

HOUSE RESEARCH

Bill Summary

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Overview

School districts use the accrual method of accounting, which means the full amount of the aid entitlement owed to a district for a fiscal year is booked as revenue for that year, regardless of when the state aid is actually received by the district. 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 state aid. There are two types of shifts—the aid payment shift and the property tax recognition shift. The aid payment shift works by having the state pay only part of the aid entitlement to the schools in the current year (in twice-monthly payments), and paying the remainder of the aid owed in a “clean-up” payment in the following year (in payments primarily in September and October).

At the conclusion of the 2011 Special Legislative Session, the legislature and the governor agreed to an aid payment shift percentage of 60 for fiscal years 2012 and later. Continuing language in Minnesota Statutes, section 16A.152, subdivision 4, requires that any state budget surplus, after restocking the state’s cash flow and budget reserve accounts, be used to repay the school aid payment shifts. The February 2012 forecast contained sufficient funds to raise the shift percentage for FY 12 to 64.3 percent, and the November 2012 forecast contained sufficient funds to raise the shift percentage to 82.5 percent for fiscal years 2013 and later.

This bill requires the aid payment shift percentage to return to 90 percent on July 1, 2013. Each one percentage point in repayment of the aid payment shift costs about \$72 million. It would therefore cost approximately \$550 million on a onetime basis to finish repaying the aid payment shift.

Section

- 1** **Definitions; aid payment shift.** Restores the aid payment shift percentage to 90 for fiscal years 2014 and later.