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# Office of the Legislative Auditor

## Program Evaluation Update

MINNESOTA STATE HIGH SCHOOL LEAGUE  
June 4, 1991

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**The League has made progress since our 1987 evaluation, but some of the same problems remain:**

- **Financial controls need improvement,**
  - **Executive salaries remain high, and**
  - **Oversight continues to be weak.**
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## INTRODUCTION

After we evaluated the High School League in 1987 and recommended reforms, the Legislative Audit Commission asked us to monitor the results. While we have not done a full follow-up study, this update briefly reviews the League's activities in light of key issues which were identified in our original study. Our current observations are based on interviews and written materials.

## BACKGROUND

The Minnesota State High School League has a solid national reputation for well-run athletic contests, impressive money-making ability, and innovative programs, especially in chemical health.

Nevertheless, in October 1987, the *Minneapolis Star Tribune* raised questions about decision making and spending by the Minnesota State High School League. Shortly afterward, the State Auditor completed a financial and compliance audit, and the Legislative Audit Commission directed us to evaluate the League's structure and governance. Our report, published in December 1987, concluded that:

- **Some of the League's policies and procedures were inappropriate, and safeguards to ensure prudent expenditures were inadequate.**
- **The League's internal mechanisms for accountability were weak, and the League lacked adequate outside oversight.<sup>1</sup>**

Subsequently, the Legislature expanded the League's board of directors, strengthened laws requiring the Commissioner of Education to report on the League every year, and made the State Auditor responsible for auditing the organization's finances and compliance with laws. In addition, the Legislature took away the League's credit cards, directed the Department of Employee Relations to report on appropriate salary ranges for League employees, and made board and advisory committee members' compensation consistent with state standards.<sup>2</sup>

## GOVERNANCE

*Minn. Stat.* §128C calls the League a nonprofit voluntary association of schools but, in our opinion, its status remains unclear. For purposes of lobbying disclosure, the Legislature last year defined the League along with the Greater Minnesota Corporation as a political subdivision and unit of metropolitan government.<sup>3</sup>

Our earlier evaluation pointed out several ways in which the League functions as a public

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<sup>1</sup> Office of the Legislative Auditor, *Minnesota State High School League* (December 1987).

<sup>2</sup> *Minn. Laws* (1988), Chap. 718, Art. 7, Sec. 45-49, 58, 59, and *Minn. Laws* (1990), Chap. 562, Art. 7, Sec. 9.

<sup>3</sup> *Minn. Laws* (1990), Chap. 608, Art. 1, Sec. 3, 4.

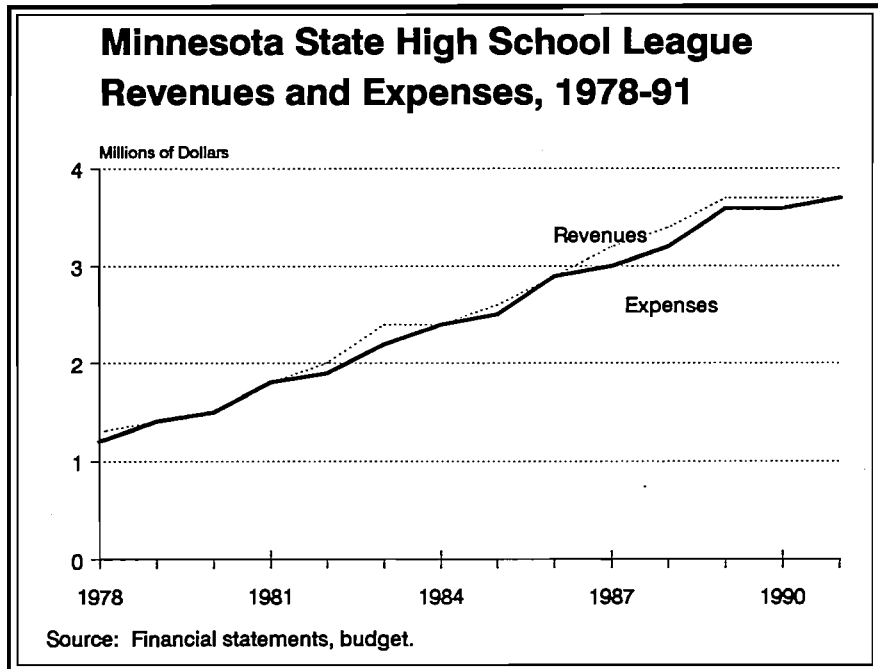
agency. First, it controls and regulates statewide athletic, musical, speech, and dramatic activities, mainly for public school students. Second, the Legislature has made the League subject to several specific laws. Third, the League directly receives tax dollars—approximately \$275,000 in school dues last year. Finally, the League depends upon schools to provide athletic and fine arts facilities, equipment, training, and student transportation.

The League is a complex, school-based organization with about 5,000 active representatives throughout the state. Today, its general management is the responsibility of a 21-member board.<sup>4</sup> A 90-member representative assembly meets twice a year to consider proposed rule changes, and 18 staff members conduct the League's daily business.

## SPENDING

Since the late 1970s, the League's revenues have tripled to about \$3.7 million, mainly from tournament receipts and television broadcast rights. At the same time, the League has increased its expenditures, as shown.

The League's constitution requires that surplus revenues which exceed 50 percent of mean expenditures over the past three years must be turned over to member schools. So far, this provision has yet to be invoked.



Records show that since 1987, the League has added programs and staff members, raised salaries by 26 percent and benefits by 39 percent, increased public relations spending by 514 percent, hired a new lobbyist, built a \$1.5 million office building, and continued to provide promotional goods and amenities for staff and supporters.

Some of the League's new initiatives include a Minnesota Hall of Fame for high school accomplishments, selection of student "Dreamers and Doers" who can win a trip to Walt Disney World, sportsmanship banners for qualifying schools, promotional packets for week-long celebrations of student activities, and a AAA-cosponsored award for students' combined achievement in academics, arts, and athletics. Among other items, the League distributes clothing, caps, and logo pins. It sells some advertising and re-

cently signed First Banks as a corporate sponsor in exchange for limited promotional opportunities. The bank's \$275,000 contribution was used to cover students' increased insurance costs, the hall of fame, and other activities.

Over the past ten years, the League has lost about 75 school members, while tournament costs have increased. Also, the League anticipates less money from television broadcasters in the future.

Currently, board members' expenses are budgeted at \$81,600 or about \$3,900 per member. Although this level of spending is high, board costs in 1990 were 24 percent lower than they were at their peak in 1987 when the League spent \$93,672 for only 16 board members. Reform legislation and policy changes now prevent most public employees on the League's board of directors

<sup>4</sup> Legislators now are discussing a bill which would bring the board to 35 members by adding two more gubernatorial appointees and 12 legislative appointees.

from collecting \$55 per diem payments besides expense reimbursement for attendance at meetings.

Between 1987 and 1990, the League doubled its members' activity fees, and membership revenues rose by 77 percent. However, in February 1991:

- **The board eliminated activity fees for member schools next year and will require only a \$100 payment for basic membership.**

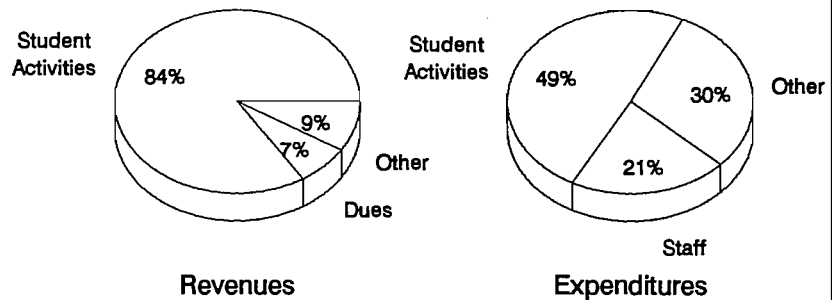
On the average, schools have paid about \$600 for League membership—the \$100 basic fee plus \$30 for each activity in which students competed. The board's decision therefore will save all members some money, but:

- **Membership savings may be offset by a reduction in payments to defray tournament participants' expenses.**
- **In 1990, the board of directors proposed to bill schools for the increased cost of students' catastrophic insurance coverage.**

## FINANCIAL CONTROLS NEED IMPROVEMENT

Each year since our evaluation, the State Auditor's Office has

### Minnesota State High School League Revenue and Expenditure Items, 1990



Source: State Auditor.

conducted a financial and legal compliance audit. These audits show that the League has progressively improved its accounting practices and clarified its spending policies. However, the most recent audit found these remaining problems:

- **The League continued to provide late-model cars for all five executive staff members and allowed them to pay only 17 cents per personal mile.**
- **Support staff received complimentary tournament tickets in 1990, without board approval.**
- **Some employees obtained special reimbursement for meals last year without prior approval or the required expense forms.<sup>5</sup>**

Subsequently, effective in August 1991, the Board voted to abandon its practice of purchasing cars for staff. Also, the League promised to review policies and practices relating to complimentary tickets, special expenses, and other items.

## EXECUTIVE SALARIES REMAIN HIGH

As required by law, the Department of Employee Relations (DOER) in 1989 established ranges of compensation for the League's executive director and staff. The board used this information to develop a system of fixed, annual increases for all League employees, and this year, as a result:

<sup>5</sup> See the State Auditor's report on the Minnesota State High School League for the year ended July 31, 1990. *Minn. Laws* (1988) Chap. 718, Art. 7, Sec. 45, Subd. 1 required the board to show annually how its policy on automobiles is the most cost-effective alternative available.

- **Three of the four associate directors received salaries of \$62,624—the highest possible point on the range DOER established for their positions.**

Further, the Legislature asked for a report on salary ranges as if League employees were in the state's classified service. DOER responded that it would be appropriate to treat the executive director as an agency head in an unclassified position, similar to the executive directors of the Public Employees Retirement Association and the Teachers Retirement Association. The Legislature has set a maximum salary of \$67,500 for these positions as well as the Commissioners of Health, Natural Resources, Commerce, Corrections, and Agriculture, among others.<sup>6</sup> Nevertheless:

- **The High School League's board of directors is paying the executive director \$72,684 this year, excluding fringe benefits and the use of an automobile.**

The director's current salary is based on the board's 1989 decision to give him four percent increases in each of the next two years, assuming satisfactory performance.

## OVERSIGHT CONTINUES TO BE WEAK

The Legislature in 1988 changed the Commissioner of Education's board position from voting to non-voting status and in 1990 spelled out the content of a required annual report on the League's activities. State law further gave the commissioner the special obligation of recommending any legislation which may be necessary as a result of the League's actions. However:

- **The Commissioner of Education did not file the required reports on the League's activities for 1988 and 1989.**
- **In 1989, minutes show that the commissioner or a representative was present at only four of nine board meetings, and in 1990, at only one of nine meetings.**

After the 1990 Legislature specified the content of the commissioner's required report, a report finally was filed for 1990. However, it raises only minor concerns and concludes that the League is working hard to correct past issues of concern.<sup>7</sup> Subsequently, the 1991 Legislature reduced the commissioner's responsibilities, no longer requiring an annual written report. (See *Minn. Laws* (1991) Chap. 265, Art. 11, Sec. 14.)

## CONCLUSION

In conclusion, we think the League has made progress in addressing many of the concerns raised in 1987. However, some of the same issues remain even after the passage of three years, and legislative reforms have yet to be fully implemented. In our opinion, the most significant problem is the League's continued pattern of spending, which has limited its ability to return money to member schools. Second, we think that legislative oversight has been too limited.

We hope that this update to our earlier, detailed evaluation will prompt renewed attention to the League's structure, governance, and finances.

**For additional information or copies of this update or our 1987 evaluation, contact:**

**Marilyn Jackson-Beeck  
Office of the Legislative Auditor  
State of Minnesota  
1st Floor Centennial Building  
St. Paul, MN 55155**

**Telephone: 612/296-4708**

<sup>6</sup> *Minn. Stat.* Chapter 15A.081, Subdivision 1.

<sup>7</sup> Minnesota Department of Education, *Report on High School League Activities*, January 1991.