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| May 24, 2018  |

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| **Impact of Governor's Veto of Omnibus Supplemental Budget Bill on Current Law State Aids**The Omnibus Supplemental Budget Bill, S.F. 3656, includes adjustments to school aid appropriations for FY 2018 and FY 2019 made by the 2017 E-12 Education Act to reflect changes in estimated aids based on the February 2018 forecast. This includes appropriations for the current and final payments of FY 2018 aid entitlements, and the current payments of FY 2019 aid entitlements. For some programs—notably special education aid—the February 2018 estimates of the appropriations needed to fully fund school aid entitlements are higher than estimated when the appropriations were made by the 2017 E-12 Education Act; for other programs, the February 2018 estimates are lower.With Governor Dayton’s veto of the supplemental budget bill, the adjustments to these appropriations will not occur over the summer as they have in the past. As a result, we will need to prorate some of the aid payments in the fall. However, the November forecast will reflect the estimated need in the FY 2019 clean-up appropriation to meet the full FY 2018 entitlement. This will allow the 2019 Legislature to pass a forecast bill that fully funds the 2018 entitlements. In addition, there are factors that mitigate the impact on school districts, charter schools and cooperatives.First, the appropriations for general education aid and debt service equalization aid are open and standing, so no proration will occur for these aids. Second, Minnesota Statutes, section 127A.41, subdivisions 8 and 9, authorize the commissioner of management and budget to make transfers from appropriation accounts that have a surplus to appropriation accounts that are in deficit to reduce or eliminate the proration in accounts that are in deficit:*127A.41 DISTRIBUTION OF SCHOOL AIDS; APPROPRIATION.**Subd. 8. Appropriation transfers.**(a) If a direct appropriation from the general fund to the department for any education aid or grant authorized in this chapter and chapters 122A, 123A, 123B, 124D, 124E, 125A, 126C, and 134, excluding appropriations under sections*[*124D.135*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&101&&&https://www.revisor.mn.gov/statutes/?id=124D.135)*,*[*124D.16*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&102&&&https://www.revisor.mn.gov/statutes/?id=124D.16)*,*[*124D.20*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&103&&&https://www.revisor.mn.gov/statutes/?id=124D.20)*,*[*124D.22*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&104&&&https://www.revisor.mn.gov/statutes/?id=124D.22)*,*[*124D.52*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&105&&&https://www.revisor.mn.gov/statutes/?id=124D.52)*,*[*124D.531*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&106&&&https://www.revisor.mn.gov/statutes/?id=124D.531)*,*[*124D.55*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&107&&&https://www.revisor.mn.gov/statutes/?id=124D.55)*, and*[*124D.56*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&108&&&https://www.revisor.mn.gov/statutes/?id=124D.56)*, exceeds the amount required, the commissioner may transfer the excess to any education aid or grant appropriation that is insufficient. However, section*[*126C.20*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&109&&&https://www.revisor.mn.gov/statutes/?id=126C.20)*applies to a deficiency in the direct appropriation for general education aid. Excess appropriations must be allocated proportionately among aids or grants that have insufficient appropriations. The commissioner of management and budget shall make the necessary transfers among appropriations according to the determinations of the commissioner. If the amount of the direct appropriation for the aid or grant plus the amount transferred according to this subdivision is insufficient, the commissioner shall prorate the available amount among eligible districts. The state is not obligated for any additional amounts.**(b) Transfers for aids paid under section*[*127A.45, subdivisions 12*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&110&&&https://www.revisor.mn.gov/statutes/?id=127A.45)*and 13, shall be made during the fiscal year after the fiscal year of the entitlement. Transfers for aids paid under section*[*127A.45, subdivisions 11*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&111&&&https://www.revisor.mn.gov/statutes/?id=127A.45)*and 12a, shall be made during the fiscal year of the appropriation.**Subd. 9. Appropriation transfers for community education programs.**If a direct appropriation from the general fund to the Department of Education for an education aid or grant authorized under section*[*124D.135*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&112&&&https://www.revisor.mn.gov/statutes/?id=124D.135)*,*[*124D.16*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&113&&&https://www.revisor.mn.gov/statutes/?id=124D.16)*,*[*124D.20*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&114&&&https://www.revisor.mn.gov/statutes/?id=124D.20)*,*[*124D.22*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&115&&&https://www.revisor.mn.gov/statutes/?id=124D.22)*,*[*124D.52*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&116&&&https://www.revisor.mn.gov/statutes/?id=124D.52)*,*[*124D.531*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&117&&&https://www.revisor.mn.gov/statutes/?id=124D.531)*,*[*124D.55*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&118&&&https://www.revisor.mn.gov/statutes/?id=124D.55)*, or*[*124D.56*](http://links.govdelivery.com:80/track?type=click&enid=ZWFzPTEmbXNpZD0mYXVpZD0mbWFpbGluZ2lkPTIwMTgwNTI0LjkwMjM5NjAxJm1lc3NhZ2VpZD1NREItUFJELUJVTC0yMDE4MDUyNC45MDIzOTYwMSZkYXRhYmFzZWlkPTEwMDEmc2VyaWFsPTE3MjU4NDMyJmVtYWlsaWQ9dG9tLm1lbGNoZXJAc3RhdGUubW4udXMmdXNlcmlkPXRvbS5tZWxjaGVyQHN0YXRlLm1uLnVzJnRhcmdldGlkPSZmbD0mbXZpZD0mZXh0cmE9JiYm&&&119&&&https://www.revisor.mn.gov/statutes/?id=124D.56)*exceeds the amount required, the commissioner of education may transfer the excess to any education aid or grant appropriation that is insufficiently funded under these sections. Excess appropriations shall be allocated proportionately among aids or grants that have insufficient appropriations. The commissioner of management and budget shall make the necessary transfers among appropriations according to the determinations of the commissioner of education. If the amount of the direct appropriation for the aid or grant plus the amount transferred according to this subdivision is insufficient, the commissioner shall prorate the available amount among eligible districts. The state is not obligated for any additional amounts.*For FY 2017 final payments, there will be no proration of forecasted aids because the total amount available in accounts with a surplus exceeds the total amount needed to cover the total deficit in accounts where the appropriations are insufficient to fully fund the aid entitlements. For FY 2018, the total estimated amount available in accounts with a projected surplus is less than the total estimated amount needed to cover the projected shortfalls, so we estimate that some proration will be necessary if no action is taken during the 2019 legislative session to cover the shortfalls.The table below provides details by program, based on the February 2018 forecast. The total projected shortfall for FY 2018 aid entitlements qualifying under subdivision 8 above is $29.964 million, of which $27.271 million is for special education aid. Projected surpluses in other aids qualifying under subdivision 8 are expected to cover $4.916 million of this shortfall, leaving a net shortfall of $25.048 million. There is no projected shortfall for FY 2018 aid entitlements qualifying under subdivision 9 above, with projected surpluses in aids qualifying under subdivision 9 at $2.197 million. The projected proration factors for each aid are shown in the column at right. For special education aid, the adjusted proration factor is estimate at 98.3 percent.

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| **Aid Program** | **Feb. 2018 Forecast Entitlement (2018)** | **End of 2017 Session Entitlement** | **Initial Shortfall** | **Initial Proration** | **Est. Realloc. of surpluses** | **Net $ Available** | **Adjusted Shortfall** | **Adjusted Proration** |
| **Special Education** | 1,379,991 |  1,352,720 | (27,271) | 98.0% |  4,474 |  1,357,194 |  (22,797) | 98.3% |
| **Interdistrict Deseg Transportation** | 14,328 |  13,337 | (991) | 93.1% | 163 |  13,500 |  (828) | 94.2% |
| **Long Term Facilities Maintenance** | 83,597 |  82,691 | (906) | 98.9% |  149 |  82,840 |  (757) | 99.1% |
| **Achievement and Integration** | 72,186 |  71,842 | (344) | 99.5% |  56 |  71,898 |  (288) | 99.6% |
| **Abatement** | 2,580 |  2,346 | (234) | 90.9% |  38 |  2,384 |  (196) | 92.4% |
| **Career and Technical Ed.** | 4,756 |  4,538 | (218) | 95.4% |  36 |  4,574 |  (182) | 96.2% |
| **Total, qualifying programs with shortfall** | **1,557,438** | **1,527,474** | **(29,964)** | empty | **4,916** | **1,532,390** | **(25,048)** | empty |

 Please note that the amounts shown in the table above are February 2018 forecast estimates. The final shortfall could be more or less, depending on final data for FY 2018, which will not be known until early 2019. Currently, special education aid for FY 2018 is not being prorated because the aid entitlements on the IDEAS payment system, which reflect district estimates submitted to date, are lower than MDE projections of what the final aid entitlements will be once final data is submitted in the fall.The November forecast will reflect the estimated need in the FY 2019 clean-up appropriation to meet the full 2018 entitlement. This will allow the 2019 Legislature to pass a forecast bill that fully funds the 2018 entitlements. The shortfall for FY 2019 aids, as adjusted for the February 2019 forecast, is expected to be funded in the 2019 E-12 Education bill.Please direct questions concerning these calculations to Dr. Tom Melcher, school finance director, at tom.melcher@state.mn.us or (651) 582-8828.   |

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