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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH SESSION

H. F. No. **2180**

02/25/2014 Authored by Murphy, E.; Ward, J.E.; Lillie; Atkins; Davnie and others
The bill was read for the first time and referred to the Committee on Education Policy
03/03/2014 Adoption of Report: Amended and re-referred to the Committee on Commerce and Consumer Protection Finance and Policy
03/06/2014 Adoption of Report: Re-referred to the Committee on Civil Law
03/12/2014 Adoption of Report: Re-referred to the Committee on Government Operations
03/17/2014 Adoption of Report: Amended and re-referred to the Committee on Education Finance
03/19/2014 Adoption of Report: Amended and re-referred to the Committee on State Government Finance and Veterans Affairs

1.1 A bill for an act
1.2 relating to insurance; amending provisions relating to health coverage for school
1.3 district employees; appropriating money; amending Minnesota Statutes 2012,
1.4 sections 43A.316, subdivision 10, by adding a subdivision; 123B.09, subdivision
1.5 12; 123B.75, by adding a subdivision; 471.6161, subdivisions 1, 3, by adding
1.6 a subdivision; 471.895, subdivision 1; Minnesota Statutes 2013 Supplement,
1.7 section 124D.10, subdivisions 4a, 11, 21.

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 of
1.14 section 471.6161. The public employee insurance program must follow the requirements
1.15 of section 471.6161, subdivision 8, paragraphs (a) and (c).

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

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

1.21 Sec. 3. Minnesota Statutes 2012, section 123B.09, subdivision 12, is amended to read:

1.22 Subd. 12. **Board to fix compensation.** The clerk, treasurer, and superintendent
1.23 of any district shall receive such compensation as may be fixed by the board. Unless

2.1 otherwise provided by law, the other members of the board shall also receive such
2.2 compensation as may be fixed by the board. All members of the board may receive
2.3 reimbursement for transportation at the rate provided for in section 471.665. No board
2.4 member or school district employee shall receive any compensation or benefits based on
2.5 incentives or other money provided to the school district by or from a source of group
2.6 insurance coverage referenced in section 471.6161, subdivision 1, except for a refund
2.7 provided under section 123B.75, subdivision 10.

2.8 Sec. 4. Minnesota Statutes 2012, section 123B.75, is amended by adding a subdivision
2.9 to read:

2.10 Subd. 10. **Insurance premium rebates.** (a) If money collected by an entity
2.11 providing group insurance under chapter 471.6161, subdivision 1, for the payment of
2.12 insurance premiums is above the cost of that coverage and returned to the school district
2.13 purchasing that coverage as a refund, that school district must negotiate with the exclusive
2.14 representative regarding the refund amount attributable to the proportionate number of
2.15 insured lives covered by that exclusive representative.

2.16 (b) If there is no exclusive representative or if the employer and the exclusive
2.17 representative are unable to come to an agreement within 150 days, the remaining refunds
2.18 shall be used to pay the full premium to the program for any employees not covered by
2.19 an agreement negotiated under this section until the proportionate refunds are depleted.
2.20 These refunds shall be used for a proportional premium payment at the time it is necessary
2.21 to deplete the balance.

2.22 Sec. 5. Minnesota Statutes 2013 Supplement, section 124D.10, subdivision 4a, is
2.23 amended to read:

2.24 Subd. 4a. **Conflict of interest.** (a) An individual is prohibited from serving as a
2.25 member of the charter school board of directors if the individual, an immediate family
2.26 member, or the individual's partner is a full or part owner or principal with a for-profit or
2.27 nonprofit entity or independent contractor with whom the charter school contracts, directly
2.28 or indirectly, for professional services, goods, or facilities. An individual is prohibited
2.29 from serving as a board member if an immediate family member is an employee of the
2.30 school. A violation of this prohibition renders a contract voidable at the option of the
2.31 commissioner or the charter school board of directors. A member of a charter school
2.32 board of directors who violates this prohibition is individually liable to the charter school
2.33 for any damage caused by the violation.

3.1 (b) No member of the board of directors, employee, officer, or agent of a charter
3.2 school shall participate in selecting, awarding, or administering a contract if a conflict
3.3 of interest exists. A conflict exists when:

- 3.4 (1) the board member, employee, officer, or agent;
3.5 (2) the immediate family of the board member, employee, officer, or agent;
3.6 (3) the partner of the board member, employee, officer, or agent; or
3.7 (4) an organization that employs, or is about to employ any individual in clauses
3.8 (1) to (3),

3.9 has a financial or other interest in the entity with which the charter school is contracting.

3.10 A violation of this prohibition renders the contract void.

3.11 (c) Any employee, agent, or board member of the authorizer who participates
3.12 in the initial review, approval, ongoing oversight, evaluation, or the charter renewal or
3.13 nonrenewal process or decision is ineligible to serve on the board of directors of a school
3.14 chartered by that authorizer.

3.15 (d) An individual may serve as a member of the board of directors if no conflict of
3.16 interest under paragraph (a) exists.

3.17 (e) The conflict of interest provisions under this subdivision do not apply to
3.18 compensation paid to a teacher employed as a teacher by the charter school or a teacher
3.19 who provides instructional services to the charter school through a cooperative formed
3.20 under chapter 308A when the teacher also serves on the charter school board of directors.

3.21 (f) A charter school board member, employee, or officer must not accept gifts as
3.22 defined under section 10A.071, subdivision 1, paragraph (b), and must not request another
3.23 person to give a gift to a board member, employee, or officer. A board member, employee,
3.24 or officer must not receive compensation from a group health insurance provider.

3.25 Sec. 6. Minnesota Statutes 2013 Supplement, section 124D.10, subdivision 11, is
3.26 amended to read:

3.27 Subd. 11. **Employment and other operating matters.** (a) A charter school must
3.28 employ or contract with necessary teachers, as defined by section 122A.15, subdivision 1,
3.29 who hold valid licenses to perform the particular service for which they are employed in
3.30 the school. The charter school's state aid may be reduced under section 127A.43 if the
3.31 school employs a teacher who is not appropriately licensed or approved by the board of
3.32 teaching. The school may employ necessary employees who are not required to hold
3.33 teaching licenses to perform duties other than teaching and may contract for other services.
3.34 The school may discharge teachers and nonlicensed employees. The charter school board
3.35 is subject to section 181.932. When offering employment to a prospective employee, a

4.1 charter school must give that employee a written description of the terms and conditions
4.2 of employment and the school's personnel policies.

4.3 (b) A person, without holding a valid administrator's license, may perform
4.4 administrative, supervisory, or instructional leadership duties. The board of directors shall
4.5 establish qualifications for persons that hold administrative, supervisory, or instructional
4.6 leadership roles. The qualifications shall include at least the following areas: instruction
4.7 and assessment; human resource and personnel management; financial management;
4.8 legal and compliance management; effective communication; and board, authorizer, and
4.9 community relationships. The board of directors shall use those qualifications as the basis
4.10 for job descriptions, hiring, and performance evaluations of those who hold administrative,
4.11 supervisory, or instructional leadership roles. The board of directors and an individual
4.12 who does not hold a valid administrative license and who serves in an administrative,
4.13 supervisory, or instructional leadership position shall develop a professional development
4.14 plan. Documentation of the implementation of the professional development plan of these
4.15 persons shall be included in the school's annual report.

4.16 (c) The board of directors also shall decide and be responsible for policy matters
4.17 related to the operation of the school, including budgeting, curriculum programming,
4.18 personnel, and operating procedures. The board shall adopt a policy on nepotism in
4.19 employment. The board shall adopt personnel evaluation policies and practices that,
4.20 at a minimum:

- 4.21 (1) carry out the school's mission and goals;
4.22 (2) evaluate the execution of charter contract goals and commitments;
4.23 (3) evaluate student achievement, postsecondary and workforce readiness, and
4.24 student engagement and connection goals;
4.25 (4) establish a teacher evaluation process under subdivision 8, paragraph (t); and
4.26 (5) provide professional development related to the individual's job responsibilities.

4.27 (d) A charter school board with at least 25 employees or a teacher cooperative
4.28 of licensed teachers providing instruction under a contract between a school and a
4.29 cooperative that provides group health insurance coverage shall:

4.30 (1) request proposals for group health insurance coverage from a minimum of three
4.31 sources at least every two years; and

4.32 (2) notify employees covered by the group health insurance coverage before the
4.33 effective date of the changes in the group coverage policy contract.

4.34 A charter school board or a cooperative of teachers that provides group health insurance
4.35 coverage must establish and publish on its Web site the policy for the purchase of group
4.36 health insurance coverage. A charter school board policy must include a sealed proposal

5.1 process, which requires all proposals to be opened at the same time. Upon the openings of
 5.2 the proposals in accordance with the school or cooperative policy, the proposals become
 5.3 public data under chapter 13.

5.4 Nothing in this provision supersedes the right of an exclusive representative to negotiate
 5.5 over terms and conditions of employment.

5.6 Sec. 7. Minnesota Statutes 2013 Supplement, section 124D.10, subdivision 21, is
 5.7 amended to read:

5.8 Subd. 21. **Collective bargaining.** Employees of the board of directors of a charter
 5.9 school may, if otherwise eligible, organize under chapter 179A and comply with its
 5.10 provisions. The board of directors of a charter school is a public employer, for the
 5.11 purposes of chapter 179A, upon formation of one or more bargaining units at the school.
 5.12 Bargaining units at the school must be separate from any other units within an authorizing
 5.13 district, except that bargaining units may remain part of the appropriate unit within an
 5.14 authorizing district, if the employees of the school, the board of directors of the school, the
 5.15 exclusive representative of the appropriate unit in the authorizing district, and the board
 5.16 of the authorizing district agree to include the employees in the appropriate unit of the
 5.17 authorizing district. The board of directors of a charter school with employees organized
 5.18 under this subdivision must comply with sections 471.6161 and 471.895.

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

5.20 Subdivision 1. **Group insurance coverage.** For purposes of this section, "group
 5.21 insurance coverage" means benefit coverage provided to a group through a carrier an
 5.22 entity authorized under chapters section 43A.316 or 123A.21, subdivision 7, or chapter
 5.23 61A, 62A, 62C, and or 62D₂ to do business in the state.

5.24 Sec. 9. Minnesota Statutes 2012, section 471.6161, subdivision 3, is amended to read:

5.25 Subd. 3. **Selection of carrier.** The political subdivision shall make benefit and
 5.26 cost comparisons and evaluate the proposals using the written criteria. The political
 5.27 subdivision may negotiate with ~~the carrier~~ an entity referenced in subdivision 1 on benefits,
 5.28 premiums, and other contract terms. ~~Carriers applying~~ Any entity providing group
 5.29 insurance coverage to the political subdivision must provide the political subdivision
 5.30 with aggregate claims records for the appropriate period. The political subdivision must
 5.31 prepare a written rationale for its decision before entering into a contract with ~~a carrier~~ an
 5.32 entity referenced in subdivision 1.

6.1 Sec. 10. Minnesota Statutes 2012, section 471.6161, is amended by adding a
6.2 subdivision to read:

6.3 Subd. 8. School districts; group health insurance coverage. (a) Any entity
6.4 providing group health insurance coverage to a school district must provide the school
6.5 district with school district specific nonidentifiable aggregate claims records for the most
6.6 recent 24 months within 30 days of the request.

6.7 (b) School districts shall request proposals for group health insurance coverage
6.8 as provided in subdivision 2 from a minimum of three potential sources of coverage.
6.9 One of these requests must go to an administrator governed by chapter 43A. School
6.10 districts opting for self-insurance must also follow these provisions, except as provided
6.11 in paragraph (f). School districts must make requests for proposals 150 days prior to the
6.12 expiration of the existing contract but not more frequently than once every 24 months.
6.13 The request for proposals must include the most recent 24 months of nonidentifiable
6.14 aggregate claims data. The request for proposals must be publicly released at or prior to
6.15 its release to potential bidders.

6.16 (c) Entities referenced in subdivision 1:

6.17 (1) must respond to requests for proposals received directly from a school district;

6.18 (2) must submit renewal premium rates to school districts and exclusive
6.19 representatives of employees at least 90 days before the effective date of the premium
6.20 rate change; and

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

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

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

6.29 (f) School districts opting for self-insurance shall follow all of the requirements
6.30 of section 471.6161, except that:

6.31 (1) their requests for proposals may be for third-party administrator services, where
6.32 applicable;

6.33 (2) these requests for proposals must be from a minimum of two different sources,
6.34 which may include both entities referenced in subdivision 1 and providers of third-party
6.35 administrator services;

7.1 (3) for purposes of fulfilling the requirement to request a proposal for group
7.2 insurance coverage from an administrator governed by chapter 43A, self-insured districts
7.3 are not required to include in the request for proposal the coverage to be provided;

7.4 (4) requests for proposals must be sent to providers no less than 90 days prior to
7.5 the expiration of the existing contract; and

7.6 (5) proposals must be submitted at least 60 days prior to the plan's renewal date
7.7 and all proposals shall be opened at the same time and in the presence of the exclusive
7.8 representative, where applicable.

7.9 (g) Notwithstanding any law to the contrary, a school district may continue to
7.10 negotiate with up to two of the bidders in order to reduce costs or improve services. The
7.11 choice of bidders must be agreed to by the exclusive representative of the largest group
7.12 of employees.

7.13 Sec. 11. Minnesota Statutes 2012, section 471.895, subdivision 1, is amended to read:

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

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

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

7.19 (d) "Local official" means:

7.20 (1) an elected or appointed official of a county or city or of an agency, authority, or
7.21 instrumentality of a county or city;

7.22 (2) an elected or appointed member of a school board, a school superintendent, a
7.23 school principal, a district school officer of any independent school district; and

7.24 (3) a representative of an exclusive bargaining unit authorized to make decisions
7.25 about a school district's group insurance coverage, as defined by section 471.6161.

7.26 Sec. 12. **APPROPRIATION; RESPONSES TO BID REQUESTS.**

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

7.30 (b) The commissioner of management and budget shall report by January 15,
7.31 2015, to the legislative chairs and ranking minority members with jurisdiction over state
7.32 government finance on the ongoing costs incurred by the public employees insurance
7.33 program in compliance with the requirements of this act and may request additional
7.34 appropriations, if necessary.

8.1 Sec. 13. **EFFECTIVE DATE.**

8.2 Sections 1 to 12 are effective July 1, 2014.