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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-SECOND SESSION

H. F. No. 3531

02/17/2022 Authored by Youakim The bill was read for the first time and referred to the Committee on Education Finance

1.1 A bill for an act
1.2 relating to education finance; requiring certain forecasted positive general fund
1.3 balances be allocated to increase the aid payment schedule for school district aids
1.4 and credits; adjusting the aid payment percentage; adjusting the special education
1.5 aid payment percentage; amending Minnesota Statutes 2020, section 127A.45,
1.6 subdivisions 2, 3, 6a, 7b, 13; Minnesota Statutes 2021 Supplement, section 16A.152,
1.7 subdivision 2.

1.8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.9 Section 1. Minnesota Statutes 2021 Supplement, section 16A.152, subdivision 2, is
1.10 amended to read:

1.11 Subd. 2. Additional revenues; priority. (a) If on the basis of a forecast of general fund
1.12 revenues and expenditures, the commissioner of management and budget determines that
1.13 there will be a positive unrestricted budgetary general fund balance at the close of the
1.14 biennium, the commissioner of management and budget must allocate money to the following
1.15 accounts and purposes in priority order:

1.16 (1) the cash flow account established in subdivision 1 until that account reaches
1.17 \$350,000,000;

1.18 (2) the budget reserve account established in subdivision 1a until that account reaches
1.19 \$2,377,399,000;

1.20 (3) the amount necessary to increase the aid payment schedule for school district aids
1.21 and credits payments in section 127A.45 to not more than 90 95 percent rounded to the
1.22 nearest tenth of a percent without exceeding the amount available and with any remaining
1.23 funds deposited in the budget reserve;

2.1 (4) the amount necessary to restore all or a portion of the net aid reductions under section
2.2 127A.441 and to reduce the property tax revenue recognition shift under section 123B.75,
2.3 subdivision 5, by the same amount;

2.4 (5) the amount necessary to increase the Minnesota 21st century fund by not more than
2.5 the difference between \$5,000,000 and the sum of the amounts credited and canceled to it
2.6 in the previous 12 months under Laws 2020, chapter 71, article 1, section 11, until the sum
2.7 of all transfers under this section and all amounts credited or canceled under Laws 2020,
2.8 chapter 71, article 1, section 11, equals \$20,000,000; and

2.9 (6) for a forecast in November only, the amount remaining after the transfer under clause
2.10 (5) must be used to reduce the percentage of accelerated June liability sales tax payments
2.11 required under section 289A.20, subdivision 4, paragraph (b), until the percentage equals
2.12 zero, rounded to the nearest tenth of a percent. By March 15 following the November
2.13 forecast, the commissioner must provide the commissioner of revenue with the percentage
2.14 of accelerated June liability owed based on the reduction required by this clause. By April
2.15 15 each year, the commissioner of revenue must certify the percentage of June liability
2.16 owed by vendors based on the reduction required by this clause.

2.17 (b) The amounts necessary to meet the requirements of this section are appropriated
2.18 from the general fund within two weeks after the forecast is released or, in the case of
2.19 transfers under paragraph (a), clauses (3) and (4), as necessary to meet the appropriations
2.20 schedules otherwise established in statute.

2.21 (c) The commissioner of management and budget shall certify the total dollar amount
2.22 of the reductions under paragraph (a), clauses (3) and (4), to the commissioner of education.
2.23 The commissioner of education shall increase the aid payment percentage and reduce the
2.24 property tax shift percentage by these amounts and apply those reductions to the current
2.25 fiscal year and thereafter.

2.26 **EFFECTIVE DATE.** This section is effective July 1, 2022.

2.27 Sec. 2. Minnesota Statutes 2020, section 127A.45, subdivision 2, is amended to read:

2.28 Subd. 2. **Definitions.** (a) "Other district receipts" means payments by county treasurers
2.29 pursuant to section 276.10, apportionments from the school endowment fund pursuant to
2.30 section 127A.33, apportionments by the county auditor pursuant to section 127A.34,
2.31 subdivision 2, and payments to school districts by the commissioner of revenue pursuant
2.32 to chapter 298.

2.33 (b) "Cumulative amount guaranteed" means the product of

- 3.1 (1) the cumulative disbursement percentage shown in subdivision 3; times
- 3.2 (2) the sum of
- 3.3 (i) the current year aid payment percentage of the estimated aid and credit entitlements
- 3.4 paid according to subdivision 13; plus
- 3.5 (ii) 100 percent of the entitlements paid according to subdivisions 11 and 12; plus
- 3.6 (iii) the other district receipts.
- 3.7 (c) "Payment date" means the date on which state payments to districts are made by the
- 3.8 electronic funds transfer method. If a payment date falls on a Saturday, a Sunday, or a
- 3.9 weekday which is a legal holiday, the payment shall be made on the immediately preceding
- 3.10 business day. The commissioner may make payments on dates other than those listed in
- 3.11 subdivision 3, but only for portions of payments from any preceding payment dates which
- 3.12 could not be processed by the electronic funds transfer method due to documented
- 3.13 extenuating circumstances.
- 3.14 (d) The current year aid payment percentage equals ~~90~~ 95.

3.15 **EFFECTIVE DATE.** This section is effective July 1, 2022.

3.16 Sec. 3. Minnesota Statutes 2020, section 127A.45, subdivision 3, is amended to read:

3.17 Subd. 3. **Payment dates and percentages.** (a) The commissioner shall pay to a district

3.18 on the dates indicated an amount computed as follows: the cumulative amount guaranteed

3.19 minus the sum of (1) the district's other district receipts through the current payment, and

3.20 (2) the aid and credit payments through the immediately preceding payment. For purposes

3.21 of this computation, the payment dates and the cumulative disbursement percentages are

3.22 as follows:

	Payment date	Percentage
3.24	Payment 1 July 15:	5.5
3.25	Payment 2 July 30:	8.0
3.26	Payment 3 August 15:	17.5
3.27	Payment 4 August 30:	20.0
3.28	Payment 5 September 15:	22.5
3.29	Payment 6 September 30:	25.0
3.30	Payment 7 October 15:	27.0
3.31	Payment 8 October 30:	30.0
3.32	Payment 9 November 15:	32.5
3.33	Payment 10 November 30:	36.5

4.1	Payment 11	December 15:	42.0
4.2	Payment 12	December 30:	45.0
4.3	Payment 13	January 15:	50.0
4.4	Payment 14	January 30:	54.0
4.5	Payment 15	February 15:	58.0
4.6	Payment 16	February 28:	63.0
4.7	Payment 17	March 15:	68.0
4.8	Payment 18	March 30:	74.0
4.9	Payment 19	April 15:	78.0
4.10	Payment 20	April 30:	85.0
4.11	Payment 21	May 15:	90.0
4.12	Payment 22	May 30:	95.0
4.13	Payment 23	June 20:	100.0

4.14 (b) In addition to the amounts paid under paragraph (a), the commissioner shall pay to
4.15 a school district or charter school on the dates indicated an amount computed as follows:

4.16	Payment 3	August 15: the final adjustment for the prior fiscal year for the state paid
4.17		property tax credits established in section 273.1392
4.18	Payment 4	August 30: 30 percent of the final adjustment for the prior fiscal year for
4.19		all aid entitlements except state paid property tax credits
4.20	Payment 6	September 30: 40 percent of the final adjustment for the prior fiscal year
4.21		for all aid entitlements except state paid property tax credits
4.22	Payment 8	October 30: 30 percent of the final adjustment for the prior fiscal year for
4.23		all aid entitlements except state paid property tax credits

4.24 (c) Notwithstanding paragraph (b), if the current year aid payment percentage under
4.25 subdivision 2, paragraph (d), is less than ~~90~~ 95, in addition to the amounts paid under
4.26 paragraph (a), the commissioner shall pay to a charter school on the dates indicated an
4.27 amount computed as follows:

4.28	Payment 1	July 15: 75 percent of the final adjustment for the prior fiscal year for all
4.29		aid entitlements
4.30	Payment 8	October 30: 25 percent of the final adjustment for the prior fiscal year for
4.31		all aid entitlements

4.32 (d) Notwithstanding paragraph (b), if a charter school is an eligible special education
4.33 charter school under section 124E.21, subdivision 2, in addition to the amounts paid under
4.34 paragraph (a), the commissioner shall pay to a charter school on the dates indicated an
4.35 amount computed as follows:

- 5.1 Payment 1 July 15: 75 percent of the final adjustment for the prior fiscal year for all
5.2 aid entitlements
- 5.3 Payment 8 October 30: 25 percent of the final adjustment for the prior fiscal year for
5.4 all aid entitlements

5.5 **EFFECTIVE DATE.** This section is effective July 1, 2022.

5.6 Sec. 4. Minnesota Statutes 2020, section 127A.45, subdivision 6a, is amended to read:

5.7 Subd. 6a. **Cash flow adjustment.** The board of directors of any eligible special education
5.8 charter school under section 124E.21, subdivision 2, may request that the commissioner of
5.9 education accelerate the school's cash flow under this section. The commissioner must
5.10 approve a properly submitted request within 30 days of its receipt. The commissioner must
5.11 accelerate the school's regular special education aid payments according to the schedule in
5.12 the school's request and modify the payments to the school under subdivision 3 accordingly.
5.13 A school must not receive current payments of regular special education aid exceeding ~~90~~
5.14 95 percent of its estimated aid entitlement for the fiscal year. The commissioner must delay
5.15 the special education aid payments to all other school districts and charter schools in
5.16 proportion to each district or charter school's total share of regular special education aid
5.17 such that the overall aid payment savings from the aid payment shift remains unchanged
5.18 for any fiscal year.

5.19 **EFFECTIVE DATE.** This section is effective July 1, 2022.

5.20 Sec. 5. Minnesota Statutes 2020, section 127A.45, subdivision 7b, is amended to read:

5.21 Subd. 7b. **Advance final payment.** (a) Notwithstanding subdivisions 3 and 7, if the
5.22 current year aid payment percentage, under subdivision 2, is less than ~~90~~ 95, then a school
5.23 district or charter school exceeding its expenditure limitations under section 123B.83 as of
5.24 June 30 of the prior fiscal year may receive a portion of its final payment for the current
5.25 fiscal year on June 20, if requested by the district or charter school. The amount paid under
5.26 this subdivision must not exceed the lesser of:

5.27 (1) the difference between ~~90~~ 95 percent and the current year payment percentage in
5.28 subdivision 2, paragraph (d), in the current fiscal year times the sum of the district or charter
5.29 school's general education aid plus the aid adjustment in section 127A.50 for the current
5.30 fiscal year; or

5.31 (2) the amount by which the district's or charter school's net negative unreserved general
5.32 fund balance as of June 30 of the prior fiscal year exceeds 2.5 percent of the district or
5.33 charter school's expenditures for that fiscal year.

6.1 (b) The state total advance final payment under this subdivision for any year must not
6.2 exceed \$7,500,000. If the amount request exceeds \$7,500,000, the advance final payment
6.3 for each eligible district must be reduced proportionately.

6.4 **EFFECTIVE DATE.** This section is effective July 1, 2022.

6.5 Sec. 6. Minnesota Statutes 2020, section 127A.45, subdivision 13, is amended to read:

6.6 Subd. 13. **Aid payment percentage.** Except as provided in subdivisions 11, 12, 12a,
6.7 and 14, each fiscal year, all education aids and credits in this chapter and chapters 120A,
6.8 120B, 121A, 122A, 123A, 123B, 124D, 124E, 125A, 125B, 126C, 134, and section 273.1392,
6.9 shall be paid at the current year aid payment percentage of the estimated entitlement during
6.10 the fiscal year of the entitlement. For the purposes of this subdivision, a district's estimated
6.11 entitlement for special education aid under section 125A.76 for fiscal year 2014 ~~and later~~
6.12 to fiscal year 2022 equals 97.4 percent of the district's entitlement for the current fiscal year.
6.13 For the purposes of this subdivision, a district's estimated entitlement for special education
6.14 aid under section 125A.76 for fiscal years 2023 and later equals 100 percent of the district's
6.15 entitlement for the current fiscal year. The final adjustment payment, according to subdivision
6.16 9, must be the amount of the actual entitlement, after adjustment for actual data, minus the
6.17 payments made during the fiscal year of the entitlement.

6.18 **EFFECTIVE DATE.** This section is effective July 1, 2022.