

School Finance Overview

October 6, 2014

Funds

- **General Fund** – Most operating expenditures (instructional, transportation, administration, maintenance, etc.)
- **Food Service Fund** – Breakfast & lunch programs
- **Community Services Fund** – ECFE, School Readiness, Pre-School Screening, School Age Care, Adult Basic Ed, recreation programs, etc.
- **Building Construction** – Major construction projects funded by bond proceeds
- **Debt Service** - Bond payments & related tax receipts
- **Trust & Agency** – Specific purpose (scholarship, self-insurance, etc.)

Some MN Data...

- Total Public School Students in 2013: 831,506
 - Non-Public & Homeschool: 87,844
- 36% are eligible for Free or Reduced Meals
 - Becker: 19%
- Number of Districts: 335
 - Largest: Anoka-Hennepin - 38,403 students
 - Smallest: Milroy - 27 students
 - Becker: #71 - 2,778 students



K-12 Education Funding History in Minnesota

- 1858 – MN Constitution makes it the duty of the legislature to establish a general & uniform system of public schools; establishes permanent school fund
- 1955 – U of M was commissioned to study the school finance system. Recommendations included state share of funding at 50%.
- 1957 – Foundation program increased formula to 84% of average operating cost

K-12 Education Funding History in Minnesota

- 1971 – Fed court rules that the MN finance system made spending per pupil a function of school district wealth, & violated equal protection clause of US Constitution
- 1971 – “Minnesota Miracle” approved in special session

K-12 Education Funding History in Minnesota

- 1971 “Minnesota Miracle” included:
 - 1) State share of revenues increased from 43% to 65%
 - 2) Disparity aid locked in at FY 1971 level
 - 3) Statewide levy limits imposed; limits exceeded only by voters in a referendum
 - 4) Pupil units computed based on Average Daily Membership

Initial Effect: shift primary funding from property tax system so state taxes, thereby reducing disparities in property tax rates.

K-12 Education Funding History in Minnesota

- 1987 – General Education Revenue replaces foundation revenue and several smaller categorical aids & levies
- 1988 – Mandatory open enrollment program approved; transfer of aid to enrolling districts established.
- 1991-2000 – Foundation program supplemented with Referendum & Debt Service Equalization

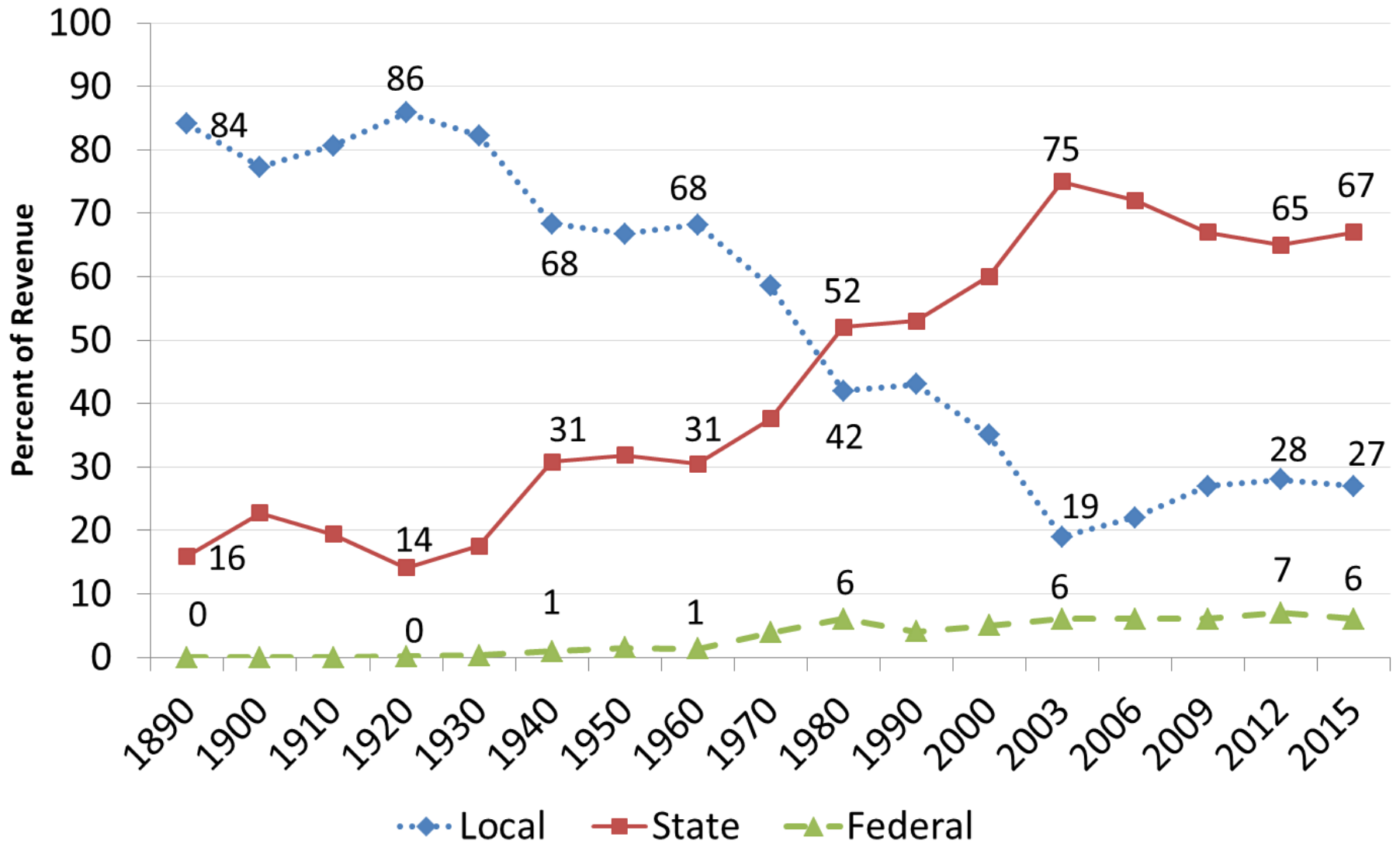
K-12 Education Funding History in Minnesota

- 2001 – General Education levy is eliminated & replaced with state education aid. Large shift from local to state level funding created.
 - Districts like Becker no longer allowed to be “off the formula”
- Since 2001 – Incremental increases in per pupil formula, generally not keeping pace with inflation

K-12 Education Funding History in Minnesota

- 2013
 - Kindergarten changed to same weighting as Gr 1-6
 - Changes to special ed funding formula beginning in FY16
 - Up to \$724 per pupil of levy may be authorized locally without a referendum (if current referendum below this amount)

PERCENT OF REVENUE BY SOURCE, Minnesota K-12 Education, 1890-2015



Basic General Ed Aid

Fiscal Year	Gen Ed Formula Allowance	% Increase	Inflation
2015	\$ 5,382	1.5%	Unknown
2014	\$ 5,302	1.5%	Unknown
2013	\$ 5,224	1.0%	1.5%
2012	\$ 5,174	1.0%	2.1%
2011	\$ 5,124	0.0%	3.2%
2010	\$ 5,124	0.0%	1.6%
2009	\$ 5,124	1.0%	-0.4%
2008	\$ 5,074	2.0%	3.8%
2007	\$ 4,974	4.0%	2.8%
2006	\$ 4,783	4.0%	3.2%

Other State Formula Aids

State funding based other factors including students that meet certain categories, geography, building age, population, etc.

- Compensatory
- Limited English Proficiency
- Transportation Sparsity
- Gifted & Talented
- Equity*
- Referendum Aid*
- Operating Capital*
- Deferred Revenue*



*Funded by a combination of state aid & local levy

Other State Aids

State funding based on competitive awards:

- Literacy Incentive
- Achievement & Integration*
- Alternative Teacher Compensation (Q-Comp)*
- ADSIS

*Funded by a combination of state aid & local levy

Special Education Funding

- Local school districts are required by state law to provide appropriate and necessary special education to children with disabilities from birth to 21 years of age.
- School districts receive state aid and some federal aid to pay for special education services. If these funds are insufficient to pay for the costs of the programs, districts must use other general fund revenue.

Special Education Funding

- Federal Aid – Reimbursed up to amount allocated per district
- State – Currently reimbursed % of qualified expenditures (benefits not reimbursed)
- Changing to census-based for FY16; total impact by district TBD
- Open enrolled student: resident district pays 90% of excess special ed costs

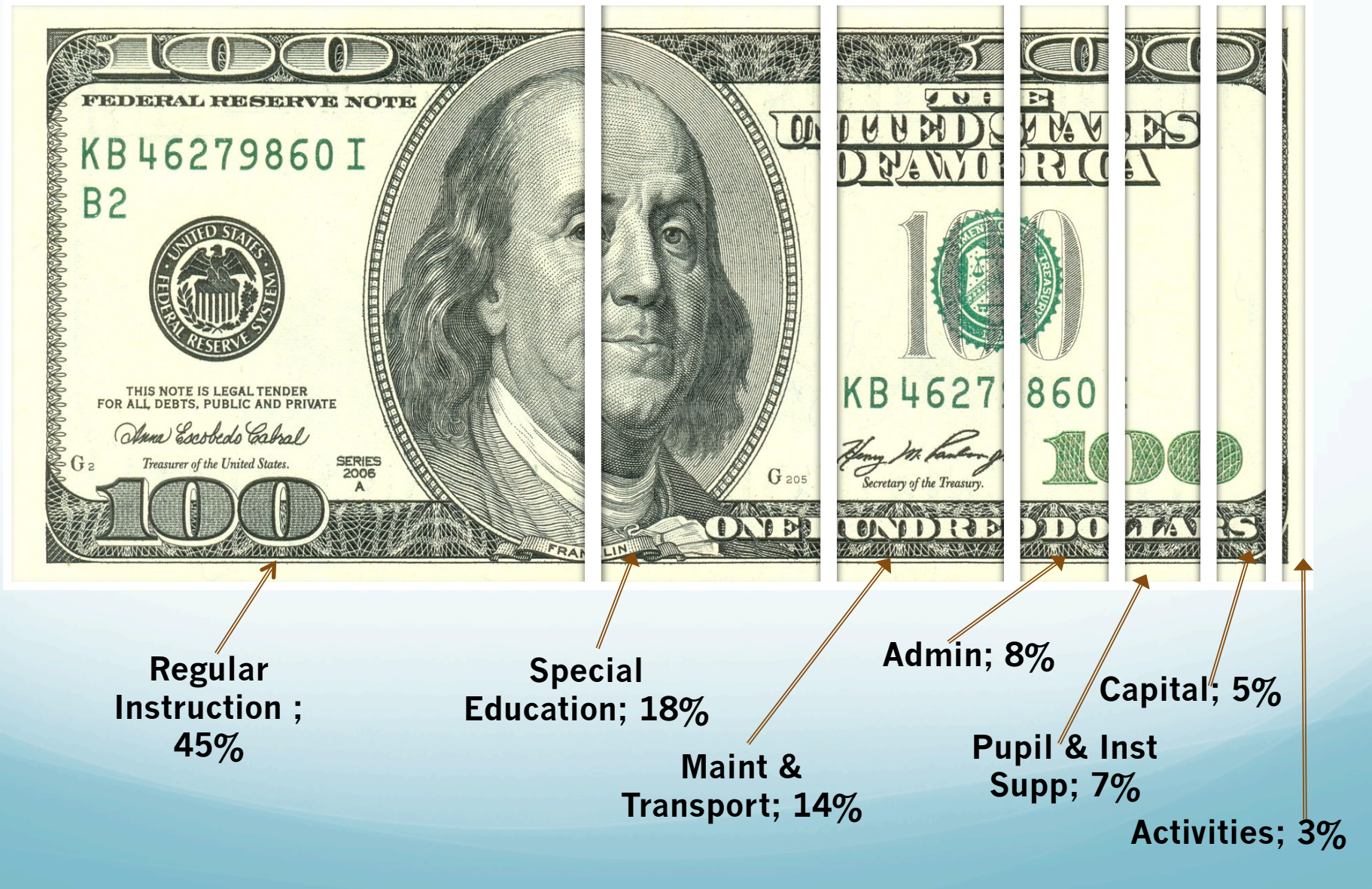
Local Tax Levy

- MDE calculates maximum levy for each category
 - Voter approval required beyond initial totals
- Local boards approve prelim and final levies
- Hearing required before final levy approved
- County Auditors spread levy among parcel owners and collect taxes

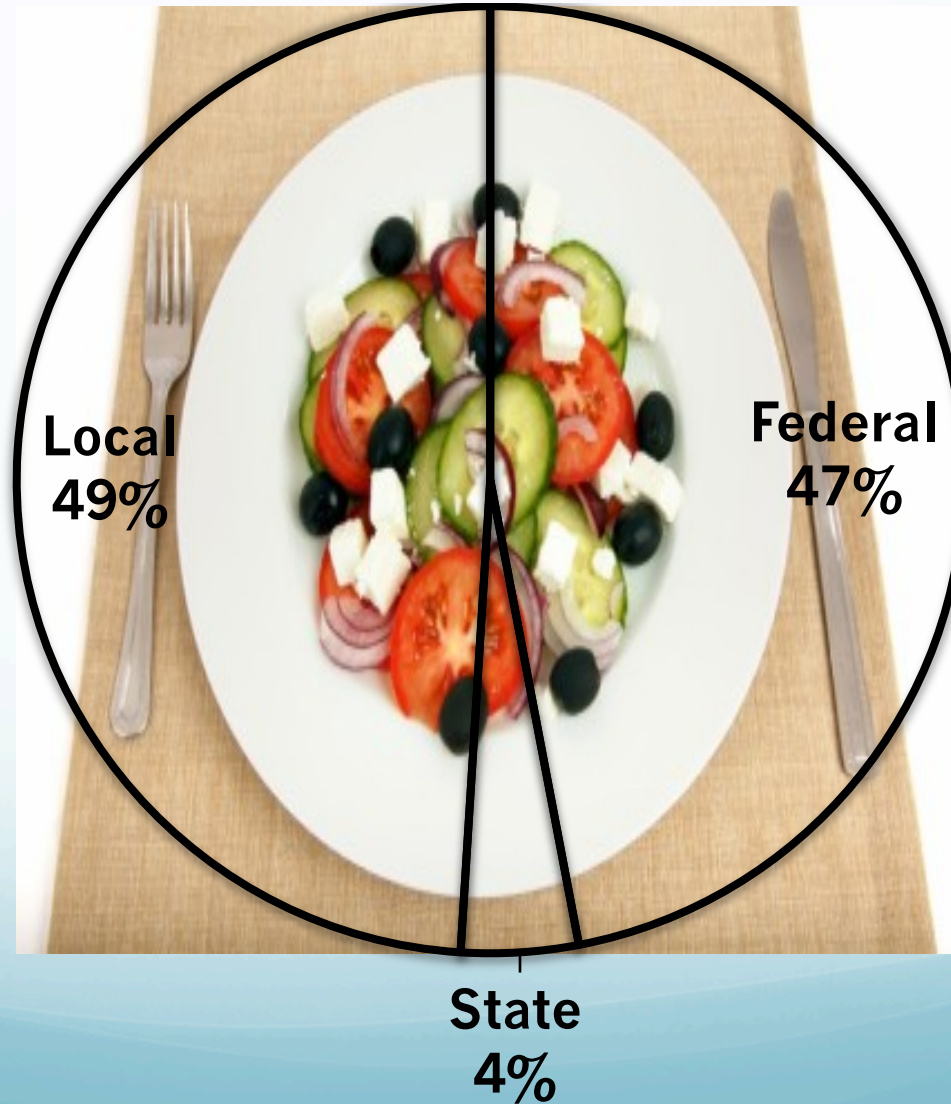
Federal Funds

- Title I – Elementary reading & math focus
- Title II – Teacher training or class size reduction
- Other Federal grants are need based or competitive:
 - Carl Perkins (vocational)
 - Impact aid (targeted to high poverty districts)
 - Race to the Top

How are General Fund \$ Spent?



Food Service Sources of Revenue in MN



Community Service Funds

- ECFE, School Readiness & EC Screening are major early learning programs
- Other Optional programs:
 - Adult Basic Ed, Recreation, School Age Child Care, Youth Enrichment



Sources of Information

- “Minnesota School Finance History 1849-2014” published by the Minnesota Department of Ed (MDE)
- “Minnesota School Finance: A Guide for Educators” prepared by the MN House of Representatives Research Dept, November 2013
- MDE School District Financial Profiles

Questions?

