

# HOUSE RESEARCH

## Bill Summary

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### Overview

Because school districts use the accrual method of accounting, the full amount of the aid entitlement owed to the district for a fiscal year is booked as revenue for that year, regardless of when the state aid is actually received. The state, on the other hand, uses a cash-based system of accounting. As a result, the state can save money on a onetime basis by implementing a “shift” of school district revenue. There are two types of shifts—the aid payment shift which pays only the non-shifted portion of the total state aid owed to school districts in the current year, and the property tax recognition shift, which requires an early recognition of the district’s property tax receipts offset by an accompanying state aid savings. At the conclusion of the 2009 legislative session, Governor Pawlenty announced that he would sign the spending bills, veto the tax bill (which contained a school district aid payment shift and a property tax recognition shift totaling about \$1.76 billion), and use the unallotment statute to balance the budget. The governor’s unallotment of \$1.7 billion from the K-12 budget is designed to parallel the school aid payment shifts passed by the legislature and vetoed by the governor. These unallotments set the aid payment shift percentage at 73 beginning in fiscal year 2010, and require an early property tax recognition shift by recognizing the first half property tax payments in the fiscal year ending in June 30, 2011. This bill codifies the aid payment shift and the property tax recognition shift and clarifies the process to be followed when the commissioner of education sets the recognition year of a revenue stream.

- 1** **Definitions.** Moves unchanged the definition of “school district tax settlement revenue” to its own subdivision.
- 2** **Levy recognition.** Beginning in FY 2011, shifts the first half of the school levy payments (the amounts received in the May, June and July settlements) into the previous fiscal year.

- 3 **Commissioner shall specify fiscal year.** Requires the commissioner of education to report to the House and Senate Education Committees by January 15<sup>th</sup> of each year on any proposed changes to the years in which revenue must be recognized. Makes the changes effective unless the legislature disapproves of the recommendations by majority vote of each body.
- 4 **Reporting.** Clarifies a cross reference.
- 5 **Aid reduction; levy revenue recognition change.** Clarifies a cross reference.
- 6 **Definitions.** Lowers the current year aid payment percentage from 90 to 73.
- 7 **Payment dates and percentages.** Removes obsolete language.
- 8 **Advance final payment.** Authorizes an advance final payment for school districts and charter schools in statutory operating debt. Sets the aid payment schedule at 90 percent of the aid entitlement for fiscal years 2010 and later. Caps the total amount of the advance final payment that can be paid in any year at not more than \$7.5 million.
- 9 **Aid payment percentage.** Removes an obsolete reference.