

MINNESOTA DEPARTMENT OF

*Children,  
Families &  
Learning*

**K-12 EDUCATION**

**FINANCE**

**OVERVIEW**

**2000-2001**

Program Finance Division  
Office of Management Services

August 1, 2000

## TABLE OF CONTENTS

<b>I.</b>	<b>Context for School Finance</b>	
A.	Legal Context.....	1
B.	Minnesota Education Finance Terms.....	2
C.	Minnesota's Public Finance System.....	4
D.	Characteristics of School Districts.....	9
<b>II.</b>	<b>K-12 Education Revenue</b>	
A.	School Revenue Trends .....	12
B.	2000-01 Elementary Secondary Education Revenue Summary .....	15
C.	General Education Revenue by Component .....	16
D.	General Education Revenue Formulas.....	17
<b>III.</b>	<b>State Aid and Property Tax Levy Computations</b>	
A.	K-12 Education Property Tax Levy Summary .....	22
B.	Aid and Levy Computations .....	23

# I. CONTEXT FOR SCHOOL FINANCE

## A. Legal Context

### 1. Minnesota Constitution, Article 3, 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. Pupil Accounting**

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

$$= \frac{\text{Number of Pupil-Days Enrolled}}{\text{Total Days in School Year}}$$
- b. Resident Weighted ADM Pupil Units (WADM) = Resident ADM X Pupil Weight

Pupil weights by grade level are as follows:

	<u>FY 1995 – FY 1999</u>	<u>FY 2000 and Later</u>
Pre-K and K Disabled	1.00	1.25
Regular Kindergarten	.53	.557
Grades 1 – 3	1.06	1.115
Grades 4 – 6	1.06	1.06
Secondary (Grades 7-12)	1.30	1.30

- 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 adjusted resident pupil units.

- d. AMCPU (FY 2000 only) = .90 X Current year Adjusted Pupil Units  
 + .10 X Prior year Adjusted Pupil Units

AMCPU (FY 2001 and later) = Greater of:  
 Current year Adjusted Pupil Units, or  
 ( .77 X Current year Adjusted Pupil Units  
 + .23 X Prior year Adjusted Pupil Units).

## 2. Tax Capacity

- a. Net Tax Capacity = Estimated Market Value of Property X Class Rate
- b. Class Rate = Statutory percentage applied to estimated market value to determine tax capacity

### Example class rates (Taxes Payable in 2000)

Residential Homestead (& Ag homestead—house, garage & 1 acre)	
First \$76,000	1.00%
Remainder	1.65%
Remainder of Farm Homestead	
First \$115,000	0.35%
\$115,000 - \$600,000	0.80%
Over \$600,000	1.20%
Farm Nonhomestead	1.20%
Commercial & Industrial	
First \$100,000	2.40%
Remainder	3.40%

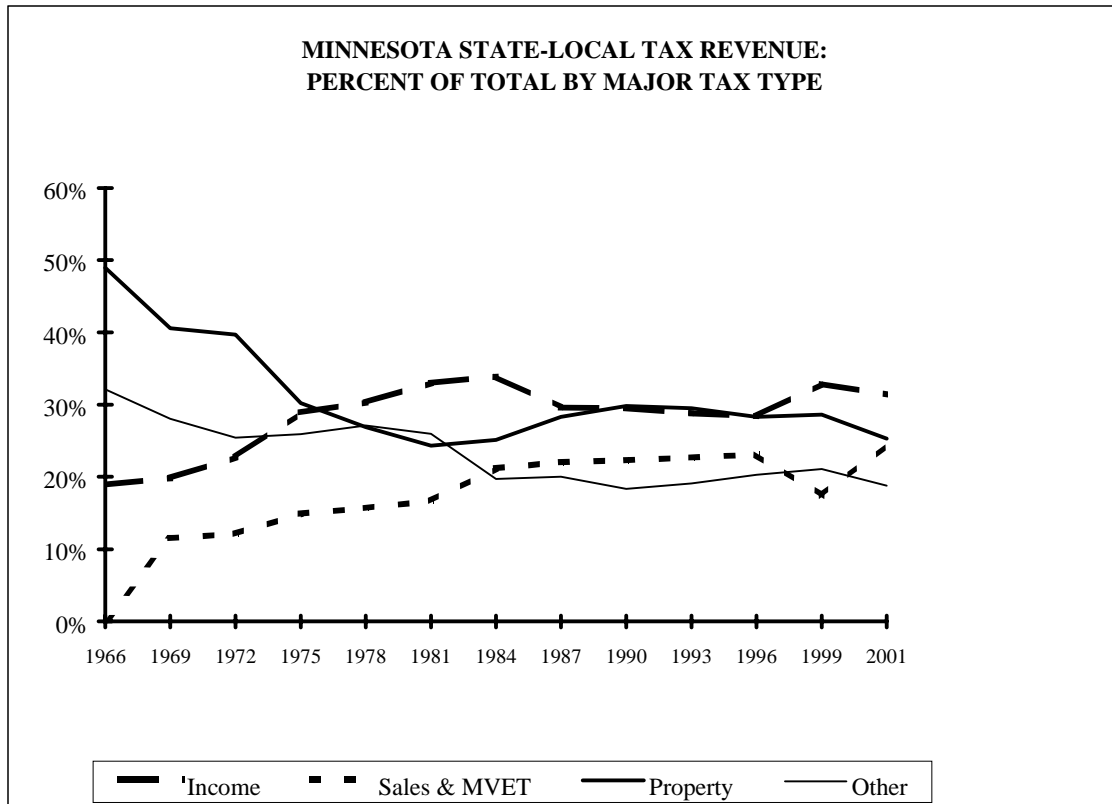
- c. Sales Ratio = 
$$\frac{\text{Estimated Market Value}}{\text{Actual Sales Price}}$$

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

- d. Adjusted Net Tax Capacity = 
$$\frac{\text{Net Tax Capacity}}{\text{Sales Ratio}}$$

## C. Minnesota Public Finance System

### 1. Combined State & Local Tax Revenues



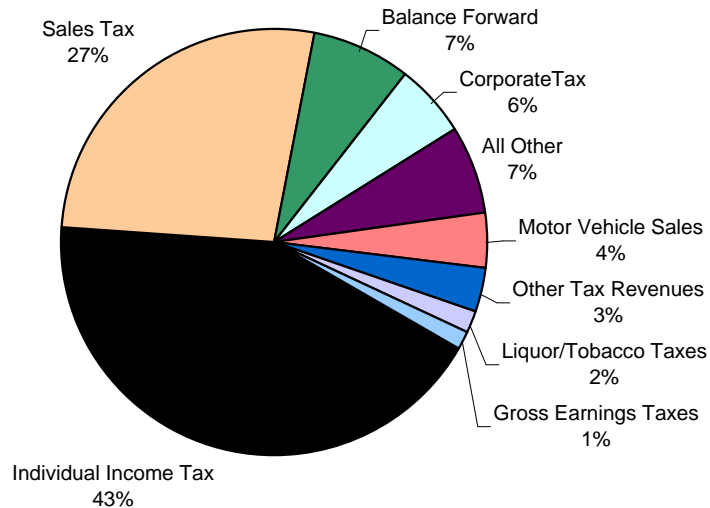
Fiscal Yr	Income Tax	Sales & MVET	Property	Other
1966	18.9%	0.0%	49.0%	32.1%
1969	19.8%	11.5%	40.6%	28.1%
1972	22.7%	12.1%	39.7%	25.4%
1975	29.0%	14.9%	30.2%	25.9%
1978	30.3%	15.7%	26.9%	27.1%
1981	33.0%	16.7%	24.3%	25.9%
1984	33.9%	21.2%	25.1%	19.7%
1987	29.6%	22.0%	28.3%	20.0%
1990	29.5%	22.3%	29.8%	18.4%
1993	28.8%	22.7%	29.5%	19.1%
1996	28.4%	23.1%	28.3%	20.3%
1999	33.6%	17.2%	28.1%	21.1%
2001	31.2%	25.2%	25.5%	18.1%

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

Source: Department of Revenue, Price of Government Data

**2000-01 Biennium**  
**Where the General Fund Dollars Come From**  
 End of 2000 Legislative Session

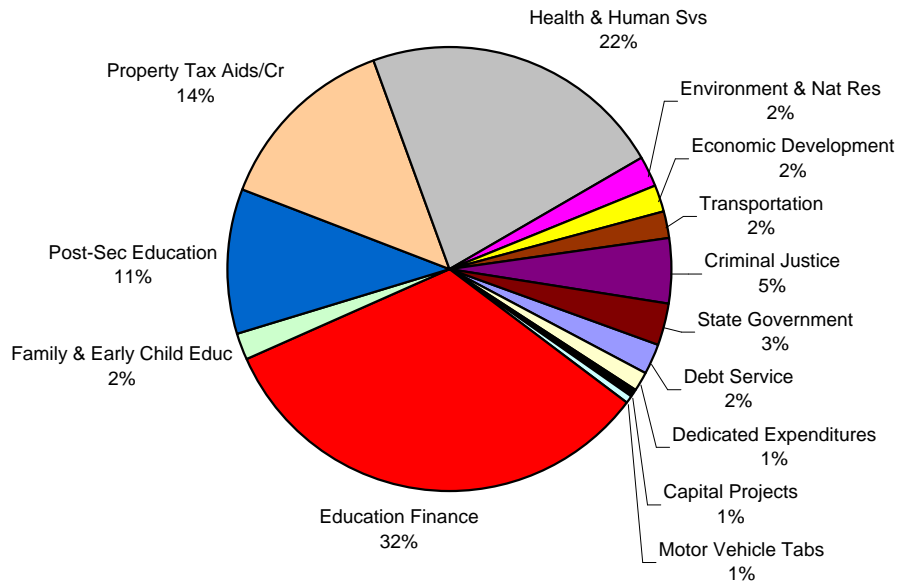
**2000-01 BIENNIUM**  
**\$25,766 Million**



	<u>(\$ in Millions)</u>
Balance Forward 6-30-99	\$1,921
Non-Dedicated Revenues:	
Individual Income Tax	11,030
Sales Tax	7,564
Sales Tax Rebates	(647)
Corporate Tax	1,482
Motor Vehicle Sales Tax	1,055
Gross Earnings Taxes	349
Liquor, Wine, Beer Taxes	119
Cigarette & Tobacco Taxes	352
Other Tax Revenues	840
All Other Revenues	884
Subtotal Non-Dedicated Revenues	<u>23,028</u>
Dedicated Revenue	314
Transfers From Other Funds	483
Prior Year Adjustments	20
<b>SUBTOTAL CURRENT RESOURCES</b>	<u><b>23,846</b></u>
<b>TOTAL AVAILABLE RESOURCES, F.Y. 2000-01</b>	<u><b>\$25,766</b></u>
Less: Estimated Expenditures	24,640
Cash Flow Account	350
Budget Reserve	622
Dedicated Reserves	145
Projected General Fund Balance 6-30-01	<u>9</u>
End of 2000 Legislative Session	<u><u>\$9</u></u>

**2000-01 Biennium**  
**Where the General Fund Dollars Go**  
 End of 2000 Legislative Session

**2000-01 BIENNIUM**  
**\$24,640** Million Spending  
**\$350** Million Cash Flow Account  
**\$622** Million Budget Reserve

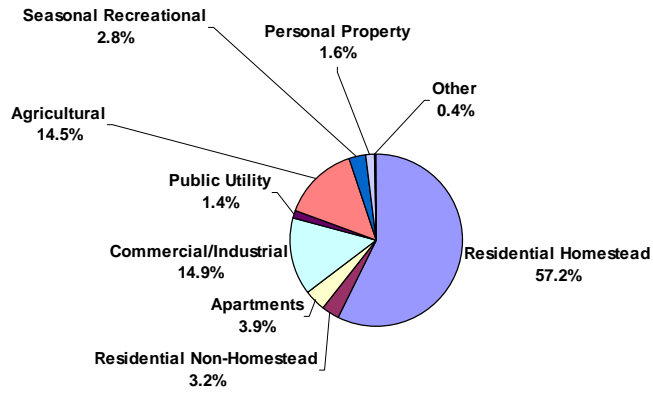


(\$ in Millions)

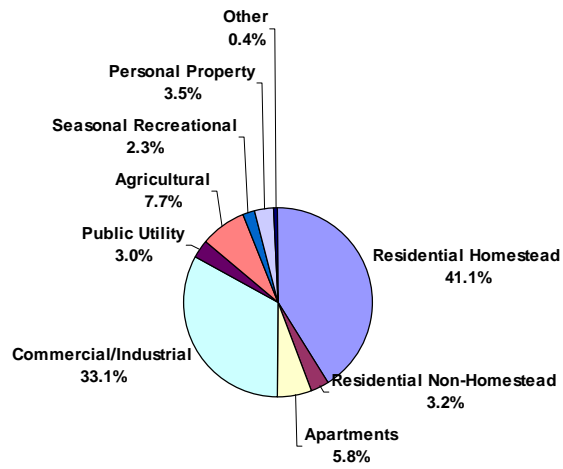
<b>TOTAL AVAILABLE RESOURCES, F.Y. 2000-01</b>	<b>\$25,766</b>
Major Spending Items:	
Education Finance	\$8,136
Family & Early Childhood Education	438
Post-Secondary Education	2,641
Property Tax Aids & Credits	3,342
Health & Human Services	5,463
Environment & Natural Resources	550
Economic Development	462
Transportation	504
Criminal Justice	1,161
State Government	788
Debt Service	579
Capital Projects	177
Motor Vehicle Tab Revenue Replacement	150
Estimated Cancellations	(34)
Subtotal-Major Spending Items	\$24,358
Dedicated Expenditures	282
<b>TOTAL ESTIMATED EXPENDITURES, F.Y. 2000-01</b>	<b>\$24,640</b>
Cash Flow Account	350
Budget Reserve	622
Dedicated Reserves	145
Projected General Fund Balance 6-30-01	\$9
End of 2000 Legislative Session	\$9



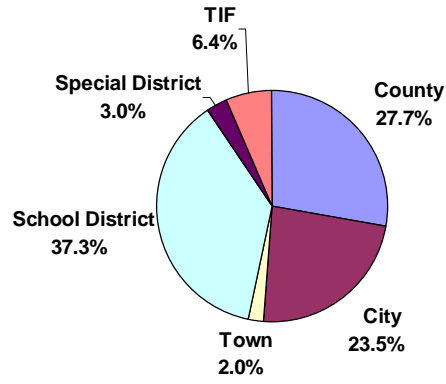
**4. Payable 1999 Market Value by Use Class  
(State Total = \$222.6 Billion)**



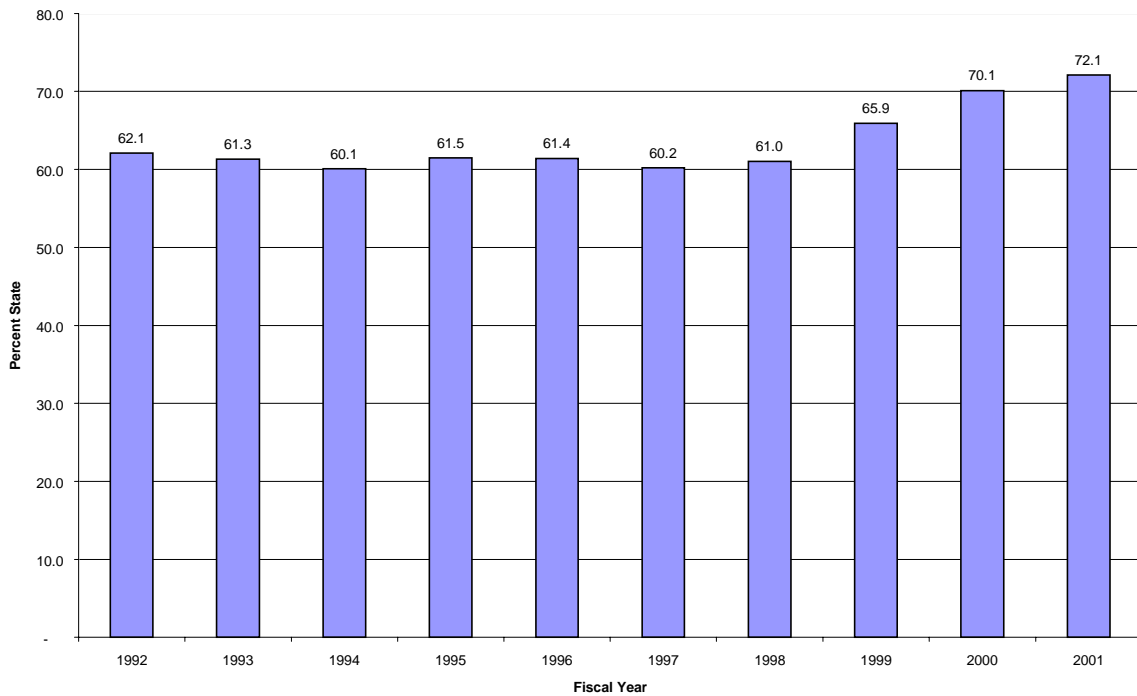
**5. Payable 1999 Net Property Tax by Use Class  
(State Totals = \$4.6 Billion)**



**6. Payable 1999 Property Tax Levy by Type of Government after credits  
(\$4.6 Billion)**



**State Share of State-Local Tax Revenue for K-12 Education**



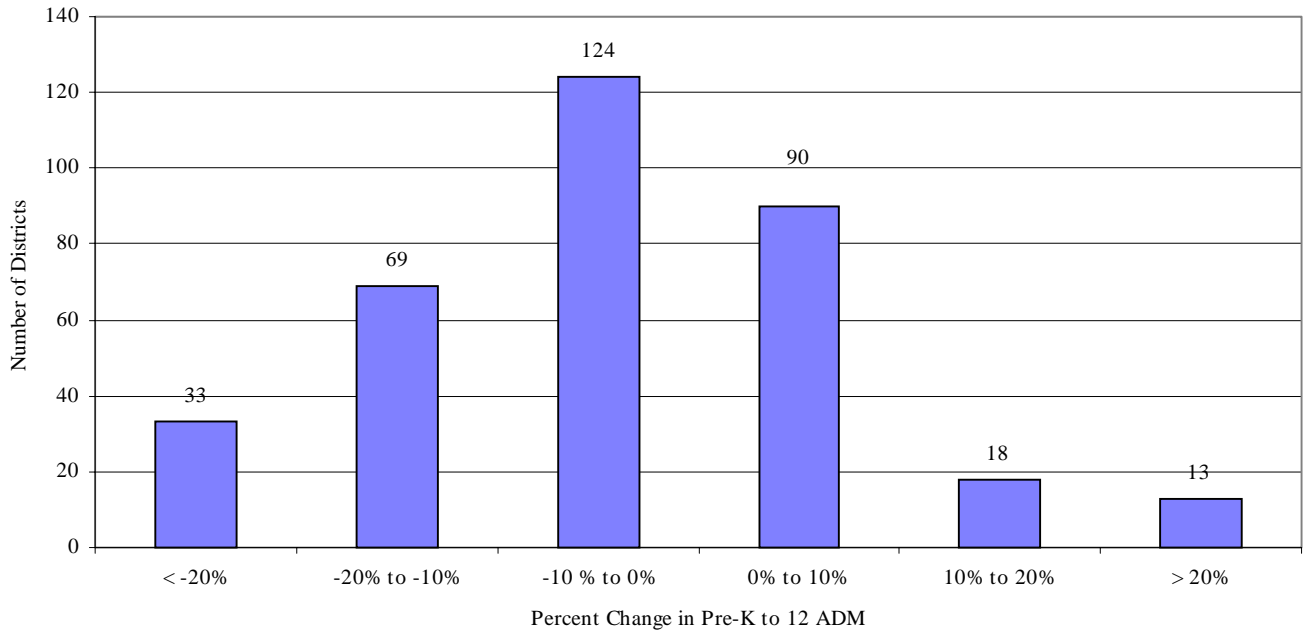
Source: CFL, Price of Government Data, End of 2000 Session Estimate

#### D. Characteristics of School Districts

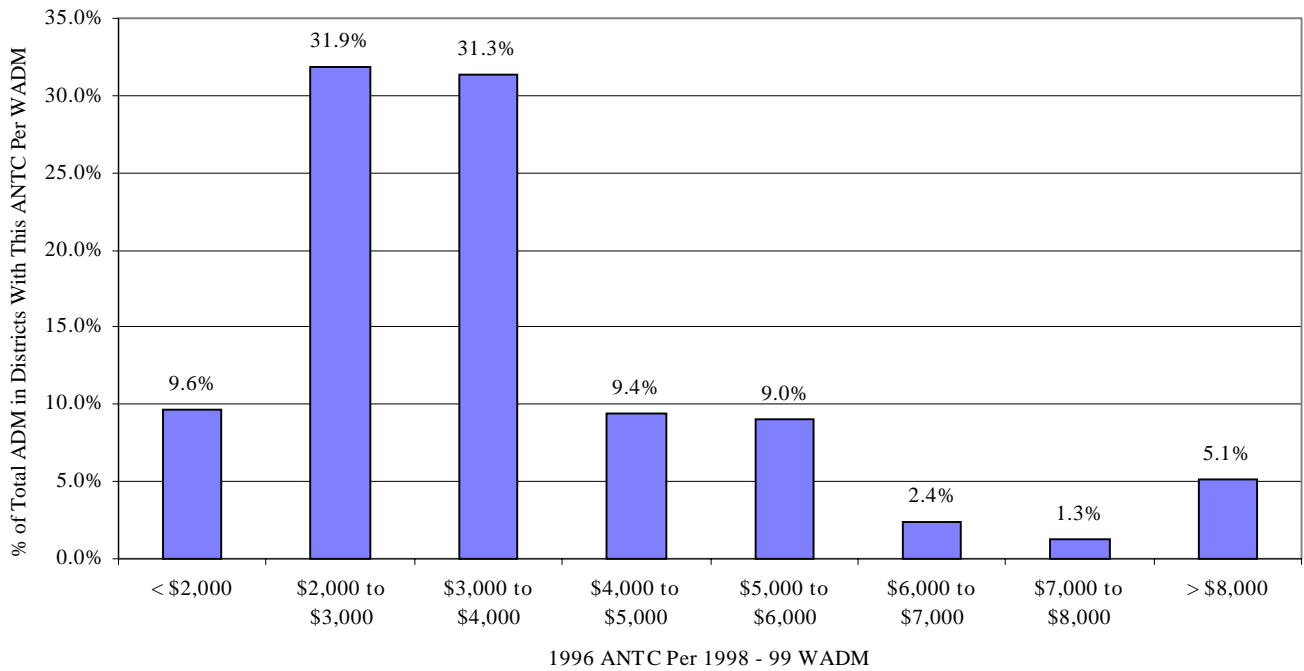
Number of School District by Resident 1998-99 Average Daily Membership Group

ADM Group	No. of Districts	Total ADM	% of Total ADM
0-299	42	8,418	1.0%
300-999	124	75,617	8.9%
1,000-2,999	116	184,914	21.9%
3,000-9,999	50	258,898	30.6%
10,000 -	15	318,124	37.6%
<b>Total</b>	<b>347</b>	<b>845,971</b>	<b>100.0%</b>

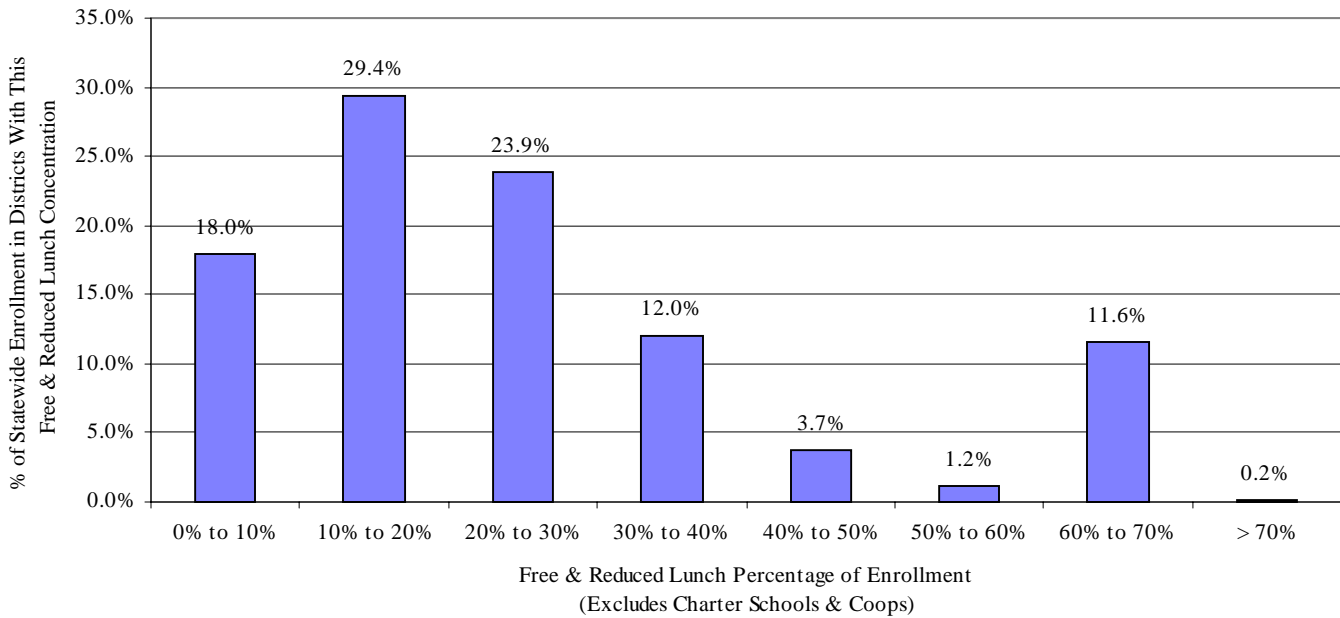
**Estimated Percentage Change in Pre K - Grade 12 ADM  
F.Y. 1999 to F.Y. 2003**



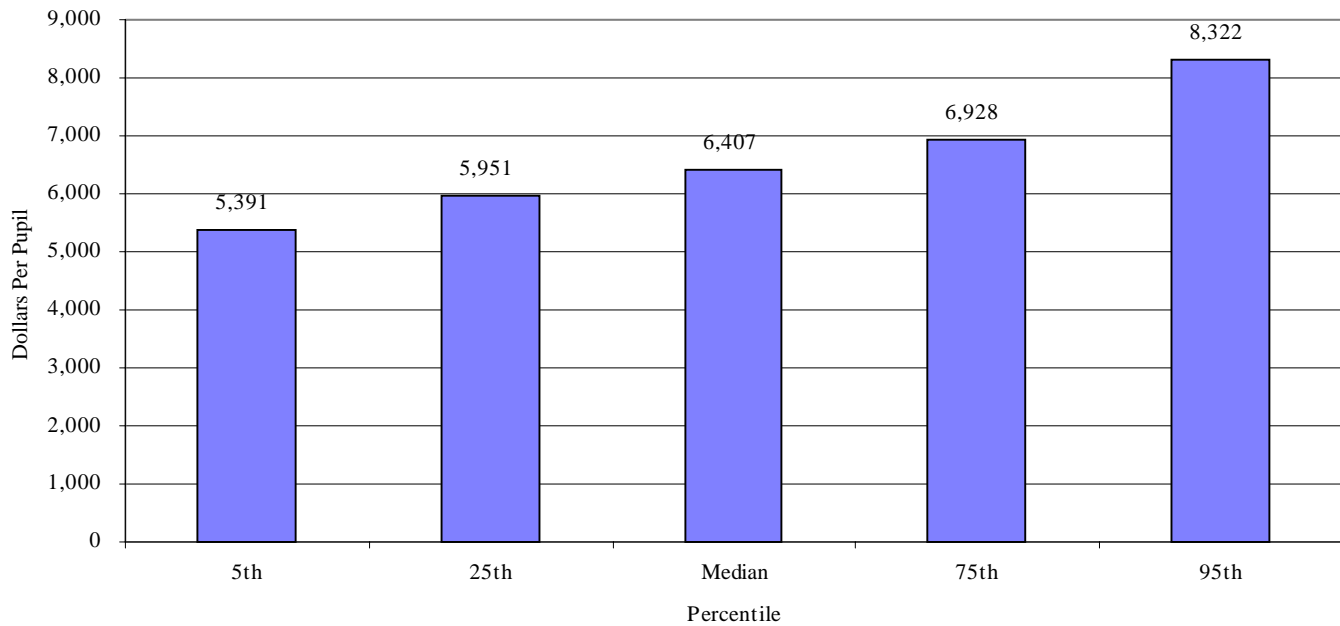
**1996 Adjusted Net Tax Capacity (ANTC) per 1998 - 99 WADM**



**Percentage of Statewide Enrollment by  
Free & Reduced Lunch Concentration of District,  
October 1999**



**Fiscal Year 1999 PK - 12 Operating Expenditures  
Per Average Daily Membership**



(Source: CFL, School District Profiles, 1998-99, Page 61, Column 31)

July 28,2000  
End of Session Data

**II. K-12 EDUCATION REVENUE**  
**A. School Revenue Trends**

School District General Fund Revenue, FY 1991 - 2001*										
(State Aids and Property Taxes)										
			---- Current Dollars ----					----Constant (2001) Dollars** ----		
Fiscal Year	Total Revenue (\$ in Millions)	ADM	Revenue Per ADM	Annual Percent Increase	Cumulative Percent Increase	CPI (1984=1.0)	CPI Adjust to 2001 \$	Revenue per ADM (1999 \$)	Annual Percent Increase	Cumulative Percent Increase
1991	3,583.7	750,865	4,773	n/a	n/a	1.3104	1.2799	6,109	n/a	n/a
1992	3,759.4	767,786	4,896	2.6%	2.6%	1.3510	1.2415	6,079	-0.5%	-0.5%
1993	3,939.4	785,072	5,018	2.5%	5.1%	1.3929	1.2041	6,042	-0.6%	-1.1%
1994	4,180.3	799,285	5,230	4.2%	9.6%	1.4263	1.1759	6,150	1.8%	0.7%
1995	4,496.8	812,582	5,534	5.8%	15.9%	1.4691	1.1417	6,318	2.7%	3.4%
1996	4,712.0	827,588	5,694	2.9%	19.3%	1.5088	1.1116	6,329	0.2%	3.6%
1997	4,811.0	838,336	5,739	0.8%	20.2%	1.5510	1.0814	6,206	-2.0%	1.6%
1998	5,072.7	845,117	6,002	4.6%	25.8%	1.5758	1.0643	6,389	2.9%	4.6%
1999	5,289.0	851,729	6,210	3.5%	30.1%	1.6026	1.0465	6,499	1.7%	6.4%
2000	5,608.3	853,267	6,573	5.8%	37.7%	1.6443	1.0200	6,704	3.2%	9.7%
2001	5,966.1	852,640	6,997	6.5%	46.6%	1.6772	1.0000	6,997	4.4%	14.5%
* Based on current UFARS definition of general fund, which includes transportation and capital expenditures.										
Community service, debt service, and food service funds are excluded.										
** Adjusted for Inflation using Consumer Price Index										
Source: CFL, Program Finance Division, District Revenue Tables, End of 2000 Session										

## K-12 Education Revenue Trends, FY 1999 - FY 2001 (\$ in Millions)

End of 2000 Session Estimates

	FY 1999	FY 2000	% Chg 99 to 00	FY 2001	% Chg 00 to 01
<b>Total Revenue (\$ in millions)</b>					
General Education:					
Basic / Other	3,648.1	3,839.9	5.3%	4,092.6	6.6%
Compensatory (Incl FY 99 one-time)	193.3	212.9	10.1%	215.2	1.1%
Operating Capital	189.9	192.9	1.6%	198.1	2.7%
Referendum	407.8	449.1	10.1%	493.1	9.8%
Total General Education	4,439.1	4,694.8	5.8%	4,999.0	6.5%
Special Education (Incl one-time & Transp)	476.3	542.4	13.9%	586.4	8.1%
Other General Fund	373.6	371.1	-0.7%	380.7	2.6%
Total General Fund	5,289.0	5,608.3	6.0%	5,966.1	6.4%
Food Service Fund	7.5	11.1	48.0%	11.3	1.8%
Community Service Fund	118.0	132.1	11.9%	142.6	7.9%
Debt Redemption Fund	393.5	430.3	9.4%	468.4	8.9%
Total State Aid + Levy Revenue	5,808.0	6,181.8	6.4%	6,588.4	6.6%
Average Daily Membership	851,729	853,267	0.2%	852,640	-0.1%
<b>Revenue per Pupil (ADM):</b>					
General Education:					
Basic / Other	4,283	4,500	5.1%	4,800	6.7%
Compensatory	227	250	9.9%	252	1.2%
Operating Capital	223	226	1.4%	232	2.8%
Referendum	479	526	9.9%	578	9.9%
Total General Education	5,212	5,502	5.6%	5,863	6.6%
Special Education (Incl Transp)	559	636	13.7%	688	8.2%
Other General Fund	439	435	-0.8%	446	2.7%
Total General Fund	6,210	6,573	5.8%	6,997	6.5%
Food Service Fund	9	13	47.7%	13	1.9%
Community Service Fund	n/a	n/a		n/a	
Debt Redemption Fund	462	504	9.2%	549	8.9%
Total State Aid + Levy Revenue / ADM	6,681	7,090	6.1%	7,560	6.6%

Source: CFL, Program Finance Division, District Revenue Tables and General Education work papers, end of 2000 session

Includes state aids and levies. Levies are shown by year of levy certification.

**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%

SOURCES: U.S. Department of Education, National Center for Education Statistics, *State Comparisons of Education Statistics: 1969-70 to 1996-97, Table 41, Digest of Education Statistics, 1999, Table 172, and Revenues and Expenditures for Elementary and Secondary Education: School Year 1997-98, Table 5.*

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



**B. 2000-2001 Elementary Secondary Education Revenue Summary\***

Program	Total Revenue (\$ Millions)	Revenue per Pupil in ADM	Percent of Total Revenue
General Education**	\$ 4,502.8	\$ 5,277	68.3%
Referendum	493.1	578	7.5%
Special Education	586.4	687	8.9%
Other General Programs***	383.8	450	5.8%
Subtotal General Fund	5,966.1	6,992	90.6%
Food Service	11.3	13	0.2%
Community Service	142.6	n/a *****	2.2%
Debt Redemption	468.4	549	7.1%
Total All Funds	\$ 6,588.4	\$ 7,554 *****	100.0%
ADM Pupils	853,267		

- \* Revenue includes estimated state aid entitlements and gross levies. Excludes federal aids, local nontax revenues, and appropriations to state agencies.
- \*\* Includes transportation and operating capital funding enrolled into general education program beginning in 1996-97.
- \*\*\* Includes health & safety (\$90.5), alternate facilities annual levies (\$25.1), deferred maintenance aid (\$23.4), building lease levies (\$31.6), telecommunications access aid (\$18.5), desegregation/integration revenue (\$70.1), nonpublic transportation aid (\$21.4), 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: CFL, Program Finance Division, District Revenue Tables and General Education work papers, end of 2000 session

### C. General Education Revenue by Component: 2000-2001 Estimate

Component	Number of Districts	Amount (Millions)	Percent of Total
<b><u>Formula-Based Revenue:</u></b>			
Basic	347	\$ 3,884.0	77.7%
Basic Skills:			
Compensatory	344	215.2	4.3%
LEP, including concentration	183	34.0	0.7%
\$22.50 X K-8 PU	347	14.0	0.3%
Sparsity	74	12.0	0.2%
Transportation Sparsity	347	49.4	1.0%
Training & Experience	268	35.0	0.7%
T&E Replacement (One-time)		30.8	0.6%
Operating Capital	347	198.1	4.0%
Referendum Offset	136	9.6	0.2%
Transition	134	9.5	0.2%
Supplemental	36	8.5	0.2%
Equity	307	21.9	0.4%
Pension Adjust	346	(46.7)	-0.9%
Alternative Attendance Adj	283	(1.8)	0.0%
PSEO-College	n/a	17.0	0.3%
Shared Time	n/a	3.4	0.1%
Contract Alternative	n/a	8.9	0.2%
<b>Subtotal</b>	<b>347</b>	<b>4,502.8</b>	<b>90.1%</b>
<b><u>Referendum-Based Revenues:</u></b>			
Oper. Referendum	299	493.1	9.9%
<b>Grand Total Revenue</b>	<b>347</b>	<b>4,995.9</b>	<b>100.0%</b>

Source: CFL, Program Finance Division, end of 2000 session 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

Formula Allowances:

		<u>Total</u>	-	<u>Trans</u>	-	<u>T&amp;E</u>	-	<u>Grad Std</u>	-	<u>Coop</u>	=	<u>Net</u>
2000-2001	\$3,964*	(\$3,964	-	\$192	-	\$0	-	\$43	-	\$67	=	\$3,662)
1999-2000	\$3,740*	(\$3,740	-	\$181	-	\$0	-	\$43	-	\$0	=	\$3,516)
1998-99	\$3,530*	(\$3,530	-	\$171	-	\$0	-	\$0	-	\$0	=	\$3,359)
1997-98	\$3,581*	(\$3,581	-	\$174	-	\$130	-	\$0	-	\$0	=	\$3,277)
1996-97	3,505*	(\$3,505	-	\$170	-	\$130	-	\$0	-	\$0	=	\$3,205)
1995-96	3,205											
1994-95	3,150											
1993-94	3,050											
1992-93	3,050											
1991-92	3,050											
1990-91	2,953											

\* For comparison with earlier years, amounts rolled into the formula allowance since 1995-96 should be deducted, as shown in parentheses at right.

Learning and Development (Class Size Reduction) Set Aside:

- The portion of basic revenue generated by the extra .057 weight for kindergarten, the extra .115 weight for grades 1 – 3, and the extra .06 weight for grades 4 – 6 must be reserved for class size reduction, beginning in kindergarten and grade 1. In addition to this set aside, additional funding for class size reduction is provided through federal aid and a one-time state aid program.

Staff Development Set-Aside:

- 2% 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. (This percentage was set at 1% for FY 2000). 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.

### 2. 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 & reduced lunch data as of October 1 of the previous year
- Allocated directly to school sites; however, up to 5% of old formula revenue may be allocated according to a local plan approved by the Commissioner (exception applies to FY 1999 – 2001 only)

Compensatory Revenue = Formula Allowance X Compensatory Pupil Units

Compensatory Pupil Units = (Free + 1/2 of reduced-price lunch count) X  
Concentration Factor X .60

Concentration Factor = Ratio of (free + 1/2 of reduced-price lunch count) to  
80 percent of total building enrollment, but not > 1.

- Districts that would have received more under the old formula (based on AFDC counts) are held harmless with compensatory transition revenue.

**b. Limited English Proficiency (LEP) Revenue**

1. Basic Revenue = \$584 X Adjusted marginal cost (AMC) LEP enrollment

- AMC LEP enrollment is greater of current year enrollment or sum of 77% of current year plus 23% of prior year (if AMC LEP enrollment is at least 1 but less than 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 \$190 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 percent.
- Additional basic skills revenue targeted to school districts with high concentrations of LEP students

**c. AOM Replacement (\$22.50 x K-8 AMCPU)**

- Additional basic skills revenue, replacing separate Assurance of Mastery (AOM) categorical. (K-8 AMCPU is greater of current year K-8 adjusted PU or sum of 77% of current year plus 23% of prior year.

### **3. Sparsity Revenue**

- Funds added costs of operating geographically isolated small schools
- Secondary schools must have less than 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

### **4. Transportation Sparsity**

- Funds added costs of providing transportation in districts with fewer than 200 pupil units per square mile. (Transportation funding for all districts of \$192 per pupil unit 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.

### **5. Training & Experience (T&E)**

- Partially compensates districts for salary differences associated with training & experience of teachers employed by the district in 1996-97
- Being phased out as these staff leave employment with the district

### **6. Operating Capital**

- Provides funding for capital expenditure facilities and equipment costs.
- Revenue per AMC pupil unit =  $\$73 + \$100 * [1 + (\text{Avg Building Age}/100)]$ .

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

### **7. Referendum Offset**

- Districts with referendum allowances at or below the referendum allowance limit and continuing to be affected by the referendum allowance reduction receive an additional \$25 per pupil unit. (FY 2001 is the last year for this revenue component.)

### **8. Transition**

- Grandfather provision.
- Ensures that no district receives less transportation revenue per pupil unit than the district received in FY 1996 (the last year of separate categorical funding), and that no district receives less compensatory revenue than it would have received in FY 1998 under the old AFDC formula.

## **9. Supplemental**

- Grandfather provision, ensuring a minimum increase over the revenue the district received in 1987-88 (the year before the general education formula replaced the previous foundation formula).
- Supplemental allowance per pupil unit has been frozen since FY 1994, except for the supplemental allowance reduction, which began in FY 1995, and an increase to offset the loss of post-secondary options replacement aid, which began in FY 1998.

## **10. Equity**

- Additional revenue for districts with Basic + Referendum + Transition + Supplemental revenue per pupil unit below the regional 90<sup>th</sup> percentile (regions are 7 county metro area, rural).
- Minneapolis, St Paul and Duluth are not eligible for revenue.
- For qualifying districts with no referendum levy, revenue allowance = \$22 (\$10 ongoing + \$12 for FY 2000 and FY 2001 only)
- For qualifying districts with a referendum levy, revenue allowance = \$10 + up to \$30, depending on how far the district's revenue per pupil unit is below the regional 90<sup>th</sup> percentile (sliding scale).

## **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.

## **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.
- 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.

#### **14 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.

#### **15. Contract Alternative**

- Payments to school districts for students enrolled in private alternative programs under contract with the districts. At least 90% of the general education revenue earned by these students (100% of basic skills revenue) must be paid to the private organization.

#### **16. 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 \$991 per pupil unit (25% of formula allowance) or the district's 1993-94 referendum allowance. (Sparsity districts exempted).
- For elections before June 1, 1996, the approved amount is reduced by \$100/PU to offset increase in formula allowance between 1993-94 and 1994-95, plus 1/4 of increase in AFDC and T&E allowances between 1993-94 and 1995-96. The reduction is smaller for some districts ("Anoka exception").
- 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 10 years), are based on a fixed amount per pupil unit, and are spread against referendum market value.
- To provide voter accountability and level the playing field, all tax capacity referendums must be converted to limited term market value referendums by June 1, 2000, or they expire beginning with taxes payable in 2001.

### III. STATE AID AND PROPERTY TAX LEVY COMPUTATIONS

#### A. K-12 Education Property Tax Levy Summary: 1999 Payable 2000 (FY 2001)

Levy Type	Amount (\$ in Millions)	Percent of Total Before Reductions
<b>Formula-Drive Levies:</b>		
General Education	1,324.2	58.3%
Health & Safety	76.0	3.3%
Other General Fund	85.6	3.8%
Community Service Fund	42.7	1.9%
Debt Service Fund	84.1	3.7%
<b>Subtotal, Formula-Driven Levies</b>	<b>1,612.6</b>	<b>71.1%</b>
<b>Voter Approved Levies:</b>		
Operating Referendum	317.1	14.0%
Facilities Down Payment	2.0	0.1%
Debt Service	337.8	14.9%
<b>Subtotal, Voter Approved Levies</b>	<b>656.9</b>	<b>28.9%</b>
<b>Total Levy Before Credits</b>	<b>2,269.5</b>	<b>100.0%</b>
<b>Credits:</b>		
Educ. Homestead Credit	(394.8)	
Educ. Agriculture Credit	(45.0)	
Other (e.g., HACA)	(36.3)	
<b>Total Levy After Credits:</b>	<b>1,793.4</b>	

\* Other General Fund levies include:  
Integration/Desegregation (\$12.4), Building Lease (\$31.7),  
Alternative Facilities (\$21.8), and several smaller categorical levies.



## **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 & Safety)

### **2. Examples of Levy Formulas**

- a. Tax Rate Levies---Adjusted Net Tax Capacity (ANTC) times Tax Rate (e.g., General Education Levy---tax rate for 1999 Pay 2000 levy was 35.78% of ANTC)
- 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 2001, state aid is provided to "equalize" access to the first \$415/PU. The "equalizing factor" for ANRC-based referendum levies is \$8,404/PU. If a district's ANTC/WADM is 1/3 of this amount, district property tax payers pay 1/3 of the first \$415/PU of the referendum revenue, and the state pays 2/3.

#### *Example #2: Health & Safety*

State aid is provided to "equalize" this levy, using an "equalizing factor" of \$3,956. 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.

#### *Example #3: Debt Service*

State aid is provided to "equalize" the portion of the levy that exceeds 12% of the district's ANTC, using an "equalizing factor" of \$4,000. If a district's ANTC is \$1 million, the district's ANTC/WADM is 60% of \$4,000, and the initial debt levy is \$150,000, the district levies for all of the first \$120,000 and 60% of the remaining \$30,000; the state pays 40% of the remaining \$30,000.

- 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**