

HF4 - 0 - Adjusted Pupil Counts, COVID-19

Chief Author: **Jim Davnie**  
 Committee: **Education Finance Division**  
 Date Completed: **11/25/2020 8:37:24 AM**  
 Agency: **Education Department**

| State Fiscal Impact        | Yes | No |
|----------------------------|-----|----|
| Expenditures               | X   |    |
| Fee/Departmental Earnings  |     | X  |
| Tax Revenue                |     | X  |
| Information Technology     | X   |    |
| <b>Local Fiscal Impact</b> |     |    |
|                            | 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 | FY2019 | FY2020        | FY2021       | FY2022       | FY2023 |
| General Fund          | -                    | -      | 25,583        | 2,843        | -            | -      |
| <b>Total</b>          | -                    | -      | <b>25,583</b> | <b>2,843</b> | -            | -      |
| <b>Biennial Total</b> |                      |        | <b>25,583</b> |              | <b>2,843</b> |        |

| Full Time Equivalent Positions (FTE) | Biennium |        |        | Biennium |        |
|--------------------------------------|----------|--------|--------|----------|--------|
|                                      | FY2019   | FY2020 | FY2021 | FY2022   | FY2023 |
| General Fund                         | -        | -      | -      | -        | -      |
| <b>Total</b>                         | -        | -      | -      | -        | -      |

**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:** 11/25/2020 8:37:24 AM  
**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.

| <b>State Cost (Savings) = 1-2</b>                        |   | Biennium |        |               | Biennium     |              |
|--|---|----------|--------|---------------|--------------|--------------|
| Dollars in Thousands                                     |   | FY2019   | FY2020 | FY2021        | FY2022       | FY2023       |
| General Fund   | - | -        | 25,583 | 2,843         | -            | -            |
| <b>Total</b>   |   | -        | -      | <b>25,583</b> | <b>2,843</b> | -            |
| <b>Biennial Total</b>                                    |   |          |        | <b>25,583</b> |              | <b>2,843</b> |
| <b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b> |   |          |        |               |              |              |
| General Fund   | - | -        | 25,583 | 2,843         | -            | -            |
| <b>Total</b>   |   | -        | -      | <b>25,583</b> | <b>2,843</b> | -            |
| <b>Biennial Total</b>                                    |   |          |        | <b>25,583</b> |              | <b>2,843</b> |
| <b>2 - Revenues, Transfers In*</b>                       |   |          |        |               |              |              |
| General Fund   | - | -        | -      | -             | -            | -            |
| <b>Total</b>   |   | -        | -      | -             | -            | -            |
| <b>Biennial Total</b>                                    |   |          |        | -             |              | -            |

**Bill Description**

Section 1 defines a school district or charter school’s adjusted pupil units (APU), for the 2020-21 school year only. Adjusted pupil units are defined as the greater of amount calculated for fiscal year 2020 or the amount calculated for fiscal year 2021 for the purposes of calculating general education revenue only.

Section 2 adjusts the appropriation for fiscal year 2021 to reflect the one year change to calculation of adjusted pupil units (districts and charters allowed to use the greater of 2020 or 2021 amounts).

**Assumptions**

MDE will base all calculations on February 2020 forecast pupil data since this fiscal note was requested prior to release of the November 2020 budget forecast. 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.

The fiscal note will need to be updated to reflect the new November 2020 forecast estimates after the forecast is released (the first week of December 2020).

Adjusted pupil unit (APU) counts in this bill apply *only* to general education programs. There are other funding formulas that are derived from APU counts (Long Term Facilities Maintenance (LTFM), Achievement and Integration, Career and Tech, etc.) however they are not included in the scope of this fiscal note.

MDE will use the districts’ actual resident ADM/pupil units for FY 2021 since resident ADM is not mentioned in the bill.

Taking the greater of FY20 APUs or FY21 APUs (lines 1 and 2 below) for all districts and charters results in a maximum APU of 965,846 (line 3). Comparing the maximum FY21 APU (line 3) to current law FY21 APU (line 2) results in an additional 5,414 APU. Run through the general education model, this results in \$36,711,998 in additional general education revenue, \$28,421,005 in state aid entitlement, \$8,291,000 in local property tax levy.

The levy changes are levy authority for FY 2021. However, the increases would be certified as adjustments for payable 2023 (FY 2024). This is outside of the fiscal note window so is not reflected in the expenditures section below.

It is estimated that 40 hours of MN.IT developer and project manager time will be required to make this one-time adjustment to the funding calculations. At a blended rate of \$110/hr, the total cost would be \$4,400 for FY21. No ongoing costs are anticipated.

**Expenditure and/or Revenue Formula**

|    |   |                   |                  |             |                    |
|----|---|-------------------|------------------|-------------|--------------------|
| 1  | FY20 APU  | 952,929           |                  |             |                    |
| 2  | FY21 APU  | 960,432           |                  |             |                    |
| 3  | Maximum APU (sum of greater of FY20 or FY21 for all districts and charters) | 965,846           |                  |             |                    |
| 4  | Difference (Line 3 - Line 2)  | 5,414             |                  |             |                    |
| 5  |   |                   |                  |             |                    |
| 6  | <b>General Education</b>  | <b>FY21</b>       | <b>FY22</b>      | <b>FY23</b> | <b>FY24</b>        |
| 7  | General Ed Revenue Increase   | 36,711,998        |                  |             |                    |
| 8  | General Ed Aid Increase   | 28,421,005        |                  |             |                    |
| 9  | General Ed Levy Increase  |                   |                  |             | \$8,291,000        |
| 10 |   |                   |                  |             | -                  |
| 11 | 90% Current Year Gen Ed Aid   | 25,579,000        |                  |             |                    |
| 12 | 10% Final Year Gen Ed Aid   |                   | 2,843,000        |             |                    |
| 13 |   |                   |                  |             |                    |
| 14 | MN.IT costs   | 4,400             |                  |             |                    |
| 15 |   |                   |                  |             |                    |
| 16 | <b>Total Costs:</b>   |                   |                  |             |                    |
| 17 | <b>State Aid</b>  | <b>25,583,400</b> | <b>2,843,000</b> |             |                    |
| 18 | <b>Property Tax Levy</b>  |                   |                  |             | <b>\$8,291,000</b> |

**Long-Term Fiscal Considerations**

The levy impact will not occur until FY24 as written, which is in the next biennium.

**Local Fiscal Impact**

There will be a one-time levy impact of \$8,291,000 in FY24. This is outside of the fiscal note window but reflected in the expenditures section.

**References/Sources**

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

If Information Technology costs are included, my agency's Chief Information Officer has reviewed the estimate.

**Agency Contact:** Daley Lehmann, 651-582-8817

**Agency Fiscal Note Coordinator Signature:** Melissa Johnson

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