

# HOUSE RESEARCH

## Bill Summary

**FILE NUMBER:** H. F. 740  
**Version:** As Introduced  
**Authors:** Sertich and Others  
**Subject:** Declining Enrollment  
**Analyst:** Tim Strom, 651-296-1886

**DATE:** March 12, 2001

This publication can be made available in alternative formats upon request. Please call 651-296-6753 (voice); or the Minnesota State Relay Service at 1-800-627-3529 (TTY) for assistance. Summaries are also available on our website at: [www.house.mn/hrd](http://www.house.mn/hrd).

---

### Overview

Nearly all of Minnesota's school funding formulas are based on a per pupil formula. The definition of pupils that is used to compute most revenue is called adjusted marginal cost pupil units. There are four steps involved in creating the student count that is used in the K-12 funding formulas.

First, students are counted in average daily membership (ADM). Average daily membership is the count of resident students in the district for the full school year. Students that are present for only part of the year are prorated for their time attending the school. Second, the student count is adjusted to reflect only the students actually served by the district. Third, the student count is weighted by grade level according to the weights set in statute. Finally, to help lessen the impact of declining enrollment on school district budgets, a school district's program funding is based on the greater of: a) its current year adjusted pupil units; or b) the sum of 77% of its current year's adjusted pupil units plus 23% of the previous year's adjusted pupil units.

H. F. 740 increases the revenue for school districts with declining enrollment by setting the marginal cost pupil units equal to 50% of the current year student count and 50% of the prior year's student count. This is equivalent to saying that a school district with declining enrollment is eligible for revenue for one-half, instead of roughly one-quarter of its pupil loss between the two years. Approximately 80% of Minnesota's school districts are facing declining enrollment. According to preliminary data, the aid entitlement cost of this change is roughly \$14 million in FY 02, with costs expected to increase in subsequent years as Minnesota's student enrollment declines at a faster level.

**1 Adjusted pupil units.** Increases the revenue for districts with declining enrollment by changing the definition of adjusted marginal cost pupil units from the sum of 77% of the current year's count plus 23% of the previous year's count to 50% of the current year count plus 50% of the previous year's count.

2 **Resident pupil units.** Increases the referendum revenue for districts with declining enrollment by changing the definition of referendum marginal cost pupil units from the sum of 77% of the current year's count plus 23% of the previous year's count to 50% of the current year count plus 50% of the previous year's count.