised Current Appropriation		3,248	3,248	3,222	3,211
Revised Prior Year Appropriation		360	360	360	358
Revised Total Appropriation		3,608	3,608	3,582	3,569
Total Appropriation Change		-10	1	0	0

Achievement & Integration Entitlement Change (in 1,000s)			
FY20 Entitlement		78,738	
FY20 Entitlement less 1%		77,951	
FY20 Entitlement difference		-787	
FY21 Entitlement		80,807	
FY21 Entitlement plus 1% FY20 Entitlement		81,594	
FY21 Entitlement difference		787	
Achievement & Integration Appropriation Change			
		FY20	FY21
90% change in Current Year Appropriation		-708	709
10% change in Prior Year Final Appropriation			-79
Appropriation Change		-708	630
			78

	Entitlements (1,000s)			
	FY20	FY21	FY22	FY23
Literacy Aid		-103	-65	-145
EC Screening	-12	3		
Achievement & Integration	-787	787		

Total	-799	687	-65	-145
	Appropriations			
Literacy Aid		-92	-69	-137
EC Screening	-10	1		
Achievement & Integration	-708	630	78	
Total	-718	539	9	-137

Long-Term Fiscal Considerations

N/A

Local Fiscal Impact

School districts, charter schools and intermediate districts will receive all of their anticipated state aid entitlements as if COVID-19 disruptions had not occurred for the balance of the 2019-2020 school year. Districts and charter schools are to continue paying their hourly and contract employees (subject to contract agreements) even if these individuals are temporarily not working or reassigned to tasks outside of their purview.

This bill provides districts and charter schools fund and account transfer flexibility within their operating funds as long as it does not increase state aid entitlements or property tax revenue. This flexibility may be helpful in retaining staff that work in fee-based programs because these revenue streams are now paused because of the COVID-19 related closures.

This bill does not address additional expenses districts may incur, including provision of new distance learning programs under Executive Orders 20-19 and 20-41. These may include additional cleaning costs, start-up costs for school that have not operated food distribution programs outside of the traditional school day, start-up costs for electronic delivery of instruction, and lost fee revenue due to temporary discontinuation of regular food service, and community education programs and services. With distance learning some districts may also have lower costs in areas such as utilities and transportation if routes are reduced.

References/Sources

Agency Contact: Melissa R. Johnson 651-582-8690

Agency Fiscal Note Coordinator Signature: Melissa Johnson

Phone: 651-582-8690

Date: 4/27/2020 9:18:01 PM

Email: melissa.r.johnson@state.mn.us

HF4415 - 1E - COVID-19 School Closures; 2019-2020 School Year

Chief Author: **Jim Davnie**
 Committee: **Education Finance Division**
 Date Completed: **4/27/2020 9:23:06 PM**
 Agency: **Prof Educator Licensing Std Bd**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	342	(293)	-	-	-
Total	-	342	(293)	-	-	-
Biennial Total			49			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2019	FY2020	FY2021	FY2022	FY2023
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman **Date:** 4/23/2020 9:56:03 AM
Phone: 651-284-6439 **Email:** alyssa.holterman@lbo.leg.mn

State Cost (Savings) Calculation Details

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General Fund	-	342	(293)	-	-	-
Total		-	342	(293)	-	-
Biennial Total		49		-	-	-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
General Fund	-	-	49	-	-	-
Total		-	-	49	-	-
Biennial Total		49		-	-	-
2 - Revenues, Transfers In*						
General Fund	-	(342)	342	-	-	-
Total		-	(342)	342	-	-
Biennial Total		-		-	-	-

Bill Description

This bill would require PELSB to issue a one-year conditional Tier 3 license to anyone who is unable to take teacher licensure exams due to COVID-19 disruptions but otherwise meets all other qualifications. PELSB must then waive the renewal fee to issue this individual a 2-year Tier 3 license if they pass their exams by June 30, 2021. The bill would require PELSB to extend license set to expire in 2020 by an additional six months. Finally, the bill requires PELSB to provide a report to legislature on number of conditional licenses issued.

Assumptions

With current systems, the extensions and conditional licenses could be processed with minimal additional PELSB staff time. The report should be easily run through current data reports already built into the online system.

It is assumed that there will not be any increase or decrease in applicants for a tier 3 license needing a “conditional” license, which means no increase or decrease in revenue. When the teacher renew their tier 3 one year later to remove the “conditional” this fee will be waived. As these individuals would not normally need to renew the tier 3 after one year, this will also have no impact on revenue.

It is assumed that in order to waive licensure fees upon renewal of the conditional license, the online system needs to develop the capacity to renew a license without a payment. There are multiple systems which PELSB currently uses for license applications including CEL (some online license applications), Educators Online (some online license renewal applications), Educators Backend (some paper license applications), and the mainframe STAFF system (some paper license applications). The online license applications must be modified to allow a license application to proceed without payment. It is likely the Educators backend system may also require changes for a paper license application to be registered without payment. MN.IT must plan that the IT work to allow the applicant to submit a license application without payment must be implemented in all of these systems.

Expenditure and/or Revenue Formula

MNIT Cost Projections	
MNIT Salary Costs	\$33,200
MNIT Contractor Costs	\$16,000
Total	\$49,200

It is estimated that potentially 6000 individuals will need the license extension at \$57 per application fee. The 6-month extension will delay approximately \$342,000 in general fund revenue from renewal application fees expected in FY20 to be

received in FY21.

Long-Term Fiscal Considerations

NA

Local Fiscal Impact

NA

References/Sources

Agency Contact: Alex Liuzzi (651-539-4180)

Agency Fiscal Note Coordinator Signature: Alex Liuzzi

Phone: 651-539-4180

Date: 4/23/2020 9:54:37 AM

Email: alex.liuzzi@state.mn.us