

Q Comp Program Funding Update

Date: July 17, 2020

To: Participating Alternative Teacher Professional Pay System (ATPPS)/Quality Compensation (Q Comp) Programs

From: Tyler Livingston, Director, School Support

Terri Yetter, Director, School Finance

RE: Q Comp Funding Proration

As you may be aware, Q Comp funding is capped at \$88,118,000 and will continue for Fiscal Year 2021 and beyond. Under Minnesota Statutes, section 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 2016-17.

Despite limiting application approval and attempting a legislative fix this past session, **Q Comp basic aid for funded districts and schools exceeded the cap in fiscal year 2018-19 due to enrollment growth and, as a result, the basic aid will need to be prorated. Proration for Fiscal Year 2020-21 is estimated to be 97.4%.**

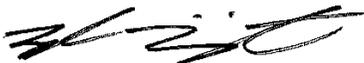
Basic aid calculation for school districts and charter schools is based on previous years' enrollment as of October 1 (e.g., October 1, 2019 enrollment for Fiscal Year 2020-21 Q Comp revenue). Since the Q Comp funding formula is different for school districts, charter schools and intermediate/cooperative districts, the basic aid proration will have a different impact on each of these groups, as is outlined in later sections of this memo. Please refer to program-specific information below our signatures.

Attached to this memo is a spreadsheet showing the current estimate of the impact of basic aid proration on school districts, charter schools, and cooperative/intermediates. 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 2020-21 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).

For questions on Q Comp aid, levy and revenue calculations and timing, please contact Daley Lehmann at daley.lehmann@state.mn.us or 651-582-8817. For questions or further information on the impact of proration on the Q Comp budget and plan, please contact Kristie Anderson at mde.q-comp@state.mn.us or 651-582-8860.

Sincerely,



Tyler Livingston, Director of School Support



Terri Yetter, Director of School Finance

Proration of School Districts

School districts' maximum Q Comp revenue is \$260 per student. Of that revenue, 65% (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 continue to be prorated for fiscal year 2020-21, 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 97.4%. The additional Q Comp levy will be added to the FY 2022 levy adjustment on this fall's Payable 2021 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 \$257 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 97.4%.