

**Subject** Special education funding; increasing the aid payment shift percentage

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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. This percentage is sometimes called the "aid payment percentage." The current year aid payment percentage equals 90 percent of the aid entitlement. The remaining portion (ten percent), often referred to as the "cleanup payment," is paid during the subsequent fiscal year. This means that, for nearly all programs, the state pays school districts 90 percent of their current year aid entitlement and ten percent of the previous year's aid entitlement in each year. Unlike nearly all other school aid programs, special education aid is subject to an 87.66/12.34 shift (97.4% of 90%).

Minnesota sets a budget reserve in statute, and allocates any future surpluses to certain statutorily established purposes. Currently, the state of Minnesota has \$350 million in its cash flow account and \$2.074 billion in its budget reserve account.

H.F. 1025 proposes to eliminate the remaining special education aid shift by applying to it any future budget surplus above the amounts currently reserved (roughly \$37 million to eliminate this extra special education aid shift). This is a onetime cost.

## Summary

Section	Description
1	<b>Budget reserve level.</b> Clarifies a cross reference.

Section	Description
2	<b>Additional revenues; priority.</b> Applies a future state budget surplus to eliminate the extra special education aid payment shift.
3	<b>Aid payment percentage.</b> Removes an obsolete reference.



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