

**HF22 - 0 - English Learner Programming Funding Increased**

Chief Author: **Kaohly Her**  
 Committee: **Education Finance**  
 Date Completed: **1/30/2023 3:37:21 PM**  
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	52,247	87,635	122,260	159,169	
<b>Total</b>	<b>-</b>	<b>52,247</b>	<b>87,635</b>	<b>122,260</b>	<b>159,169</b>	
<b>Biennial Total</b>			<b>139,882</b>		<b>281,429</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**LBO Analyst's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Alyssa Holterman Rosas      **Date:** 1/30/2023 3:37:21 PM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	52,247	87,635	122,260	159,169	
<b>Total</b>	<b>-</b>	<b>52,247</b>	<b>87,635</b>	<b>122,260</b>	<b>159,169</b>	
<b>Biennial Total</b>			<b>139,882</b>		<b>281,429</b>	
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	52,247	87,635	122,260	159,169	
<b>Total</b>	<b>-</b>	<b>52,247</b>	<b>87,635</b>	<b>122,260</b>	<b>159,169</b>	
<b>Biennial Total</b>			<b>139,882</b>		<b>281,429</b>	
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Biennial Total</b>			<b>-</b>		<b>-</b>	

**Bill Description**

This bill increases the basic English Learner (EL) revenue allowance from \$704 to \$1,000. It creates a new EL cross-subsidy aid program that phases in at 25 percent for FY 2024, 50 percent for FY 2025, 75 percent for FY 2026, and 100 percent for FY 2027. EL cross-subsidy aid is defined as the greater of zero or the difference between the district's expenditure for qualifying EL services for the second previous year and the district's EL revenue for the second previous year. The bill also moves the English learner concentration revenue calculation from Sec. 2. Minnesota Statutes 2022, section 126C.10, subdivision 4 to Section 1. Minnesota Statutes 2022, section 124D.65, subdivision 5.

**Assumptions**

FY 2022 ADM and expenditures are actuals. English Learner ADM used in the calculation for FY 2024 and FY2025 are based on the November 2022 pupil projections.

The proposed change to EL revenue is calculated as the difference between the proposed EL revenue allowance of \$1,000 and current law allowance of \$704 times projected EL ADM.

Eligible costs under the proposal are not defined. MDE calculated the EL cross subsidy as the total EL district expenditures from two years prior minus the district EL revenue from two years prior (basic revenue plus concentration revenue). EL expenditures are FY 2022 actuals. EL expenditures have been growing over the last several years, far outpacing revenues. In absence of direction to project growth in expenditures (for example, by the rate of inflation) this analysis holds expenditures steady at 2022 levels. This likely understates the magnitude of the EL cross-subsidy and the projected aid meant to address it.

Minnesota Session Laws 2021, 1<sup>st</sup> Special Session Article 1, Section 9 established English Learner Cross Subsidy Reduction Aid of \$2,000,000 per year for fiscal years 2022, 2023, 2024, and 2025 based on the school district's or charter school's proportionate share of English learner and concentration revenue for the preceding fiscal year. HF22 does not repeal the current \$2M English learner cross subsidy revenue for fiscal years 2024 and 2025. Therefore, the revenue component used in calculating the cross subsidy includes the \$2M English learner cross-subsidy revenue.

EL expenditures are not part of the normal forecast methodology. Estimated EL expenditures used in the cross-subsidy calculation are FY 2022 district EL actual expenditures reported under UFARS program code 219 adjusted for forecasted changes in EL ADM times:

- 1 for FY 2024,
- the ratio of FY 2022 EL ADM to FY 2023 projected EL ADM for FY 2025,
- the ratio of FY 2022 EL ADM to FY 2024 projected EL ADM for FY 2026,
- the ratio of FY 2022 EL ADM to FY 2025 projected EL ADM for FY 2027.

The cross subsidy is calculated as the maximum of EL expenditures minus EL revenues or zero. The calculated cross subsidy is then multiplied by the percentage, 25 percent for FY 2024, 50 percent for FY 2025, 75 percent for FY 2026, and 100 percent for 2027.

MNIT costs would be negligible and would be incorporated into annual general education programming updates.

**Expenditure and/or Revenue Formula**

<b>Change in EL Revenue</b>	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>
EL Basic	18,063,400	18,210,808	18,386,127	18,603,587
EL Cross Subsidy	37,923,335	72,940,514	107,330,654	144,282,454
<b>Total</b>	<b>55,986,735</b>	<b>91,151,322</b>	<b>125,716,781</b>	<b>162,886,041</b>
	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>
<b>Entitlement</b>	55,986,735	91,151,322	125,716,781	162,886,041
<b>90%</b>	50,388,062	82,036,190	113,145,102	146,597,437
<b>10%</b>	1,859,058	5,598,674	9,115,132	12,571,678
<b>Total Appropriation</b>	52,247,119	87,634,863	122,260,235	159,169,115
(in thousands)	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>
<b>Entitlement</b>	55,987	91,151	125,717	162,886
<b>Appropriation</b>	52,247	87,635	122,260	159,169

**Long-Term Fiscal Considerations**

There is no cap placed on spending for EL programs under this proposal, which may lead to a higher rate of expenditures going forward.

**Local Fiscal Impact**

There would be a large revenue increase for districts with high EL program expenditures.

**References/Sources**

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