

School Payment Shift

Fiscal Year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Entitlements <i>(amounts generated by formula; \$100 represents \$5,124 per pupil)</i>	\$100	\$100	\$100	\$100	\$100
Payment Schedule	90%/10%	73%/27%	70%/30%	60%/40%	60%/40%
Current Payment	\$90	\$73	\$70	\$60	\$60
Final Payment	+ \$10	+ \$10	+ \$27	+ \$30	+ \$40
Funding Formula Increase (\$50 pp)				+ \$1	+ \$1
Appropriations	\$100	\$ 83	\$97	\$91	\$100

Entitlements: Under a payment shift, there is not adjustment to entitlements. A payment shift creates a delay of WHEN schools receive aid. It does not reduce the amount.

Under Current Law: An enacted shift is paid back when forecasted revenues EXCEED forecasted expenditures (16A.152, subd. 2). No legislative action is required.

Formula Increase: \$50 per pupil is added to the basic general education formula (\$5,124) beginning in 2012.

Adapted from Senate Fiscal Staff Presentation – E-12 Shift Overview 2010

HISTORICAL & BACKGROUND INFORMATION ON THE SHIFT

“Aid payment shifts have been used since 1983 to assist in balancing the state budget during difficult financial periods. For fiscal years 1983 through 1996, the state aid payment basis was established at an 85/15 basis. From 1997 through 2002, the legislature increased the basis to 90/10. To address state budget shortfalls in 2003 and in 2004, the percentages were changed to 83/17, and 80/20, respectively, with a “payback” occurring in fiscal years 2005 and 2006 to return to 90/10. In FY 2010, the percentage was changed to 73/27, and in FY 2011 to 70/30...School districts have authority to borrow for a period of up to 13 months against receivable state aid, federal flow-through aid and local tax receipts, and to participate in a state credit enhancement plan that allows districts to qualify for the best interest rates with state guarantee of payment in the event of district default under M.S.126C.50-56. Both the incidence and amount of borrowing in this manner increases when the current year payment percentage decreases.” (MN Department of Education 2011 Budget Narrative)