

STATE FISCAL STABILIZATION FUND APPLICATION

**PART 1: APPLICATION COVER SHEET
(CFDA Nos. 84.394 and 84.397)**

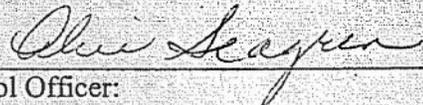
<p>Legal Name of Applicant (Office of the Governor):</p> <p>Governor Tim Pawlenty</p>	<p>Applicant's Mailing Address:</p> <p>130 State Capitol 75 Rev. Dr. Martin Luther King Jr. Blvd St. Paul, MN 55155</p>
<p>State Contact for the Education Stabilization Fund (CFDA No. 84.394)</p> <p>Name: Alice Seagren</p> <p>Position and Office: Commissioner, Minnesota Department of Education</p> <p>Contact's Mailing Address: 1500 Hwy 36 West Roseville, MN 55113</p> <p>Telephone: (651) 582-8204 Fax: (651) 582-8724 E-mail address: Alice.Seagren@state.mn.us</p>	<p>State Contact for the Government Services Fund (CFDA No. 84.397) <i>(Enter "same" if the same individual will serve as the contact for both the Education Stabilization Fund and the Government Services Fund.)</i></p> <p>Name: Tom Hanson</p> <p>Position and Office: Commissioner, Minnesota Management & Budget</p> <p>Contact's Mailing Address: 400 Centennial Office Building 658 Cedar Street St. Paul, MN 55155</p> <p>Telephone: (651) 201-8010 Fax: (651) 797-1300 E-mail address: tom.j.hanson@state.mn.us</p>

To the best of my knowledge and belief, all of the information and data in this application are true and correct.

<p>Governor or Authorized Representative of the Governor (Printed Name): Commissioner Tom Hanson</p>	<p>Telephone: (651) 201-8010</p>
<p>Signature of Governor or Authorized Representative of the Governor: </p>	<p>Date: 6-26-09</p>

Recommended Statement of Support from the Chief State School Officer (Optional):

The State educational agency will cooperate with the Governor in the implementation of the State Fiscal Stabilization Fund program.

<p>Chief State School Officer (Printed Name): Commissioner Alice Seagren</p>	<p>Telephone: (651) 582-8204</p>
<p>Signature of the Chief State School Officer: </p>	<p>Date: 6/25/09</p>

PART 4, SECTION C: MAINTENANCE-OF-EFFORT BASELINE DATA

SPECIAL NOTES:

- A State has some flexibility in determining the “levels of State support” for MOE purposes. For example, for the purpose of the elementary and secondary education MOE requirements, a State may use the level of support that the State provides through its primary elementary and secondary funding formulae, or it may use other relevant data. *See Appendix C – Instructions for Part 4: Maintenance of Effort.*

1. Levels of State support for elementary and secondary education *(the amounts may reflect the levels of State support on either an aggregate basis or a per-student basis):*

FY 2006	\$5,929,655,400
FY 2009*	\$6,496,754,300
FY 2010*	\$5,987,155,800
FY 2011*	\$6,578,786,000

(* Provide data to the extent that data are currently available.)

2. Levels of State support for public institutions of higher education *(enter amounts for each year):*

FY 2006	\$1,191,885,000
FY 2009*	\$1,342,259,000
FY 2010*	\$1,232,786,000
FY 2011*	\$1,238,472,000

(* Provide data to the extent that data are currently available.)

3. Additional Submission Requirements: In an attachment to the application –

- (a) Identify and describe the data sources used in determining the levels of State support for elementary and secondary education; - and -
- (b) Identify and describe the data sources used in determining the levels of State support for public IHEs. [SEE ATTACHED]

PART 5, SECTION A: STATE USES OF THE EDUCATION STABILIZATION FUND

SPECIAL NOTES:

- Section A of Part 5 requests data on the Education Stabilization Fund (CFDA No. 84.394). In completing this portion of the application, please refer to Appendix D – Instructions for Part 5: State Uses of Funds.
- At a later date, the Department will collect data on the levels of State support for elementary, secondary, and postsecondary education in FY 2011.
- These data may differ from the data in the levels of support for maintenance-of-effort purposes. See instructions in Appendix D.
- The term “postsecondary education” refers to public IHEs.

1. Levels of State Support for Elementary, Secondary, and Postsecondary Education

Provide the following data on the levels of State support for elementary, secondary, and postsecondary education:

- | | |
|---|------------------------|
| (a) Level of State support for elementary and secondary education in FY 2008 provided through the State’s primary elementary and secondary education funding formulae | <u>\$6,394,590,400</u> |
| (b) Level of State support for public IHEs in FY 2008 | <u>\$1,372,805,000</u> |
| (c) Level of State support for elementary and secondary education in FY 2009 provided through the State’s primary elementary and secondary education funding formulae | <u>\$6,496,754,300</u> |
| (d) Level of State support for public IHEs in FY 2009 | <u>\$1,342,259,000</u> |
| (e) Level of State support for elementary and secondary education in FY 2010 provided through the State’s primary elementary and secondary education funding formulae | <u>\$5,987,155,800</u> |
| (f) Level of State support for public IHEs in FY 2010 | <u>\$1,232,786,000</u> |

Additional Information: Did the State, prior to October 1, 2008, approve formula increases to support elementary and secondary education in FY 2010 or 2011, or to phase in State equity and adequacy adjustments?*

Yes

No¹

¹ State total aid for portions of Minnesota’s primary elementary and secondary education funding formulae increase in FY 2010 or FY 2011 due to changes in enrollment and demographics, and an increase in state total special education aid

Tom Hansen
mmb Commissioner *6-26-09*

* See Appendix D Worksheets for further guidance on how such increases affect a State's "use of funds" calculations.

which covers a portion of the growth in special education teacher salaries. However, these increases are offset by decreases in other portions of these primary funding formulas, resulting in a net decrease in state aid of \$509.6 million in FY 2010 and a net increase in state aid of \$82.0 million in FY 2011, compared with the FY 2009 base (see attached table). Calculations completed using the worksheets for states with and without enacted increases in primary funding formulae (2A and 3A vs 2B and 3B) yielded the same results.

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Tom Hansen 6-26-09
MMB Commissioner

2. State's Primary Education Funding Formulae

Additional Submission Requirement: In an attachment to the application, identify and describe each of the State's primary elementary and secondary education funding formulae that were used in determining the calculations provided above for the levels of State support for elementary and secondary education. [SEE ATTACHED]

3. Data on State Support for Postsecondary Education

Additional Submission Requirement: In an attachment to the application, identify and describe the specific State data sources that were used in determining the calculations provided above for the levels of State support for public IHEs. [SEE ATTACHED]

4. Restoration Amounts

Based on the Worksheets included in Appendix D, calculate and provide the amount of Education Stabilization funds that the State will use to restore the levels of State support for elementary, secondary, and postsecondary education in FYs 2009 and 2010. As explained in the Instructions in Appendix D, a State must determine the amount of funds needed to restore fully the levels of State support for elementary, secondary, and postsecondary education in FY 2009 before determining the amount of funds available to restore the levels of such support in FY 2010.

SPECIAL NOTES:

- At a later date, the Department will collect data on the amount of funds, if any, that remain available to (1) restore the levels of State support for elementary, secondary, and postsecondary education in FY 2011, and (2) award subgrants to local educational agencies (LEAs) based on their proportionate shares of funding under Part A of Title I of the ESEA.
- The calculations for these data must be based on the State's total Education Stabilization Fund allocation as reflected in Appendix A and not on the State's initial Education Stabilization Fund award.
- Although the State must follow the Instructions in Appendix D, in order to determine the amount of funds that LEAs and IHEs will receive under the program (i.e., the "restoration amounts"), the Governor has discretion in determining when to release these funds to LEAs and IHEs.

- (a) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2009 \$ -0-
- (b) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2009 \$ 30,546.000

Restoration Amounts (continued)

- | | |
|--|----------------------|
| (c) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for elementary and secondary education in FY 2010 | <u>\$500,000,000</u> |
| (d) Amount of the State's total Education Stabilization Fund allocation to be used to restore the level of State support for public IHEs in FY 2010 | <u>\$137,342,000</u> |
| (e) Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY 2009 and FY 2010 | <u>\$ -0-</u> |

5. Process for Awarding Funds to Public IHEs

Additional Submission Requirement: In an attachment to the application, describe the process that the State will use to determine the amount of funding that individual public IHEs will receive from the funds that the State sets aside to restore the levels of State support for these institutions.
[SEE ATTACHED]

*Tom Hanson 6-26-06
mmB Commissioner*

**PART 5, SECTION B: STATE USES OF THE
GOVERNMENT SERVICES FUND**

SPECIAL NOTES:

- Section B of Part 5 requests data on the Government Services Fund (CFDA No. 84.397).
- In this section, provide preliminary estimates of the percentage of the Government Services Fund that the State intends to spend under various broad categories (to the extent such estimates are available). The total percentages in the chart should equal 100 percent.
- To the extent such estimates are available, the estimated percentages must be based on the State's total Government Services Fund allocation and not on the State's initial Government Services Fund award.

Uses of the Government Services Fund

Category	Estimated Percentage of Funds to Be Used
Public Safety	25.6%
Elementary and secondary education (excluding modernization, renovation, or repair of public school facilities)	
Public IHEs (excluding modernization, renovation, or repair of IHEs)	0.4%
Modernization, renovation, or repair of public school facilities	
Modernization, renovation, or repair of IHEs	
Medicaid	
Public assistance	
Transportation	
Other (please describe)*	74%
Undetermined	
TOTAL	100%

*Funds used to offset operational costs of the Minnesota Sex Offender Program, Minnesota Security Hospital, and Extended Treatment Options programs. These programs provide a variety of treatment services to civilly-committed individuals.

Tom Hanson 6-26-09
mmB Commissioner

TJH 6-26-09

State of Minnesota
June 26, 2009

Attachment to Application for Initial Funding Under the State Fiscal Stabilization Fund Program Including the Education Stabilization Fund (CFDA 84.394) and the Government Services Fund (CFDA 84.394)

ELEMENTARY AND SECONDARY EDUCATION:

Attachment for both,

- PART 4, SECTION C, Question 3(a), Description of Maintenance-of-Effort Baseline Data; and
- PART 5, SECTION A, Question 2: State's Primary Education Funding Formulae

The definition of the State's primary elementary and secondary funding formulae used in Part 5 of the application will also be used for the maintenance-of-effort baseline data in Part 4 of the application. The following is the description of the State's primary and secondary funding formulae:

1. The State's primary elementary and secondary funding formulae include:
 - a. General Education Revenue according to Minn. Stat. §126C.10, subdivision 1,
 - b. Special Education Aid according to Minn. Stat. §125A.76,
 - c. Special Education Excess Cost Aid according to Minn. Stat. §125A.79,
 - d. One-Time General Education Revenue Increase under Laws of Minnesota for 2008, Chapter 363, Article 2, Section 47, and
2. The levels of State support for elementary and secondary education listed above include the following change to the state's primary education funding formulae that was enacted pursuant to Minnesota Laws 2009, Chapter 64, Article 1, Section 21:
 - a. A one-time reduction in FY 2010 general education aid equal to 8.7% of each school district and charter school's FY 2008 general education revenue.
3. State support under these formulae is calculated on an aid entitlement basis using 100% of the amounts generated under the formulae specified in these statutes and session laws. The amounts shown do not include the effects of aid adjustments attributable to (1) the state's policy of spreading aid payments for each fiscal year's aid entitlements over two fiscal years, or (2) changes in state policy for early recognition of school district property tax levies. While the state spreads its payments to LEAs for each fiscal year over two fiscal years (current and final adjustment payments), the 100% aid entitlement basis is the most appropriate measure of state support for a fiscal year since these are the amounts that LEAs earn and recognize as revenue for the fiscal year.
 - a. Under current law, LEAs receive 90 % of estimated state aid entitlements during the current fiscal year with a final adjustment payment equal to the difference between the actual aid entitlement and the current payments the following fall after final data are received. Under the budget balancing plan announced by the

Governor on June 16, 2009, the portion of the annual aid entitlement paid during the current fiscal year will be reduced from 90% to 73% of the estimated entitlement, and the final adjustment will be increased to offset the reduction in current year payments. LEAs will continue to recognize the full annual aid entitlement on their financial statements as revenue in the current fiscal year.

- b. School districts make property tax levies on a calendar basis, with the first half of tax receipts coming in May/June and the second half coming in October/November. Under current law, most of the first half property tax settlement received in May/June is recognized as revenue for the following fiscal year, starting July 1. Under the budget balancing plan announced by the Governor on June 16, 2009, beginning with taxes payable in 2010, the full amount of the May/June property tax receipts (excluding those for debt service), will be recognized as revenue when they are received in May/June, instead of in the next fiscal year starting July 1, with an offsetting one-time adjustment in state aid in FY 2011. This change will not affect the net total revenue from state aid and levies recognized by LEAs each fiscal year.
3. Aid entitlements for FY 2006 and FY 2008 are as computed by the Minnesota Department of Education, Program Finance Division, based on the statute and session laws listed above, using final year-end data. Aid entitlements for FY 2009 through FY 2011 are based on projected LEA demographic data used in the State's February 2009 Budget Forecast. Projected data includes student enrollment, free and reduced lunch-eligible student counts, ELL student counts, school building ages, and local property tax bases.
 4. The following table shows detail of the state aid entitlements for the State's primary elementary and secondary education funding formulae:

Primary and Secondary Funding Formulas	FY 2006	FY 2008	FY 2009	FY 2010	FY 2011
K-12 AID ENTITLEMENTS (\$ in thousands)	FY 2006	FY 2008	FY 2009	FY 2010	FY 2011
General Education—CSA					
Basic	4,558,383.7	4,837,724.5	4,868,084.4	4,867,546.3	4,882,734.5
Gifted & Talented	3,812.2	11,441.2	11,400.6	11,399.4	11,435.0
Extended time	52,766.2	59,590.8	62,278.8	63,695.2	66,120.1
Compensatory	292,547.5	333,928.1	347,949.7	362,483.6	380,038.5
LEP	30,912.7	32,316.8	32,506.5	32,772.1	33,301.8
LEP Concentration	7,883.2	8,306.5	8,499.4	8,580.1	8,660.4
Sparsity	18,853.1	21,637.5	22,525.1	23,168.4	23,686.4
Transport Sparsity	57,332.8	60,083.8	60,760.3	60,467.2	60,178.6
Training & Experience	8,213.5	2,146.1	1,307.1	744.5	391.5
Operating Capital	149,750.2	82,805.2	73,347.7	70,633.7	70,652.6
Equity	25,916.1	25,104.5	19,985.6	17,095.3	16,730.6
Transition	10,650.2	7,132.9	5,448.8	4,235.9	4,303.4
Q Comp	16,348.9	47,983.9	51,838.3	56,097.1	62,245.0
Referendum Revenue	123,446.6	104,007.9	87,617.7	71,271.6	69,688.4
Alternative Attendance	-895.4	-182.3	36.7	810.5	928.2
Contract Penalty	-344.9	-730.5	0.0	-500.0	0.0
1-Time S51	-8,672.6	0.0	48,452.8	0.0	0.0
Shared Time	0.0	3,733.0	3,963.0	3,992.0	4,000.0

Private Alternative	12,833.6	10,295.0	10,476.0	10,385.0	10,385.0
PSEO - College Revenue	20,184.5	21,506.2	21,796.0	21,483.0	21,103.0
Online Learning	311.3	734.0	1,031.0	1,337.0	1,733.0
TRA reduction	-46,807.7	-30,637.8	-30,791.2	-30,917.1	-31,058.5
Endowment Fund	-21,099.1	-27,847.1	-25,738.1	0.0	0.0
County Apportionment	-15,242.6	-19,456.0	-14,900.0	-14,900.0	-14,900.0
Taconite Subtraction	-1,268.0	-664.4	-488.9	-244.0	-28.5
Faribault Cancellation	0.0	-1,071.1	-1,021.0	-1,021.0	-1,021.0
1-Time Energy Assist	9.2	0.0	0.0	0.0	0.0
Red Lake Hold Harmless	526.2	0.0	0.0	0.0	0.0
Little Falls	-100.0	0.0	0.0	0.0	0.0
SUBTOTAL--General Ed	5,296,251.4	5,589,888.7	5,666,366.3	5,640,615.8	5,681,308.0
Special Education					
Regular	529,804.0	694,060.7	719,470.0	735,693.0	786,586.0
Excess Cost	103,600.0	110,641.0	110,918.0	110,847.0	110,892.0
SUBTOTAL--Spec Ed	633,404.0	804,701.7	830,388.0	846,540.0	897,478.0
TOTAL AID ENTITLEMENTS--excluding enacted cuts	5,929,655.4	6,394,590.4	6,496,754.3	6,487,155.8	6,578,786.0
Amount over/under base year				-9,598.5	82,031.7
General--Laws 2009 Changes					
Across the board cut (8.7%)	0.0	0.0	0.0	-500,000.0	0.0
SUBTOTAL--Gen-Laws 2009 Changes	0.0	0.0	0.0	-500,000.0	0.0
TOTAL AID ENTITLEMENTS--including enacted cuts	5,929,655.4	6,394,590.4	6,496,754.3	5,987,155.8	6,578,786.0
Amount over/under base year				-509,598.5	82,031.7

Attachment to Application for Initial Funding Under the State Fiscal Stabilization Fund Program

POST SECONDARY EDUCATION:

Attachment for,

- PART 4, SECTION C, Question 3(a), Description of Maintenance-of-Effort Baseline Data; and
- PART 5, SECTION A, Question 2: State's State Support for Postsecondary Education
- PART 5, SECTION A, Question 5, Process for Awarding Funds

PART 4, SECTION C, Question 3(a),

Description of Maintenance-of-Effort Baseline Data;

1. The State of Minnesota provides ongoing state general fund support to public institutions of higher education through two umbrella organizations or systems.
 - a. The University of Minnesota (University) – The University offers undergraduate, masters, and doctorate degrees through a wide array of schools different schools and programs located on five separate campuses. All state support is appropriated to the main system finance office, who allocates money to individual campuses, schools, and programs based on the allocation decision of the University Board of Regents.
 - b. The Minnesota State College and University (MnSCU) –MnSCU is a system of 32 institutions including seven four-year state universities and 25 two year community and technical colleges, located on 54 separate campuses. MnSCU offers customized training, vocational certificates, two-year associate degrees, four year under graduate degrees and some advanced level degrees from seven state universities campuses located throughout the state. All state support is appropriated to the main system finance office, who allocates money to individual campuses, schools, and programs based on the allocation decisions of the MnSCU Board.
2. General fund support. Data source is the General Fund: Fund Balance Analysis published twice a year by the Minnesota Management and Budget Department. FY 2006 and FY 2008 information reflects actual general fund appropriations and FY 2009 is currently budgeted general fund appropriation.
 - a. University – For FY 2006, the state general fund expenditure was \$591,191,000. In FY 2008, the state general fund expenditure was \$706,922,000. In FY 2009, the current budgeted general fund appropriation to the University is \$679,842,000.
 - b. MnSCU – For FY 2006, the state general fund expenditure was \$600,694,000. In FY 2008, the state general fund expenditure was \$665,883,000. In FY 2009, the current budgeted general fund appropriation to MnSCU is \$662,417,000.

- c. Combined Support for public IHEs – For FY 2006, the state general fund expenditure was \$1,191,885,000. In FY 2008, the state general fund expenditure was \$1,372,805,000. In FY 2009, the current budgeted general fund appropriation to public IHEs is \$1,342,259,000.
3. Therefore under the rules of the State Fiscal Education Stabilization funding, we have used the FY 2008 state appropriation levels as the benchmark for restoration of postsecondary education funding levels.

PART 5, SECTION A, Question 2:

Data on State's State Support for Postsecondary Education

See above

PART 5, SECTION A, Question 5,

Process for Awarding Funds to Public IHEs

1. As is the legislative practice in Minnesota, appropriations for FY 2010 and 2011 of all state controlled funds for institutions of higher education (IHEs) were enacted in a Higher Education Omnibus bill passed by the Minnesota Legislature. These appropriations were further amended under a budget balancing plan announced by Governor Pawlenty on June 16, 2009. The enacted appropriations were different from those originally recommended by the Governor in the state's initial application for state fiscal stabilization funds. This application revision serves to reflect these changes.

This year, the enacted higher education appropriations include support from the state's general fund, and federal assistance under the Education Stabilization Fund (CFDA 84.394) program and federal assistance under the Government Services Fund (CFDA 84.397) program. Appropriation of Education Stabilization Funds and Government Services Funds will be made to the University of Minnesota and to the Minnesota State Colleges and University System (MnSCU), though no distinction was made between the two types of funds in the enacted legislation. Distribution of the appropriated funds to individual schools, campuses and programs were made by the University Board of Regents and the MnSCU Board of Trustees. As required, the Legislature used the state fiscal stabilization funds to proportionately restore total higher education funding.

a. For the University:

- i. In FY 2009, the Legislature provides \$679,842,000 in state general funding, combined with \$15,273,000 in Education Stabilization funding for a total of \$695,115,000.
- ii. In FY 2010, the Legislature provides \$623,417,000 in state general funding combined with \$73,449,000 in Education Stabilization

- funding and \$601,000 in Government Services Funding for a total of \$697,467,000.
- iii. In FY 2011, the Legislature and the Governor provide a total state general fund appropriation of \$627,311,000.
- b. For MnSCU :
- i. In FY 2009, the Legislature provides \$662,417,000 in state general funding combined with \$15,273,000 in Education Stabilization funding, for a total of \$677,690,000.
 - ii. In FY 2010, the Legislature provides \$609,369,000 in state general funding combined with \$63,893,000 in Education Stabilization funding for total funding of \$673,262,000.¹
 - iii. In FY 2011, the Legislature and the Governor provide a total state general fund appropriation of \$611,161,000.
- c. Combined public IHEs:
- i. In FY 2009, the Legislature provides \$1,342,259 in state general funding combined with \$30,546,000 in Education Stabilization funding to meet the FY 2008 benchmark for public IHE support.
 - ii. In FY 2010, the Legislature provides \$1,232,786,000 in state general funding combined with \$137,342,000 in Education Stabilization funding and \$601,000 in Government Services Funds for a total of \$1,370,729,000 to come as close to the FY 2008 benchmark as possible, based upon available stimulus dollars (please refer to page E-9 of our SFSF application for a note on how we arrived at these numbers).
 - iii. In FY 2011, the Legislature and the Governor provide a total state general fund appropriation of \$1,238,472,000 to institutions of higher education.

¹ The Legislature has historically provided the Minnesota Office of Higher Education funding for a program called "the Learning Network." The Office of Higher Education then annually transferred this funding to MnSCU to run the program. In FY 2010, the Legislature decided to provide this appropriation as direct funding to MnSCU. This appeared to increase MnSCU's net appropriation. However, it also distorts the measure of the shortfall between MnSCU's FY 2010 and FY 2008 funding levels, since previously MnSCU had been receiving this as a grant from OHE that was not accounted for in their general fund appropriation. For this reason, we have excluded the Learning Network funds from the calculation of MnSCU's FY2008, FY2010 and FY2011 funding levels to maintain continuity.