



MINNESOTA STATE HIGH SCHOOL LEAGUE

Question: What is the purpose of the MSHSL Engagement Session with Member Schools? What is the format of these sessions and who will be a part of the sessions?

Answer: MSHSL Engagement Sessions are being provided to aid in sharing the most current information related to school membership, membership dues and the current financial situation facing the League. MSHSL Staff will present information through a PowerPoint with supporting documents. In this presentation there will be additional background information on the finances of the League, the dramatic impacts of the Covid-19 pandemic and the current plan for sustainability. In addition, opportunities will be offered for attendees to ask questions around a number of topics. Additional questions from these sessions will be added to this list of Frequently Asked Questions.

Question: Are these increased membership dues a one-time assessment for the League or will these membership dues continue forward into coming years?

Answer: The continuation of membership dues is directly related to the future of revenue sources such as tournament ticket sales, broadcast revenues, and sponsorship dollars. It is likely that due to the ongoing pandemic, revenues from other sources will be significantly less than in recent history. The Board of Directors has determined that when the League experiences revenues in excess of their expenses, member schools will receive either refunds or credits based on the same metrics as the membership dues. These future refunds or credits are intended to go back to all member schools, rather than limit refunds to schools who qualify for the state tournament.

Question: Has the MSHSL applied for any federal assistance through relief programs or grants that have been enacted over the past 7 months?

Answer: The League applied for and received a loan through the Paycheck Protection Program (PPP) and received approximately \$790,000 to be used for an eight-week period ending in mid-June. This allowed the League to maintain employees through this time period. The League is completing the process for forgiveness of a significant part of the loan currently estimated to be approximately \$530,000.

Question: Has the cost of operation of the Minnesota State High School League been reduced and what programs have been cut as a result of these reductions?

Answer: The MSHSL has reduced its overall budget from approximately \$9 million to \$5 million. Despite this reduction in budget of over 40%, the number of activities and athletics has not been reduced. The Board of Directors was unanimous in their directive that the League continue to offer all

activity and athletic programs, recognition programs and services that have been previously offered. The maintenance of programming offered with reduced staff and new health requirements has been an incredible challenge.

Question: Specifically, what has been done within the MSHSL to reduce costs or balance the budget?

Answer: Since the onset of Covid-19 in early March, the League has been diligent about reducing expenses in all categories. The most dramatic has been in the reduction in budget for state tournaments. When tournaments with significant attendance return, it will be critical that the League offer championships that are cost neutral. In addition, the League has eliminated three positions, one executive level and two at the support staff level through retirement and layoffs. The operations budget and Board expenses have been reduced as staff are often working remotely and the use of electronic meeting platforms have replaced in-person meetings. Events like Area Meetings and public recognitions are no longer feasible and have been replaced by other models. MSHSL staff have had their salaries frozen for the 2020-2021 school year.

Question: Member schools now pay membership dues based on three factors, the number of students in their building, the number of activities that they host and an additional amount based on a four-class system by student population. Will this be the model going forward?

Answer: The League has not identified a more permanent model or the amount of the membership dues for the 21-22 school year, although a future model is likely to include some of these factors going forward. The Board has authorized the implementation of a Financial Advisory Committee to assist the Finance Committee and Board in developing future budgets and membership due models. This group will be assembled in the coming month with membership from member schools as well as other constituents.

Question: How was the Finance Task Force created, what was the membership on the task force and what was their responsibility?

Answer: The Board of Directors recognized the unique challenges that were present in June of 2020 and acknowledged a strong likelihood that these challenges would continue through the upcoming school year. As a result, they called for a Financial Task Force to review the budget necessary for the operation of the League and to consider ways in which the League should be funded.

The Finance Task Force consisted of the Audit/Finance Committee of the Board, along with 8 additional representatives from member schools. These individuals included school board members, activities directors, principals, and coaches representing large, medium and small schools, publics and non-publics as well as home schools. The summary of their actions are included in the school mailing that is available on the Engagement Sessions home page.

Question: Are the League and the Board of Directors aware that the additional membership dues that were assessed to member schools are at a higher per pupil rate for smaller schools compared to larger schools?

Answer: The Board of Directors reviewed the Finance Task Force's recommendation for additional dues and recognized that the capacity of schools to support the League is directly impacted by the size of the school and provided a stepwise increment based on size of school. This membership dues structure was not intended to be equalized per student but rather provide a modified approach to the traditional membership dues based on number of activities.

Question: Is there any part of the CARES Act that can be used for the additional membership dues for the MSHSL?

Answer: Member schools are encouraged to connect directly with MDE or seek additional guidance through MASA or MSBA for additional information on potential revenue sources for these dues. Both organizations are very aware of the increased membership dues and have been in communication with the Minnesota Department of Education (MDE) regarding options.

Please check back as these questions will be updated with additional questions and information from the engagement sessions.

October 20, 2020