

Minnesota House Research Department

Minnesota PreK-12 Education Finance System Overview: Ed Finance Committee

Presented by Emily Adriaens , Tim Strom, and Cristina Parra
January 24, 2019

K12 Finance Overview

Today's presentation will focus on the following areas:

- Review of Minnesota State Budget and K12's share of the budget;
- Enrollment Trends;
- Special Education Trends; and
- Operating Referendum Trends.

State Budget Overview and K12 Context

The next several slides show:

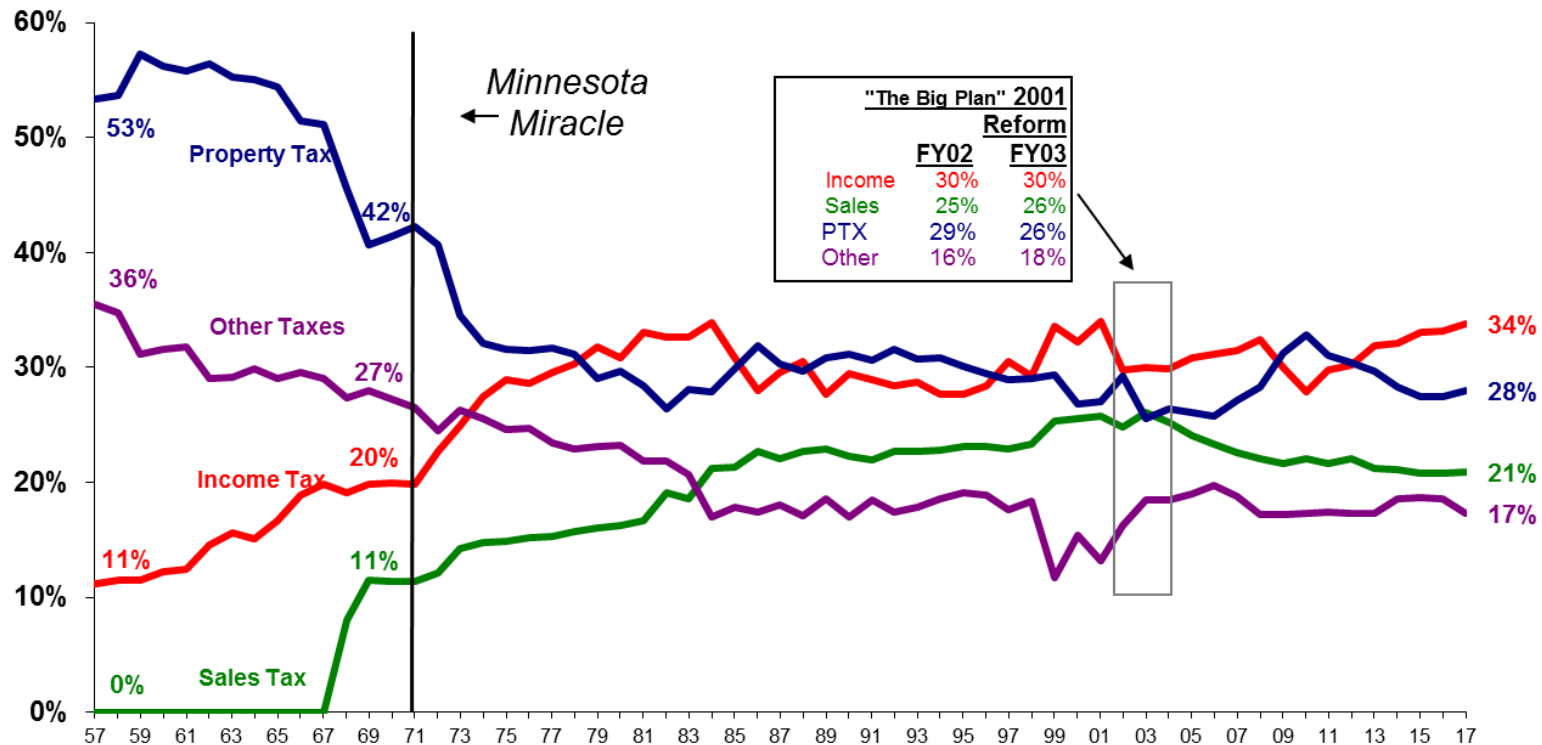
- Shares of each of the major state and local taxes over the last 50 years;
- State General Fund Budget Surplus Estimate;
- Where State General Fund Resources Come From for FY 20;
- Where State Revenues are Spent Under the Base Budget for FY 20;
- Total Estimated Revenue for School Districts for FY 20; and
- The Components of General Education Revenue for FY 20.

State and Local Tax Revenue History

End of 2017 Session

History of Major Taxes Percent Share

FY 1957 - 2017

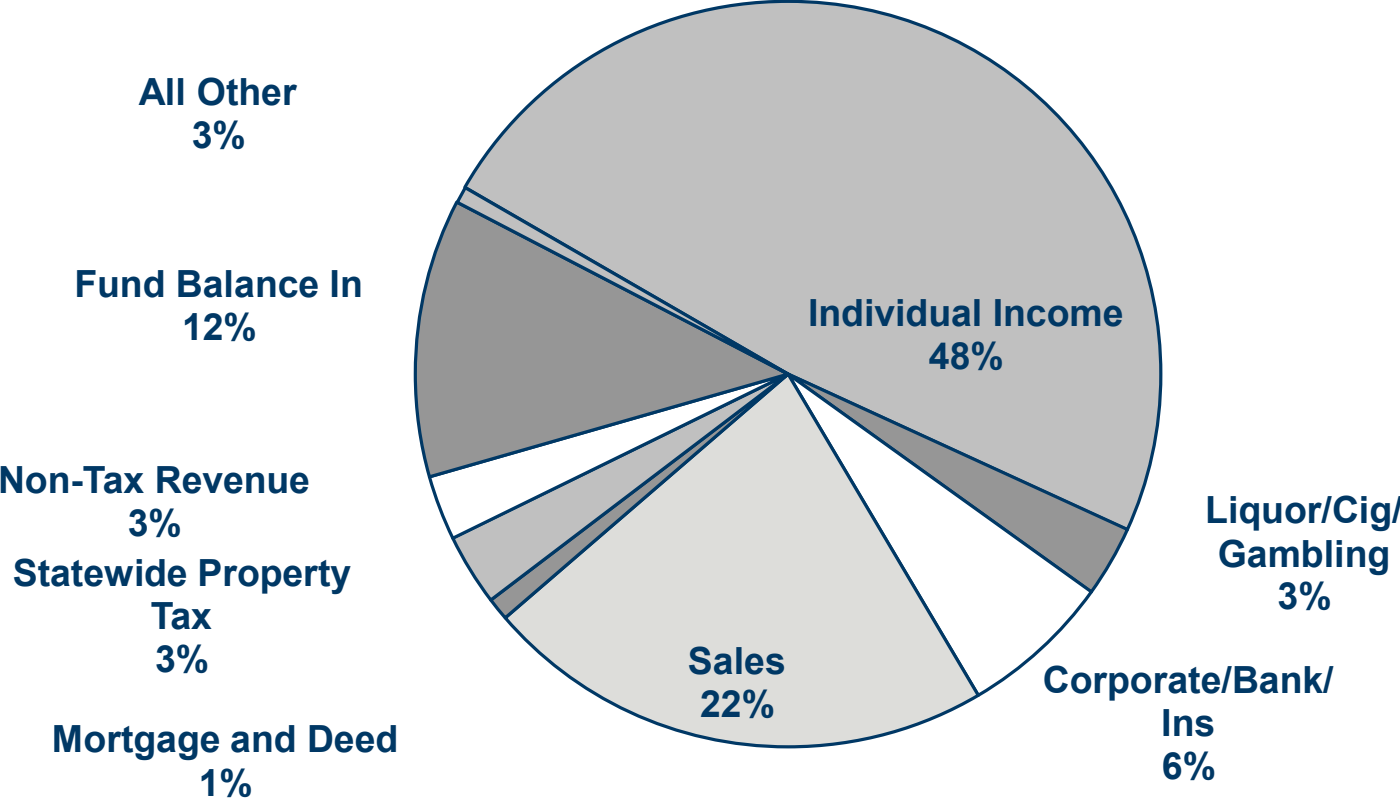


Source: Minnesota Department of Revenue and Price of Government, End of Session 2017
Includes sales tax rebates FY 1999-2001

State General Fund Budget November 2018 Forecast (\$ in millions)

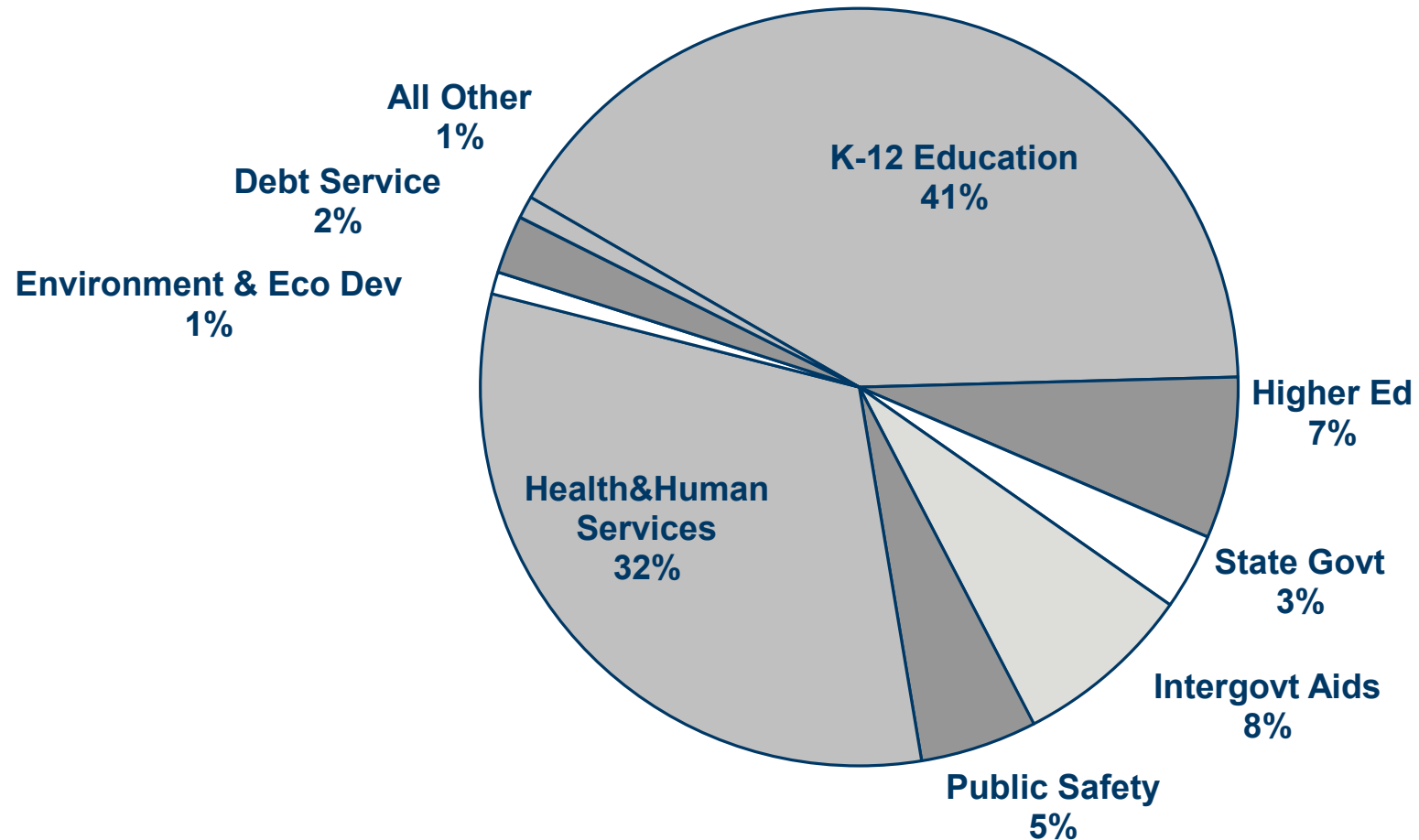
	FY 2018-19	FY 2020-21	FY 2022-23
Beginning Balance	\$3,333	\$3,194	\$??
Revenues	45,409	48,326	50,735
Spending	45,549	47,454	50,279
Gap Between Revenue & Spending	-140	872	456
Balance Forward Before Reserves	3,194	4,067	??
Cash Flow and Budget Reserve	2,425	2,425	2,425
Stadium Reserve	50	98	98
Forecast Budgetary Balance	720	1,544	??

Where the Money Comes From: FY 20 State General Fund Resources \$26.890 Billion



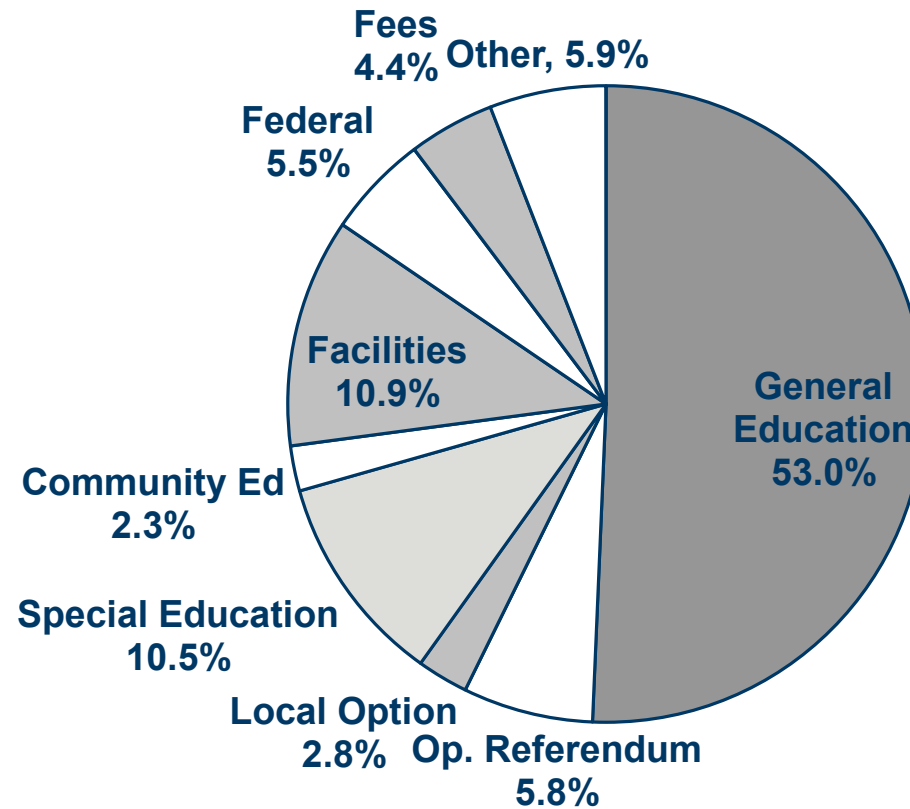
Where the Money Goes

FY 20 State General Fund Spending \$23.570 Billion



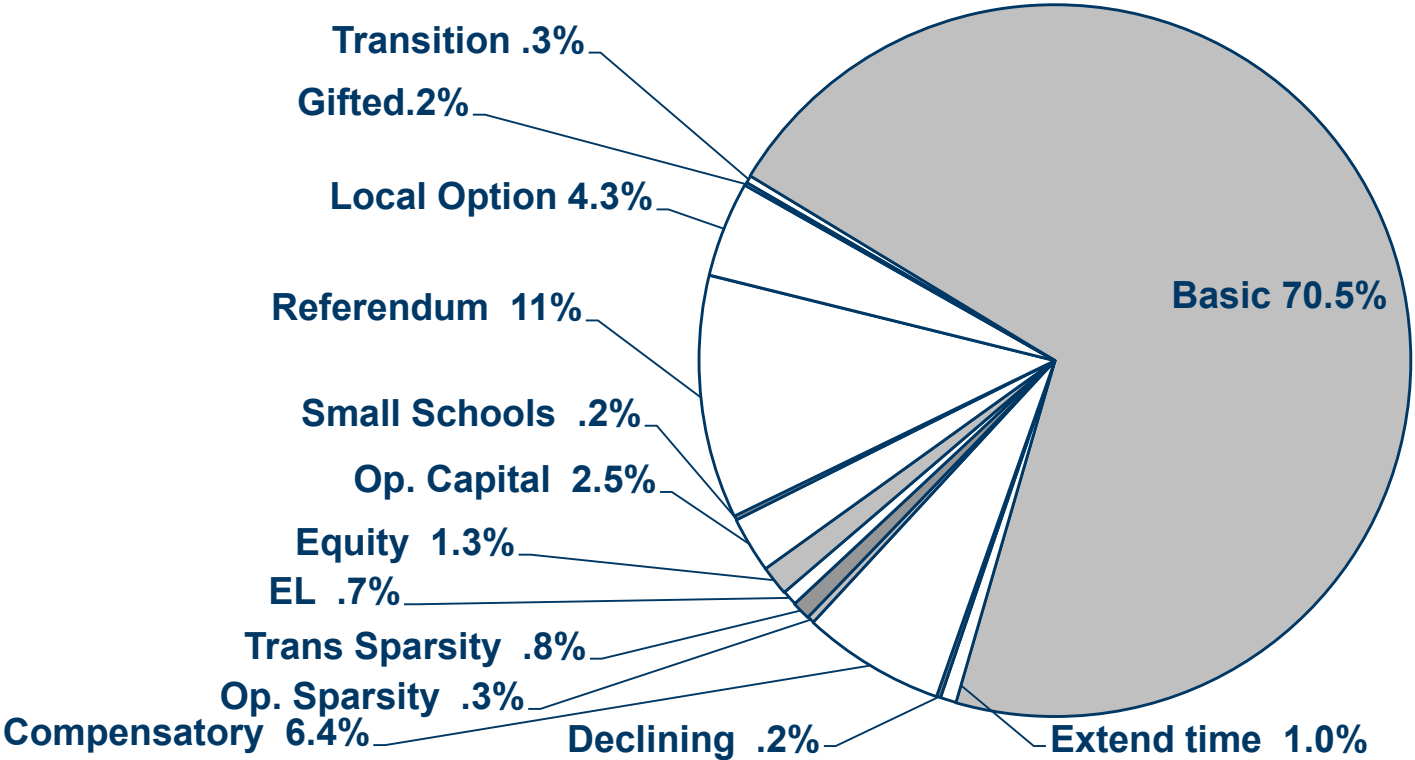
Major Components of the School Finance System

Total Revenue for Schools FY 20: \$14.375 Billion



General Education Revenue by Component

\$8.579 Billion FY 2020



Enrollment and Counting Students

Minnesota's funding is primarily based on the number of students served by each school district and charter school. The next several slides show:

- How Minnesota Counts Pupils;
- Enrollment Trends Over Time;
- Five and 20 Year Changes in Enrollment by District;
- School Enrollment by Region; and
- School Enrollment by Size.

Counting Students

School district funding is primarily based on a weighted, full-time count of students served by the school district.

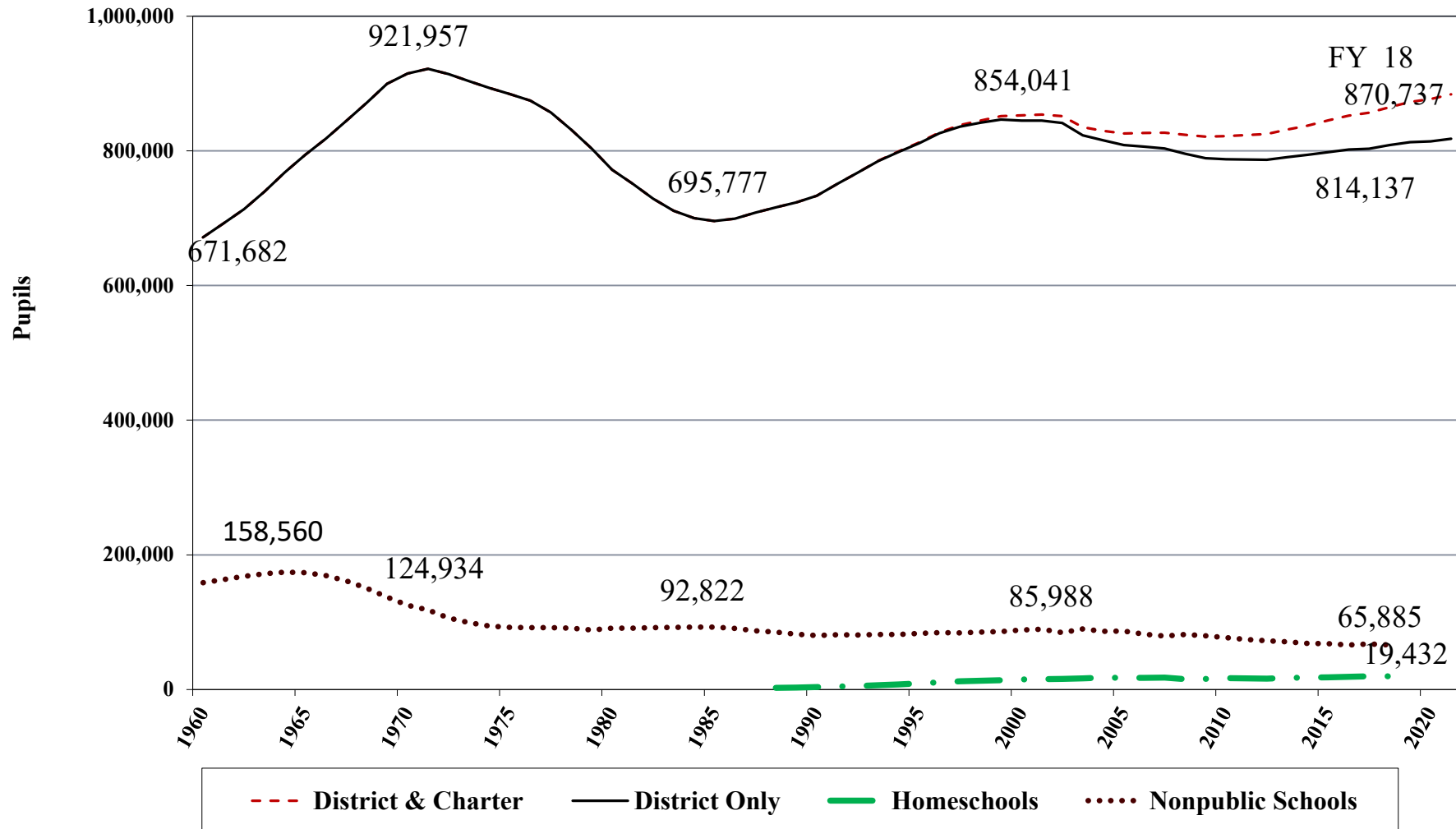
- **Resident pupils** are the students who live within a school district's borders and attend a school district or charter school. The resident count of pupils excludes students who attend nonpublic schools or who are home schooled.
- **Average Daily Membership**—Each district counts pupils for the portion of the year that they attend that school district. This count is called Average Daily Membership (ADM).
- **Adjusted Average Daily Membership (AADM)** adjusts the ADM by excluding students who open enroll to another school district or charter school, and includes students who open enroll into the school district.
- **Adjusted Pupil Units** is the AADM weighted by grade level (secondary students are weighted as 1.2). This count is used for most of Minnesota's school aid formulas.

Pupil Weights by Grade Level

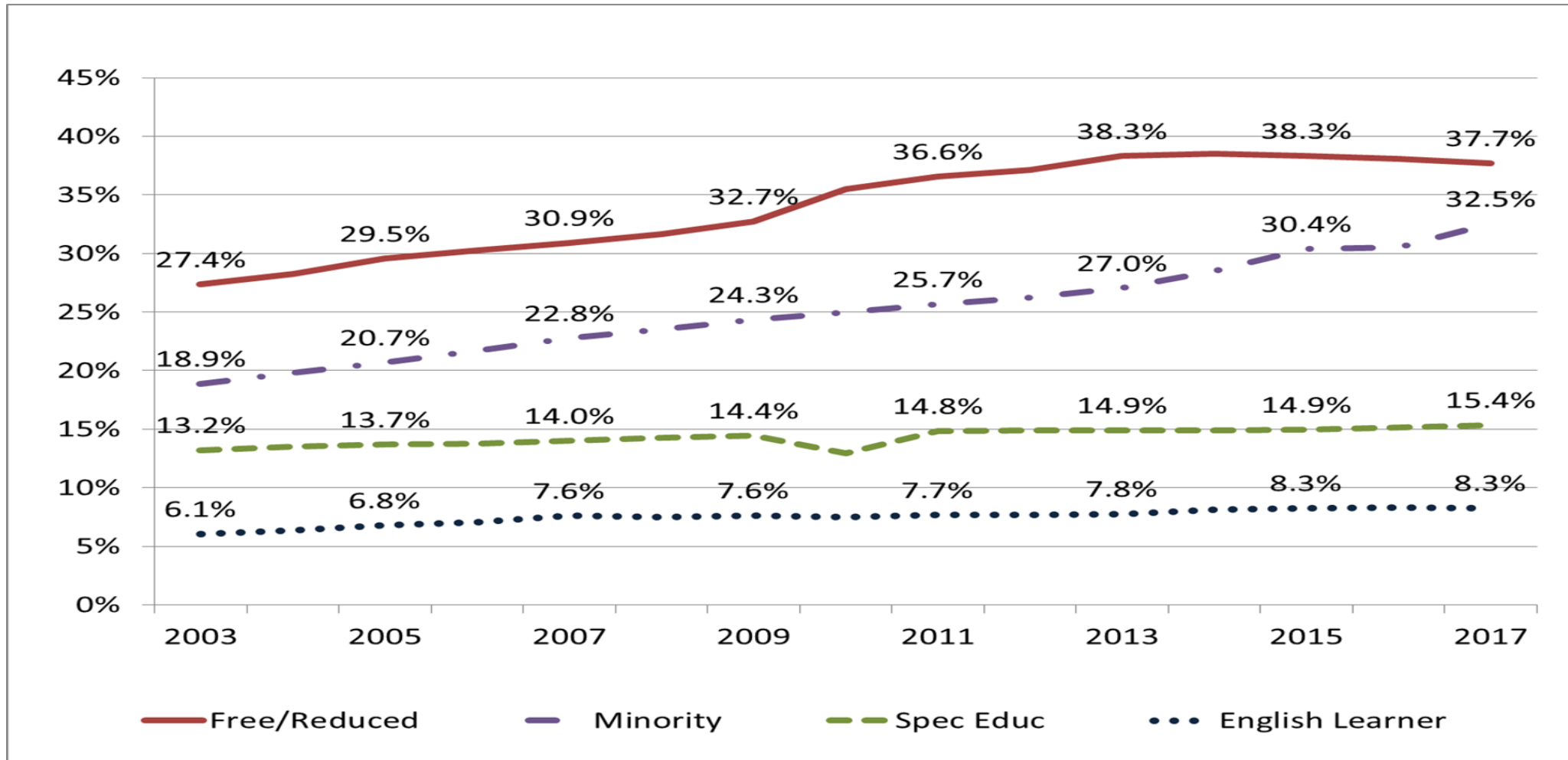
Pupil Weights:

<u>Grade Level</u>	<u>Weight</u>
VPK or SRP(Approved schools)	1.0 (limited to no more than 60% time)
Pre-K Disabled and K Disabled	1.0
Regular K	1.0 Full time/ .55 Part Time
Grades 1-6	1.0
Grades 7-12	1.2
Extended Time Pupils	0.2 (not added to pupil count)

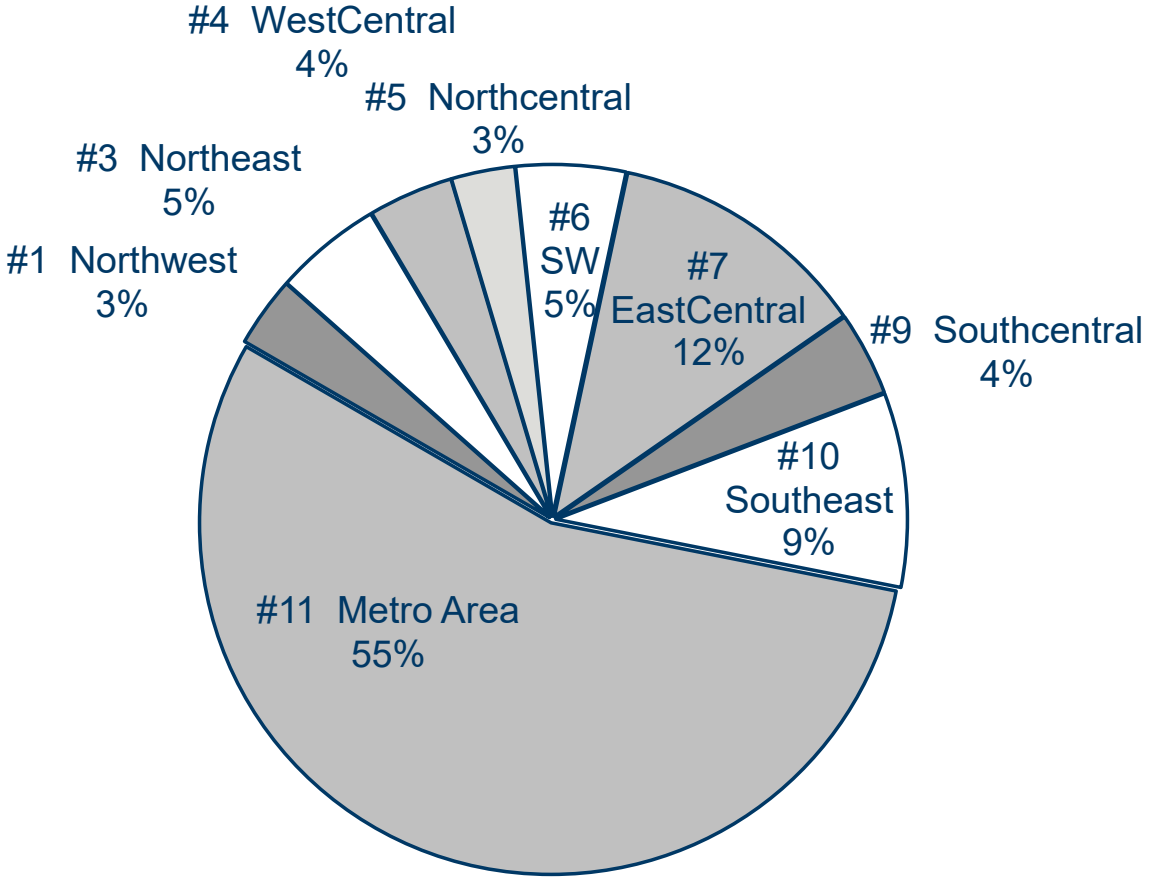
Context: Minnesota School Enrollment State Total Enrollment, 1960 to 2021



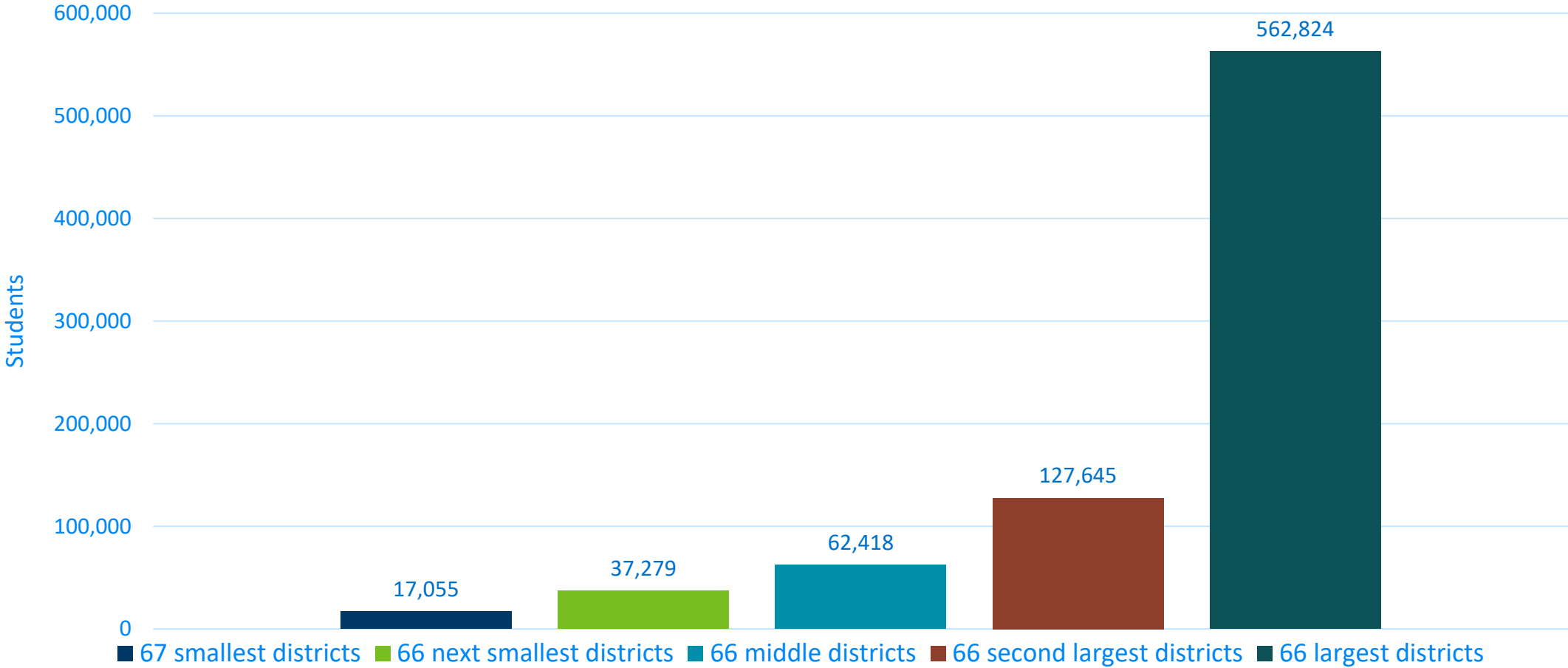
Special Populations as Percent of Public School Enrollment



School Enrollment by Region FY 2018



Percent of Students Enrolled by School District Size Quintile FY 2018



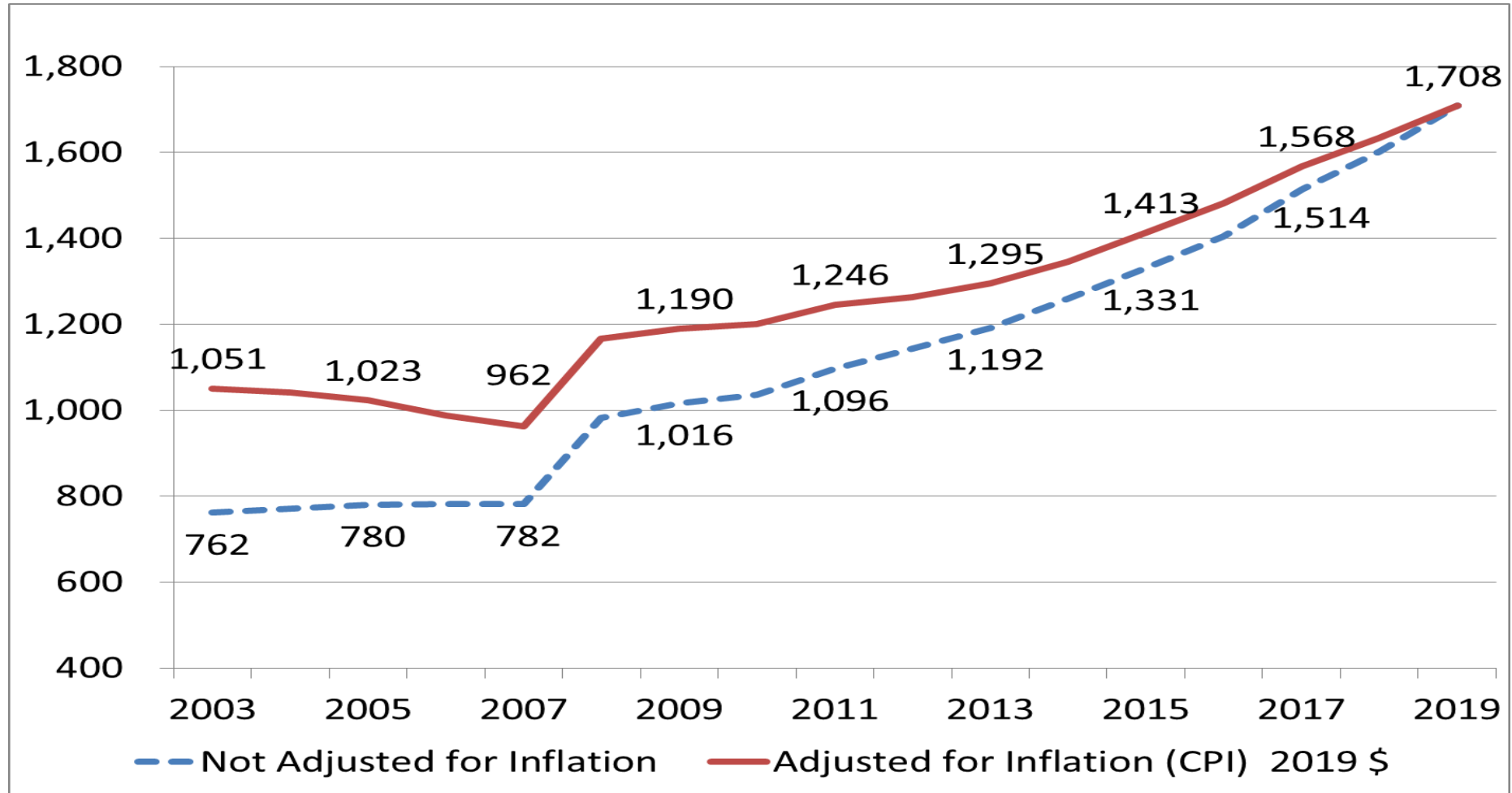
Special Education Funding

Much more detailed information can be found in the MDE July 24, 2018 powerpoint describing Minnesota's special education system. This document shows:

- State special education aid over time;
- The special education cross-subsidy over time; and
- Variation in the cross-subsidy by type of district.

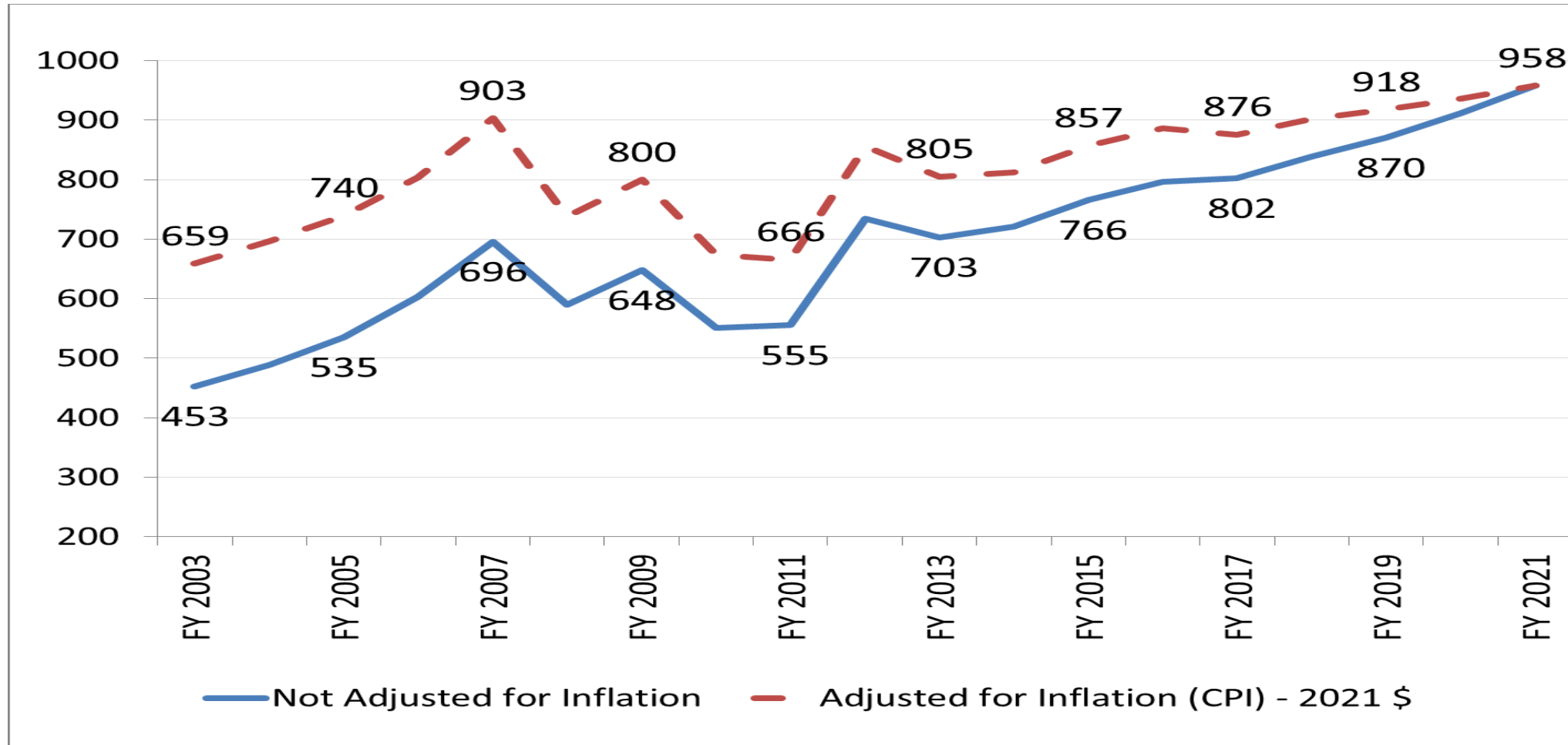
EDUCATION FUNDING TRENDS

State Special Education Aid per Student



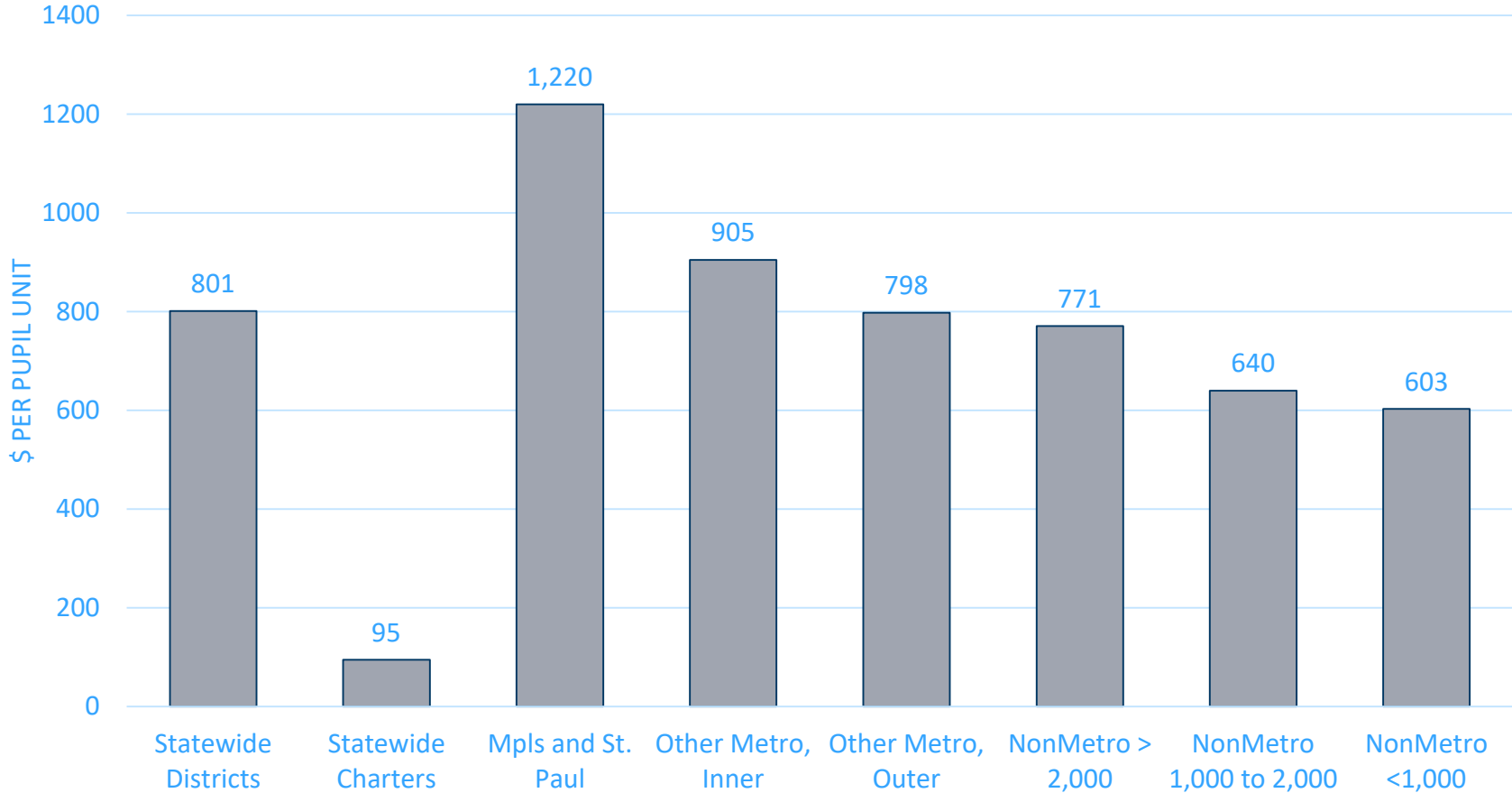
Special Education Cross Subsidy per ADM

November 2017 Forecast Estimates



SPECIAL EDUCATION CROSS SUBSIDY

Per Pupil Unit by District Type, FY 2017



Operating Referendum Revenue

School Districts may seek additional money through an operating referendum.

- A school board may approve up to \$300 of operating referendum without an election. This amount is offset from any other referendum authority previously approved by the voters.
- A school board may hold a November election to approve additional referendum authority. The amount approved is specified on the ballot as an amount per pupil. A referendum cap limits the overall amount of referendum authority. School districts eligible for sparsity revenue are exempt from the cap.
- Referendum revenue is equalized in three tiers.
- The referendum printout shows tax base per pupil, referendum authority, the district's share aid/levy share for each of the three tiers, the overall amount of referendum aid and levy, and the tax impact of the referendum authority on a sample property.

Referendum and Local Optional Revenue per Student

November 2017 Forecast

