MINNESOTA SCHOOL BOARDS ASSOCIATION
Where School Boards Learn to Lead

Resolution # 3

1.003 Urges the Legislature to establish, by statute, the level of per pupil funding within calendar days from the submission of the governor's budget any further that the establishment of the state percent of funding shall be the only subject of such legislation.

CURRENT LAW:

Minn. Stat. 123B.77 outlines the requirements for a school district's budget adoption process, including the need for a public hearing and the adoption of a final budget by July 1st. The budget must comply with the rules of the Commissioner of Education. A school board can adopt a preliminary budget and can also adopt a budget by resolution at a meeting, with the budget being effective upon the date of adoption.

123B.77 ACCOUNTING, BUDGETING, AND REPORTING REQUIREMENT.

Subdivision 1. Uniform financial accounting and reporting standards. Each Minnesota school district must adopt the uniform financial accounting and reporting standards for Minnesota school districts provided for in guidelines adopted by the department.

Subd. 1a. School district consolidated financial statement. The commissioner, in consultation with the advisory committee on financial management, accounting, and reporting, shall develop and maintain a school district consolidated financial statement format that converts uniform financial accounting and reporting standards data under subdivision 1 into a more understandable format.

Subd. 2. Audited financial statement. Each district must submit to the commissioner by September 15 of each year unaudited financial data for the preceding fiscal year. These financial data must be submitted in the format prescribed by the commissioner.

Subd. 3. Statement for comparison and correction. (a) By November 30 of the calendar year of the submission of the unaudited financial data, the district must provide to the commissioner audited financial data for the preceding fiscal year. The audit must be conducted in compliance with generally accepted governmental auditing standards, the federal Single Audit Act, and the Minnesota legal compliance guide issued by the Office of the State Auditor. An audited financial statement prepared in a form which will allow comparison with and correction of material differences in the unaudited financial data shall be submitted to the commissioner and the state auditor by December 31. The audited financial statement must also provide a statement of assurance pertaining to uniform financial accounting and reporting standards compliance and a copy of the management letter submitted to the district by the school district's auditor.

(b) By February 1 of the calendar year following the submission of the unaudited financial data, the commissioner shall convert the audited financial data required by this subdivision into the consolidated financial statement format required under subdivision 1a and publish the information on the department's website.

Subd. 4. Budget approval. Prior to July 1 of each year, the board of each district must approve and adopt its revenue and expenditure budgets for the next school year. The budget document so adopted must be considered an expenditure-authorizing or appropriations document. No funds shall be expended by any board or district for any purpose in any school year prior to the adoption of the budget document which authorizes that expenditure, or prior to an amendment to the budget document by the board to authorize the expenditure. Expenditures of funds in violation of this subdivision shall be considered unlawful expenditures.

Minn. Stat. 122A.40 outlines the requirements for termination of employment contract including probationary teachers, July 1 and non-probationary teachers, April 1.

122A.40 EMPLOYMENT; CONTRACTS; TERMINATION.
Subd. 5. Probationary period. (a) The first three consecutive years of a teacher's first teaching experience in Minnesota in a single district are deemed to be a probationary period of employment, and, the probationary period in each district in which the teacher is thereafter employed shall be one year. The school board must adopt a plan for written evaluation of teachers during the probationary period that is consistent with subdivision 8. Evaluation must occur at least three times periodically throughout each school year for a teacher performing services during that school year; the first evaluation must occur within the first 90 days of teaching service. Days devoted to parent-teacher conferences, teachers' workshops, and other staff development opportunities and days on which a teacher is absent from school must not be included in determining the number of school days on which a teacher performs services. Except as otherwise provided in paragraph (b), during the probationary period any annual contract with any teacher may or may not be renewed as the school board shall see fit. However, the board must give any such teacher whose contract it declines to renew for the following school year written notice to that effect before July 1. If the teacher requests reasons for any nonrenewal of a teaching contract, the board must give the teacher its reason in writing, including a statement that appropriate supervision was furnished describing the nature and the extent of such supervision furnished the teacher during the employment by the board, within ten days after receiving such request. The school board may, after a hearing held upon due notice, discharge a teacher during the probationary period for cause, effective immediately.

Subd. 7. Termination of contract after probationary period. (a) A teacher who has completed a probationary period in any district, and who has not been discharged or advised of a refusal to renew the teacher's contract under subdivision 5, shall elect to have a continuing contract with such district where contract terms and conditions, including salary and salary increases, are established based either on the length of the school calendar or an extended school calendar under section 120A.415. Thereafter, the teacher's contract must remain in full force and effect, except as modified by mutual consent of the board and the teacher, until terminated by a majority roll call vote of the full membership of the board prior to April 1 upon one of the grounds specified in subdivision 9 or July 1 upon one of the grounds specified in subdivision10 or 11, or until the teacher is discharged pursuant to subdivision 13, or by the written resignation of the teacher submitted prior to April 1. If an agreement as to the terms and conditions of employment for the succeeding school year has not been adopted pursuant to the provisions of sections 179A.01 to 179A.25 prior to March 1, the teacher's right of resignation is extended to the 30th calendar day following the adoption of said contract in compliance with section 179A.20, subdivision 5. Such written resignation by the teacher is effective as of June 30 if submitted prior to that date and the teachers' right of resignation for the school year then beginning shall cease on July 15. Before a teacher's contract is terminated by the board, the board must notify the teacher in writing and state its ground for the proposed termination in reasonable detail together with a statement that the teacher may make a written request for a hearing before the board within 14 days after receipt of such notification. If the grounds are those specified in subdivision 9 or 13, the notice must also state a teacher may request arbitration under subdivision 15. Within 14 days after receipt of this notification the teacher may make a written request for a hearing before the board or an arbitrator and it shall be granted upon reasonable notice to the teacher of the date set for hearing, before final action is taken. If no hearing is requested within such period, it shall be deemed acquiescence by the teacher to the board's action. Such termination shall take effect at the close of the school year in which the contract is terminated in the manner aforesaid.

BACKGROUND PROVIDED BY MSBA:

The Minnesota Legislature operates on a two-year biennium that begins in January of odd-numbered years and runs through the following even-numbered year. Each session typically convenes in early January and must adjourn by the first Monday after the third Saturday in May, as required by the state constitution. Within that window, lawmakers adopt budgets, pass policy, and set effective dates for new laws that often intersect with the July 1–June 30 fiscal year used by schools.

Legislative Authority Over Effective Dates

- Minnesota Statutes establish default effective dates: appropriations July 1, and other laws August 1 of the same year (Minn. Const. Art. IV, § 23).
- The Legislature retains explicit authority to set alternative effective dates.

This means alignment with school district fiscal years is fully within legislative power.

School District Budget Deadlines in Statute

- Minn. Stat. § 123B.77 requires school boards to adopt budgets by June 30 covering a fiscal year that begins July 1 and ends June 30. This is why boards must certify their levies in December for the following July–June fiscal year. (For counties, cities, and most other local governments, their fiscal year is the calendar year (January 1–December 31).
- Minn. Stat. § 122A.40, subd. 7(a) requires school boards to notify teachers of termination by April 1.

Principles of Due Process and Fair Notice

- Courts have recognized the principle that entities subject to regulation must receive adequate notice before obligations attach. Immediate or retroactive budgetary obligations undermine this principle, eroding school districts' ability to comply with state law while meeting fiduciary duties.

Impact on Local Decision-Making

- School boards are forced to reopen contracts, cut programs, or issue mid-year layoffs to comply with sudden fiscal shortfalls.

This creates operational inefficiencies which undermines public trust and financial credibility and destabilizes relationships with employees and communities.

RATIONALE:
Minnesota's 331 public school districts operate on a fiscal year that begins July 1 and ends June 30. By law, school boards must adopt their budgets by June 30 and notify teachers of employment decisions by April 1. These binding deadlines for districts occur before or at the very end of the legislative session. Yet, the legislature enacts new mandates, new funding streams or budget reductions that take effect immediately—or even within the same fiscal year—districts are left with no practical way to plan responsibly. These late changes disrupt staffing decisions, collective bargaining agreements, financial stability, and student programs. Districts are forced to guess what the Legislature will decide. They must build budgets on uncertain assumptions, leading either to unnecessary cuts or shortfalls when predictions miss the mark.

To comply with the April 1 notice deadline, boards often issue teacher layoff notices—only to later rescind them if funding arrives. This creates instability for teachers, some of whom secure other employment before districts can rehire, leaving classrooms with vacancies. To be cautious school districts may cut electives, student support services, or activities to brace for reductions. Even if funding is restored later, these opportunities are lost for students because planning deadlines have passed.

On the operational side, transportation contracts, special education services, curriculum purchases, and facility repairs require months of preparation. Mid-year legislative changes force districts to cancel contracts, delay needed work, or tap reserves in disruptive ways.

A practical solution is to delay implementation of new mandates or budget reductions until July 1 of the following year—or setting an expedited March 1 deadline for urgent changes—the Legislature can preserve flexibility while giving school boards time to responsibly plan. This change in alignment with school district fiscal years is fully within legislative power; it does not limit legislative authority; it simply ensures that decisions made at the Capitol do not destabilize classrooms and communities across Minnesota.

This approach strikes a balance: the Legislature keeps its authority to act when necessary, while school districts gain stability to meet their legal and operational obligations. In short, this change ensures that legislative action and school operations work together — not against each other.

However, shifting legislative deadlines is no simple matter. The Legislature has normalized late-minute negotiations and end-of-session "global deals," often followed by special sessions. This culture of governing makes it politically difficult to imagine lawmakers willingly giving up that leverage or tradition.

In addition, the state budget process itself is anchored by tradition that shapes legislative work:

- Governor's Budget Release (January): This sets the initial framework but typically comes only weeks before session work intensifies.
- February Forecast: This economic and revenue forecast is the cornerstone of legislative decision-making, and it comes late in the session calendar, essentially guaranteeing that the biggest fiscal decisions will always be compressed into the final weeks.

Given these realities, it may not be politically feasible to force the Legislature into earlier decision-making without fundamentally restructuring the entire state budget process.

Even if changing deadlines may not succeed, the conversation is still worth having. School boards, superintendents, and education advocates need to shine a light on the disconnect between the Legislature's process and the statutory obligations of school districts. At minimum, legislators should understand the strain their timing places on local leaders, and the case must be made for better alignment, whether through adjusted implementation dates, earlier deadlines for certain education finance provisions, or procedural reforms that provide school districts with certainty.

Therefore, MSBA recommends passage.