

## **TAXES AND SUPPLEMENTAL BUDGET, VETOES EXPECTED**

No legislative session is the same and each year new issues rise to the top. With just three months planned for the 2018 session, the legislature had a number of issues it hoped to address - bonding, elder abuse, the opioid crisis, fixing the new Minnesota License and Registration System (MNLARS), and of course, federal tax conformity. However, the school shooting in Parkland, FL also turned everyone's attention to school safety, becoming a priority of both Governor Dayton and the legislature.

Political differences greatly impacted the chance to reach a bipartisan agreement. Governor Dayton vetoed the first tax bill last week saying he would not agree to a tax bill without a deal on education funding, including his call for \$138 million in emergency aid. Despite that threat, the legislature sent the Governor two new bills - a supplemental budget bill and a last minute budget and tax bill. The E12 provisions included deal primary with school safety but include other education policy proposals. Several provisions did not move forward, including the requirement for MDE to develop a kindergarten readiness assessment and it goes back to current law to require school readiness plus programs to hire licensed teachers.

## **FUND TRANSFER FLEXIBILITY MOVES FORWARD**

As mentioned above, two budget bills are headed to the Governor. The first bill includes a provision allowing four school districts to transfer funds from their community education reserve. However, the Legislature chose to expand this authority to all school districts and included this provision in the second budget proposal sent to the Governor. Districts would be allowed to pursue fund transfers from the community service fund on two specified dates, June 30, 2018 and June 30, 2019, upon approval from the MDE Commissioner. Due to the very late nature of this proposal our ability to express concerns and stop this from moving forward was very limited, although we worked to do so. It is assumed Governor Dayton will veto the entire bill because of numerous concerns, including this provision.

## **PENSION BILL PASSES**

After weeks of uncertainty, the House finally voted on the Omnibus Pension Bill. The bill was the last bill taken up before adjournment, passing with unanimous support in both bodies. Governor Dayton is expected to sign the bill. Key provisions include:

- Employer contribution increased by 1.25% (7.5% to 8.75%) phased in over six years, funded through a pension adjustment mechanism funded by a state aid
- Employee contribution increased .25% over six years (7.5% to 7.75%)
- COLA reduced by 1% for five years and then increased by .01% per year until reaching 1.5%