

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-EIGHTH SESSION**

**S.F. No. 1835**

(SENATE AUTHORS: SIEBEN, Jensen and Reinert)

DATE	D-PG	OFFICIAL STATUS
02/25/2014	5835	Introduction and first reading Referred to Commerce
03/03/2014	5907a	Comm report: To pass as amended and re-refer to Education
03/04/2014	5964	Author added Reinert
03/12/2014	6139a	Comm report: To pass as amended and re-refer to State and Local Government
03/19/2014	6311a	Comm report: To pass as amended and re-refer to Judiciary

1.1 A bill for an act  
 1.2 relating to insurance; amending provisions relating to health coverage for  
 1.3 school district employees; appropriating money; amending Minnesota Statutes  
 1.4 2012, sections 43A.316, subdivision 10, by adding a subdivision; 123A.21,  
 1.5 subdivisions 5, 6, 9; 123B.09, subdivision 12; 471.6161, subdivisions 1, 2,  
 1.6 3, by adding a subdivision; 471.895, subdivision 1; Minnesota Statutes 2013  
 1.7 Supplement, section 124D.10, subdivision 8.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. Minnesota Statutes 2012, section 43A.316, subdivision 10, is amended to  
 1.10 read:

1.11 Subd. 10. **Exemption.** The public employee insurance program and, where  
 1.12 applicable, the employers participating in it are exempt from chapters 60A, 62A, 62C,  
 1.13 62D, 62E, and 62H, section 471.617, subdivisions 2 and 3, ~~and the bidding requirements~~  
 1.14 ~~of section 471.6161.~~

1.15 Sec. 2. Minnesota Statutes 2012, section 43A.316, is amended by adding a subdivision  
 1.16 to read:

1.17 Subd. 11. **Proposal from school district; response required.** Upon receipt of a  
 1.18 request for a proposal from a school district pursuant to section 471.6161, subdivision 8,  
 1.19 the public employees insurance program shall respond to such request within 60 days.

1.20 Sec. 3. Minnesota Statutes 2012, section 123A.21, subdivision 5, is amended to read:

1.21 Subd. 5. **Duties and powers of SC board of directors.** The board of directors shall  
 1.22 have authority to maintain and operate a SC. Subject to the availability of necessary  
 1.23 resources, the powers and duties of this board shall include the following:

2.1 (a) The board of directors shall submit, by June 1 of each year to each participating  
2.2 member, an annual plan which describes the objectives and procedures to be implemented  
2.3 in assisting in resolution of the needs of the SC.

2.4 (b) The SC board of directors shall provide adequate office, service center, and  
2.5 administrative facilities by lease, purchase, gift, or otherwise.

2.6 (c) The SC board of directors shall employ a central administrative staff and other  
2.7 personnel as necessary to provide and support the agreed-upon programs and services.  
2.8 The board may discharge staff and personnel pursuant to applicable provisions of law.  
2.9 SC staff and personnel may participate in retirement programs and any other programs  
2.10 available to public school staff and personnel.

2.11 (d) The SC board of directors may appoint special advisory committees composed  
2.12 of superintendents, central office personnel, building principals, teachers, parents, lay  
2.13 persons, and representatives from cities, counties, and other governmental units. The  
2.14 committees are considered a committee of a public body for purposes of section 13D.01,  
2.15 subdivision 1, paragraph (c), when addressing issues related to health insurance.

2.16 (e) The SC board of directors may employ service area personnel pursuant to  
2.17 licensure and certification standards developed by the appropriate state agency such as the  
2.18 commissioner and the State Board of Teaching.

2.19 (f) The SC board of directors may enter into contracts with school boards of local  
2.20 districts including school districts outside the SC area.

2.21 (g) The SC board of directors may enter into contracts with other public and private  
2.22 agencies and institutions to provide administrative staff and other personnel as necessary  
2.23 to furnish and support the agreed-upon programs and services.

2.24 (h) The SC board of directors shall exercise all powers and carry out all duties  
2.25 delegated to it by members under provisions of the SC bylaws. The SC board of directors  
2.26 shall be governed, when not otherwise provided, by applicable laws of the state.

2.27 (i) The SC board of directors shall submit an annual evaluation report of the  
2.28 effectiveness of programs and services to the members by September 1 of each year  
2.29 following the previous June 30 in which the programs and services were provided.

2.30 (j) The SC board is encouraged to establish cooperative, working relationships and  
2.31 partnerships with postsecondary educational institutions, other public agencies, business,  
2.32 and industry.

2.33 Sec. 4. Minnesota Statutes 2012, section 123A.21, subdivision 6, is amended to read:

2.34 Subd. 6. **Appointment of advisory council.** There may be advisory councils  
2.35 selected to give advice and counsel to the SC board of directors. The councils may be

3.1 composed of representatives from public and nonpublic schools, cities, counties, and other  
3.2 governmental units. The advisory councils are considered to be a committee of a public  
3.3 body for purposes of section 13D.01, subdivision 1, paragraph (c), when addressing  
3.4 issues related to health insurance.

3.5 Sec. 5. Minnesota Statutes 2012, section 123A.21, subdivision 9, is amended to read:

3.6 Subd. 9. **Financial support for the service cooperatives.** (a) Financial support  
3.7 for SC programs and services shall be provided by participating members with private,  
3.8 state, and federal financial support supplementing as available. The SC board of directors  
3.9 may, in each year, for the purpose of paying any administrative, planning, operating,  
3.10 or capital expenses incurred or to be incurred, assess and certify to each participating  
3.11 school district, nonpublic school administrative unit, city, county, and other governmental  
3.12 unit its proportionate share of all expenses. This share shall be based upon the extent of  
3.13 participation by each school district, nonpublic school administrative unit, city, county, or  
3.14 other governmental unit and shall be in the form of a service fee. Each participating school  
3.15 district, nonpublic school administrative unit, city, county, or other governmental unit  
3.16 shall remit its assessment to the SC board as provided in the SC bylaws. The assessments  
3.17 shall be paid within the maximum levy limitations of each participating member. No  
3.18 participating member shall have any additional liability for the debts or obligations of the  
3.19 SC except that assessment which has been certified as its proportionate share and any  
3.20 other liability the member assumes under section 123A.24, subdivisions 1 and 2.

3.21 (b) Any property acquired by the SC board is public property to be used for essential  
3.22 public and governmental purposes which shall be exempt from all taxes and special  
3.23 assessments levied by a city, county, state, or political subdivision thereof. If the SC is  
3.24 dissolved, its property must be distributed to the members at the time of the dissolution.

3.25 (c) A member may elect to withdraw participation in the SC by a majority vote of its  
3.26 full board membership and upon compliance with the applicable withdrawal provisions  
3.27 of the SC organizational agreement. The withdrawal shall be effective on the June 30  
3.28 following receipt by the board of directors of written notification of the withdrawal by  
3.29 February 1 of the same year. Notwithstanding the withdrawal, the proportionate share  
3.30 of any expenses already certified to the withdrawing member for the SC shall be paid to  
3.31 the SC board.

3.32 (d) The SC is a public corporation and agency and its board of directors may make  
3.33 application for, accept, and expend private, state, and federal funds that are available for  
3.34 programs of the members.

4.1 (e) The SC is a public corporation and agency and as such, no earnings or interests  
4.2 of the SC may inure to the benefit of an individual or private entity.

4.3 (f)(1) If money collected by an SC for the payment of insurance premiums that are  
4.4 above the cost of that coverage is returned to the entity purchasing that coverage, that entity  
4.5 must negotiate with the exclusive representative regarding the rebate amount attributable  
4.6 to the proportionate number of insured lives covered by that exclusive representative.

4.7 (2) If there is no exclusive representative or if the employer and the exclusive  
4.8 representative are unable to come to an agreement within 150 days, the remaining funds  
4.9 shall be used to pay the full premium to the program for any employees not covered  
4.10 by an agreement negotiated under this section until the proportionate rebate funds are  
4.11 depleted. These funds shall be used for a proportional premium payment at the time it is  
4.12 necessary to deplete the balance.

4.13 Sec. 6. Minnesota Statutes 2012, section 123B.09, subdivision 12, is amended to read:

4.14 Subd. 12. **Board to fix compensation.** The clerk, treasurer, and superintendent  
4.15 of any district shall receive such compensation as may be fixed by the board. Unless  
4.16 otherwise provided by law, the other members of the board shall also receive such  
4.17 compensation as may be fixed by the board. All members of the board may receive  
4.18 reimbursement for transportation at the rate provided for in section 471.665. No board  
4.19 member or school district employee shall receive any compensation or benefits based on  
4.20 incentives or other money provided to the school district by or from a source of group  
4.21 insurance coverage referenced in section 471.6161, subdivision 1, except for a rebate  
4.22 provided under section 123A.21, subdivision 9, paragraph (f).

4.23 Sec. 7. Minnesota Statutes 2013 Supplement, section 124D.10, subdivision 8, is  
4.24 amended to read:

4.25 Subd. 8. **Federal, state, and local requirements.** (a) A charter school shall meet all  
4.26 federal, state, and local health and safety requirements applicable to school districts.

4.27 (b) A school must comply with statewide accountability requirements governing  
4.28 standards and assessments in chapter 120B.

4.29 (c) A school authorized by a school board may be located in any district, unless the  
4.30 school board of the district of the proposed location disapproves by written resolution.

4.31 (d) A charter school must be nonsectarian in its programs, admission policies,  
4.32 employment practices, and all other operations. An authorizer may not authorize a charter  
4.33 school or program that is affiliated with a nonpublic sectarian school or a religious

5.1 institution. A charter school student must be released for religious instruction, consistent  
5.2 with section 120A.22, subdivision 12, clause (3).

5.3 (e) Charter schools must not be used as a method of providing education or  
5.4 generating revenue for students who are being home-schooled. This paragraph does not  
5.5 apply to shared time aid under section 126C.19.

5.6 (f) The primary focus of a charter school must be to provide a comprehensive  
5.7 program of instruction for at least one grade or age group from five through 18 years  
5.8 of age. Instruction may be provided to people younger than five years and older than  
5.9 18 years of age.

5.10 (g) A charter school may not charge tuition.

5.11 (h) A charter school is subject to and must comply with chapter 363A and section  
5.12 121A.04.

5.13 (i) A charter school is subject to and must comply with the Pupil Fair Dismissal  
5.14 Act, sections 121A.40 to 121A.56, and the Minnesota Public School Fee Law, sections  
5.15 123B.34 to 123B.39.

5.16 (j) A charter school is subject to the same financial audits, audit procedures, and  
5.17 audit requirements as a district, except as required under subdivision 6a. Audits must be  
5.18 conducted in compliance with generally accepted governmental auditing standards, the  
5.19 federal Single Audit Act, if applicable, and section 6.65. A charter school is subject  
5.20 to and must comply with sections 15.054; 118A.01; 118A.02; 118A.03; 118A.04;  
5.21 118A.05; 118A.06; 471.38; 471.391; 471.392; and 471.425. The audit must comply with  
5.22 the requirements of sections 123B.75 to 123B.83, except to the extent deviations are  
5.23 necessary because of the program at the school. Deviations must be approved by the  
5.24 commissioner and authorizer. The Department of Education, state auditor, legislative  
5.25 auditor, or authorizer may conduct financial, program, or compliance audits. A charter  
5.26 school determined to be in statutory operating debt under sections 123B.81 to 123B.83  
5.27 must submit a plan under section 123B.81, subdivision 4.

5.28 (k) A charter school is a district for the purposes of tort liability under chapter 466.

5.29 (l) A charter school must comply with chapters 13 and 13D; and sections 120A.22,  
5.30 subdivision 7; 121A.75; and 260B.171, subdivisions 3 and 5.

5.31 (m) A charter school is subject to the Pledge of Allegiance requirement under  
5.32 section 121A.11, subdivision 3.

5.33 (n) A charter school offering online courses or programs must comply with section  
5.34 124D.095.

5.35 (o) A charter school and charter school board of directors are subject to chapter 181.

6.1 (p) A charter school must comply with section 120A.22, subdivision 7, governing  
 6.2 the transfer of students' educational records and sections 138.163 and 138.17 governing  
 6.3 the management of local records.

6.4 (q) A charter school that provides early childhood health and developmental  
 6.5 screening must comply with sections 121A.16 to 121A.19.

6.6 (r) A charter school that provides school-sponsored youth athletic activities must  
 6.7 comply with section 121A.38.

6.8 (s) A charter school is subject to and must comply with continuing truant notification  
 6.9 under section 260A.03.

6.10 (t) A charter school must develop and implement a teacher evaluation and peer  
 6.11 review process under section 122A.40, subdivision 8, paragraph (b), clauses (2) to (12).

6.12 (u) A charter school must adopt a policy, plan, budget, and process, consistent with  
 6.13 section 120B.11, to review curriculum, instruction, and student achievement and strive  
 6.14 for the world's best workforce.

6.15 (v) A charter school is subject to section 471.6161.

6.16 (w) A charter school is subject to section 471.895.

6.17 Sec. 8. Minnesota Statutes 2012, section 471.6161, subdivision 1, is amended to read:

6.18 Subdivision 1. **Group insurance coverage.** For purposes of this section, "group  
 6.19 insurance coverage" means benefit coverage provided to a group through a carrier an  
 6.20 entity authorized under chapters chapter 61A, 62A, 62C, and or 62D to do business in the  
 6.21 state. Group insurance coverage also includes coverage provided under section 43A.316  
 6.22 or 123A.21, subdivision 7.

6.23 Sec. 9. Minnesota Statutes 2012, section 471.6161, subdivision 2, is amended to read:

6.24 Subd. 2. **Request for proposal.** Every political subdivision authorized by law to  
 6.25 purchase group insurance for its employees and providing or intending to provide group  
 6.26 insurance coverage and benefits for 25 or more of its employees shall request proposals  
 6.27 from and enter into contracts with carriers entities referenced in subdivision 1 that in the  
 6.28 judgment of the political subdivision are best qualified to provide coverage. The request  
 6.29 for proposals shall be in writing and at a minimum shall include: coverage to be provided,  
 6.30 criteria for evaluation of carrier proposals from entities referenced in subdivision 1, and  
 6.31 the aggregate claims records for the appropriate period. A political subdivision may  
 6.32 exclude from consideration proposals requiring self-insurance. Public notice of the request  
 6.33 for proposals must be provided in a newspaper or trade journal at least 21 days before the  
 6.34 final date for submitting proposals.

7.1 Sec. 10. Minnesota Statutes 2012, section 471.6161, subdivision 3, is amended to read:

7.2 Subd. 3. **Selection of carrier.** The political subdivision shall make benefit and  
 7.3 cost comparisons and evaluate the proposals using the written criteria. The political  
 7.4 subdivision may negotiate with ~~the carrier~~ an entity referenced in subdivision 1 on benefits,  
 7.5 premiums, and other contract terms. ~~Carriers applying~~ Any entity providing group  
 7.6 insurance coverage to the political subdivision must provide the political subdivision  
 7.7 with aggregate claims records for the appropriate period. The political subdivision must  
 7.8 prepare a written rationale for its decision before entering into a contract with ~~a carrier~~ an  
 7.9 entity referenced in subdivision 1.

7.10 Sec. 11. Minnesota Statutes 2012, section 471.6161, is amended by adding a  
 7.11 subdivision to read:

7.12 Subd. 8. **School districts; group insurance coverage.** (a) Any entity providing  
 7.13 group insurance coverage to a school district must provide the school district with  
 7.14 nonidentifiable aggregate claims records for the most recently available 24 months within  
 7.15 30 days of the request.

7.16 (b) School districts shall request proposals for group insurance coverage as provided  
 7.17 in subdivision 2 from a minimum of three potential sources of coverage. One of these  
 7.18 requests must go to an administrator governed by chapter 43A. School districts opting for  
 7.19 self-insurance must also follow these provisions. School districts must make requests for  
 7.20 proposals 150 days prior to the expiration of the existing contract but not more frequently  
 7.21 than every 24 months. The request for proposals must include the most recently available  
 7.22 24 months of nonidentifiable aggregate claims data. The request for proposals must be  
 7.23 publicly released at or prior to its release to potential bidders.

7.24 (c) Entities referenced in subdivision 1:

7.25 (1) must submit renewal premium rates to school districts and exclusive  
 7.26 representatives of employees at least 90 days before the effective date of the premium  
 7.27 rate change; and

7.28 (2) must submit any proposed plan design changes to school districts and employees  
 7.29 at least 90 days before the effective date to ensure proper negotiations with bargaining units.

7.30 (d) School district contracts for group insurance must not be longer than two years  
 7.31 unless the exclusive representative of the largest employment group and the school  
 7.32 district agree otherwise.

7.33 (e) All bids and renewals shall be sealed upon receipt until they are all opened 90  
 7.34 days prior to the plan's renewal date. The bids shall be opened on the first business day  
 7.35 after the 90-day deadline in the presence of the exclusive representative, where applicable.

8.1 (f) School districts are allowed to negotiate with entities referenced in subdivision 1  
8.2 that submitted bids.

8.3 Sec. 12. Minnesota Statutes 2012, section 471.895, subdivision 1, is amended to read:

8.4 Subdivision 1. **Definitions.** (a) The definitions in this subdivision apply to this  
8.5 section.

8.6 (b) "Gift" has the meaning given it in section 10A.071, subdivision 1.

8.7 (c) "Interested person" means a person or a representative of a person or association  
8.8 that has a direct financial interest in a decision that a local official is authorized to make.

8.9 (d) "Local official" means:

8.10 (1) an elected or appointed official of a county or city or of an agency, authority,  
8.11 or instrumentality of a county or city; and

8.12 (2) an elected or appointed member of a school board, a school superintendent, a  
8.13 school principal, or a district school officer of any independent school district.

8.14 Sec. 13. **REPORT.**

8.15 The commissioner of management and budget shall report by January 15, 2015, to  
8.16 the chairs and ranking minority members of the senate Finance Committee and house  
8.17 of representatives Ways and Means Committee on the costs for the public employees  
8.18 insurance program to comply with the requirements of this act.

8.19 Sec. 14. **APPROPRIATION; RESPONSES TO BID REQUESTS.**

8.20 (a) \$1,000,000 is appropriated for fiscal year 2015 from the general fund to the  
8.21 commissioner of management and budget to comply with the requirements of Minnesota  
8.22 Statutes, section 43A.316.

8.23 (b) \$50,000 is appropriated for fiscal year 2015 from the general fund to the  
8.24 commissioner of management and budget for costs of the report referenced in section 13.

8.25 Sec. 15. **EFFECTIVE DATE.**

8.26 Sections 1 to 14 are effective July 1, 2014.