

January 26, 2010

Governor Tim Pawlenty  
Office of the Governor  
130 State Capitol  
St. Paul, MN 55155

Commissioner Alice Seagren  
Minnesota Department of Education  
1500 Highway 36  
Roseville, MN 55113

Dear Governor Pawlenty and Commissioner Seagren:

Due to the decline in revenue collections in the November 2009 forecast, a temporary cash flow shortage in the statutory general fund is anticipated for March, April and May of 2010. As required by Minn. Stat. § 127A.46, I am advising that it is necessary to delay state aid payments to school districts to reduce the need for short-term borrowing by the State.

Under that statute, if the commissioner of Minnesota Management & Budget (MMB) determines that modifications in the state aid payment schedule to school districts would reduce the need for state short-term borrowing, the state must *first* use its authority to temporarily delay state aid payments to school districts. Bond counsel has reviewed this matter and based on this information and current projections, short-term borrowing is not an option for FY 2010. Bond counsel's opinion is attached.

Current cash flow estimates for the statutory general fund indicate that monthly low points will drop below the balance necessary to maintain daily payments from the general fund and the other funds comprising the statutory general fund. The necessary balance is estimated to be approximately \$400 million. The table below displays anticipated low points without any action, and the resulting balances after payment delays are fully implemented:

(\$ millions)	February	March	April	May	June
Forecast Low Point	685	316	(40)	146	504
Managed Low Point	704	546	494	382	504

A listing is attached showing the *estimated* amount of state aid payments that will be delayed on March 15, March 30, and April 15 by school district. The total amount of payments to be delayed is \$423 million, including \$169 million on March 15, \$171 million on March 30, and \$83 million on April 15. The aid payment delay applies only to school districts, and does not apply to cooperatives, intermediate school districts, or charter schools. In all, 231 of Minnesota's 337 districts will be affected. These temporarily delayed payments will be paid to school districts by May 30, 2010.

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This delay in school aid payments will be supplemented by two additional actions authorized under current law. The first will delay the March monthly payment (\$52 million) to the University of Minnesota as permitted under Minn. Stat. § 16A.152, subd. 7. This payment will be repaid in May. The commissioner of Revenue will also delay corporate and sales tax refunds for up to 90 days as permitted in Minn. Stat. § 289A.56. The delayed refunds will be paid no later than mid-June.

We expect that these actions will be sufficient to manage cash flow in FY 2010. There continues to be risk that revenues will come in lower than currently anticipated, and in that event, we would need to identify additional actions to manage through this period.

Sincerely,



Tom J. Hanson

Commissioner

Attachments

cc: Speaker Margaret Anderson Kelliher  
Majority Leader Larry Pogemiller  
Senate Minority Leader David Senjem  
House Minority Leader Kurt Zellers  
Senator Richard Cohen  
Representative Loren Solberg  
Representative Lyndon Carlson  
Senator LeRoy Stumpf  
Senator Sandy Pappas  
Senator Tom Bakk  
Representative Mindy Greiling  
Representative Tom Rukavina  
Representative Ann Lenczewski