

HOUSE RESEARCH

Bill Summary

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Overview

The 2003 Legislature created a new component of general education revenue called transition revenue. Transition revenue is a "grandfather" revenue that limits a school district's loss in revenue because of other formula changes to a level not less than the amount the district received in fiscal year 2003 or the amount the district would have received in fiscal year 2004 without the legislative changes. Some school districts that lost revenue in certain components of general education revenue for things such as the pupil unit limitations, gained revenue in other components, such as compensatory revenue. As a result, many school districts with large increases in compensatory revenue between fiscal years 2003 and 2004 received limited amounts of transition revenue. In addition, these districts saw increases in the restricted revenue (e.g., compensatory revenue) and losses in their unrestricted revenue.

This bill modifies the treatment of compensatory revenue under the transition revenue formula so that a school district that had a spike in its compensatory revenue between fiscal years 2003 and 2004 would not lose transition revenue because of the change in the underlying demographics of the district. Preliminary data suggests that the cost of this modification would be about \$3.5 million per year.

- 1 Transition revenue.** Requires transition revenue to be calculated excluding the effects of changes in compensatory revenue.

