Q Comp Program Funding Update

Date: June 13, 2018
To: Participating Alternative Teacher Professional Pay System (ATPPS)/Quality Compensation (Q Comp) Programs
From: Tyler Livingston, Director, School Support
        Terri Yetter, Assistant Director, School Finance
RE: Q Comp Funding Proration

As you may be aware, Q Comp funding is capped at $88,118,000 for Fiscal Year 2017 and later. Under Minnesota Statutes 122A.415, subdivision 4, the Minnesota Department of Education (MDE) is required to prorate Q Comp basic aid so as not to exceed the cap. In an effort to stay under the funding cap, MDE has not approved new school districts, charter schools or intermediate/cooperative districts for funding after school year 2016-2017.

Despite limiting application approval and attempting a legislative fix this past session, Q Comp basic aid for funded districts and schools will exceed the cap for the 2018-19 fiscal year due to enrollment growth and, as a result, the basic aid will need to be prorated. Proration is estimated to be 98.8 percent.

Basic aid calculation for school districts and charter schools is based on previous years’ enrollment as of October 1 (e.g., October 1, 2017, enrollment for Fiscal Year 2018-2019 Q Comp revenue). Since the Q Comp funding formula is different for school districts, charter schools and intermediate/cooperative districts, the basic aid proration will have a different impact on each of these groups, as is outlined in later sections of this memorandum. Please refer to program-specific information below our signatures.

Please see the 2019 Summary Q Comp Funding Proration spreadsheet showing the current estimate of the impact of basic aid proration on all districts and schools. As more information is received throughout the fiscal year, MDE will continue to refine the proration percentage as well as the charter school per pupil enrollment amount. Please note, that while the spreadsheet and estimates for proration are outlined for the 2018-19 fiscal year, this issue is expected to grow in future years.

Since Q Comp funding is categorical revenue and carry-over funding remains with the program for future years, districts/charters/intermediates/cooperatives may use carryover funds from previous fiscal years when the district did not spend all of their revenue to help bridge the gap caused by this proration. In addition, MDE encourages all participants to annually review their plan and budget to identify necessary changes, which can then be submitted as part of the Program Update process (due no later than August 31).

If you have any questions on Q Comp aid, levy and revenue calculations and timing, please contact Daley Lehmann (651-582-8817). If you have questions or would like further information on the impact of proration on the Q Comp budget and plan, please contact Kristie Anderson (651-582-8860).

Sincerely,

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Terri Yetter, Assistant Director of School Finance
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Proration of School Districts

School districts’ maximum Q Comp revenue is $260 per student. Of that revenue, 65 percent (or $169 per student) comes from basic aid and the remainder from an equalization levy (revenue minus basic aid). Since Q Comp basic aid will be prorated for fiscal year 2018-19, school districts may levy to cover the aid shortfall or forego the portion of the revenue that is shifted from aid to levy. School districts’ basic aid is forecasted to be prorated at 98.8 percent. The additional Q Comp levy will be added to the FY 2019 levy adjustment on this fall’s Payable 2019 Levy Limitation and Certification Report. The additional levy authority is meant to offset school districts prorated aid to keep the Q Comp program fully funded if a district so wishes. The additional levy authority will be equalized at the same rate as the initial Q Comp levy.

Proration of Charter Schools

Charter school basic aid is equal to the statewide average amount of Q Comp revenue (aid plus levy) that school districts actually receive. Since some school districts choose to levy less than the maximum, charter school basic aid allowance has historically always been slightly less than the full $260 per student. Conversely, to the extent that school districts levy for the prorated aid shortfall, charter school aid will remain near the same level as if the program were fully funded. Based on the information available and using historical information on levy history, charter schools will receive an estimated $251 per pupil enrolled. As this estimate may adjust as school districts make decisions about their levy options, we recommended that charter schools estimate their funding using a lower per pupil allocation to better ensure they have the funding necessary to support their plans expenses.

Proration of Intermediate/Cooperative Districts

Intermediate/cooperative district’s aid is $3,000 times the number of licensed teachers employed by the cooperative district. School district levies do not have a bearing on the funding for these districts, so the aid proration will result in a revenue loss. Like school districts, intermediate/cooperative districts are forecasted to be prorated at 98.8 percent.