

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 one-time 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.

The "normal" aid payment shift is accomplished by setting the current year payment at 90 percent of the aid entitlement with 10 percent of the aid entitlement paid in the "cleanup" payment in the following fiscal year. The 2010 Legislature set the aid payment shift percentage at 73 percent for FY 2010, 70 percent for FY 2011, and restored the payment percentage to 90 for fiscal years 2012 and later.

An aid payment percentage of 70 saves approximately \$1.4 billion on a one-time basis compared to an aid payment percentage of 90.

This bill fixes the aid payment percentage at 70 for fiscal years 2012 and 2013 and returns the percentage to 90 for fiscal year 2014 and later. A separate provision in Minn. Stat. section 16A.152 applies any state general fund surpluses to repaying the aid payment shift until the percentage rises to 90. The bill also repeals the ability of the state to delay school aid payments for state cash flow borrowing purposes.

- 1** **Definitions.** Fixes the aid payment shift percentage at 70 for fiscal years 2012 and 2013. Returns the payment shift percentage to 90 for fiscal years 2014 and later.
- 2** **Repealer.** Repeals Minnesota Statutes, section 127A.46 - Authority for the state of Minnesota to delay school district state aid payments in order for the state to avoid short-term cash flow borrowing.