

HF9004 - 0 - Adjusting Pupil Units for Certain School Revenue

Chief Author: **Jim Davnie**
 Committee: **Education Finance Division**
 Date Completed: **1/6/2021 4:26:16 PM**
 Agency: **Education Department**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024
General Fund	128,092	14,387	-	-	-
Total	128,092	14,387	-	-	-
Biennial Total			14,387		-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	-	-	-
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Alyssa Holterman Rosas **Date:** 1/6/2021 4:26:16 PM
Phone: 651-284-6439 **Email:** alyssa.holterman.rosas@lbo.leg.mn

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium		Biennium	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	128,092	14,387	-	-	-
Total	128,092	14,387	-	-	-
	Biennial Total		14,387		-
1 - Expenditures, Absorbed Costs*, Transfers Out*					
General Fund	128,092	14,387	-	-	-
Total	128,092	14,387	-	-	-
	Biennial Total		14,387		-
2 - Revenues, Transfers In*					
General Fund	-	-	-	-	-
Total	-	-	-	-	-
	Biennial Total		-		-

Bill Description

Article 1

Section 1(a) directs the commissioner to adjust pupil units for fiscal year 2021 revenue for certain funding programs so that state aid and district levy amounts do not fall below estimates established for the February 2020 forecast.

Impacted programs:

General education programs basic general education formula, extended time, gifted and talented, small schools, local optional, referendum, compensatory, English learner, elementary and secondary sparsity, operating capital, transportation sparsity, equity and transition. Declining enrollment is also a general education program, but is addressed separately in Section 1(b) of the bill.

Other categorical programs: special education, achievement and integration, charter school building lease aid, long-term facilities maintenance (LTFM) and safe schools levy.

Section 1(b) directs the commissioner to adjust pupil counts for districts and charters or use any other mechanism that allows the full amount of FY21 declining enrollment revenue projected in the February 2020 forecast to be distributed. If the amount exceeds the February forecast estimate, the revenue must be prorated.

Article 2

Sections 1-5 adjust FY21 appropriation amounts for programs outlined in the bill.

Note: Charter schools are included in this analysis per inclusion of amendment language.

Assumptions

February 2020 and November 2020 forecast pupil data were used for calculations in this fiscal note. All of the programs outlined in this bill are forecast programs, except for the safe schools levy. Not all forecasted programs are included in the scope of the bill. For example, ECFE, debt service, ABE, breakfast and lunch, and QComp revenue programs, etc. are not included.

It is assumed that district and charter schools reported accurate pupil estimates for the February 2020 forecast. These estimates were reported prior to the pandemic.

MDE will need to create two parallel sets of program data, one based on projected FY21 pupil counts from the February 2020 forecast and one based on FY21 actuals. The actual FY21 counts would be updated throughout the year.

The formulas will need to be changed to identify the “greater of” projected or actual pupil counts for all programs impacted on an individual district and charter school basis. These calculations will need to feed into regular updates for districts and charter schools in the Minnesota Funding Reports (MFR).

The only aspect of special education formula that is impacted by this bill is the hold harmless calculation, as it is the only part of the formula that is based on adjusted ADM. With the drop in ADM from February 2020 to November 2020, the state total special education formula hold harmless decreased by \$8.36 million.

All other programs seeing a cost for provisions of this bill (general education, achievement and integration, charter school lease aid, and Long Term Facilities Maintenance (LTFM) and safe schools, are based solely on the overall decrease in ADM from February to November 2020 forecast counts. Results for individual school districts and charters will vary according to actual ADM change.

It is assumed that declining enrollment revenue for FY21 will be distributed based on actual student counts unless those fall below February 20 forecast amounts - thus there is no impact relative to the November forecast.

This will require extensive MNIT programming time. An estimated 5,120 hours of work by MNIT staff including project managers (PM), business analysts (BA), developers (DEV) and quality assurance (QA) professionals. At a blended rate of \$110 per hour, this equals \$563,200. See detailed breakdown of costs below. This estimate assumes that reporting does not show how projections are calculated. If details of how projections are calculated are required, the work estimate would be significantly higher. Ongoing maintenance costs are not anticipated.

Expenditure and/or Revenue Formula

		FY21	FY22	FY23	FY24	FY25
1	State Aid Entitlement Change					
2	General Education (excl. declining enrollment)	127,395,708				
3	Special Education	8,361,000				
4	Achievement & Integration	1,482,107				
5	Charter School Lease	3,577,581				
6	Long-Term Facilities Maintenance (LTFM)	1,099,759				
7	Total Entitlement Change	141,916,155				
8						
9	State Aid Change Appropriation Basis					
10	Current Appropriation (90%)	127,528,892				
11	Prior Year Appropriation (10%)		14,387,263			
12	Total Appropriation Change	127,528,892	14,387,263			
13						
14	Local Levy Change*					
15	General Education Levy	7,934,183				
16	Achievement & Integration Levy	635,189				
17	LTFM Levy	2,576,312				
18	Safe Schools Levy	721,285				
19	Total Local Levy Change	11,866,969				
20						
21	Revenue Change (State Aid & Local Levy)					
22	General Education (line 2 + line 15)	135,329,891				
23	Special Education (line 3)	8,361,000				
24	Achievement & Integration (line 4 + line 16)	2,117,296				

25	Charter School Lease (line 5)	3,577,581				
26	LTFM (line 6 + line 17)	3,676,071				
27	Safe Schools Levy (line 18)	721,285				
28	Total Revenue Change	153,783,124				

*Levy impacts will not occur until FY24.

MNIT Costs:

Task Description	Work Estimate (wks)	FTE	FTE Types*	Hours @ \$110/hr Blended Rate	Implementation Cost
General Education Aid Requirements Analysis	6	2	.5 PM, .5 BA, .5 DEV, .5 QA	480	\$ 52,800.00
General Education Aid Hold Harmless Calculation Design	4	3	.5 PM, .5 BA, 1.5 DEV, .5 QA	480	\$ 52,800.00
General Education Aid Implementation	4	3	.5 PM, .5 BA, 1.5 DEV, .5 QA	480	\$ 52,800.00
Special Education Aid Requirements Analysis	6	2	.5 PM, .5 BA, .5 DEV, .5 QA	480	\$ 52,800.00
Special Education Aid Hold Harmless Calculation Design	4	3	.5 PM, .4 BA, 1.5 DEV, .5 QA	480	\$ 52,800.00
Special Education Aid Implementation	4	3	.5 PM, .5 BA, 1.5 DEV, .5 QA	480	\$ 52,800.00
Financial Reporting Impact Requirements Analysis	4	2	.5 PM, .5 BA, .5 DEV, .5 QA	320	\$ 35,200.00
Financial Reporting Impact Design	4	3	.5 PM, .5 BA, 1.5 DEV, .5 QA	480	\$ 52,800.00
Financial Reporting Impact Implementation	4	3	.5 PM, .5 BA, 1.5 DEV, .5 QA	480	\$ 52,800.00
Quality Assurance Testing	4	3	.5 PM, .5 BA, 1 DEV, 1 QA	480	\$ 52,800.00
User Acceptance Testing	4	3	.5 PM, .5 BA, 1 DEV, 1 QA	480	\$ 52,800.00
TOTAL	48			5,120	\$ 563,200.00

1	HF9001 Fiscal Note Cost Summary	FY21	FY22	FY23	FY24	FY25
2						
3	Current Appropriation (90%)	127,528,892				
4	Prior Year Appropriation (10%)		14,387,263			
5						
6	MNIT programming costs	563,200				
7						
8	Total fiscal note state aid costs (line 3 + line 6)	128,092,092	14,387,263			

9	Total fiscal note levy costs				11,866,969	
---	------------------------------	--	--	--	------------	--

Long-Term Fiscal Considerations

Levy impacts for this bill will not occur until FY24.

Local Fiscal Impact

There will be levy impacts of \$11.9 million for the local portions of general education revenue (referendum, local optional, operating capital, equity and transition), as well as for achievement and integration, LTFM and safe schools. These levies will not be applied until Pay 2023 Fiscal 2024.

References/Sources

N/A

Agency Contact: Daley Lehmann 651-582-8817

Agency Fiscal Note Coordinator Signature: Melissa Johnson

Phone: 651-582-8690

Date: 1/6/2021 4:21:40 PM

Email: melissa.r.johnson@state.mn.us