

HOUSE RESEARCH

Bill Summary

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Subject: Charter School Aid Payment Percentage; First Three Years of Operation

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Overview

The state aid share of school district revenue that is promised to the school district through Minnesota's school finance formulas is called the "aid entitlement." The amount paid to school districts by the state during each fiscal year is called the "appropriation." Since 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 "cost" to the state is only the actual appropriation for a particular school year, not the aid entitlement.

Minnesota statutorily sets the portion of state aid that is paid to a school district for a specific fiscal year. The normal aid payment schedule calls for 90 percent of the aid entitlement to be paid in the current year with the clean-up payment of ten percent made in the following fiscal year. In a year in which the aid payment percentage is lowered, the state "saves" money through an accounting shift because the appropriation is smaller than the aid entitlement. For this reason, the shift tends to be used in years when desired state revenues are below desired program funding levels.

The 2011 Legislature set the current year aid payment shift percentage at 60 (increased to 64.3 by the February Forecast) for school districts and charter schools and sped up the payment of the 60 percent to charter schools during the current school year. This bill sets the aid payment percentage for charter schools that are in their first three years of operation at 90.

- 1 Payment of aids to charter schools.** Makes aid payments to charter schools in their first three years of operation based on a 90 percent current year payment and a ten percent clean-up payment.