STATE FISCAL STABILIZATION FUND APPLICATION

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

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

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

Governor or Authorized Representative of the Governor (Printed Name):	Telephone:
Commissioner Tom Hanson	(651) 201-8010
Signature of Governor or Authorized Representative of the Governor: Tom Hanson	Date: 7-13-10

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.	
Chief State School Officer (Printed Name):	Telephone:
Commissioner Alice Seagren	(651) 582-8204
Signature of the Chief State School Officer: Alice Seagren	Date: 7/14/10

Form Approved OMB Number: 1810-0690; Expiration Date: 9/30/2009

PART 4, SECTION A: MAINTENANCE-OF-EFFORT (MOE) ASSURANCE

SPECIAL NOTES:

- In completing Part 4 of the application, please refer to Appendix C – Instructions for Part 4: Maintenance of Effort.
- The Governor or his/her authorized representative should check only those MOE requirements that he or she anticipates the State will meet. If the Governor or his/her authorized representative anticipates that the State will be unable to meet one or more of the requirements, he or she must sign the additional waiver assurance in Part 4, Section B.
- For the purpose of determining MOE, State support for public institutions of higher education (IHEs) must not include support for capital projects or for research and development or tuition and fees paid by students.

The Governor or his/her authorized representative assures the following *(check appropriate assurances that apply)*:

__X__ In FY 2009, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.

__X__ In FY 2010, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.

__X__ In FY 2011, the State will maintain State support for elementary and secondary education at least at the level of such support in FY 2006.

__X__ In FY 2009, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.

__X__ In FY 2010, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.

__X__ In FY 2011, the State will maintain State support for public IHEs at least at the level of such support in FY 2006.

---OR---

_____ To the best of his/her knowledge and based on the best available data, the State will be unable to meet any of the above-referenced maintenance-of-effort requirements.

Governor or Authorized Representative of the Governor (Printed Name) Commissioner Tom Hanson	
Signature: Tom Hanson	Date: 7-13-10

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*	$ $6,474,185,000
FY 2010*	$5,947,676,000
FY 2011*	$6,000,899,000

(* 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*	$1,191,885,000

(* 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]

Tom Hanson, Commissioner, 7-13-10

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	$6,394,590,400
(b) Level of State support for public IHEs in FY 2008	$1,372,805,000
(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	$6,474,185,000
(d) Level of State support for public IHEs in FY 2009	$1,342,259,000
(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	$5,947,676,000
(f) Level of State support for public IHEs in FY 2010	$1,232,786,000

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 X No[1]

[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 J. Hanson, Commissioner, 7-13-10

* *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.

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	$500,000,000*
(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	$137,342,000*
(e)	Amount of funds, if any, remaining after restoring State support for elementary, secondary, and postsecondary education in FY 2009 and FY 2010	$ -0-

* Restoration amounts have not been updated since the application submitted June 26, 2009. Since that time there has been slight forecasted change in total K-12 education funding. These changes are due to underlying factors driving the funding formula including student enrollment, free and reduced lunch-eligible student counts, ELL student counts, school building ages and local property tax bases. Any changes are not due to legislative action. The formula has not been altered since the restoration amounts were originally calculated.

As outlined in question III-7 of the guidance issued on June 24, 2009 by USDE regarding amending an application, we have determined that amending restoration amounts at this time is not feasible. The restoration amounts were set in law by the state legislature and LEAs and IHEs have already received notification their award amounts and budgeted for these amounts.

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, Commissioner, 7-13-10

State of Minnesota
Revised July 1, 2010

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 and §126C.17,
    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:
    a. Enacted pursuant to Minnesota Laws 2009, Chapter 64, Article 1, Section 21:
        - A one-time reduction of $500 million in FY 2010 general education aid (equal to 8.7% of each school district and charter school's FY 2008 general education revenue).

    b. Enacted pursuant to Minnesota Laws 2010, First Special Session, Chapter 1, Article 3, Section 2:
        - A change in property tax levy recognition with an offsetting reduction to state aid of $576 million in FY 2011.

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 the state's policy of spreading aid payments for each fiscal year's aid entitlements over two fiscal years. 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.

Tom Hanson, Commissioner, 7-13-10

a. For Fiscal Year 2009, LEAs received 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 legislation enacted in 2010, the portion of the annual aid entitlement paid during the current fiscal year was temporarily reduced from 90% to 73% of the estimated entitlement for Fiscal Year 2010 and from 90% to 70% of the estimated entitlement for Fiscal Year 2011, and the final adjustment will be increased to offset the reduction in current year payments. The 90-10 payment schedule is restored beginning in Fiscal Year 2012. 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. For FY 2006 – FY 2010, most of the first half property tax settlement received in May/June was recognized as revenue for the following fiscal year, starting July 1. Under legislation enacted in 2010, beginning with taxes payable in 2010, 48.6 percent of annual 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 adjustment in state aid beginning in FY 2011. The state aid reduction is $576 million in FY 2011. The MOE calculation in this application has been revised to reflect this reduction in state aid.

3. Aid entitlements for FY 2006, FY 2008 and FY 2009 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 2010 and FY 2011 are based on projected LEA demographic data used in the State's February 2010 Budget Forecast and legislation enacted in 2010. 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	4,558,384	4,837,725	4,860,575	4,851,170	4,854,027
Gifted & Talented	3,812	11,441	11,383	11,361	11,368
Extended time	52,766	59,591	60,996	64,855	67,868
Compensatory	292,548	333,928	348,511	361,030	413,145
LEP	30,913	32,317	32,058	31,969	31,876
LEP Concentration	7,883	8,307	8,317	8,374	8,391

Sparsity	18,853	21,638	22,899	23,038	23,726
Transport Sparsity	57,333	60,084	60,159	60,534	60,403
Training & Experience	8,214	2,146	1,207	639	470
Operating Capital	149,750	82,805	73,046	70,135	69,907
Equity	25,916	25,105	19,660	16,817	16,152
Transition	10,650	7,133	5,419	4,108	3,931
Q Comp	16,349	47,984	49,995	41,469	63,244
Referendum Revenue	123,447	104,008	85,234	69,796	66,941
Alternative Attendance	(895)	(182)	262	721	845
Contract Penalty	(345)	(731)	-	(2,692)	-
1-Time $51	-	-	48,378	-	-
Tax Base Replacement Aid	(8,673)	-	-	-	-
Shared Time	-	3,732	3,958	3,962	3,774
Private Alternative	12,834	10,294	9,621	9,538	9,538
PSEO - College Revenue	20,185	21,514	21,925	22,125	21,690
Online Learning	311	734	815	991	1,210
TRA reduction	(46,808)	(30,638)	(30,753)	(30,858)	(30,993)
Endowment Fund	(21,099)	(27,847)	(27,424)	-	-
County Apportionment	(15,243)	(19,472)	(20,618)	(17,000)	(17,000)
Taconite Subt.	(1,268)	(664)	(546)	-	-
Faribault Cancellation	-	(1,071)	(1,070)	(1,137)	(1,137)
1-Time Energy Assist	9	-	-	-	-
Red Lake Hold Harmless	526	-	-	-	-
Little Falls	(100)	-	-	-	-
St. Charles Declining PU	-	-	-	192	242
SUBTOTAL--General Ed	5,296,251	5,589,878	5,644,006	5,601,136	5,679,614
Special Education					
Regular	529,804	694,061	719,261	735,693	786,586
Excess Cost	103,600	110,641	110,918	110,847	110,892
SUBTOTAL--Spec Ed	633,404	804,702	830,179	846,540	897,478
TOTAL AID ENTITLEMENTS--prior to one-time cuts	5,929,655	6,394,579	6,474,185	6,447,676	6,577,092
Amount over/under FY 2009				(26,509)	102,907

One-Time Cuts					
Reduction in General Education Revenue (L aws 2009, Ch 96, Article 1, Section 20)	-	-	-	(500,000)	-
Adjusting for Property Tax Revenue Recognition Change (Laws 2010, Ch 1 Special Session, Article 3, Section 2)					(576,193)
SUBTOTAL--One-time Cuts	-	-	-	(500,000)	(576,193)
TOTAL AID ENTITLEMENTS--including one-time cuts	5,929,655	6,394,579	6,474,185	5,947,676	6,000,899
Amount Over (Under) FY 2006 Base for MOE				18,021	71,243

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

POST SECONDARY EDUCATION:

Attachment for,

- PART 4, SECTION C, Question 3(b), 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 though a wide array of 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, FY 2008 and FY 2009 information reflects actual general fund appropriations.
    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 state general fund expenditure was $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 state general fund expenditure was $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 state general fund expenditure to public IHEs was $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. This application revision serves to reflect appropriation changes enacted by the legislature.

   In FY 2010, 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 provided $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 provided $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 $591,191,000.

b. For MnSCU :
    i. In FY 2009, the Legislature provided $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 provided $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 provides a total state general fund appropriation of $600,694,000.
c. Combined public IHEs:
    i. In FY 2009, the Legislature provided $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 provided $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.
    iii. In FY 2011, the Legislature provides a total state general fund appropriation of $1,191,885,000 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.

Minnesota 6-29-2010

Explanation of Changes

The MOE calculations have been revised to include updated data based on the 2010 legislative session appropriations. Also, the FY 2011 level of state support has been updated to reflect a one-time state aid reduction for the property tax recognition change. Because the property tax recognition change included in the Governor's budget balancing plan (and subsequently enacted in modified form by the 2010 Legislature in May 2010) does not affect the amount of revenue districts recognize in FY 2011, the reduction was not included in the initial MOE calculation. Based on the clarifying guidance, the MOE calculation in this application has been revised to include the reduction of $576 million in FY 2011 for the property tax recognition change. The MOE requirements are still projected to be met in FY 2011.

K-12	Original Application 4/21/2009	Amended Application 6/26/2009	Amended Application 7/1/2010
FY 2006	5,929,655,400	5,929,655,400	5,929,655,400
FY 2009	6,549,008,300	6,496,754,300	6,474,185,000
FY 2010	6,203,756,500	5,987,155,800	5,947,676,000
FY 2011	6,623,210,800	6,578,786,000	6,000,899,000

IHEs	Original Application 4/21/2009	Amended Application 6/26/2009	Amended Application 7/1/2010
FY 2006	1,191,885,000	1,191,885,000	1,191,885,000
FY 2009	1,342,259,000	1,342,259,000	1,342,259,000
FY 2010	1,191,885,000	1,232,786,000	1,232,786,000
FY 2011	1,191,885,000	1,238,472,000	1,191,885,000