



**SENATE**  
COUNSEL,  
RESEARCH, &  
FISCAL ANALYSIS

# School finance trends and variation in selected school district revenue, aid, and levy programs

January 22, 2025

Senate E12 Education Finance Committee

# Presentation overview

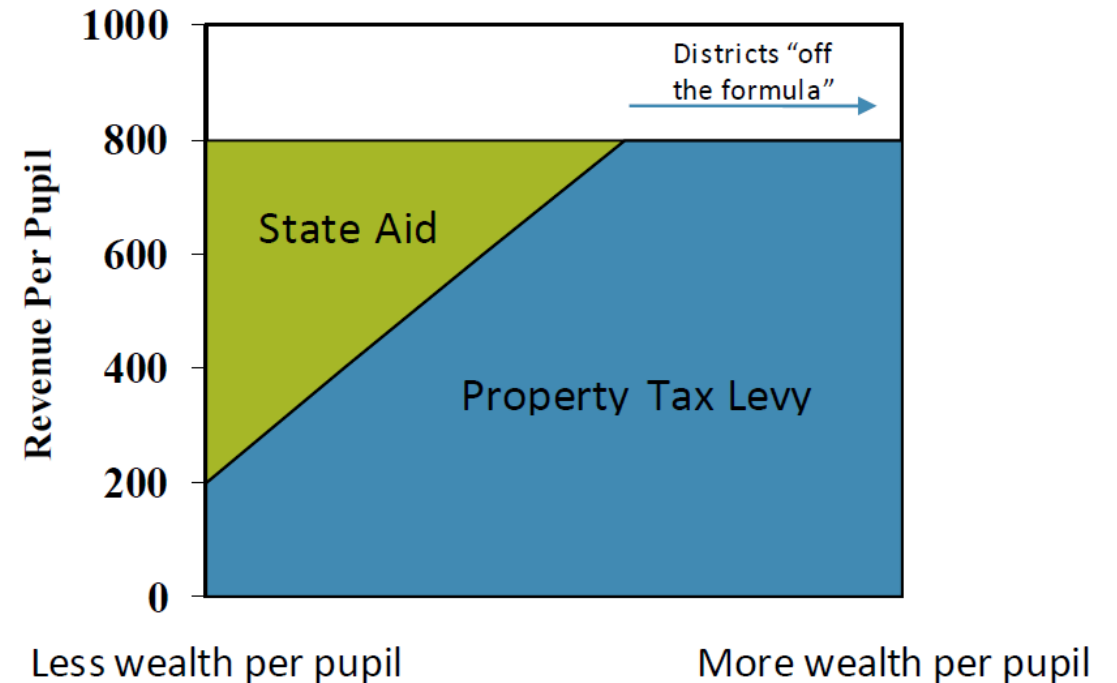
- Key terms and concepts
- Trends in school district revenue sources
- Trends in school district general fund revenues, aids, and levies
- General education revenue programs
- Special education revenue programs
- Other categorical revenue programs

# Key terms: revenue, aid, and levy

- **Revenue** - Money available for school districts to spend. Revenue equals the sum of the district's aid and levy.
- **Aid** - Money typically paid to the district from the state general fund.
- **Levy** - Money raised from local property taxes within a school district. Depending upon the program, the levy is spread on one of two\* local tax bases: *referendum market value* or *net tax capacity*.

# Key concept: levy equalization

- A revenue program funded by a mix of property taxes and state aids in a ratio that is responsive to each individual school district's tax base is known as an “equalized levy” or “equalized program.”
- One goal of levy equalization is to minimize disparities across school districts in the tax rates that districts must impose to fund similar levels of services. In this way, equalization reduces the property tax burden for school services, especially for districts with relatively small tax bases.
- Equalization may also be used to achieve certain statewide property tax relief goals or to adjust state spending to meet state budget constraints or objectives.



# School district revenue sources



In FY 2025, approximately 8% of school district revenues will come from the federal government. The funding primarily supports special education, nutrition, and Title I programming.

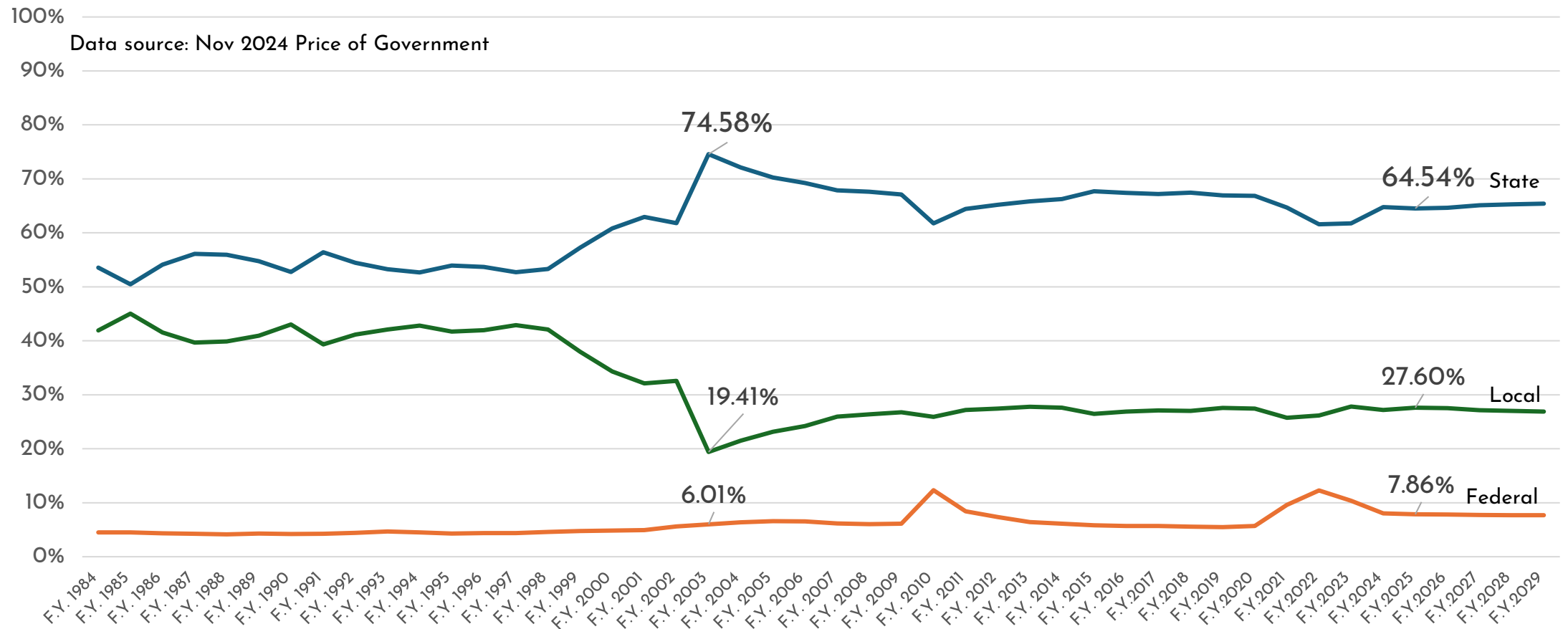


In FY 2025, approximately 65% of school district revenues will be paid in state aid. Typically, state aid funding formulas are a function of statutory formulas based on pupil counts and other characteristics unique to the district.

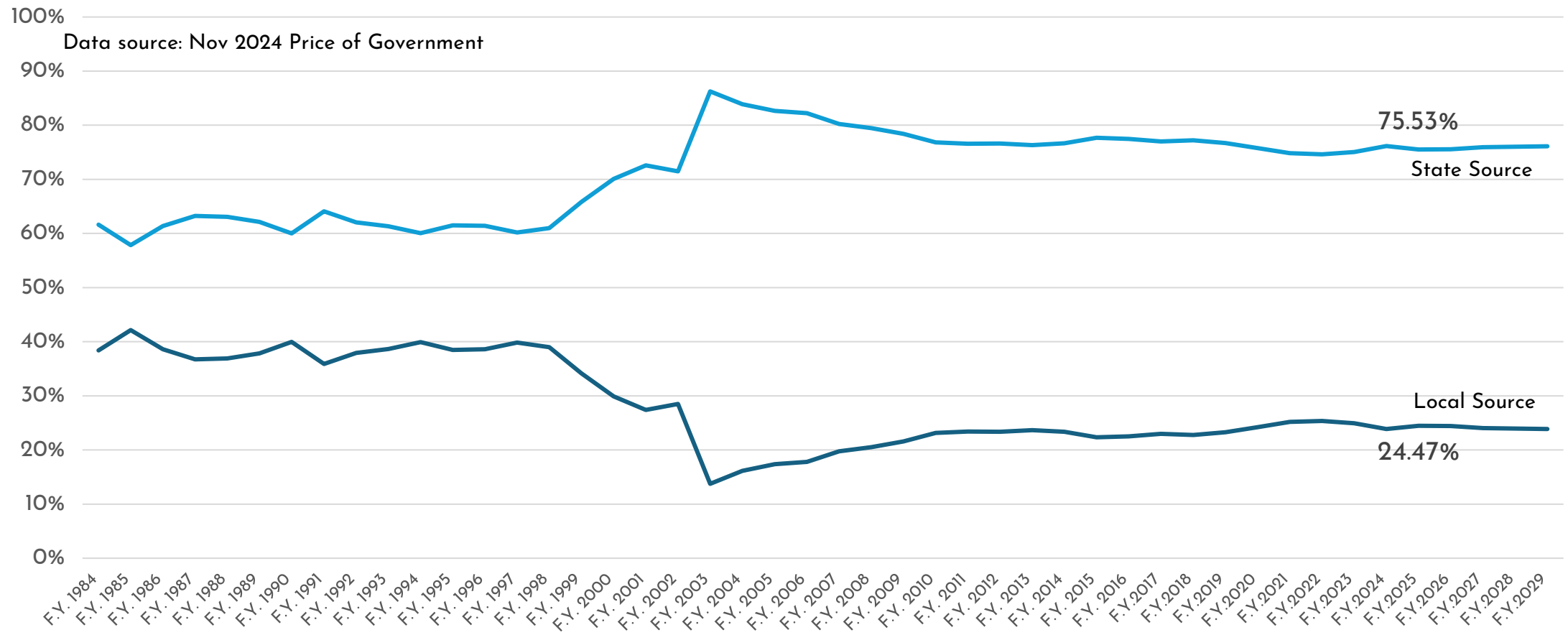


In FY 2025, approximately 28% of school district revenues will be paid by local property taxpayers. Some levies are determined under statewide statutory formulas; others are locally determined by the school board or authorized by district voters.

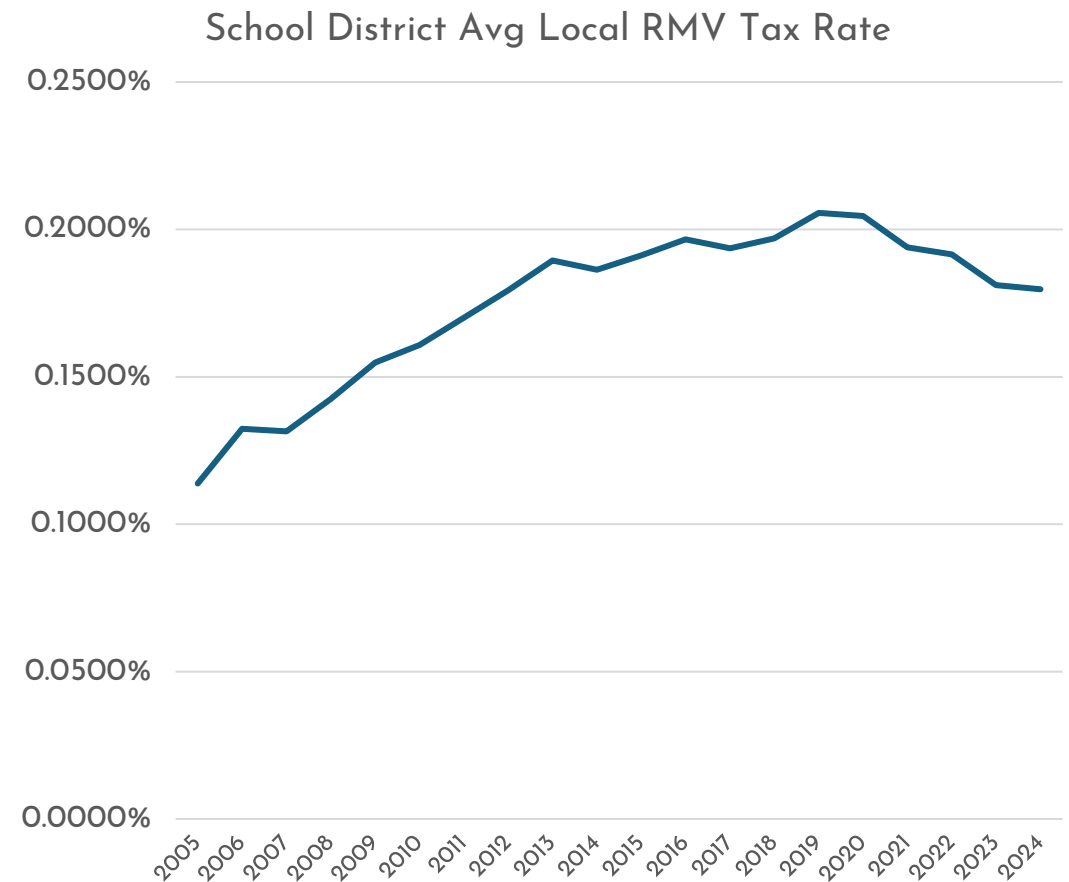
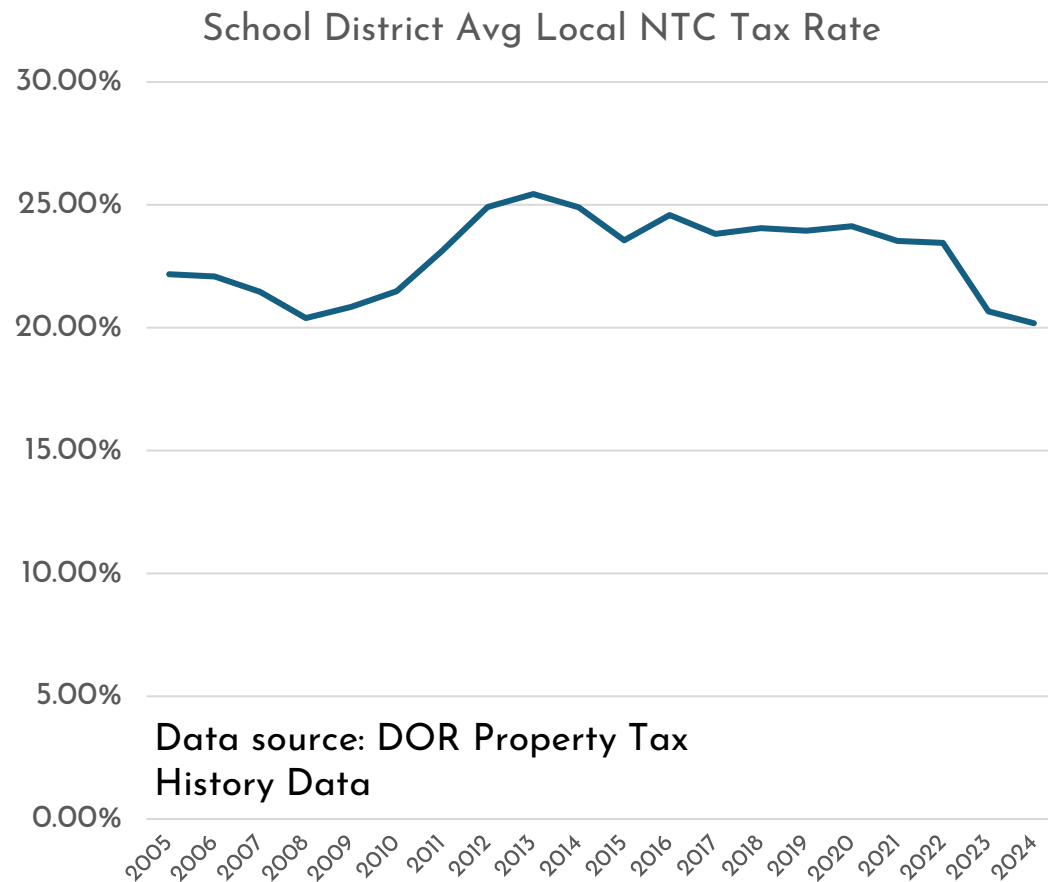
# Proportion of Total School District Revenues by Source, FY1984-2029



# Proportion of State & Local Tax Revenues by Source, FY1984-2029



# School district average local tax rates, 2005-2024



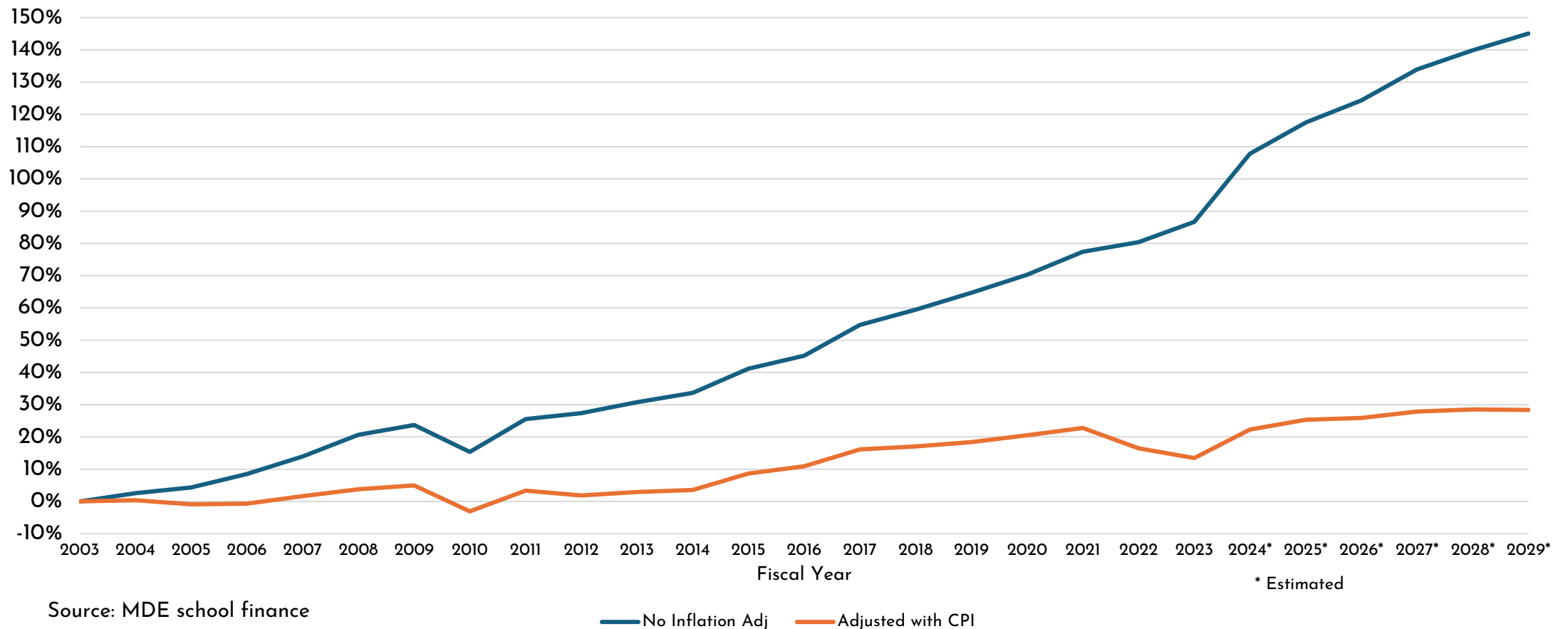


# Property tax base per pupil, FY2025

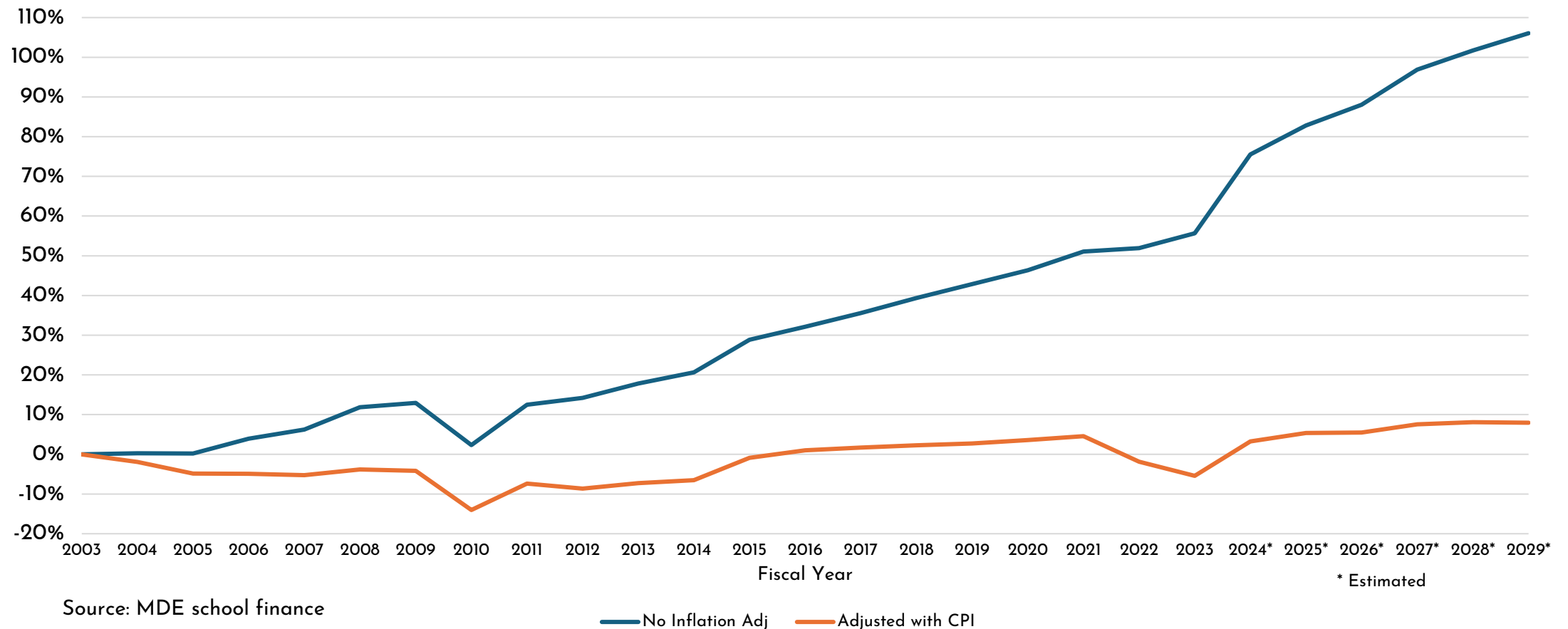
Quantile	Referendum market value per resident pupil unit	Adjusted net tax capacity per pupil unit
90 <sup>th</sup>	\$1,128,000	\$25,500
75 <sup>th</sup>	\$844,000	\$18,500
50 <sup>th</sup>	\$602,000	\$12,100
25 <sup>th</sup>	\$468,000	\$9,200
10 <sup>th</sup>	\$381,000	\$6,900

Source: Nov 2024 forecast model

# School district combined general fund revenues, percent change per pupil FY2003-2029



# School district combined general fund state aid, percent change per pupil FY2003-2029



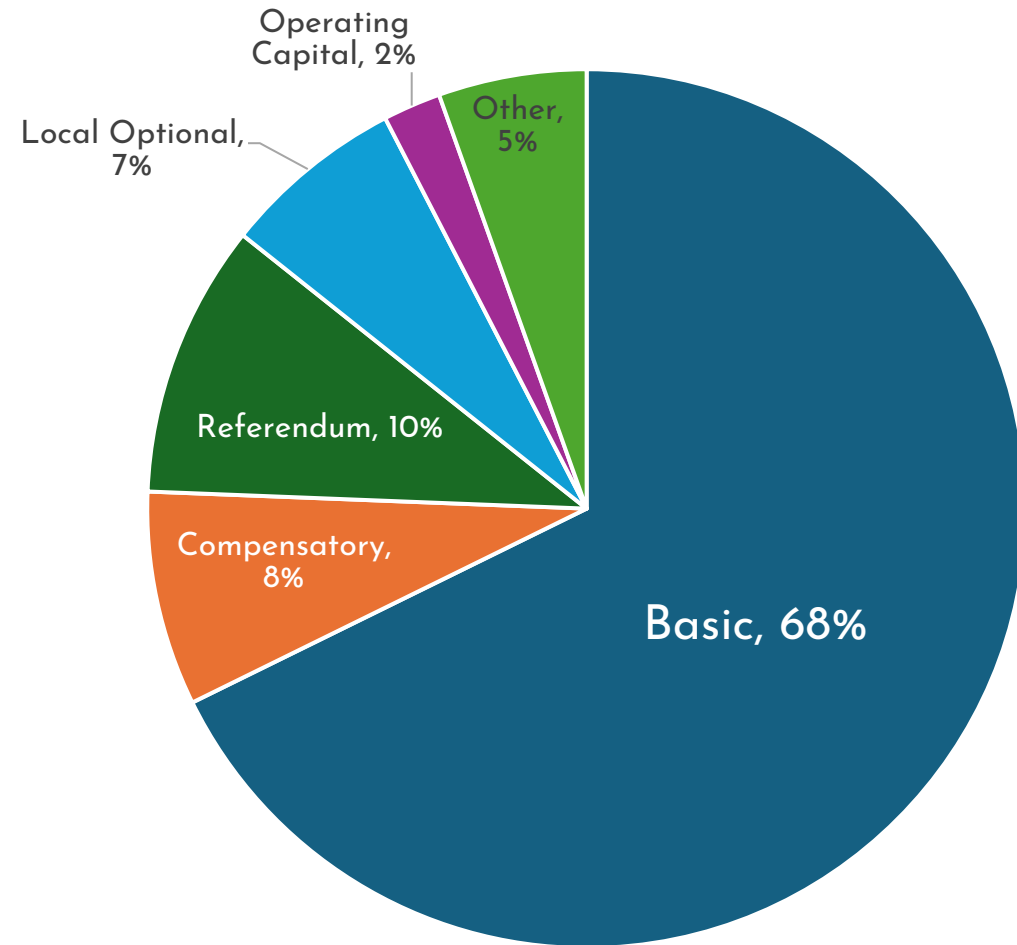
# General education revenue

- Primary funding source for school districts
- Sum of more than a dozen funding streams
- Mostly state aid, with some equalized levy authority
- Majority of the revenue may be used for any general operating purpose
- Largest component of the state education budget

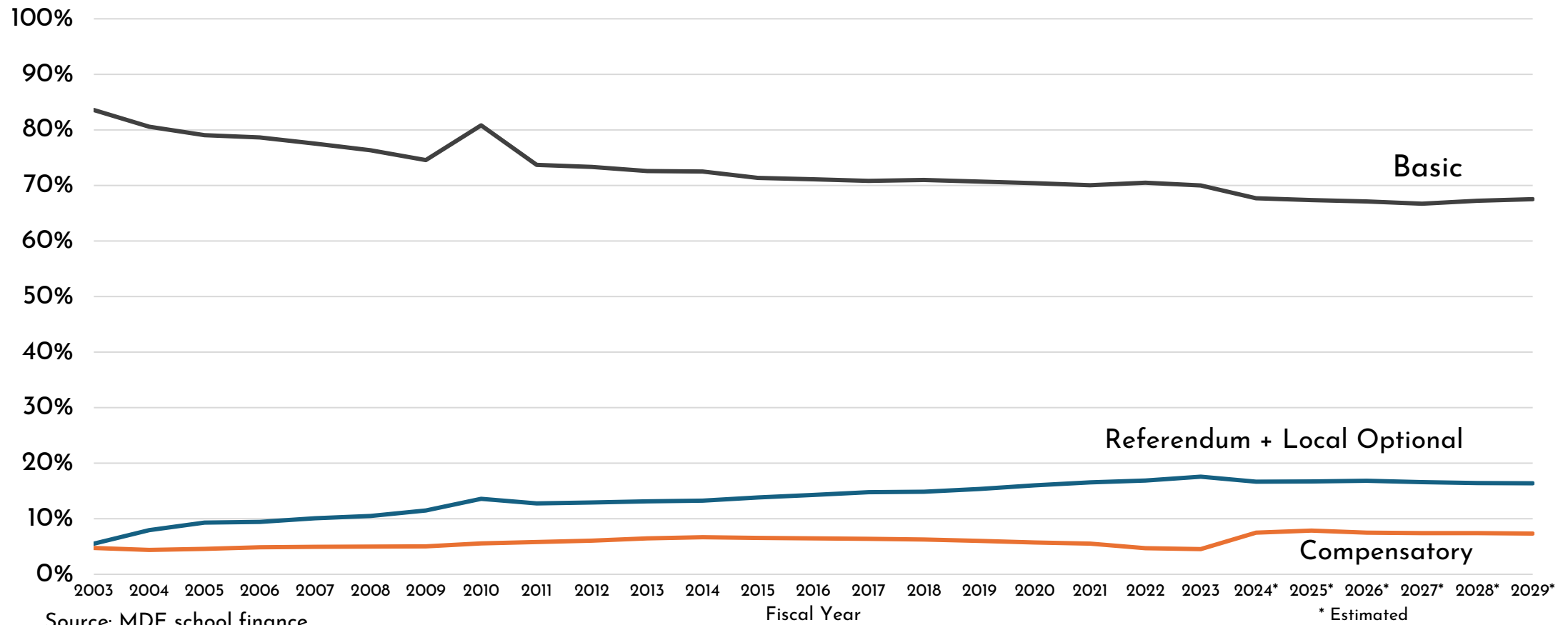
# School district total general education revenues, FY25

On average, basic revenue accounts for approximately 68% of all school district general education revenues in fiscal year 2025.

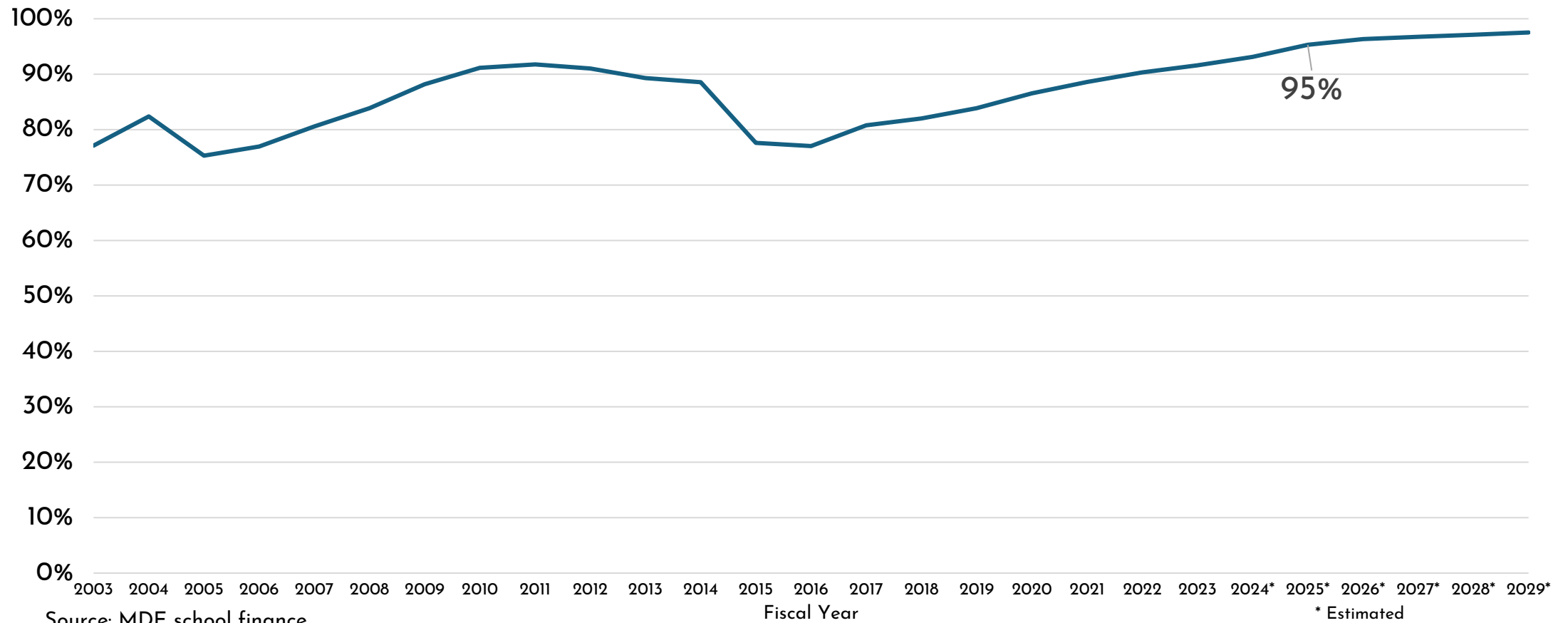
*Source: November 2024 forecast data*



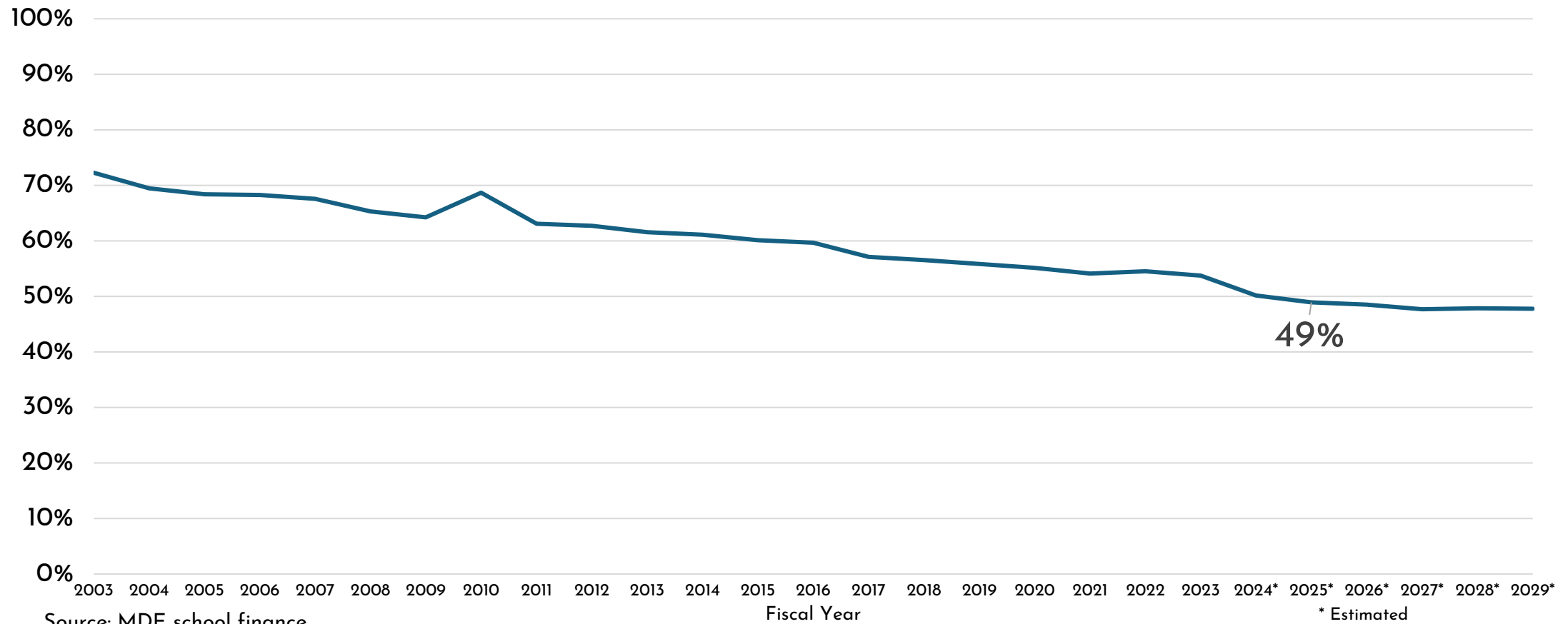
# Selected general education components as share of total school district general education revenues, FY2003-2029



# Referendum + local optional levy share of school district total referendum + local optional revenues, FY2003-2029



# Basic revenue as share of total school district general fund revenues, FY2003-2029





# General education revenue disparity report

Table at right displays sum of basic revenue, referendum revenue, local optional revenue, and equity revenue per adjusted ADM among school districts in FY19-25. (Source: most recent report received 2/9/24.)

Annual report is required under M.S. 127A.51. Reports dating back to FY1999 are [available online](#) in LRL mandated reports database.

	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
State Averages	7,802	8,023	8,237	8,458	8,695	9,005	9,198
1st Percentile	7,111	7,301	7,439	7,603	7,752	8,027	8,170
5th Percentile	7,193	7,328	7,458	7,619	7,754	8,029	8,172
10th Percentile	7,194	7,329	7,458	7,619	7,754	8,029	8,172
50th Percentile	7,678	8,037	8,230	8,454	8,665	8,966	9,125
90th Percentile	8,642	8,939	9,109	9,417	9,689	10,058	10,253
95th Percentile	8,761	8,996	9,159	9,458	9,755	10,118	10,357
99th Percentile	8,838	9,058	9,204	9,520	9,808	10,153	10,376
90th-10th Dollar Gaps	1,448	1,610	1,651	1,797	1,935	2,029	2,081
95th-5th Dollar Gaps	1,567	1,667	1,702	1,839	2,002	2,089	2,185
99th-1st Dollar Gaps	1,727	1,758	1,765	1,917	2,056	2,126	2,206
90th-10th Ratios	1.2012	1.2197	1.2213	1.2359	1.2496	1.2527	1.2547
95th-5th Ratios	1.2179	1.2275	1.2282	1.2414	1.2581	1.2602	1.2674
99th-1st Ratios	1.2429	1.2408	1.2373	1.2522	1.2652	1.2649	1.2700

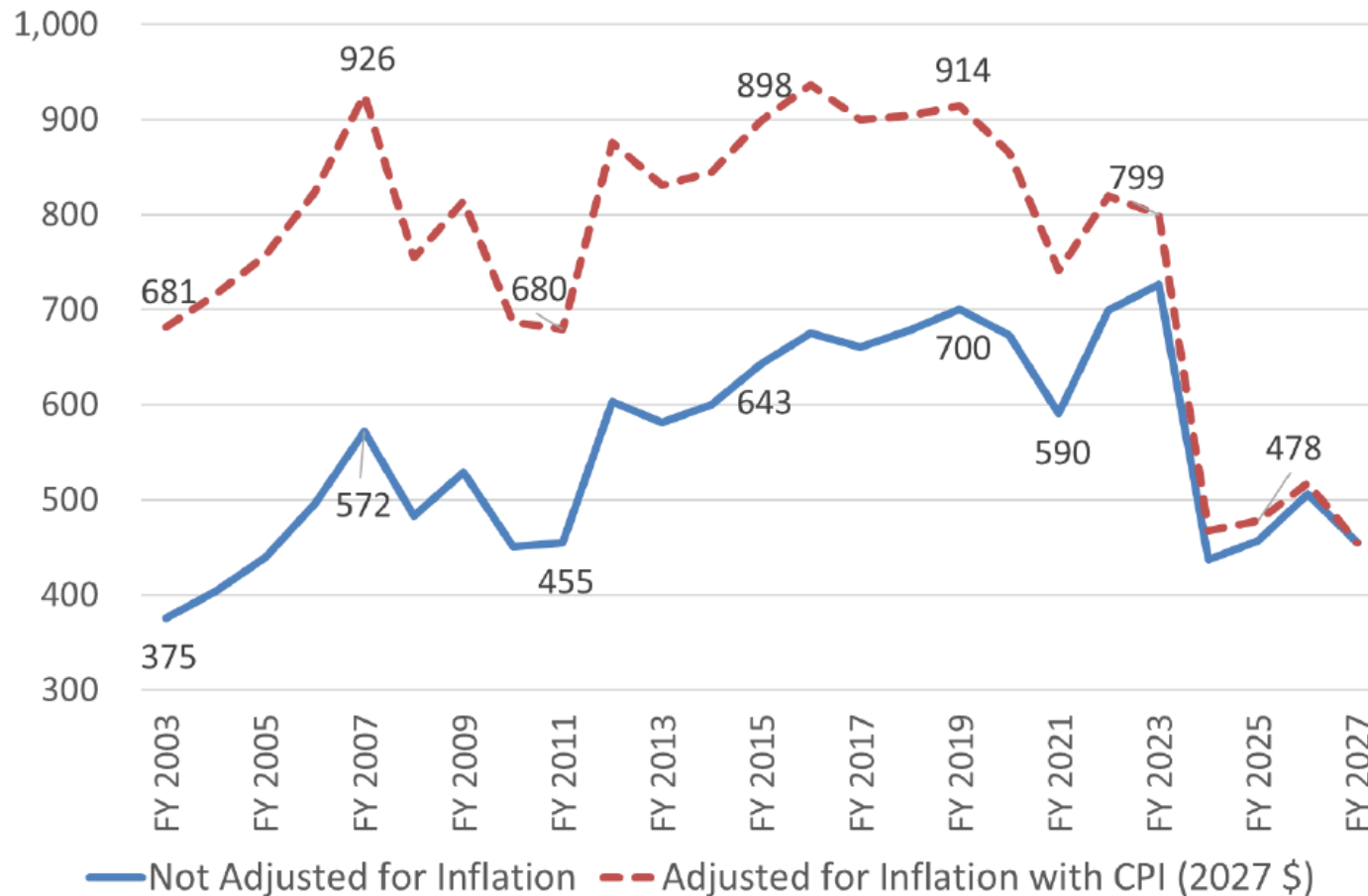
# Special education aid

- In FY 2024:
  - 144,698 K-12 students (17.1% of total K-12 students) received special education services.
  - In total, 165,285 children and youth, ages birth-21, received special education services.
- State aid amount is a function of initial aid, excess cost aid, tuition adjustments, and cross subsidy reduction aid.

# Special education cross-subsidy

- Expenditures on special education services exceed dedicated state and federal special education aids. Schools must use general revenue to cover the difference.
- The amount of this difference is known as the special education cross-subsidy.
- A cross-subsidy reduction aid program first enacted in 2019 and increased by 2023 legislature reduces a district's cross subsidy by 44% in FY2024-2026 and 50% in FY2027 and later.

# Statewide total special education cross-subsidy, FY2003-2027

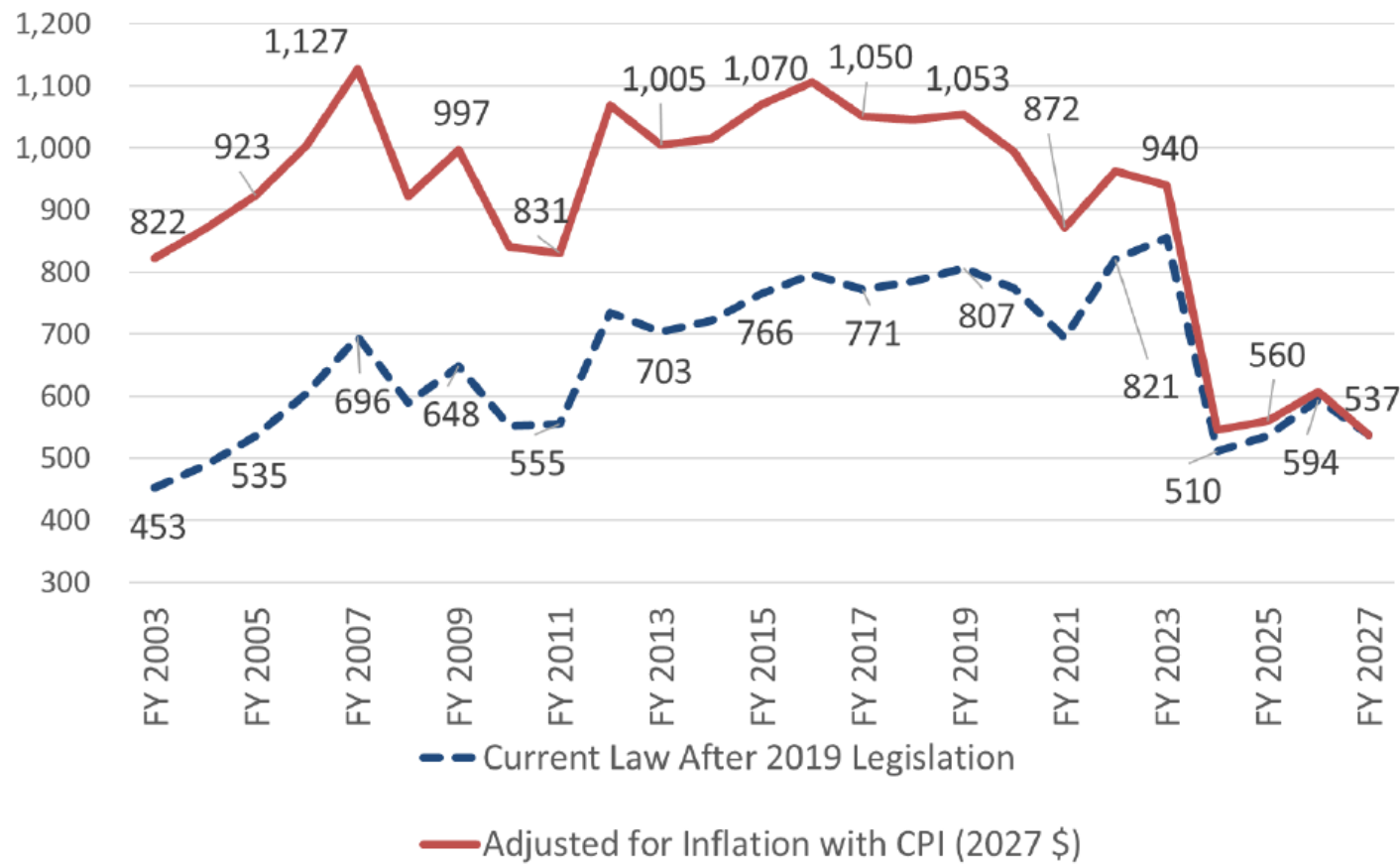


(\$ in millions)

Source: FY23 Special Education Cross-Subsidies Report to the Legislature (June 2024, MDE)

# Statewide average special education cross-subsidy per pupil, FY2003-2027

Source: FY23 Special Education Cross-Subsidies Report to the Legislature (June 2024, MDE)



# Special education cross subsidies FY2023 by district/charter group

Group	Adjusted net cross subsidy per adjusted pupil unit (APU)
State total	\$842
Minneapolis & St Paul	\$1,379
Other metro, inner	\$1,080
Other metro, outer	\$911
Greater MN, $\geq 2,000$ pupils	\$814
Greater MN, 1,000-2,000 pupils	\$772
Greater MN, $< 1,000$ pupils	\$630
Charter schools	\$225

Source: FY23 Special Education Cross-Subsidies  
Report to the Legislature (June 2024, MDE)

# Other revenue programs

Other categorical programs fund various school district programs through additional state aid and property tax levy authority, including:

- Teacher development and compensation
- Student achievement and integration
- Targeted aids and grants to districts
- Dual enrollment
- School facilities and technology
- Nutrition
- Community education

# Questions

- Bjorn Arneson, Analyst – [bjorn.arneson@mnsenate.gov](mailto:bjorn.arneson@mnsenate.gov)
- Jenna Hofer, Fiscal Analyst – [jenna.hofer@mnsenate.gov](mailto:jenna.hofer@mnsenate.gov)