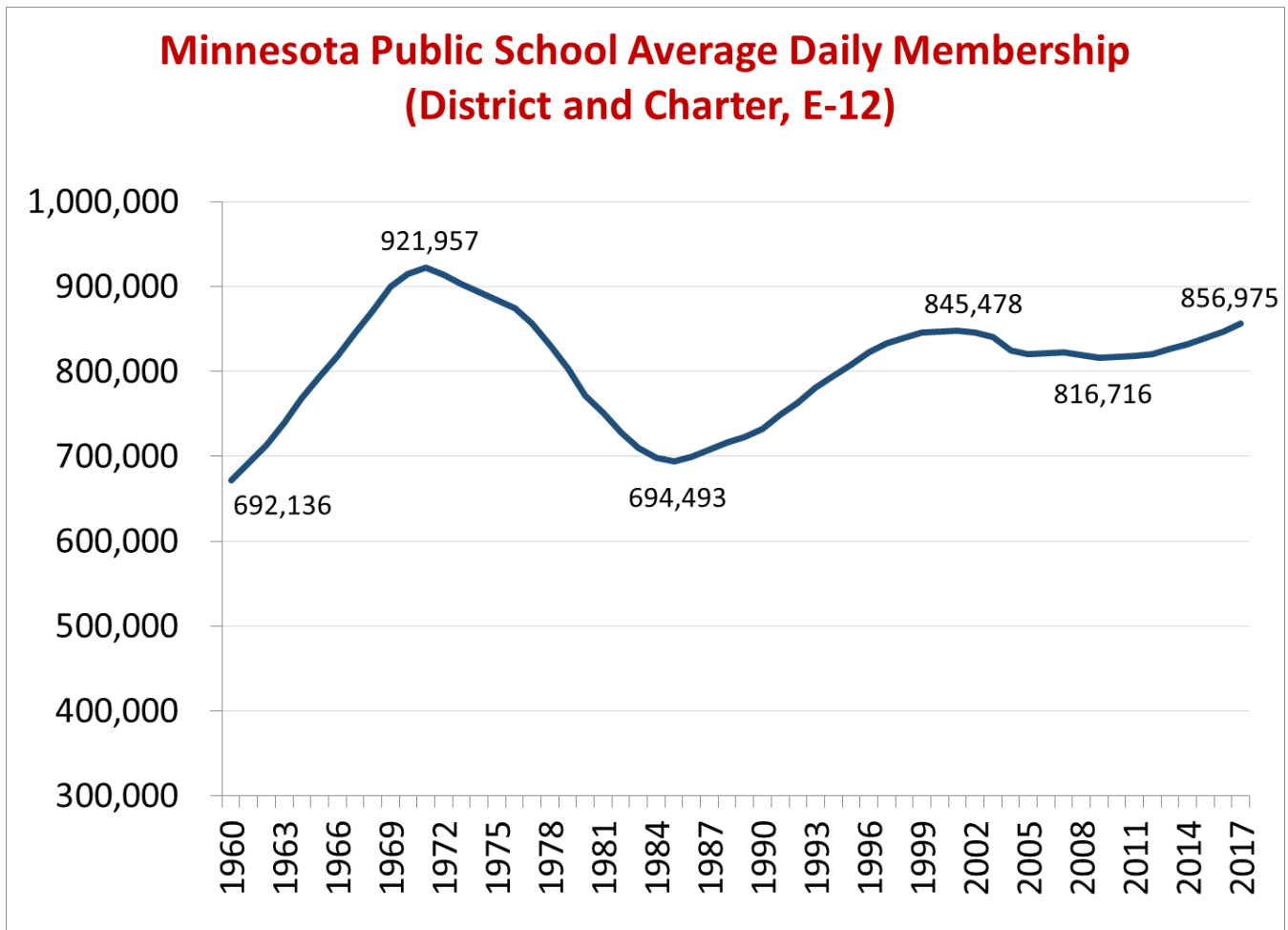


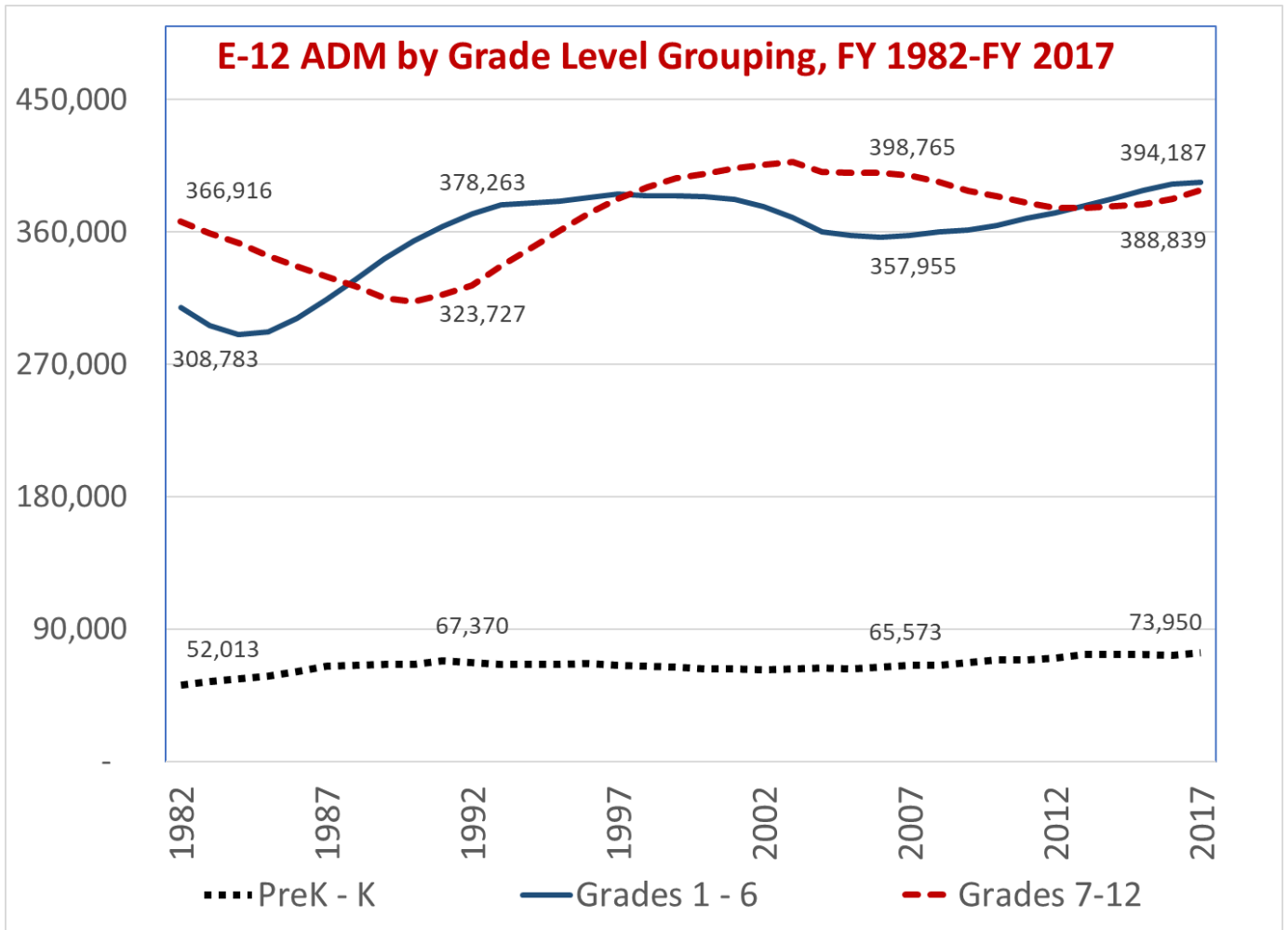
History of Declining Enrollment Adjustments in Minnesota School Finance

Trends in Total Public School Enrollment

Minnesota public schools experienced wide swings in total enrollment between 1960 and 2000 as the baby boom, baby bust and baby boomlet worked their way through the elementary and secondary education system. The chart below shows the state total Average Daily Membership (ADM) in prekindergarten (E) through grade 12 in Minnesota public schools (school districts and charter schools) for Fiscal Year (FY) 1960-FY 2017.



Trends in E-12 ADM by grade level grouping for FY 1982-FY 2017 are shown in the chart below. The mix of elementary and secondary school students has varied over time as enrollment growth and decline makes its way through the grade levels.



History of Declining Enrollment Funding

The swings in public school enrollment have varied widely among districts. Some districts experienced growing enrollment in years when there was a significant reduction in state total enrollment, while others experienced rapid decline in enrollment. Districts with declining enrollment face difficult budget decisions. As enrollment declines, it is difficult to reduce staffing proportionately, especially in smaller school districts where there may be only one class for each elementary grade level in a community and only one section of specialized secondary courses. And, as teacher layoffs are made, the average cost per teacher goes up because of the last in, first out system for teacher layoffs. In addition, fixed costs for building operations and maintenance are difficult to reduce as enrollment declines in the short run.

To address these issues, a variety of declining enrollment funding measures have been enacted in Minnesota law since 1971, as outlined below:

1971 – Funding for declining enrollment initiated. For districts with declining pupil units from the prior year, funding is based on two-year average of pupil units (50 percent of current year and 50 percent of prior year). (Effective for FY 1972-FY 1975.)

1975 – Pupil unit calculation for districts with declining enrollment changed to 60 percent of prior year pupil units plus 40 percent of current year pupil units, except that formula remains two-year average for districts whose boundaries are coterminous with a city of the first class. (Effective for FY 1976-1977.)

1977 – Pupil unit calculation for districts with declining enrollment changed to the greater of: (a) 60 percent of prior year pupil units plus 40 percent of current year pupil units, or (b) three-year average (current year plus two prior years/3). (Effective for FY 1978.)

1978 – Pupil unit calculation for districts with declining enrollment changed to the greater of: (a) 60 percent of prior year pupil units plus 40 percent of current year pupil units, or (b) 3.25-year average (current year plus two prior years plus 25 percent of third prior year/3.25). (Effective for FY 1979.)

1979 –

- Pupil unit calculation for districts with declining enrollment changed to the greater of: (a) 60 percent of prior year pupil units plus 40 percent of current year pupil units, or (b) four-year average (current year plus three prior years/4). (For FY 1980 only.)
- Beginning in FY 1981, declining enrollment pupil units are eliminated and districts receive “Replacement Revenue” based on the amount the district would have received per pupil unit under the FY 1980 formula in FY 1981, adjusted for the change in the formula allowance and change in district pupil units (PU). Replacement revenue is an equalized levy; the equalizing factor was set at 100 percent of the general education equalizing factor (same aid/levy mix as basic revenue).
 - **FY 1982:** $\text{FY 1981 Revenue} / \text{FY 1981 PU} * (\$1,354 / \$1,265) * \text{FY 1982 PU}$
 - **FY 1983:** $\text{FY 1981 Revenue} / \text{FY 1981 PU} * (\$1,416 / \$1,265) * \text{FY 1983 PU}$
 - **FY 1984:** $\text{FY 1981 Revenue} / \text{FY 1981 PU} * (\$1,475 / \$1,265) * \text{FY 1984 PU}$

1983 – Replacement Revenue eliminated. New five-tier formula established, effective FY 1985. No funding specifically for declining enrollment. New formula includes training and experience (T&E) revenue, which correlates with old declining enrollment funding. Fifth tier of new formula is a hold-harmless, guaranteeing all districts they will receive at least a \$25/PU increase over the amount they would have received under the previous formula.

1993 – One-time declining pupil unit aid provided for FY 1994 only equal to 23 percent of the decline in pupil units between FY 1993 and FY 1994 times the FY 1994 basic formula allowance. (Equivalent to the 77 percent minus 23 percent marginal cost pupil unit calculation (see 1999), except that it applied only to the basic formula revenue).

1995 – Separate T&E revenue formula eliminated; \$130 added to basic formula; districts that received more than \$130/PU of T&E revenue receive positive “Transition Revenue;” districts that received less than \$130 receive negative transition revenue, which phases out over five years.

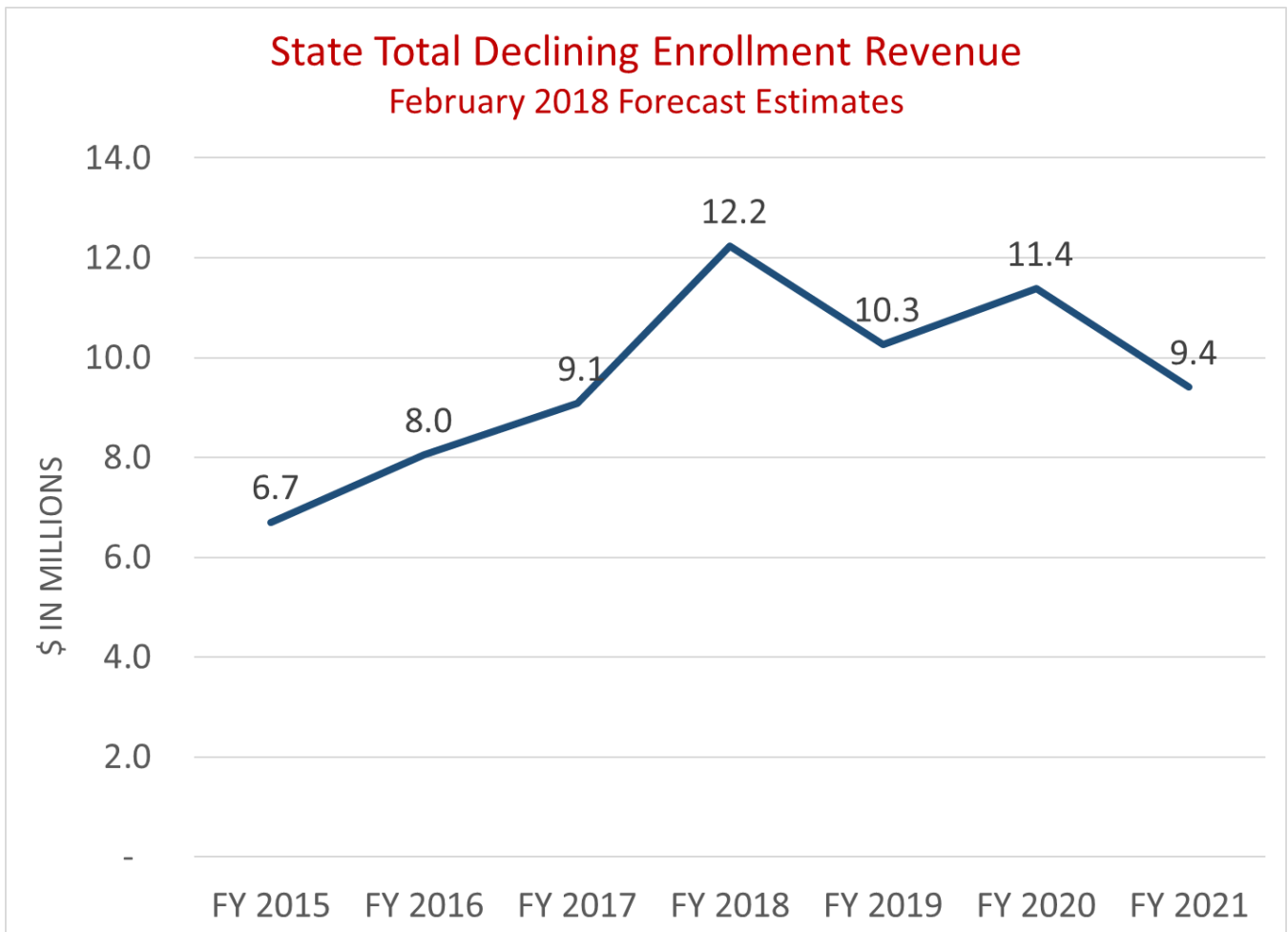
1997 – T&E reestablished as separate funding category; \$130 formula roll-in and T&E portion of transition revenue are eliminated beginning in FY 1999; T&E funding frozen based on FY 1997 data and phases out as teachers employed by the district in FY 1997 leave the district.

1999 – “Marginal cost” pupil units, defined as 90 percent of current year PU and 10 percent of prior year PU, used in general education calculations for all districts, whether pupil units are declining or growing. (Effective for FY 2000.)

2000 – Marginal cost pupil units for districts with declining pupil units changed to 77 percent of current year pupil units plus 23 percent of prior year pupil units. For districts with growing pupil units, 100 percent of current year pupil units are used. (Effective beginning FY 2001.)

2013 – Marginal cost pupil units eliminated. Declining enrollment revenue established, beginning FY 2015. For districts with a decline in adjusted pupil units (pupil units served) from the prior year, declining enrollment revenue equals 28 percent of the general education formula allowance times the reduction in adjusted pupil units between the prior year and the current year.

The state total declining enrollment revenue (in millions) for each year of the current declining enrollment formula is shown in the graph below.



The average declining enrollment revenue per student in ADM varies significantly by district type, as shown in the chart below for FY 2017, the last year for which final data are available.

