



Accounting Shifts

February 3, 2010

What is an accounting shift? In simplest terms, the state “borrows” money from school districts for a short term by withholding a portion of payments until the start of the next school year.

Why does the state use accounting shifts? The state of Minnesota has used accounting shifts in the education finance area for many years as a means to reduce state general fund deficits on a short-term basis. There are two basic types of shifts – state aid shifts and property tax shifts.

How much has the state borrowed from Mounds View Public Schools this year?

During the fiscal year 2009-2010 the state will utilize four different authorities to “borrow” money from Mounds View. This results in approximately \$38 million. The prior year total was approximately \$10 million.

- Per M.S. 127A.45 - 10% (\$7 million) of our state aid is held until the start of the next school year (the state has used this 10% shift to reconcile revenue projections with actual based on student enrollment).
- Per M.S. 16A.152, - 17% (\$11 million) of additional state aid is held because the Governor has used his budget balancing authority to “unallot” for the current budget biennium.
- Per M.S. 127A.46 - 17% (\$11 million) of our state aid will be held for 90 days so that the state can address immediate cash flow shortages in March, April, & May 2010. This authority has been in existence since 1986, but never used until now.
- Per M.S. 123B.75, subdivision 5 - 4 % (\$3 million) of our state aid is held because of a property tax shift.
- Per the Federal American Recovery & Reinvestment Act of 2009 - 9% (\$6 million) of our state aid is replaced with Federal Fiscal Stabilization Funds.

What does this mean for our District? When the state uses a shift to move money from one fiscal year to the next, school districts with low reserves may not have sufficient cash on hand to meet their day to day expenses and may have to issue debt and incur interest costs. Or, districts such as Mounds View, with sufficient reserves are forced to use those reserves, and lose the interest that they would have earned if they had not had to spend their fund balances.

Where can I learn more about State Education Funding Accounting Shifts? The Minnesota House of Representatives Fiscal Analysis Department has published a Money Matters document number 09-01. It can be found at the following link: <http://www.house.leg.state.mn.us/fiscal/files/09edshifts.pdf> . Or, you can contact Carole Nielsen, Finance Director at carole.nielsen@moundsvIEWSchools.org.