Minnesota Department of Education

K-12 EDUCATION

FINANCE OVERVIEW

2011-2012

Division of School Finance
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I. CONTEXT FOR SCHOOL FINANCE

A. Legal Context

1. Minnesota Constitution, Article 13, Section 1

…it is the duty of the legislature to establish a general and uniform system of public schools. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.

2. Minnesota Supreme Court, *Skeen v. State of Minnesota*, August 20, 1993

…education is a fundamental right in Minnesota. However, the current system of state educational finance satisfies that fundamental right, particularly where all plaintiff districts are provided with an adequate level of education which meets or exceeds the state's basic educational requirements and where the districts are given sufficient funding to meet their basic needs…

…our decision …requires the state to provide enough funds to ensure that each student receives an adequate education and that funds are distributed in a uniform manner…

…the State of Minnesota provides an adequate and uniform education which meets all state standards. It merely allows localities to augment this basic amount…

…the determination of education finance policy, in the absence of glaring disparities, must be a legislative decision because it involves balancing the competing interests of equality, efficiency, and limited local control…

B. Minnesota Education Finance Terms

1. Fiscal Year

a. The school district fiscal year runs from July 1 through June 30. FY 2012 begins July 1, 2011 and ends June 30, 2012.

b. With certain exceptions, the property tax levy certified in 2010 for taxes payable in 2011 is recognized as revenue in FY 2012.

2. Pupil Accounting

a. Average Daily Membership (ADM) = The average number of pupils enrolled in the school district throughout the school year

$$= \frac{\text{Number of Pupil-Days Enrolled}}{\text{Total Days in School Year}}$$

Since FY 2004, regular ADM has been limited to 1.0 for each student. Students served more than full-time in a learning year program generate additional ADM, not to exceed 0.2 ADM per student, which is used only for the calculation of extended time revenue.

b. Resident Weighted ADM Pupil Units (WADM) = Resident ADM X Pupil Weight

Pupil weights by grade level are as follows:

Pre-K	1.250
K-Disabled	1.000
Regular K (beginning FY 08)	.612
Grades 1-3	1.115
Grades 4-6	1.060
Secondary (Grades 7-12)	1.300

c. Adjusted Pupil Units
= Resident WADM
\+ WADM of nonresidents attending the district under alternative attendance programs (e.g., open enrollment)
\- WADM of residents attending another district under alternative attendance programs

Beginning in FY 2000, most components of general education revenue are computed using Adjusted Marginal Cost Pupil Units (AMCPU). The exception is referendum revenue, which is computed using resident marginal cost pupil units.

d. AMCPU = Greater of:
Current Year Adjusted Pupil Units or
(.77 X Current Year Adjusted Pupil Units
+.23 X Prior Year Adjusted Pupil Units)

3. Tax Capacity

a. Taxable Market Value = Estimated Market Value – Market Value Exclusion

b. Market value exclusion = 40% of first $76,000 of value, less 9% of value over $76,000 (no exclusion for homes valued at $413,800 or above)

c. Tax Capacity = Taxable Market Value X Class Rate

d. Class Rate = Statutory percentage applied to taxable market value to determine tax capacity

Example class rates (Taxes Payable in 2011)

Residential Homestead (and Agricultural Homestead – house, garage and one acre)	
First $500,000	1.00%
Remainder	1.25%
Remainder of Agricultural Land and Buildings (homestead)	
First $1,140,000	0.50%
Over $1,140,000	1.00%
Agricultural Land and Buildings (non-homestead)	1.00%
Commercial and Industrial	
First $150,000	1.50%
Remainder	2.00%
Seasonal Recreational Residential	
First $500,000	1.00%
Remainder	1.25%

e. Sales Ratio = Estimated Market Value / Actual Sales Price

(Computed by State Revenue Department based on comparison of assessor's estimates of market values with actual sales prices.)

f. Adjusted Net Tax Capacity = Net Tax Capacity / Sales Ratio

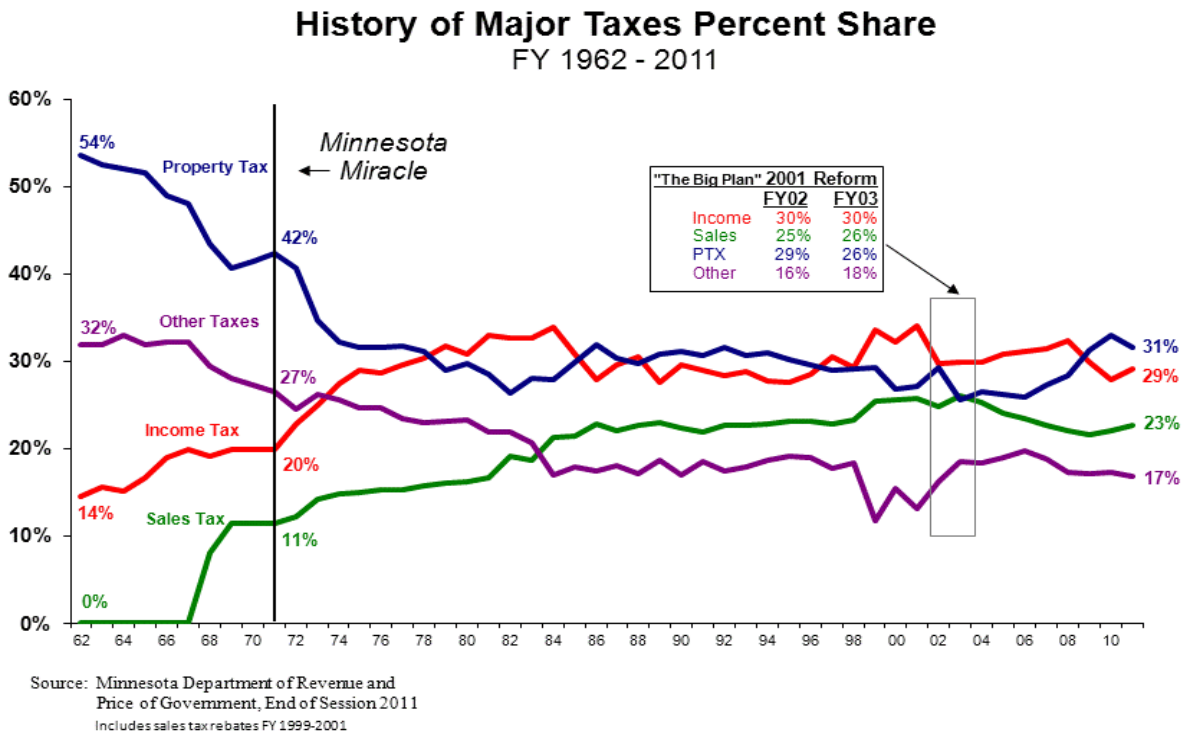
4. Referendum Market Value

Referendum market value, used only for operating referendum, transition and equity levy calculations, equals the estimated market value of property, excluding the following property classes:

- Agricultural Land and Buildings
  *(Note: house, garage, and one acre are **not** exempt)*
- Seasonal Recreational Residential

C. Minnesota Public Finance System

1. Combined State and Local Tax Revenues



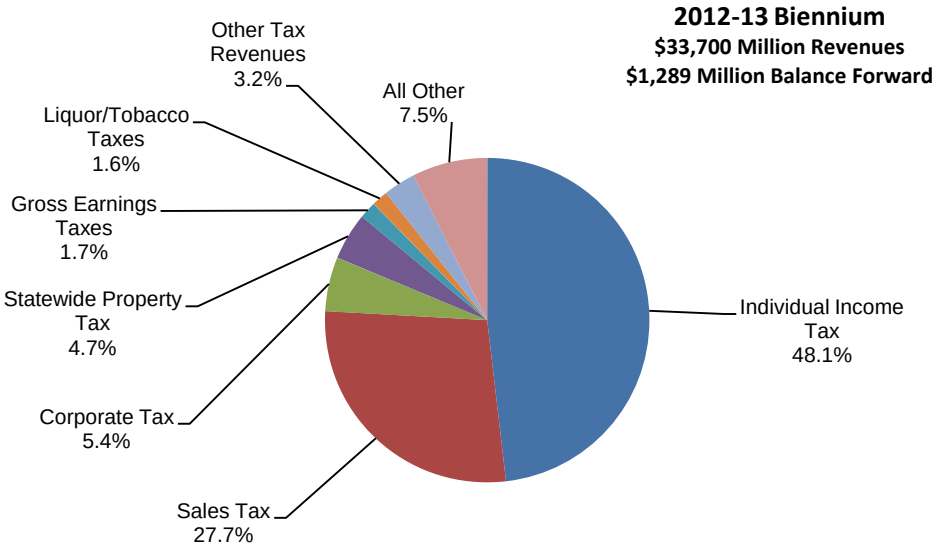
Fiscal Year	Income Tax	Sales and MVET	Property**	Other*
1966	18.9%	0.0%	49.0%	32.1%
1969	19.8%	11.5%	40.6%	28.1%
1972	22.7%	12.1%	40.7%	24.5%
1975	29.0%	14.9%	31.5%	24.6%
1978	30.3%	15.7%	31.1%	22.9%
1981	33.0%	16.7%	28.4%	21.8%
1984	33.9%	21.2%	27.9%	17.0%
1987	29.6%	22.0%	30.3%	18.0%
1990	29.5%	22.3%	31.2%	17.0%
1993	28.8%	22.7%	30.7%	17.9%
1996	28.4%	23.1%	29.5%	18.9%
1999	33.6%	25.3%	29.3%	11.7%
2002	29.7%	24.7%	29.3%	16.2%
2005	30.8%	24.0%	26.1%	19.0%
2008	32.4%	22.1%	28.3%	17.2%
2009	29.9%	21.6%	31.3%	17.1%
2010	27.8%	22.0%	32.9%	17.3%
2011	29.0%	22.6%	31.5%	16.8%

* Other includes taconite production, gross earnings on utility companies, tobacco, liquor, motor fuels, estate, vehicle registration, insurance premiums, etc.

** Before Property Tax Refund

Source: Department of Revenue, Price of Government Data, 2011 End of Session

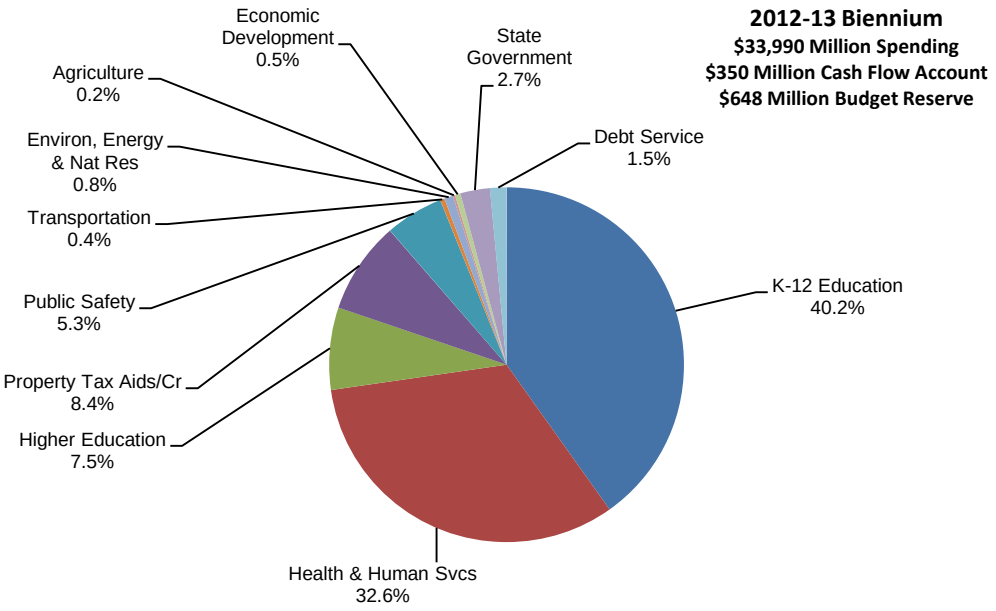
2. Where the General Fund Dollars Come From – November 2011 Forecast



	$ in Millions
Balance Forward 6-30-11	**$ 1,289**
Non-Dedicated Revenues:	
Individual Income Tax	16,214
Sales Tax	9,339
Corporate Tax	1,825
Statewide Property Tax	1,581
Gross Earnings Taxes	585
Liquor, Wine, Beer Taxes	161
Cigarette and Tobacco Taxes	386
Other Tax Revenues	1,090
All Other Revenues	1,451
Subtotal Non-Dedicated Revenues	32,633
Dedicated Revenue	1
Transfers from Other Funds	1,016
Prior Year Adjustments	50
SUBTOTAL CURRENT RESOURCES	33,700
TOTAL AVAILABLE RESOURCES – FY 2012-13	**$ 34,989**
Less: Estimated Expenditures	33,990
Cash flow Account	350
Budget Reserve	648
Projected General Fund Balance 6-30-13 November 2011 Forecast	$ 0

Source: Minnesota Management & Budget – December 1, 2011

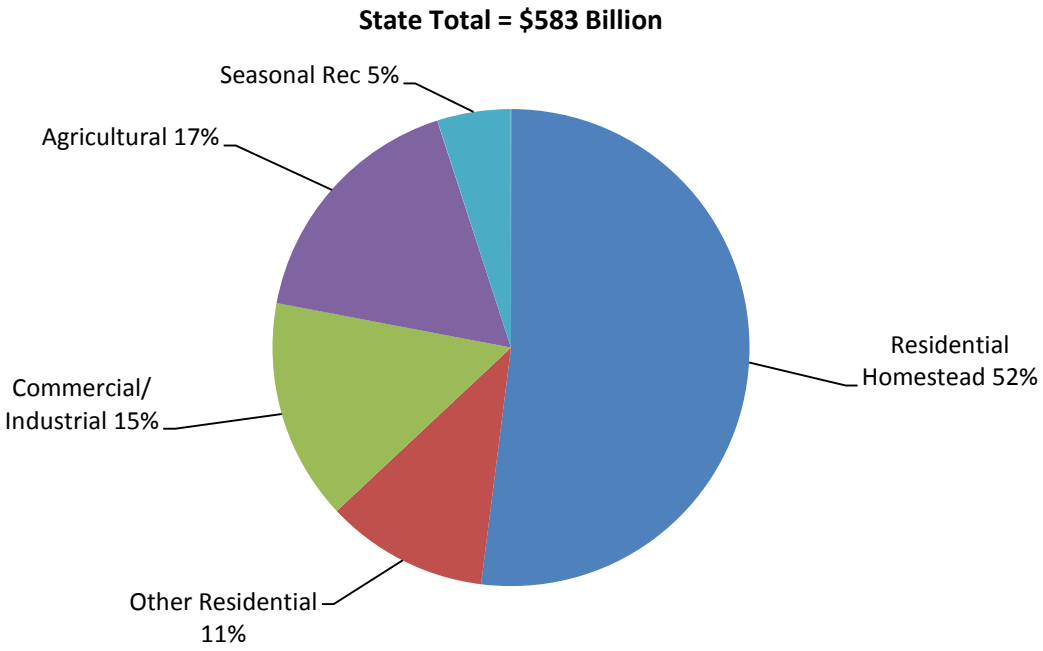
3. Where the General Fund Dollars Go – November 2011 Forecast



	$ in Millions
Total Available Resources – FY 2012-13	**$ 34,989**
Omnibus Bills:	
K-12 Education	14,520
K-12 Ptx Rec/Aid Payment Shift	(867)
Health and Human Services	11,064
Higher Education	2,566
Property Tax Aids and Credits	2,839
Public Safety	1,815
Transportation	126
Environment, Energy and Natural Resources	258
Agriculture	80
Economic Development	177
State Government	913
Debt Service	474
Capital Projects and Other	45
Estimated Cancellations	(20)
Subtotal – Omnibus Bills	33,989
Dedicated Expenditures	2
TOTAL ESTIMATED EXPENDITURES – FY 2012-13	**$ 33,990**
Cash Flow Account	350
Budget Reserve	648
Projected General Fund Balance 6-30-13	
November 2011 Forecast	$ 0

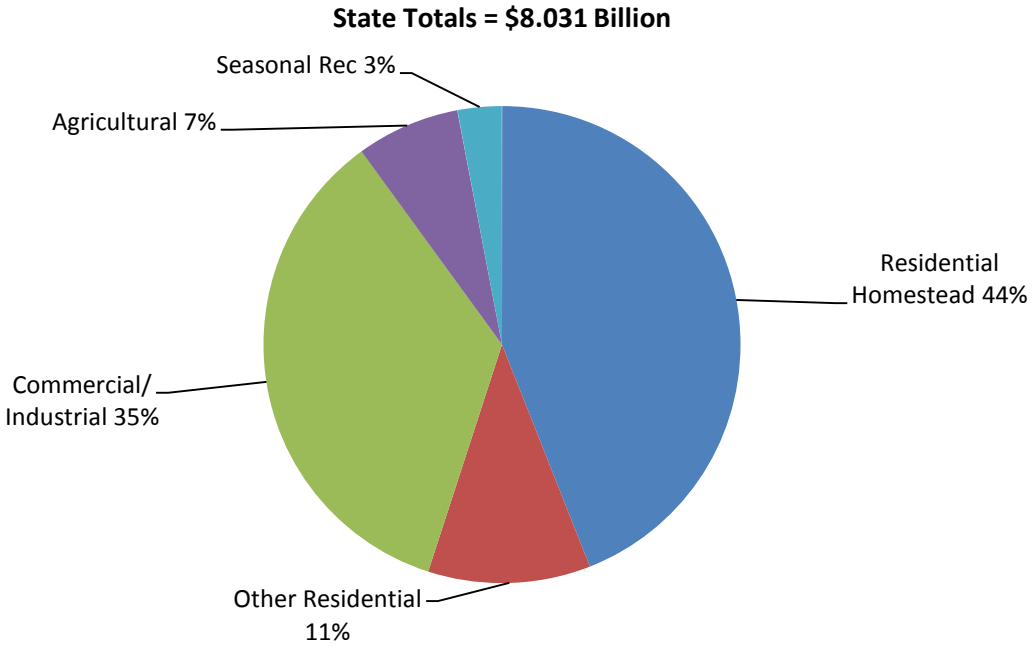
Source: Minnesota Management & Budget – December 1, 2011

4. Payable 2011 Market Value by Use Class



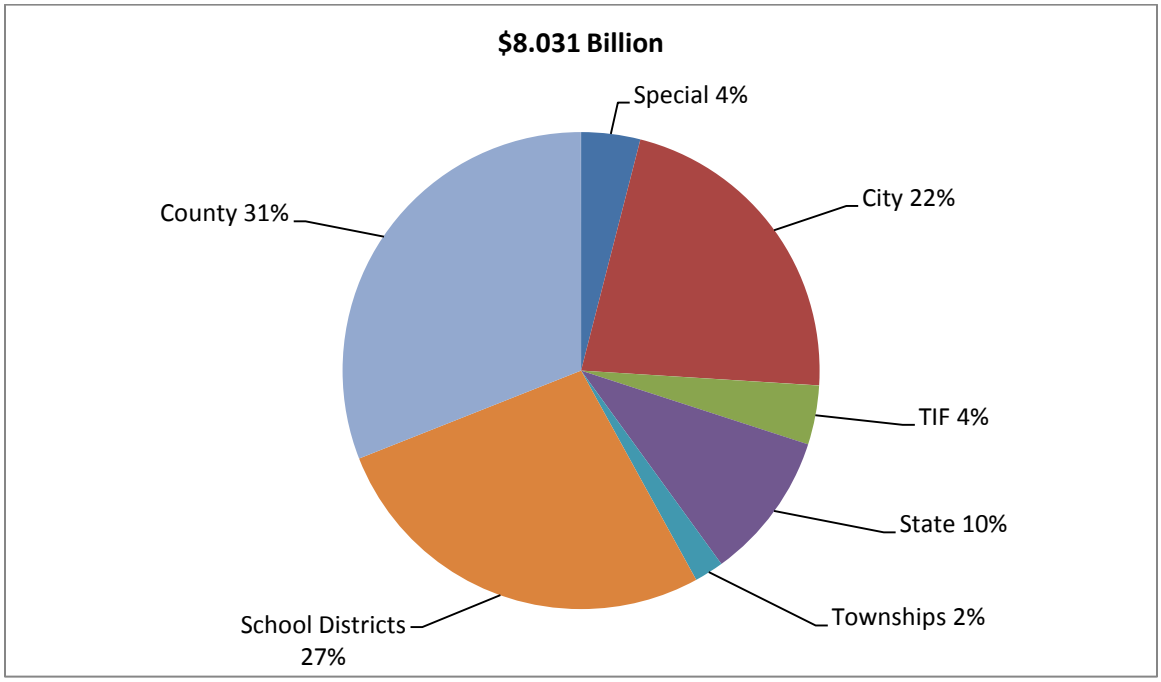
Source: House Research Department

5. Payable 2011 Net Property Tax by Use Class

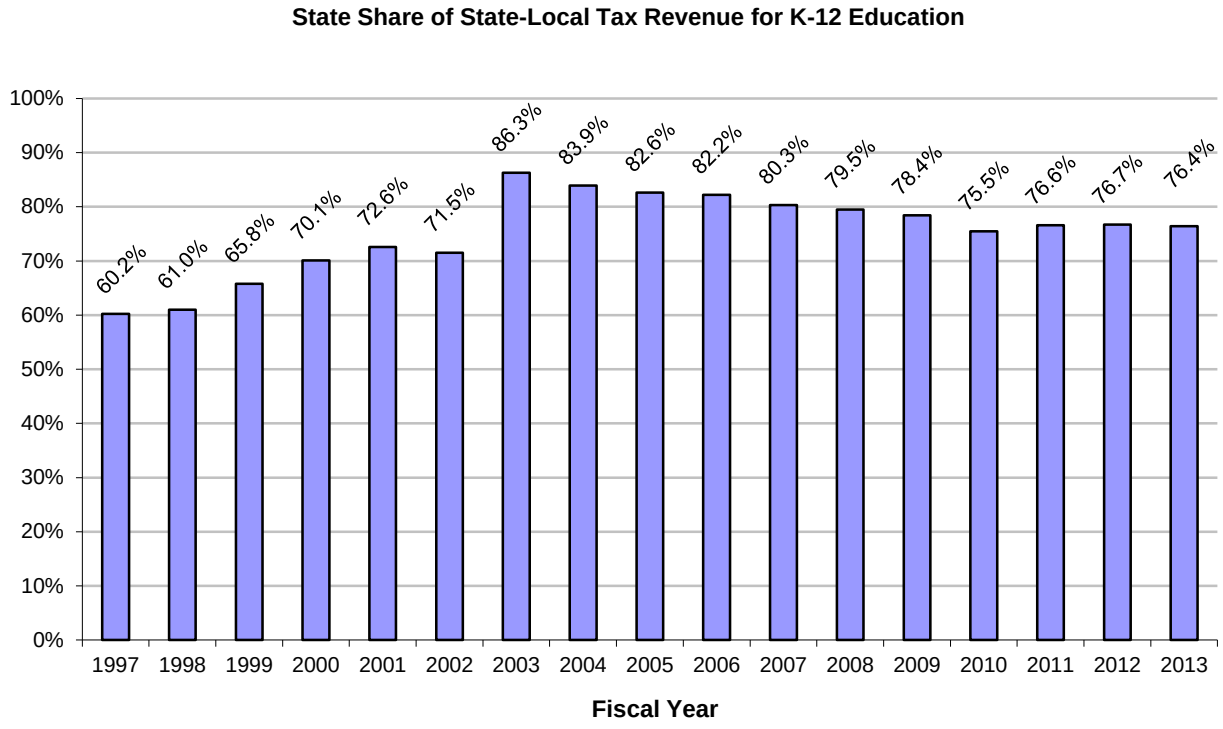


Source: House Research Department

6. Payable 2011 Property Tax Levy by Type of Government After Credits



Source: House Research Department



Source: MDE, Price of Government Data, November 2011 Forecast

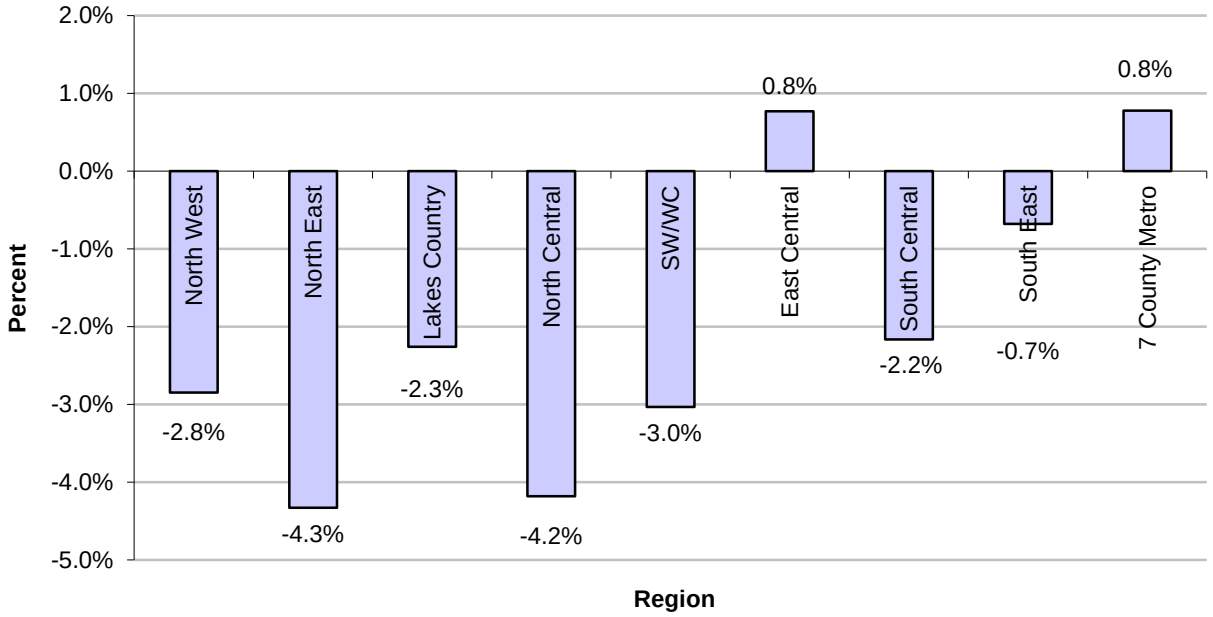
D. Characteristics of School Districts

Number of School Districts by Adjusted 2010-11 Average Daily Membership Group

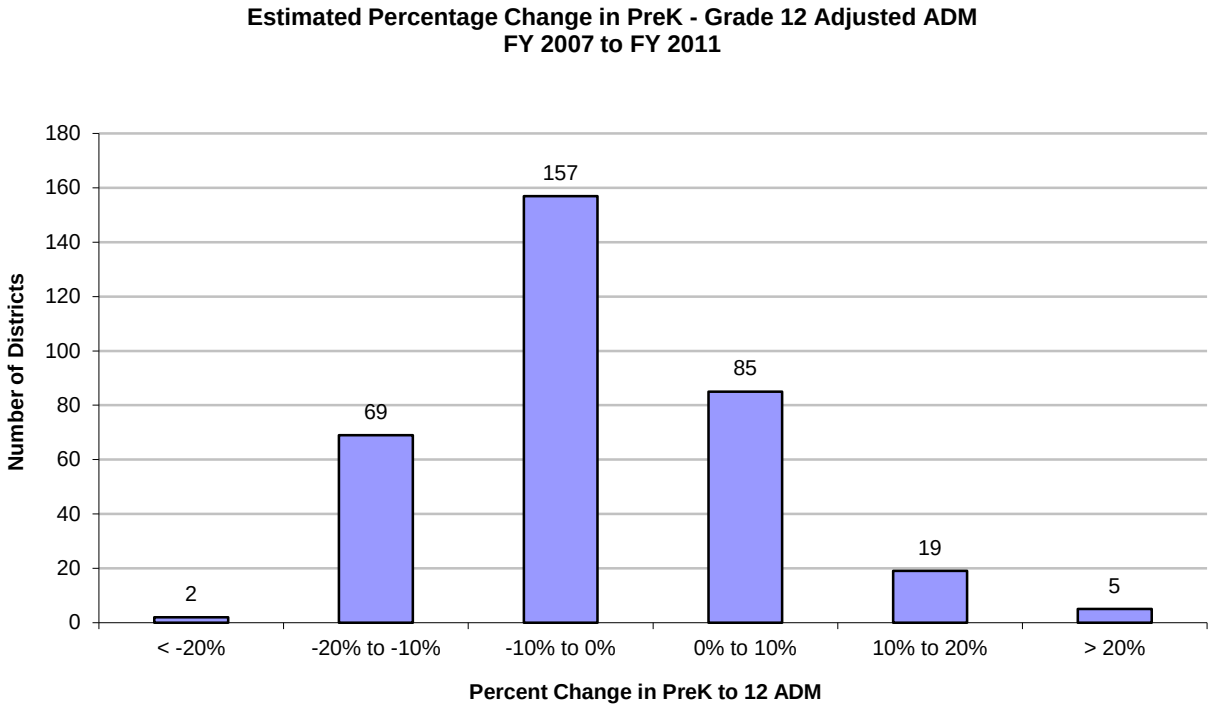
ADM Group	No. of Districts	Total ADM	% of Total ADM
0-299	46	8,744	1.1%
300-999	135	82,260	10.5%
1,000-2,999	91	147,147	18.8%
3,000-9,999	52	286,783	36.6%
10,000 +	13	257,727	32.9%
Total	337	782,661	100.0%

Source: MDE, FY 2011 Final MARSS Data
Note: Excludes Charter Schools

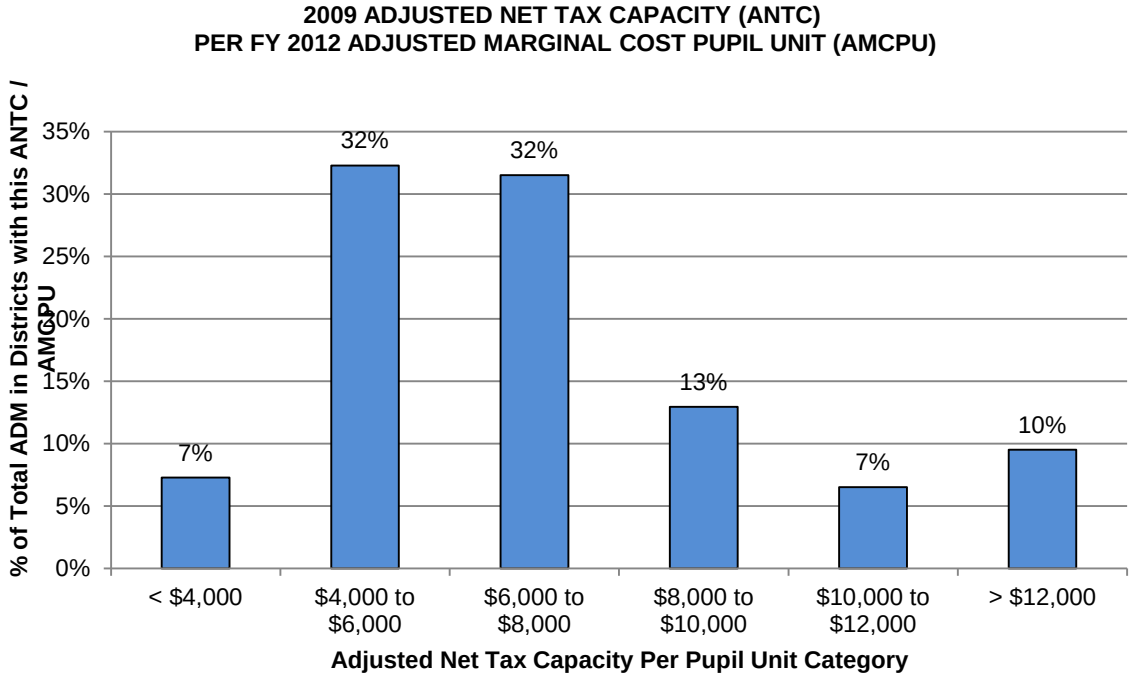
School District Adjusted ADM Percent Change by Region FY 2007 to FY 2011



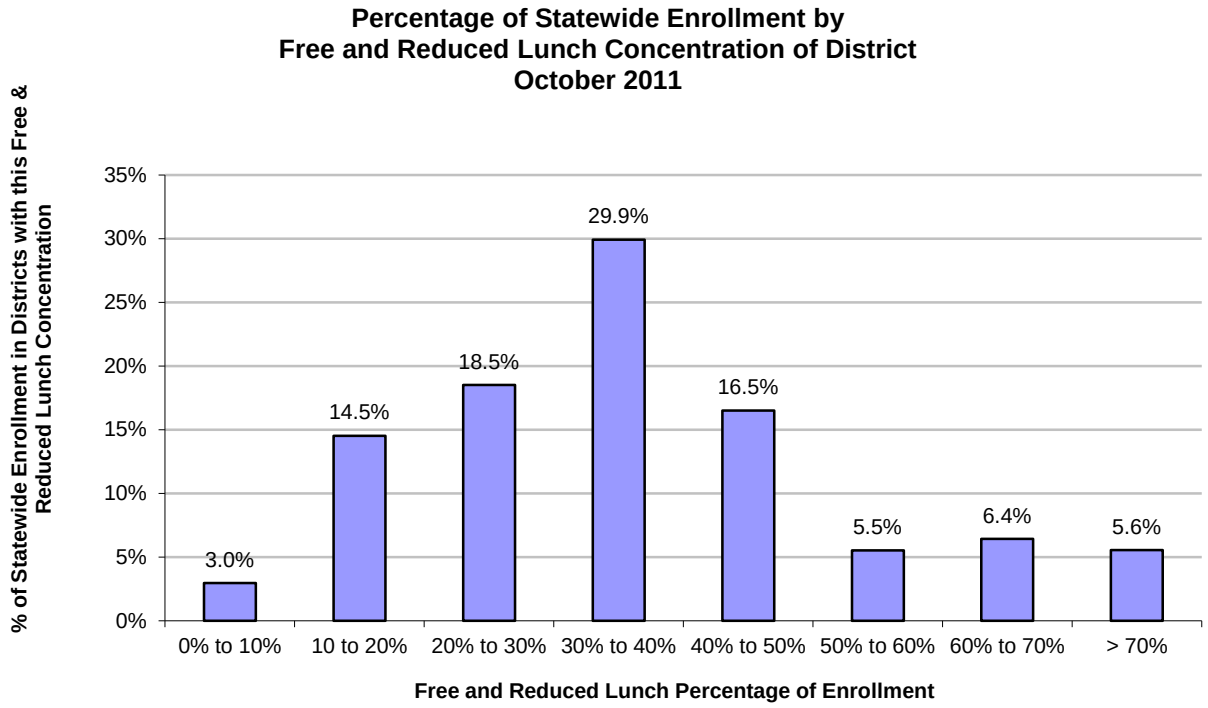
Source: MDE, Final MARSS Data
Note: Includes Charter Schools



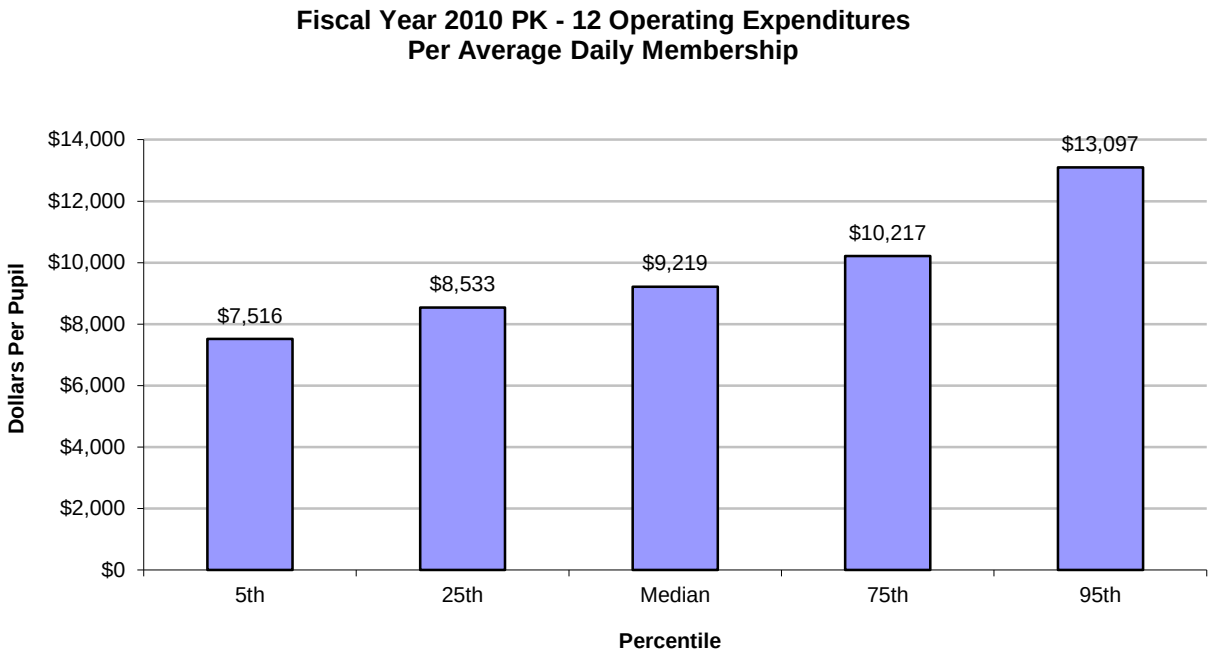
ADM capped at 1.0
Excludes Charter Schools
Source: MDE, Final MARSS Data



Source: MDE, November 2011 Forecast Data



Excludes Charter Schools and Coops



Source: MDE, School District Profiles
Excludes OPEB except Pay-As-You-Go
Excludes Charter Schools

School District General Fund Revenue – FY 2003-2013*
(State Aids and Property Taxes including Operating Referendum Revenue)

Current $, Not Adjusted for Inflation

	Total $ in Millions								Pupils	Current $ per Pupil, Not Adjusted for Inflation				
	State Aids***				Local Property Tax Levies			Total						
Fiscal Year	Education Aid Entitlement	Tax Credits	Gen Fund Tax Shift Adj to Aids	State Aid Revenue	Levy After Tax Credits	Levy Recog. Early to Offset Aid Loss	Levy Revenue	State Aid + Levy Revenue	Unweighted ADM*** 1.0 limit	State Aid Revenue	Levy Revenue	State Aid + Levy Revenue	Annual Percent Increase	Cumulative Percent Increase
2003	5,955.8	29.4	-	5,985.2	466.7	-	466.7	6,451.9	836,579	7,154	558	7,712	n/a	n/a
2004	5,919.4	26.9	(204.4)	5,741.9	607.7	204.4	812.1	6,554.0	829,832	6,919	979	7,898	2.4%	2.4%
2005	5,888.6	25.4	(18.7)	5,895.3	689.2	18.7	707.9	6,603.2	825,843	7,139	857	7,996	1.2%	3.7%
2006	6,121.7	23.9	223.1	6,368.7	730.6	(223.1)	507.5	6,876.2	826,543	7,705	614	8,319	4.0%	7.9%
2007	6,310.8	25.4	-	6,336.2	923.6	-	923.6	7,259.8	827,197	7,660	1,117	8,776	5.5%	13.8%
2008	6,646.0	24.8	-	6,670.8	1,036.4	-	1,036.4	7,707.2	823,755	8,098	1,258	9,356	6.6%	21.3%
2009	6,748.1	23.9	-	6,772.0	1,159.1	-	1,159.1	7,931.1	821,021	8,248	1,412	9,660	3.2%	25.3%
2010****	6,650.2	23.3	-	6,673.5	1,247.7	-	1,247.7	7,921.2	821,923	8,119	1,518	9,637	-0.2%	25.0%
2011	6,768.8	23.2	(492.9)	6,299.1	1,275.0	492.9	1,767.9	8,067.0	823,753	7,647	2,146	9,793	1.6%	27.0%
2012	6,934.5	24.2	(9.2)	6,949.5	1,284.5	9.2	1,293.7	8,243.2	828,515	8,388	1,561	9,949	1.6%	29.0%
2013	7,221.5	4.6	(24.3)	7,201.8	1,343.3	24.3	1,367.6	8,569.4	836,093	8,614	1,636	10,249	3.0%	32.9%

* Community service, debt service and food service are excluded. Federal aids and local nontax revenues also excluded.
** Adjusted for inflation using Consumer Price Index; inflation adjustment factors are consistent with November 2011 Forecast.
*** Shown on 100% of annual entitlement basis – reflects school district revenue recognition.
****FY 2010 includes $500 million federal stabilization funds offsetting a state aid decrease of the same amount.

Source: MDE, Division of School Finance, District Revenue Tables, November 2011 Forecast

School District General Fund Revenue – FY 2003-2013*
(State Aids and Property Taxes including Operating Referendum Revenue)

Adjusted for Inflation Using Consumer Price Index (CPI)

	Inflation Adjustment		Total $ in Millions, Adjusted for Inflation (2011 Dollars)								Pupils	$ per Pupil, Adjusted for Inflation (2011 Dollars)				
			State Aids***				Local Property Tax Levies			Total						
Fiscal Year	Annual CPI Increase	CPI Adjust to 2011 $	Education Aid Entitlement	Tax Credits	Gen Fund Tax Shift Adj to Aids	State Aid Revenue	Levy After Tax Credits	Levy Recog. Early to Offset Aid Loss	Levy Revenue	State Aid + Levy Revenue	Unweighted ADM*** 1.0 limit	State Aid Revenue	Levy Revenue	State Aid + Levy Revenue	Annual Percent Increase	Cumulative Percent Increase
2003	2.2%	1.2139	7,230.0	35.7	-	7,265.7	566.5	-	566.5	7,832.2	836,579	8,685	677	9,362	n/a	n/a
2004	2.2%	1.1880	7,032.1	32.0	(242.8)	6,821.2	721.9	242.8	964.8	7,786.0	829,832	8,220	1,163	9,383	0.2%	0.2%
2005	3.0%	1.1533	6,791.5	29.3	(21.6)	6,799.2	794.9	21.6	816.4	7,615.7	825,843	8,233	989	9,222	-1.7%	-1.5%
2006	3.8%	1.1111	6,801.6	26.6	247.9	7,076.1	811.7	(247.9)	563.9	7,640.0	826,543	8,561	682	9,243	0.2%	-1.3%
2007	2.6%	1.0830	6,834.5	27.5	-	6,862.0	1,000.2	-	1,000.2	7,862.3	827,197	8,296	1,209	9,505	2.8%	1.5%
2008	3.7%	1.0444	6,940.8	25.9	-	6,966.7	1,082.4	-	1,082.4	8,049.1	823,755	8,457	1,314	9,771	2.8%	4.4%
2009	1.4%	1.0299	6,949.9	24.6	-	6,974.5	1,193.8	-	1,193.8	8,168.3	821,021	8,495	1,454	9,949	1.8%	6.3%
2010****	1.0%	1.0198	6,782.1	23.8	-	6,805.9	1,272.5	-	1,272.5	8,078.3	821,923	8,280	1,548	9,829	-1.2%	5.0%
2011	2.0%	1.0000	6,768.8	23.2	(492.9)	6,299.1	1,275.0	492.9	1,767.9	8,067.0	823,753	7,647	2,146	9,793	-0.4%	4.6%
2012	2.7%	0.9736	6,751.6	23.6	(9.0)	6,766.2	1,250.6	9.0	1,259.6	8,025.7	828,515	8,167	1,520	9,687	-1.1%	3.5%
2013	1.3%	0.9610	6,940.2	4.4	(23.4)	6,921.3	1,291.0	23.4	1,314.3	8,235.6	836,093	8,278	1,572	9,850	1.7%	5.2%

* Community service, debt service and food service are excluded. Federal aids and local nontax revenues also excluded.
** Adjusted for inflation using Consumer Price Index; inflation adjustment factors are consistent with November 2011 Forecast.
*** Shown on 100% of annual entitlement basis – reflects school district revenue recognition.
**** FY 2010 includes $500 million federal stabilization funds offsetting a state aid decrease of the same amount

Source: MDE, Division of School Finance, District Revenue Tables, November 2011 Forecast

Estimated General Education and Major Categorical Revenues
State Aid and Property Taxes – FY 2008 to FY 2013 – State Totals

		FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
REVENUES ADJUSTED FOR UNDERLEVIES							
1	ADJUSTED ADM (CAP = 1.0)	819,436	816,716	817,591	819,229	823,991	831,568
2	BASIC	4,837,724,471	4,860,574,699	4,853,494,919	4,858,115,500	4,924,004,330	5,007,965,500
3	ONE TIME	0	48,378,085	0	0	0	0
4	EXTENDED TIME	59,590,818	60,995,641	64,565,373	67,292,200	71,960,508	74,675,563
5	COMPENSATORY	333,928,094	348,510,686	361,157,268	414,323,600	438,661,880	463,367,694
6	COMPENSATORY PILOT	2,175,000	2,175,000	2,175,000	2,175,000	2,325,000	2,325,000
7	COMPENSATORY ONE TIME	0	0	0	0	0	15,402,600
8	LEP TOTAL	40,623,289	40,375,022	40,066,212	39,771,200	40,373,800	40,581,400
9	TRAINING & EXPERIENCE	2,146,056	1,207,448	675,849	358,800	0	0
10	SPARSITY	21,637,534	22,898,807	23,368,633	24,168,700	24,514,500	24,848,400
11	SMALL SCHOOLS	0	0	0	0	0	15,876,600
12	TRANSPORTATION SPARSITY	60,083,765	60,159,097	59,833,229	59,638,800	60,401,200	60,834,800
13	OPERATING CAPITAL	194,635,565	194,299,107	194,409,760	195,021,200	194,823,800	197,169,800
14	OPERATING CAPITAL TECH AID	38,137,363	52,172,445	0	0	0	0
15	EQUITY	95,708,805	93,361,990	92,518,770	91,930,500	91,919,400	94,409,100
16	GIFTED & TALENTED	11,441,209	11,383,079	11,365,913	11,377,300	11,420,193	11,503,700
17	Q COMP	60,763,649	63,348,360	58,291,520	62,727,000	60,990,300	69,512,200
18	TRANSITION	30,143,319	29,711,997	29,453,149	29,270,301	29,387,800	29,531,000
19	LATE RATIFICATION	-730,499	0	-2,507,070	0	0	0
20	PENSION ADJUSTMENT	-30,637,836	-30,753,090	-30,827,862	-30,885,177	-31,002,200	-31,133,800
21	OPTIONS ADJ: REFERENDUM AID	-181,964	262,096	607,348	295,176	132,169	-369,519
22	OPTIONS ADJ: CHARTER TRANSPORT	0	0	5	70,319	147,942	30,319
23	OPTIONS ADJ: FARIBAULT	-355	-461	-449	-195	-9,010	-9,100
24	REFERENDUM	644,192,179	720,567,181	781,675,140	803,892,600	827,404,500	857,880,900
25	SCHOOL LAND TRUST ENDOWMENT	0	0	22,865,418	22,704,622	23,277,152	23,300,109
26	ONE TIME STATE AID REDUCTION	0	0	-500,000,000	0	0	0
27	FEDERAL FISCAL STABILIZATION AID	0	0	500,000,000	0	0	0
28	GEN ED TOTAL = SUM OF (2) TO (27) =	6,401,380,461	6,579,627,190	6,563,188,126	6,652,247,445	6,770,733,264	6,957,702,266
29	GENED CHANGE FROM PRIOR YEAR	236,182,825	178,246,729	-16,439,064	89,059,320	118,485,818	186,969,003
30	PERCENT CHANGE FROM PRIOR YEAR	3.8%	2.8%	-0.2%	1.4%	1.8%	2.8%
31	SPECIAL ED REGULAR, GROSS	694,060,748	719,263,572	735,693,000	786,586,000	827,553,000	873,581,000
32	SPECIAL ED NET TUITION (BY MDE)	-1,992	0	0	0	0	0
33	SPECIAL ED NET = (31)+(32) =	694,058,756	719,263,572	735,693,000	786,586,000	827,552,999	873,581,001
34	SPECIAL ED EXCESS	110,641,000	110,918,000	110,847,000	110,892,000	113,768,000	117,111,000
35	SPEC ED TOTAL = (33)+(34) =	804,699,756	830,181,572	846,540,000	897,478,001	941,321,000	990,692,001
36	SPEC ED CHANGE FROM PRIOR YEAR	162,002,852	25,481,817	16,358,428	50,938,001	43,842,999	49,371,001
37	PERCENT CHANGE FROM PRIOR YEAR	25.2%	3.2%	2.0%	6.0%	4.9%	5.2%
38	CAREER TECHNICAL	14,420,567	14,852,104	15,051,706	15,187,952	17,768,528	15,520,106
39	INTEGRATION	84,346,689	86,903,985	87,882,683	92,120,874	93,901,188	94,593,822
40	ALT FACILITIES/DEFERRED MAINT	168,068,746	171,169,951	181,029,823	182,463,718	189,529,942	185,638,794
41	MISCELLANEOUS LEVIES, TOTAL	80,001,459	86,744,411	87,718,037	91,141,760	93,404,667	94,871,100
42	TELECOMMUNICATIONS	7,622,000	8,742,891	3,749,914	3,749,914	3,749,914	3,749,914
43	LITERACY INCENTIVE	0	0	0	0	0	48,013,884
44	CHARTER SCHOOL LEASE	32,602,191	37,375,729	41,015,916	42,579,131	45,696,284	58,534,932
45	COMBINED REVENUE = (28)+(35)+[SUM OF (38) TO (44)] =	7,593,141,868	7,815,597,834	7,826,176,205	7,976,968,795	8,156,104,785	8,449,316,818
46	TOTAL REVENUE, CHANGE FROM PY	430,778,057	222,455,965	10,578,372	150,792,589	179,135,991	293,212,033
47	PERCENT CHANGE FROM PRIOR YEAR	6.0%	2.9%	0.1%	1.9%	2.2%	3.6%

November 2011 Forecast Calculations

Estimated General Education and Major Categorical Revenues Per ADM
State Aid and Property Taxes – FY 2008 to FY 2013 – State Totals

		FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
REVENUES ADJUSTED FOR UNDERLEVIES							
1	ADJUSTED ADM (CAP = 1.0)	819,436	816,716	817,591	819,229	823,991	831,568
2	BASIC	5,904	5,951	5,936	5,930	5,976	6,022
3	ONE TIME	0	59	0	0	0	0
4	EXTENDED TIME	73	75	79	82	87	90
5	COMPENSATORY	408	427	442	506	532	557
6	COMPENSATORY PILOT	3	3	3	3	3	3
7	COMPENSATORY ONE TIME	0	0	0	0	0	19
8	LEP TOTAL	50	49	49	49	49	49
9	TRAINING & EXPERIENCE	3	1	1	0	0	0
10	SPARSITY	26	28	29	30	30	30
11	SMALL SCHOOLS	0	0	0	0	0	19
12	TRANSPORTATION SPARSITY	73	74	73	73	73	73
13	OPERATING CAPITAL	238	238	238	238	236	237
14	OPERATING CAPITAL TECH AID	47	64	0	0	0	0
15	EQUITY	117	114	113	112	112	114
16	GIFTED & TALENTED	14	14	14	14	14	14
17	Q COMP	74	78	71	77	74	84
18	TRANSITION	37	36	36	36	36	36
19	LATE RATIFICATION	-1	0	-3	0	0	0
20	PENSION ADJUSTMENT	-37	-38	-38	-38	-38	-37
21	OPTIONS ADJ: REFERENDUM AID	0	0	1	0	0	0
22	OPTIONS ADJ: CHARTER TRANSPORT	0	0	0	0	0	0
23	OPTIONS ADJ: FARIBAULT	0	0	0	0	0	0
24	REFERENDUM	786	882	956	981	1,004	1,032
25	SCHOOL LAND TRUST ENDOWMENT	0	0	28	28	28	28
26	ONE TIME STATE AID REDUCTION	0	0	-612	0	0	0
27	FEDERAL FISCAL STABILIZATION AID	0	0	612	0	0	0
28	GEN ED TOTAL = SUM OF (2) TO (27) =	7,812	8,056	8,027	8,120	8,217	8,367
29	GENED CHANGE FROM PRIOR YEAR	315	244	-29	93	97	150
30	PERCENT CHANGE FROM PRIOR YEAR	4.2%	3.1%	-0.4%	1.2%	1.2%	1.8%
31	SPECIAL ED REGULAR, GROSS	847	881	900	960	1,004	1,051
32	SPECIAL ED NET TUITION (BY MDE)	0	0	0	0	0	0
33	SPECIAL ED NET = (31)+(32) =	847	881	900	960	1,004	1,051
34	SPECIAL ED EXCESS	135	136	136	135	138	141
35	SPEC ED TOTAL = (33)+(34) =	982	1,016	1,035	1,096	1,142	1,191
36	SPEC ED CHANGE FROM PRIOR YEAR	198	34	19	60	47	49
37	PERCENT CHANGE FROM PRIOR YEAR	25.6%	3.5%	1.9%	5.8%	4.3%	4.3%
38	CAREER TECHNICAL	18	18	18	19	22	19
39	INTEGRATION	103	106	107	112	114	114
40	ALT FACILITIES/DEFERRED MAINT	205	210	221	223	230	223
41	MISCELLANEOUS LEVIES, TOTAL	98	106	107	111	113	114
42	TELECOMMUNICATIONS	9	11	5	5	5	5
43	LITERACY INCENTIVE	0	0	0	0	0	58
44	CHARTER SCHOOL LEASE	40	46	50	52	55	70
45	COMBINED REVENUE = (28)+(35)+[SUM OF (38) TO (44)] =	9,266	9,570	9,572	9,737	9,898	10,161
46	TOTAL REVENUE, CHANGE FROM PY	556	303	3	165	161	262
47	PERCENT CHANGE FROM PRIOR YEAR	6.4%	3.3%	0.0%	1.7%	1.7%	2.7%

November 2011 Forecast Calculations

CURRENT EXPENDITURE PER PUPIL
IN FALL ENROLLMENT
Minnesota vs. U.S. Average

Fiscal Year	U.S.	Minnesota	Minnesota Rank	Minnesota Percent of U.S.
1970	$ 751	$ 855	5	113.8%
1975	1,257	1,407	6	111.9%
1980	2,088	2,296	12	110.0%
1985	3,222	3,508	12	108.9%
1990	4,643	4,698	17	101.2%
1991	4,902	4,946	17	100.9%
1992	5,023	5,089	18	101.3%
1993	5,160	5,210	20	101.0%
1994	5,327	5,342	18	100.3%
1995	5,529	5,626	17	101.8%
1996	5,689	5,801	16	102.0%
1997	5,923	6,005	16	101.4%
1998	6,189	6,388	15	103.2%
1999	6,508	6,791	16	104.3%
2000	6,911	7,190	16	104.0%
2001	7,376	7,645	15	103.6%
2002	7,734	7,736	20	100.0%
2003	8,041	8,109	19	100.8%
2004	8,310	8,405	22	101.1%
2005	8,701	8,718	23	100.2%
2006	9,154	9,159	21	100.1%
2007	9,683	9,589	22	99.0%
2008	10,297	10,048	22	97.6%

SOURCES: U.S. Department of Education, National Center for Education Statistics, *State Comparisons of Education Statistics: 1970 – 1997, Table 41, Digest of Education Statistics, 1999, Table 172. 1998-2003: NCES. Revenues and Expenditures for Elementary and Secondary Education – various editions. 2004-2006: NCES, Revenues and Expenditures for Public Elementary and Secondary Education – various editions:*

NOTES: Amounts shown are not adjusted for inflation.
Rankings exclude District of Columbia.

B. 2011-2012 Elementary Secondary Education Revenue Summary*

Program	Total Revenue ($ Millions)	Revenue Per Pupil in ADM	Percent of Total Revenue
General Education**	$ 5,950.1	$ 7,169	64.1%
Referendum	828.2	998	8.9%
Special Education	943.1	1,136	10.2%
Other General Programs***	475.8	573	5.1%
Subtotal General Fund	8,197.2	9,876	88.4%
Food Service	17.8	21	0.2%
Community Service	166.5	N/A ****	1.8%
Debt Redemption	835.0	1,006	9.0%
OPEB Debt	59.9	72	0.6%
Total All Funds	$ 9,276.4	$ 11,176 ****	100.0%
ADM Pupils	830,006		

* Revenue includes estimated state aid entitlements and gross levies.
Excludes other federal aids, local non-tax revenues, and appropriations to state agencies.

** Includes transportation and operating capital funding enrolled into general education program beginning in 1996-97.

*** Includes Health and Safety Revenue ($43.1), Alternate Facilities Annual Levy/Aid Revenue ($65.7), Building Lease Levies ($46.3), Charter School Building Lease Aid ($46.7), Safe Schools Levy ($28.6), Desegregation/Integration Revenue ($105.3), Nonpublic Transportation Aid ($18.8), Capital Project Referendum ($40.5), Deferred Maintenance ($26.0), Annual OPEB ($19.5) and many smaller categorical revenues.

**** Community service revenue is excluded in computing revenue per pupil because these programs primarily serve preschool and adult learners, who are not included in the ADM pupil count.

Source: MDE, Division of School Finance, District Revenue Tables and General Education work papers, February 2012 Forecast data.

C. General Education Revenue by Component: 2011-2012 Estimate

Component	Number of Districts	Number of Charter Schools	Amount (Millions)	Percent of Total
Formula – Based Revenue:				
Basic	336	148	$ 4,918.4	72.6%
Gifted and Talented	336	148	11.4	0.2%
Extended Time	213	17	69.7	1.0%
Basic Skills:				
Compensatory	336	147	436.2	6.4%
LEP	206	68	31.6	0.5%
LEP Concentration	206	68	8.5	0.1%
Sparsity	98	148	24.5	0.4%
Transportation Sparsity	336	147	61.0	0.9%
Operating Capital	336	148	196.1	2.9%
Alternative Teacher Comp.	52	56	61.0	0.9%
Equity	336	148	92.5	1.4%
Transition	200	40	29.3	0.4%
Alternative Attendance Adjustments	269	130	0.5	0.0%
Miscellaneous Adjustments:				
Pension Adjustment	336	148	(30.9)	(0.5%)
Online Learning	3	3	1.0	0.0%
PSEO-College	N/A	N/A	25.7	0.4%
Shared-Time	N/A	N/A	4.0	0.1%
Contract Alternative	N/A	N/A	9.6	0.1%
Subtotal	337	152	$ 5,950.1	87.8%
Referendum-Based Revenues:				
Operating Referendum	302	0	828.2	12.2%
Grand Total Revenue	337	148	$ 6,778.3	100.0%

Source: MDE, Division of School Finance, February 2012 Forecast work papers. Includes state aids and levies. Levies are shown by formula year.

D. General Education Revenue Formulas

1. Basic Revenue

Basic Revenue = Formula Allowance X Adjusted Marginal Cost Pupil Units

	Gross Formula Allowance	Referendum Roll-in (a)	Other Roll-ins		Net Increase Excluding Roll-Ins	Net Percent Increase
1990-91	$2,953				$115	4.1%
1991-92	$3,050				$97	3.3%
1992-93	$3,050				$0	0.0%
1993-94	$3,050				$0	0.0%
1994-95	$3,150	$100			$0	0.0%
1995-96	$3,205				$55	1.7%
1996-97	$3,505		$300	(b)	$0	0.0%
1997-98	$3,581				$76	2.2%
1998-99	$3,530		-$130	(c)	$79	2.2%
1999-00	$3,740		$43	(d)	$167	4.7%
2000-01	$3,964		$67	(e)	$157	4.2%
2001-02	$4,068				$104	2.6%
2002-03	$4,601	$415	$14	(f)	$104	2.6%
2003-04	$4,601				$0	0.0%
2004-05	$4,601				$0	0.0%
2005-06	$4,783				$182	4.0%
2006-07	$4,974				$191	4.0%
2007-08	$5,074				$100	2.0%
2008-09	$5,124				$50	1.0%
2009-10	$5,124				$0	0.0%
2010-11	$5,124				$0	0.0%
2011-12	$5,174				$50	1.0%
2012-13	$5,224				$50	1.0%

(a) In 1994-95 and 2002-03, the increase in the general education formula was offset by a reduction in operating referendum revenue. Districts with no operating referendum received an additional revenue increase equal to the amount of the roll-in; districts with an operating referendum greater than the amount of the roll-in received property tax relief but no additional revenue; districts with an operating referendum less than the roll-in amount received a revenue increase less than the full roll-in amount and some property tax relief.

(b) $130 of training and experience revenue and $170 of pupil transportation revenue rolled into basic formula

(c) $130 of training and experience revenue rolled out of basic formula

(d) $43 of graduation standards aid rolled into basic formula

(e) $67 of district cooperation revenue rolled into basic formula. Of the net increase of $157, $39 was set aside for staff development (increase from 1% to 2% set aside)

(f) $14 of assurance of mastery revenue rolled into basic formula

Class Size Reduction Set-Aside:

The portion of basic revenue generated by .057 of the weight for kindergarten, the extra .115 weight for grades 1-3, and the extra .06 weight for grades 4-6 must be reserved for K-3 class size reduction.

Staff Development Set-Aside:

Two percent of the basic revenue for FY 2001 and later must be set-aside for staff development, unless the district waives the requirement by a majority vote of the teachers and a majority vote of the school board. Of this amount, 50% must be allocated to sites based on a per teacher basis, 25% is for district-wide staff development efforts, and 25% must be used for grants to sites for best practices methods. *Note: This requirement is temporarily suspended for FY 2012 and FY 2013 (Laws 2011 First Special Session, Chapter 11, Article 1, Section 35).*

2. Extended Time Revenue

Beginning in FY 2004, the average daily membership is limited to 1.0 for each student, except for the computation of extended time revenue. Students in learning year programs who are served more than full-time may generate up to an additional 0.2 ADM. Extended time revenue may be used for extended day, extended week, summer school, or other programming authorized under the learning year program. The extended time revenue equals $4,601 times the extended time adjusted marginal cost pupil units.

3. Gifted and Talented Revenue

For FY 2008 and later, a district's gifted & talented allowance equals $12 per AMCPU. (The allowance was $4 per AMCPU for FY 2006 and $9 per AMCPU for FY 2007). Gifted and talented revenue must be reserved and used only to identify gifted and talented students, provide educational programs for gifted and talented students, or provide staff development for teachers to best meet the needs of gifted and talented students.

4. Basic Skills Revenue

Basic Skills Revenue must be used to meet the educational needs of pupils who enroll under-prepared to learn and whose progress toward meeting state or local content or achievement standards is below the level that is appropriate for learners of their age. Basic Skills Revenue is the sum of the following:

a. Compensatory Revenue

- Computed using building-level free and reduced lunch data as of October 1 of the previous year.
- Allocated directly to school sites; however, an amount up to 5% of the prior year's revenue may be allocated according to a local plan approved by the Commissioner.

Compensatory Revenue = (Formula Allowance - $415) X
Compensatory Pupil Units

Compensatory Pupil Units = (Free + ½ of reduced price lunch count) X
Concentration Factor X .60

Concentration Factor = Ratio of (free + ½ of reduced price lunch count) to
80% of total building enrollment, but not > 1

(Note: In addition to the regular compensatory revenue, seven districts also receive a compensatory pilot project grant; the largest of these is $1.5 million annually to the Anoka-Hennepin school district).

b. Limited English Proficiency (LEP) Revenue

1) *Basic Revenue* = $700 X Adjusted Marginal Cost (AMC) eligible LEP average daily membership served

- Students who have generated 5 or more ADM in Minnesota public schools before the start of the current school year are not eligible to be counted for LEP revenue calculations. Students in grades 4 – 12 who were enrolled in a Minnesota public school when the Test of Emerging Academic English (TEAE) was administered during the prior year are not eligible unless they scored below the state cutoff score on the TEAE. AMC LEP ADM served is the greater of current year eligible LEP ADM served or the sum of 77% of current year plus 23% of prior year (if AMC LEP ADM served is greater than 0 but less that 20, 20 is used in the calculations; if current year count is zero, district does not qualify for revenue).

2) *Concentration Revenue* = LEP enrollment X $250 X
LEP concentration factor

- The LEP concentration factor equals the lesser of 1 or the ratio of the district's LEP concentration percent to 11.5%.
- Additional Basic Skills Revenue targeted to school districts with high concentrations of LEP students.

5. Sparsity Revenue

- Funds added costs of operating geographically isolated small schools.
- Secondary schools must have less that 400 students in grades 7-12 and an "isolation index" greater than 23; elementary schools must average 20 or fewer students per grade level and be 19 or more miles to the nearest elementary school.
- ***Note:*** Beginning in FY 2013, small schools revenue is provided for all school districts with fewer than 1,000 adjusted marginal cost pupil units.

6. Transportation Sparsity Revenue

- Funds added costs of providing transportation in districts with fewer than 200 pupil units per square mile. (Transportation funding for all districts of $250.94 per pupil unit (4.85% of formula allowance) is included in the basic formula allowance.) The transportation sparsity allowance gradually increases as population density decreases, reflecting the relationship between average transportation costs and population density.

7. Operating Capital Revenue

- Provides funding for capital expenditure facilities and equipment costs.
- Revenue per AMC pupil unit = $73 + $100* [1 + (Avg Building Age/100)].
- Operating capital revenue is reserved for certain facilities, equipment and technology purposes; however, school districts were allowed to transfer up to $51 per AMCPU from the operating capital account to the unreserved general fund in each of FY 2008, FY 2009, and FY 2010.

Note: For buildings more than 50 years old, 50 is used in the computations.

8. Equity Revenue

- Additional revenue for districts with Basic + Referendum Revenue per pupil unit below the regional 95th percentile (regions are seven county metro area, rural).
- Minneapolis, St. Paul, and Duluth are not eligible for revenue, except as noted below for FY 2007 and later.
- For qualifying districts with no referendum levy, the initial revenue allowance = $13.
- For qualifying districts with a referendum levy, the initial revenue allowance = $13 + up to $75, depending on how far the district's revenue per pupil unit is below the regional 95th percentile (sliding scale).
- Districts with referendum revenue below 10% of the state average per pupil unit (approximately $87 / PU for FY 2012) receive additional equity revenue equal to the difference between 10% of the state average and the district's referendum revenue per pupil unit (includes districts with no referendum).
- For districts in the 7 county metro area, the equity revenue as computed above is increased by 25%.
- All districts, (including Minneapolis, St. Paul, and Duluth), receive an additional $46 per pupil unit; (for FY 2007 only, districts at or above the 95th percentile received an additional $23 per pupil unit, while others received an additional $46 per pupil unit).

9. Alternative Teacher Compensation (Q Comp) Revenue

- Beginning in FY 2006, the maximum revenue for participating school districts, charter schools and intermediate districts is $260 times the October 1 enrollment in the previous school year. For districts where only selected sites are participating, the funding is based on the prior school year's October 1 enrollment at the participating sites. For FY 2006, participation was limited to districts and schools making up 9% of the state's total enrollment; for FY 2007 and later, participation is limited to districts and schools making up approximately 48% of the state's total enrollment.
- Funding is all aid in FY 2006; for FY 2007 – FY 2009, funding includes $190 per pupil of aid and a $70 per pupil equalized levy. For FY 2010 and later, funding includes $169 per pupil of aid and a $91 per pupil of equalized levy.

10. Transition Revenue

Transition revenue is a hold-harmless provision which includes three components:

- The largest component of transition revenue was created in 2003 to ensure that a district's FY 2004 general education revenue per old formula AMCPU (before applying the 1.0 ADM limit), excluding referendum revenue and alternative attendance adjustments, would not be less than the lesser of:
  - The district's FY 2003 general education revenue per AMCPU, excluding referendum revenue and alternative attendance adjustments, or
  - The amount the district would have received per AMCPU for FY 2004 under the laws in effect before the changes enacted in 2003.

  A district's FY 2004 hold harmless transition revenue equals the district's FY 2004 transition allowance per pupil unit times the district's current year AMCPU.

- Districts that had prekindergarten programs implemented before July 1, 2003, that were reported as kindergarten programs, receive prekindergarten transition revenue equal to 4% of the amount they received based on FY 2004 data for the prekindergarten program.

- Districts along the South Dakota border that incurred a net revenue loss in FY 2010 due to implementation of the interstate K-12 tuition reciprocity agreement receive tuition reciprocity transition revenue equal to the amount of the net revenue loss in FY 2010, if any, resulting from the agreement.

11. Pension Adjustment

- Aid reduction to offset cost savings to school districts from reductions made in 1990-91 and 1997-98 in the teacher retirement employer contribution rate. The size of the aid reduction is lowered by 0.5% of the district's TRA salaries for FY 2007, to offset an increase in TRA employer contribution rates beginning in FY 2008.

12. Alternative Attendance Adjustment

- The aid portion of referendum revenue follows the student to the nonresident district or charter school the student attends. The resident district loses the aid generated by the student.
- If the student enrolls in another school district, that district's aid is increased by the nonresident district's referendum aid per pupil unit.
- Beginning in FY 2008, districts where (a) net open enrollment pupil units exceed 20% of the district's resident pupil units and (b) fewer than 50% of open enrollment pupil units are enrolled solely in on-line learning receive an additional alternative attendance adjustment.
- If the student enrolls in a charter school, the charter school's aid is increased by the amount subtracted from the aid paid to the resident district.

13. Post-Secondary Enrollment Options (PSEO)

- Payments to colleges for students enrolled in the PSEO program, per semester credit.

  [(Formula Allowance - $415) X 88% X 1.3 Secondary Weight] / 30

14. On-Line Learning

- Beginning in FY 2006, students taking on-line learning courses provided by the school district or charter school in which they are enrolled are counted as regular pupil units by the enrolling district or charter school, regardless of whether they were enrolled in a Minnesota public school the year before they enrolled in on-line learning.
- School districts and charter schools providing on-line learning courses for students enrolled in other Minnesota public schools receive on-line learning aid equal to 88% of $1/12^{th}$ of an ADM for each completed semester course or equivalent times the pupil's grade level weight times the formula allowance.
- The enrolling district generates 12% of $1/12^{th}$ of a regular ADM for each completed semester course or equivalent, which is used in regular general education revenue calculations.

15. Shared Time

- Payments to school districts for courses taken at the public school by nonpublic school pupils.
- Revenue equals formula allowance times weighted full-time equivalent ADM.

16. Contract Alternative

- Payments to school districts for students enrolled in private alternative programs under contract with districts. At least 95% of the general education revenue earned by these students (100% of Basic Skills Revenue) must be paid to the private organization.

17. Referendum Revenue

- Additional money for school operations approved in a referendum election.
- Initial allowance per pupil unit is based on ballot wording.
- Capped at the greater of : (1) 26% of the formula allowance or (2) the greater of product of (a) the greater of $1,294 per pupil unit or 117.7% of the district's FY 1994 referendum allowance minus $215, times (b) a statutory inflation factor based on the Consumer Price Index (CPI). (Sparsity districts exempted.)
- Until the early 90s, referendums were typically ongoing, were based on a fixed tax rate, and were spread against tax capacity. Newer referendums have a limited duration (currently up to ten years), are based on a fixed amount per pupil unit, and are spread against referendum market value.
- For FY 2003 and later, $415 per pupil unit was transferred from referendum revenue to the basic formula, thereby increasing basic revenue by $415 per pupil unit and decreasing referendum revenue by the lesser of a district's referendum allowance or $415 per pupil unit.

III. STATE AID AND PROPERTY TAX LEVY COMPUTATIONS

A. K-12 Education Property Tax Levy Summary: 2010 Payable 2011 (FY 2012)

Levy Type	Amount ($ in Millions)	Percent of Total Before Reductions
Voter Approved Levies:		
Operating Referendum	734.1	32.8%
Capital Projects Referendum	40.6	1.8%
Debt Service	604.4	27.0%
Subtotal, Voter Approved Levies	**1,379.1**	**61.5%**
Other Levies:		
Operating Capital	119.8	5.3%
Equity	75.7	3.4%
Transition	24.8	1.1%
Alternative Teacher Comp	21.6	1.0%
Health and Safety/Alt. Facilities (General Fund)	105.9	4.7%
Building Lease	46.3	2.1%
Deferred Maintenance	23.4	1.0%
Integration	29.2	1.3%
Safe Schools	28.6	1.3%
Career Technical	15.1	0.7%
Other Post-Employment (OPEB) Nondebt	19.5	0.9%
Other General Fund	19.1	0.9%
Community Service Fund	73.3	3.3%
Debt Service Fund	199.9	8.9%
Other Post-Employment (OPEB) Debt	59.7	2.7%
Subtotal, Other Levies	**861.9**	**38.5%**
Total Levy Before Credits	**2,241.0**	**100.0%**
Estimated Credits:		
Market Value Homestead Credit	(60.8)	
Homestead Ag Land MV Credit	(5.4)	
Other Credits	(9.8)	
Total Levy After Credits:	**2,165.0**	

Source: MDE, Division of School Finance, November 2011 Forecast work papers.

B. Aid and Levy Computations

1. Examples of Revenue Formulas

a. *No. of Pupil Units times Allowance* (e.g., Basic General Education)

b. *Approved Expenditures* (e.g. Health and Safety)

2. Examples of Levy Formulas

a. *Tax Rate Levies* – Adjusted Net Tax Capacity (ANTC) times Tax Rate (e.g., Community Education Levy – tax rate for 2010 Payable 2011 levy was 0.9% of NTC.

b. *"Equalized" Levies* – The school district levies for a percentage of the revenue based on the ratio of the district's ANTC per Pupil Unit (referendum market value/PU for operating referendum levies spread against referendum market value) to an "equalizing factor" specified in law. "Equalizing factors" vary among programs.

Example #1: Operating Referendum
For FY 2012, state aid is provided to "equalize" access to the first $700/PU using an "equalizing factor" of $476,000 of referendum market value per pupil unit. In addition, referendum revenue over $700/PU up to 26% of the formula allowance ($1,345/PU) is equalized using an equalizing factor of $270,000. If a district's referendum market value per pupil unit is $238,000, district property tax payers pay 50% of the first $700/PU of the referendum revenue, and the state pays 50%. For referendum revenue over $700/PU, up to $1,345/PU, the local tax levy pays for 86% of the revenue, and the state pays 14%.

Example #2: Health and Safety
State aid is provided to "equalize" this levy, using an "equalizing factor" of $2,935. If a district's ANTC/WADM is 60% of this amount, the district's property tax levy pays for 60% of the revenue, and state aid pays for 40% of the revenue.

c. *"Unequalized" Levies* – The school district levies the full amount of the revenue; there is no state equalization aid (e.g., building lease levy, unemployment levy).

3. State Aid = Revenue – Levy