

HOUSE RESEARCH

Bill Summary

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Subject: Recognizing cost-of-living differences among school districts
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Overview

School districts receive the bulk of their revenue through the general education program. The vast majority of the revenue available to school districts under this program is through the basic formula allowance. Under current law, the basic formula allowance (\$3,530 per pupil unit for FY 00) is the same for all school districts in the state, regardless of their geographic location.

Some states have built a cost-of-living index into their school funding formulas. The 1989 Legislative Auditor's study provides a great deal of background on cost of living indexes and cost of living differences among Minnesota's 87 counties.

This bill provides an upward adjustment for two years to school districts where the cost of living index calculated by the legislative auditor's 1989 report is above the state average. According to preliminary data, 52 school districts would qualify for additional revenue under this adjustment. The statewide cost would be roughly \$100 million per year. For fiscal years 2002 and later, a school district's basic revenue would be adjusted either upward or downward depending on the ratio of its cost of living index number compared to the state average.

Section

- 1 Cost of living index.** Creates a cost of living index for different regions in the state of Minnesota. Defines the index as a measure of the relative price level of goods and services.
- 2 Basic revenue.** Redefines the general education basic formula allowance as the basic formula allowance (currently \$3,530 for FY 00) times the district's cost of living index number.
- 3 Calculation of cost of living index.** Bases the cost of living index for fiscal years 2000 and 2001 on the relative cost of living difference determined by the legislative auditor in its 1989 report. Sets the index number for each district equal to the district's home county cost of living index number divided by .946 for each district with an index number greater than the state average. Defines the cost of living index for fiscal year 2002 and later as the district's index

number divided by the state average price level.

Requires the department of children, families and learning to determine appropriate regions of the state for fiscal years 2002 and later.

4 **Effective Date.** Makes sections 1 to 3 effective July 1, 1999.