

Subject Special Education Aid; Eliminating a Shift in Aid Payments

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Overview

Special education aid is paid to school districts on a metered schedule in the same manner as general education revenue and most other school aid programs. The metering system pays a portion of the aid spread out over the school year in twice monthly payments followed by a final set of payments early in the subsequent fiscal year.

Under current law for most programs, the amount of state aid owed to each district (called the state aid entitlement) is paid on a “90/10” basis, with 90 percent of the aid for the school year metered out to school districts in the current year and ten percent of the aid paid in a series of cleanup payments in the following school year. The sum of the 90 percent payments for the current year and the ten percent cleanup payments for the previous fiscal year forms the state aid appropriation for that year.

Special education has an additional shift such that only 87.66 percent of the aid entitlement is paid in the current school year with the remaining 12.34 percent paid in the cleanup payment. This shift resulted from a combination of two different special education aid appropriations that occurred about a decade ago.

H.F. 3727 eliminates this shift and places special education aid payments on the same 90/10 schedule as most other major school district aid payments. This shift speeds up the cash flow for school districts but it does not affect the revenue received by school district (just the timing). The fiscal year 2023 cost to the state of undoing this shift is estimated at roughly \$45 million, with two much smaller payments expected in fiscal years 2024 and 2025.

Summary

Section	Description
1	Aid payment percentage. (Special Education Aid) Eliminates the additional shift of special education aid paid to school districts (the effect of eliminating this shift is to speed up the special education cash flow to school districts).
2	Appropriation; special education aid. Appropriates an additional unspecified amount of special education aid in fiscal year 2023 from the general fund to the Department of Education as required under subdivision 1.



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