

Financing Education in Minnesota 1997 - 1998

A Publication of
the Minnesota
House of
Representatives
Fiscal Analysis
Department

August, 1997

Education Revenue



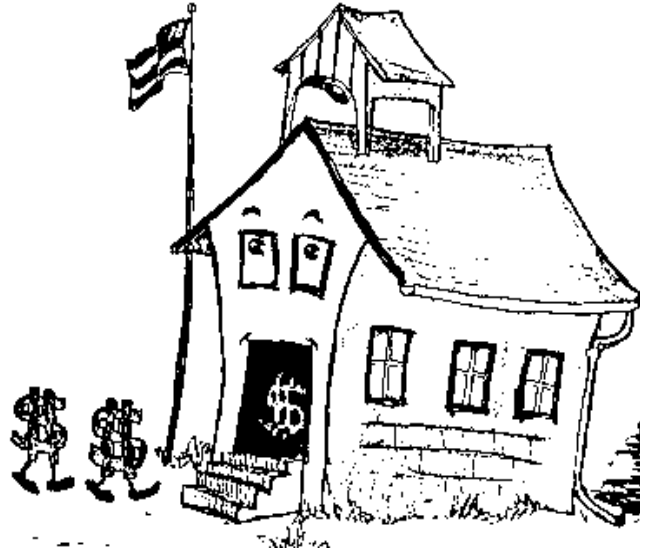
$$\text{Total Dollars} = \text{Local Levy} + \text{State Aid}$$

TOTAL DOLLARS

Pupil Units

x

Formula Allowance



LOCAL LEVY

Tax Capacity Rate

x

Tax Capacity

STATE AID

Total Dollars

minus

Local Levy



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Table of Contents

Introduction 1

Education Finance Terms 2

General Education Program 9

 Basic General Education Revenue 10

 Compensatory Revenue 14

 Secondary Sparsity Revenue 15

 Elementary Sparsity Revenue 16

 Operating Capital Revenue 17

 Transportation Sparsity Revenue 19

 Transition Revenue 20

 Supplemental Revenue 22

 Reserved Revenue and Reductions 23

 Referendum Revenue 24

 Equalizing Factor 26

 Diagram — 1997-98 General Education Program 27

Categorical Programs 28

 Targeted Needs Transportation Revenue 28

 Special Education 30

 Limited English Proficient Revenue 32

 Secondary Vocational Education 34

 Cooperation Program Funding 35

 Capital Expenditure Related Programs 36

 Debt Service Revenue 37

 Abatement Revenue 38

 Advanced Placement and International Baccalaureate Programs 38

 Assurance of Mastery Revenue 38

 Crime Related Costs 38

 First Grade Preparedness Grants 38

 Gifted and Talented Programs 38

 Graduation Rule Implementation 38

 Historic Building Revenue 38

 Homeless Student Revenue 38

 Integration/Desegregation Grants 39

 Learn and Earn 39

 Learning Site Technology Grants 39

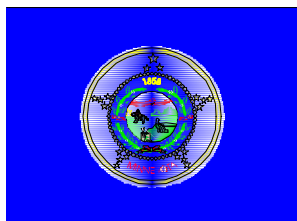
 Low-Income Concentration Grants 39

 Minority Teacher Incentives 39

 School Breakfast Aid 39

School Lunch Aid	39
Secondary Vocational Programs for Children With Disabilities	39
Telecommunications Access Grants	39
Property Tax Relief Aids - Property Tax Calculation	40
Homestead and Agricultural Credit Aid	40
Education Homestead Credit	40
Property Tax Calculation - Residential Property	41
Property Tax Calculation - Agricultural Property	42
Finances	44
Education Finance Appropriations	44
Property Tax Relief Aid Payments to School Districts	45
School District Property Tax Levies	46
Education Revenue Sources	47
Education Revenue Sources - Graph	48

Introduction



“The stability of a republican form of government depending mainly upon the intelligence of the people, 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.”

- Minnesota Constitution, Article XIII, Section 1

The financing of elementary and secondary education in Minnesota is through a combination of state-collected taxes (primarily income and sales) and locally collected property taxes. Revenue to school districts is received in three major categories, all of which are described in greater detail in this booklet. In summary, the three categories are:

1. State Education Finance Appropriations

- A. General Education Aid - The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program as well as equalize differences in property wealth between districts.
- B. Categorical Aids - Categorical revenue formulas are generally used to meet costs that vary significantly between districts (i.e., special education) or promote certain types of programs (i.e., secondary vocational aid).

2. State Paid Property Tax Credits

Property tax credits reduce the amount of property taxes paid. To make up for this reduction, the state pays the difference between what was levied in property taxes and what is actually received in property taxes to school districts and other taxing districts. Beginning in 1998-99, a new education homestead credit will be effective, reducing overall school levies.

3. Property Tax Levies

Property tax levies are usually determined as part of a formula that includes state aid. The largest share of the levy is part of the general education formula. In addition, the property tax levy is the major source of revenue for school building programs.

Minnesota Education Finance Terms

General Education Program - The general education program is the method by which school districts receive the majority of their financial support.

- A. **Basic Revenue and General Education Levy:** The basic general education formula establishes the minimum level of funding for school districts. General education aid is determined by subtracting the amount raised by the general education levy from the formula allowance times pupil units. Both the basic formula allowance and the general education levy are set each year in legislation.

<u>School Year</u>	<u>Formula Allowance</u>	<u>Tax Rate</u>
1989-90	2,838 (a)	29.3% (b)
1990-91	2,953	26.3%
1991-92	3,050	26.4%
1992-93	3,050	27.9%
1993-94	3,050	30.7%
1994-95	3,150	34.9%
1995-96	3,205 (a)	34.2%
1996-97	3,505 (c)	40.8% (c)
1997-98	3,581	37.4%
1998-99	3,530 (d)	36.9%

- (a) The formula allowance for 1989-90 was originally set \$38 lower than this number. The formula for 1995-96 was originally set \$55 lower. The amount added to the formula in each of those years is all state aid and is not used to determine the equalizing factor.
- (b) For 1989-90, the tax rate is applied to gross tax capacity. For 1990-91 and after, it is applied to adjusted net tax capacity (ANTC).
- (c) The formula and tax rate for 1996-97 reflect the “roll-in” of a major portion of transportation funding and training experience funding into the general education formula. The formula increase of \$300 (\$3,205 to \$3,505) reflects that roll-in. The tax rate reflects the roll-in and also includes the property tax portion of the operating capital funding.
- (d) The formula allowance for 1998-99 reflects the “roll-out” of training and experience funding from the general education formula. The decrease of \$51 (\$3,581 to \$3,530) is the net result of the \$130 reduction for the roll-out of training and experience and a \$79 increase in the formula.

The general education formula is an “equalized” formula - the state pays in aid the difference between what is raised by the local levy and the formula allowance. The portion that is local levy can be determined by comparing a district's adjusted net tax capacity per pupil unit to the equalizing factor. The equalizing factor is determined by dividing the basic formula allowance by the tax capacity rate. For 1997-98, the equalizing factor calculation is: $\$3,581/.374 = \$9,575$.

The basic revenue allowance for each district for the 1997-98 school year is \$3,581 per pupil unit. Of this amount, the revenue resulting from .06 times K-6 pupil units must be reserved to reduce kindergarten and elementary classes to one teacher per 17 pupils. State aid of \$2.6 billion and property tax levy of \$1.4 billion provide the basic revenue for all districts. The total of all state aid is \$3.3 billion, and the total levy amount is \$2.3 billion.

- B. **Compensatory Education Revenue:** Compensatory revenue provides additional funding for districts with students eligible to receive free and reduced price lunches. Compensatory revenue increases as the percent of free and reduced students at a school site compared to total enrollment at the site increases (however, the percent is capped). A total of \$185 million in compensatory revenue is allocated to most school districts in 1997-98.
- C. **Operating Sparsity Revenue:** Sparsity revenue provides additional funding for small and isolated schools. This revenue acknowledges the higher cost of necessarily small education programs. There are two parts to the sparsity formula, one for elementary schools and one for secondary schools. A district is eligible for elementary sparsity revenue for elementary schools that average 20 or fewer pupils per grade and are 19 miles or more from the nearest elementary schools. A district is eligible for secondary sparsity revenue for secondary schools with less than 400 pupils that serve a large geographic area and are a substantial distance from another secondary school. A total of \$10.6 million of sparsity revenue is allocated to about 68 districts in 1997-98.
- D. **Transition Revenue:** Beginning in 1996-97, the basic formula increased by \$300 per pupil unit representing the “roll-in” of transportation and training and experience revenue. Transition revenue provides that if a district in 1995-96 had received more than the \$300 in transportation revenue (excluding the amounts reflected in the transportation sparsity revenue and the targeted needs transportation revenue) and in training and experience revenue, the district will be guaranteed those amounts as transition revenue. If a district had received less than \$300 in those components in 1995-96, transition revenue provides for a phasing-up to the \$300. As a result, transition revenue may be positive (guaranteeing a higher amount) or negative (phasing up to the \$300). The transportation portion of transition revenue is phased in over two years with 10 percent of the increase in 1996-97 and the remaining 90 percent in 1997-98, the training and experience portion is phased in over five years with 10 percent of the increase in 1997-98. In addition, a compensatory transition component guarantees that a districts will receive as much revenue under the new compensatory formula (based on free and reduced price lunch student counts) as they did under the old

compensatory formula (based on AFDC counts), but also that no district can receive more than an additional \$300 per pupil under the new formula than they would have received under the old formula.

Transition revenue is an aid and levy combination in the same ratio as the general education formula and is either a negative or positive adjustment. All school districts have positive or negative transition revenue adjustments netting \$19.9 million for 1997-98.

The training and experience revenue component that was in effect through 1995-96 provided additional funding for districts with highly trained and experienced staff. In 1998-99, training and experience revenue will return as a separate component, (but it will phase out--as new teachers are hired, they will not count toward the training and experience revenue) so it will no longer be a part of transition revenue.

- E. **Transportation Sparsity Revenue:** The transportation sparsity allowance provides districts with additional funding based on the number of pupil units per square mile in the school district. About 328 school districts receive \$45.5 million of transportation sparsity revenue.
- F. **Operating Capital Revenue:** The operating capital formula has a component representing the former equipment formula (\$68 per pupil unit) and a component representing the former facilities formula (\$100 times the district's maintenance cost index). For 1997-98 only, districts' operating capital revenue will be increased for technology spending by whichever is greater: \$24 per pupil unit or the lesser of (a) \$25,000 or (b) \$80 per pupil unit. Operating capital revenue ranges from \$231 to \$340 per pupil unit in 1997-98 and totals \$213 million statewide.
- G. **Supplemental Revenue:** In 1997-98, a district's supplemental revenue is the same per pupil amount as the district received in 1992-93. However, supplemental revenue is reduced by \$100, representing the increase in the formula allowance between 1993-94 and 1994-95, and by 25% of increases in training and experience and compensatory revenue between 1993-94 and 1995-96. The \$100 reduction does not apply to low value districts. Supplemental revenue is intended to guarantee that a district receives the same amount of general education revenue as it received in the previous year. If other parts of the general education formula do not provide that level of funds, the district receives that amount of funding through supplemental revenue. The original basis for the supplemental revenue was the revenue level of the district in various categories in 1987-88. The supplemental revenue is an aid and levy combination in the same ratio as the district's general education revenue allowance. A total of \$5.4 million in supplemental revenue is allocated to about 32 districts in 1997-98.
- H. **Shared-Time Aid:** If a nonpublic school student attends a public school district for a portion of the day, the public school district receives a prorated share of general education aid for that student.

Referendum Revenue - With the approval of its voters, a school district may increase the revenue available in its general fund. A referendum to increase general fund revenue may be held only on the first Tuesday after the first Monday in November (Election Day) unless the district is in statutory operating debt and receives approval from the Commissioner of Children, Families and Learning to hold the referendum on a different date, if the election is held by mail ballot, or if the election is held in conjunction with a bond issue and is for the operation of the facility proposed in the bond issue.

The state equalizes at the 100 percent level the first \$315 per pupil unit of the referendum revenue. For 1997-98, 287 districts have referendum levies totaling \$246 million. In addition, most of these districts receive \$132 million of referendum equalization aid.

The amount of the referendum levy is capped at 25 percent of the general education formula allowance (\$895 in 1997-98). Any new referendum levies may not exceed this amount. If a district's referendum levy is already above this amount, it may not be increased.

Referendum levies have been reduced by \$100 (the increase in the general education formula between 1993-94 and 1994-95). Also, referendum levies over \$315 per pupil unit have been reduced by 25% of increases in training and experience and compensatory revenue between 1993-94 and 1994-95. (These reductions are applied first to supplemental revenue, then, if any amount remains, to referendum revenue.) However, in a district with a low fund balance, no supplemental revenue, low adjusted net tax capacity and high referendum amount, the reduction may have been less than \$100.

Referendum levies approved after November 1, 1992 will be based on market value rather than adjusted net tax capacity (ANTC). ANTC provides tax advantages for residential and agricultural property compared to commercial and industrial property, market value treats most property the same. All existing referendum levies must be converted to market value by the year 2000 or be discontinued. Districts with referendum levies on ANTC may convert those levies to market value over several years.

Pupil Weighting - A weighted count of pupils used to determine revenue in many formulas:

One Kindergarten Pupil	=	.53 pupil units
One Elementary Pupil (grade 1-6)	=	1.06 pupil units
One Secondary Pupil (grade 7-12)	=	1.3 pupil units

A Preschool Pupil with Disabilities is counted as a pupil unit for the ratio of hours of service to 825 with a minimum of .28 pupil unit and a maximum of one pupil unit.

Actual Pupil Units or Pupil Units in Weighted Average Daily Membership (WADM) is the total of the above weighted pupil unit categories for a school district

Pupil units in Average Daily Membership (ADM) is the total headcount of students in a school district.

Categorical Revenues - Additional resources for specific school programs. Examples of categorical revenues include:

- A. Targeted Needs Transportation
- B. Special Education
- C. Secondary Vocational
- D. Debt Service Equalization Aid

Market Value - The value assigned to property by an assessor. Referendum market value allows for certain types of property that have classification rates below one to have a lower market value than the value assigned by the assessor.

Property Tax Classification Rates - Percentages applied to the market value of property to arrive at the adjusted net tax capacity. For example, residential homestead property under \$72,000 has a class rate of 1 percent, the amount over \$72,000 has a class rate of 2 percent. Tax class rates will change for taxes payable in 1998, school year 1998-99 (when the 1 percent rate will apply to all values below \$75,000, and the rate will be 1.85 percent above \$75,000).

Adjusted Net Tax Capacity (ANTC) - The property value used for assessing most school taxes. ANTC is determined by equalizing differences in tax capacities by property type in different counties. This equalization process compares market values to actual sales and is intended to neutralize the effect of differing assessment practices. Also, the ANTC reflects the application of the classification rates to the market value of property.

Tax Capacity Rate - The rate of taxation for a specific program. Tax capacity rates are expressed as a percent of the adjusted net tax capacity. Many tax capacity rates are set in law.

UFARS (Uniform Financial Accounting and Reporting System) - A statewide accounting procedure that must be used by school districts to record financial transactions and report financial information to the State Department of Children, Families and Learning.

School Funds - A set of financial accounts to manage school operations.

A. Operating Funds

- i. General Fund - General operations of the school district including salaries and benefits, instructional materials, supplies and custodial operations
- ii. Food Service Fund - school lunch and breakfast programs
- iii. Community Service Fund - community service, early childhood family education, adult and recreation programs

B. Non-Operating Funds

- i. Building Construction Fund - bond proceeds used to pay for building construction
- ii. Debt Service - to pay principal and interest on building project bonds
- iii. Trust and Agency Fund

Districts Off The Formula (Levy Equity) - In very high property value per pupil unit school districts, the amount raised by $37.4\% \times \text{ANTC}$ is a higher figure than pupil units $\times \$3,581$. These districts are referred to as being “off the formula.” These districts receive no general education aid and the amount raised by the general education levy that exceeds the general education formula allowance time pupil units replaces other categorical aids and credits. This provision is called levy equity. “Off the formula” districts must levy the required tax capacity rate unless that amount would exceed the general education revenue plus any categorical aids and credits.

Property Tax Timetable - Property taxes can be linked to various years. Read across the following columns to find the corresponding terms referring to property taxes and the percent of a calendar year's property taxes that are recognized as revenue in a particular school year (fiscal year):

ANTC - Property Value for Year of:	School Board Certifies Levy in Fall of	Property Taxes Payable in Calendar Year	School District Revenue for School Year
1991	1992	1993 --- 50.0%	--- 1992-93
		--- 50.0%	--- 1993-94
1992	1993	1994 --- 37.4%	--- 1993-94
		--- 62.6%	--- 1994-95
1993	1994	1995 --- 37.4%	--- 1994-95
		--- 62.6%	--- 1995-96
1994	1995	1996 --- 18.1%	--- 1995-96
		--- 81.9%	--- 1996-97
1995	1996	1997 --- 7.0%	--- 1996-97
		--- 93.0%	--- 1997-98
1996	1997	1998 --- 7.0%	--- 1997-98
		--- 93.0%	--- 1998-99

Beginning with property taxes payable in 1983, property taxes paid to school districts in a calendar year are recognized as revenue in two difference school years. During the 1982-83 school year, this change in revenue recognition resulted in school districts receiving approximately 132% of their anticipated property tax revenue. State aids were reduced by the additional 32% of property taxes so that the total school district revenue (state aid and property tax) received during the 1982-83 school year did not change. This recognition of approximately 132% of a year's anticipated property tax receipts occurred only during the 1982-83 school year and allowed the state to reduce education funding on a one-time basis. In 1983-84, a district received approximately 68% of its property tax revenue from the levy certified during the previous school year and approximately 32% of its property tax revenue from the levy certified in the current school year. In 1984-85, the amount of the levy certified in the current year that is also recognized as revenue in the same school year was reduced from 32% to 24%. In 1987-88, the amount was increased to 27%, in 1989-90 to 31%, in 1991-92 to 37%, and in 1992-93 to 50%. The amount was reduced to 37.4% for 1993-94. The amount was reduced to 18.1% for 1995-96 and further reduced to 7% for 1996-97. At 7%, 7% of the total property taxes paid in a calendar year 1997 or 14% of the property taxes paid in May 1997 (May property taxes are 50% of the total, $7 \times 2 = 14$) count as revenue in the school year (1996-97), the remainder of the May 1997 payment plus the October/November 1997 payment count as revenue in the next school year (1997-98). For taxes payable in 1998, the shift amount, set at 7%, will apply only to the general education levy.

General Education Program Revenue

General education revenue is a combination of a group of revenue categories that provide the major share of funding for school districts. Most of the general education revenue is for the general operation of the school district and is not designated by the state for a specific purpose. General education revenue is a combination of levy and aid (unless the levy in a district raises the total revenue allowance). The basic general education formula for 1997-98 is \$3,581 per pupil unit and the basic general education levy is 37.4% times the adjusted net tax capacity (ANTC) of the district. Several additional components (compensatory, secondary sparsity, elementary sparsity, operating capital, transportation sparsity, transition, supplemental and referendum) make up the total general education revenue. In addition to the levy for the basic general education formula, to receive the transition revenue and the supplemental revenue a district must levy an amount equal to its transition revenue and its supplemental revenue times the percent of general education revenue (excluding transition revenue and supplemental revenue) received from levy. The first \$315 of referendum revenue is fully equalized, amount in excess of \$315 are totally property taxes. [124A]

The general education revenue for 1997-98 reflects a number of changes in formula structure. The basic formula is increased by \$76. Transition revenue guarantees that no district receives less revenue because of the “roll-in” in 1996-97 of transportation and training and experience, and phases other districts up to the new formula level. Transportation sparsity revenue adjusts for cost differences that were acknowledged in the old transportation formula.

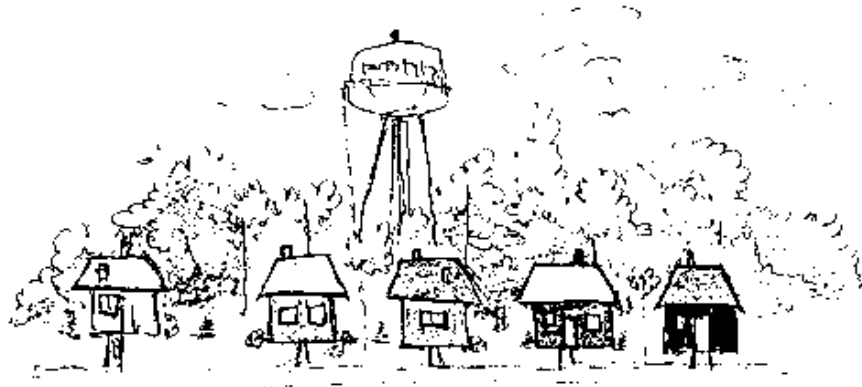
Example
Gopherville School District
(\$ per pupil unit)

Number of Pupil Units	=	1,000
Basic Revenue	=	\$3,581
Compensatory Revenue	=	\$50
Secondary Sparsity Revenue	=	\$10
Elementary Sparsity Revenue	=	\$0
Operating Capital Revenue	=	\$194
Transportation Sparsity Revenue	=	\$78
Transition Revenue	=	-\$20
Supplemental Revenue	=	\$0
Referendum Revenue	=	\$300

General Education Revenue = Basic Revenue + Compensatory Revenue + Secondary Sparsity Revenue + Elementary Sparsity Revenue + Operating Capital Revenue + Transportation Sparsity Revenue + Transition Revenue + Supplemental Revenue + Referendum Revenue

$$= \$3,581 + \$50 + \$10 + \$0 + \$194 + \$78 - \$20 + \$300$$

$$= \$4,193$$



Basic General Education Revenue

Average Property Wealth District

Gopherville School District

Number of Pupil Units	=	1,000
General Education Formula Allowance	=	\$3,581 per pupil unit
Adjusted Net Tax Capacity (ANTC)	=	\$3,500,000
Local Tax Capacity Rate for 1997-98	=	37.4% (.374)

Formula Calculation

Total Formula Allowance -	Local Effort	=	State Aid
(Formula Allowance x Pupil Units) -	(ANTC x Tax Capacity Rate)	=	State Aid
\$3,581 x 1,000 -	\$3,500,000 x .374	=	State Aid
\$3,581,000 -	\$1,309,000	=	\$2,272,000
Average Valuation District:	State Aid Per Pupil Unit	=	\$2,272.00
	Local Revenue Per Pupil Unit	=	\$1,309.00
	Percent State Aid	=	63.4%
	Percent Local Revenue	=	36.6%



Basic General Education Revenue

Low Property Wealth District

Gopherville School District

Number of Pupil Units	=	1,000
General Education Formula Allowance	=	\$3,581 per pupil unit
Adjusted Net Tax Capacity (ANTC)	=	\$1,500,000
Local Tax Capacity Rate for 1997-98	=	37.4% (.374)

Formula Calculation

Total Formula Allowance -	Local Effort	=	State Aid
(Formula Allowance x Pupil Units) -	(ANTC x Tax Capacity Rate)	=	State Aid
\$3,581 x 1,000 -	\$1,500,000 x .374	=	State Aid
\$3,581,000 -	\$561,000	=	\$3,020,000
AVERAGE VALUATION DISTRICT:	State Aid Per Pupil Unit	=	\$3,020.00
	Local Revenue Per Pupil Unit	=	\$ 561.00
	Percent State Aid	=	84.3%
	Percent Local Revenue	=	15.7%

Basic General Education Revenue

High Property Wealth District

Gopherville School District

Number of Pupil Units	=	1,000
General Education Formula Allowance	=	\$3,581 per pupil unit
Adjusted Net Tax Capacity (ANTC)	=	\$8,000,000
Local Tax Capacity Rate for 1997-98	=	37.4% (.374)

Formula Calculation

Total Formula Allowance -	Local Effort	=	State Aid
(Formula Allowance x Pupil Units) -	(ANTC x Tax Capacity Rate)	=	State Aid
\$3,581 x 1,000 -	\$8,000,000 x .374	=	State Aid
\$3,581,000 -	\$2,992,000	=	\$589,000
AVERAGE VALUATION DISTRICT: State Aid Per Pupil Unit		=	\$ 589.00
Local Revenue Per Pupil Unit		=	\$2,992.00
Percent State Aid		=	16.4%
Percent Local Revenue		=	83.6%



Comparison of State Aid and Local Revenue Contributions

BASIC GENERAL EDUCATION REVENUE

Gopherville School District - 1997-98

Number Actual Pupil Units = 1,000
 General Education Formula Allowance = \$3,581 per pupil unit

Property Wealth Per Pupil Unit	Low	Average	High
Adjusted Net Tax Capacity	\$1,500,000	\$3,500,000	\$8,000,000
Local Tax Capacity Rate	37.4%	37.4%	37.4%
Local Revenue Contributions	\$561,000	\$1,309,000	\$2,992,000
State Aid Contributions	\$3,020,000	\$2,272,000	\$589,000
Percent State Aid	84.3%	63.4%	16.4%
Percent Local Revenue	15.7%	36.6%	83.6%
Total Basic General Education Revenue	\$3,581,000	\$3,581,000	\$3,581,000

Compensatory Revenue

Districts receive additional funding, called compensatory revenue, for all students that receive free and reduced price lunches, based on the count from October 1 of the previous year. Prior to the 1997-98 school year, districts received compensatory revenue for students that received Aid to Families for Dependent Children (AFDC). Compensatory revenue must be allocated to the school site in which the pupil which generated the revenue receives instruction, and must be used to meet the educational needs of pupils whose educational progress related to state or local content or performance standards is below the level that is appropriate for pupils at that age level. Each school's site decision-making team, or instruction and curriculum advisory committee if there is no site decision-making team, must make recommendations on how the revenue is to be spent. Districts that receive compensatory revenue must maintain separate accounts for that revenue and report on its expenditure. Finally, no district may receive more that \$300 per pupil unit more under the new free and reduced price lunch-based formula than it would have received using the old AFDC-based formula. [124.17, 1d; 124A.22, 3; 124A.28]

Compensatory revenue is calculated by multiplying compensation pupil units times the general education formula allowance. Compensation pupil units equals .6 x [the sum of the number of students receiving free lunch and .5 x students receiving reduced price lunches] x the lessor of (a) 1, or (b) the quotient of the following calculation divided by 80: number of free lunch pupils plus half the number of reduced price lunch pupils divided by the total number of pupils times 100.

Example

Gopherville School District, Central School

Number of pupils (ADM)	=	500
Number of pupils receiving free lunches	=	40
Number of pupils receiving reduced price lunches	=	100
General Education Formula Allowance for Compensatory	=	\$3,581

$$\begin{aligned}
 \text{Compensation pupil units} &= (40 + (100/2)) \times .6 \times \text{the lessor of (a) 1 or (b):} && \frac{(40+(100/2))}{100 \times \frac{500}{80}} \\
 &= 54.0 \times \text{the lessor of (a) 1 or (b)} && \frac{18.0}{80} \\
 &= 54.0 \times \text{the lessor of 1 or .225} \\
 &= 54.0 \times .225 = 12.2
 \end{aligned}$$

$$\begin{aligned}
 \text{Maximum Compensatory Revenue} &= \text{Compensatory pupil units} \times \text{General Ed Formula Allowance} \\
 &= 12.2 \times \$3,581 \\
 &= \$43,509
 \end{aligned}$$

Secondary Sparsity Revenue

Districts with one or more sparsely populated high school attendance area may be eligible for additional revenue to meet the higher cost of operating a secondary program with a small number of students. To be eligible, a high school must have an isolation index greater than 23 and less than 400 pupils in average daily membership. If a district has more than one high school, the district's sparsity revenue is the sum of the calculation for each high school. Districts with certain reforested lands have an additional factor in the formula that increases sparsity revenue. [124A.22; 6]

Example

Gopherville School District

Pupil Units (WADM)	=	530
Secondary Average Daily Membership (ADM)	=	250
General Education Formula Allowance for Sparsity	=	\$3,581
High School Attendance Area	=	356 square miles
Distance from High School to Nearest High School	=	22 miles

$$\begin{aligned}
 \text{Isolation Index (ii)} &= \sqrt{.55 \times \text{Attendance Area}} + \text{miles to nearest high school} \\
 &= \sqrt{.55 \times 356} + 22 \\
 &= \sqrt{196} + 22 \\
 &= 14 + 22 \\
 &= 36
 \end{aligned}$$

$$\begin{aligned}
 \text{Secondary Sparsity Revenue} &= \frac{(400 - \text{Sec ADM})}{\text{Formula Allowance} \times \text{Sec. ADM} \times (400 + \text{Sec ADM})} \times \text{the lesser of:} \quad \begin{array}{l} \text{a) } 1.5 \\ \text{b) } \frac{\text{ii} - 23}{10} \end{array} \\
 &= \frac{(400 - 250)}{\$3,581 \times 250 \times (400 + 250)} \times \text{the lesser of} \quad \begin{array}{l} \text{a) } 1.5 \\ \text{b) } \frac{36 - 23}{10} \end{array} \\
 &= \frac{150}{\$3,581 \times 250 \times 650} \times \text{the lesser of a) } 1.5 \text{ or b) } \frac{13}{10} \\
 &= \$3,581 \times 250 \times .23 \times \text{the lesser of a) } 1.5 \text{ or b) } 1.3 \\
 &= \$3,581 \times 250 \times .23 \times 1.3 \\
 &= \$3,581 \times 250 \times .299 \\
 &= \$3,581 \times 74.75 = \$267,679.75
 \end{aligned}$$

$$\text{Secondary Sparsity Revenue per WADM} = \$267,679.75 / 530 = \$505.06$$

Elementary Sparsity Revenue

Districts with a sparsely populated elementary school attendance area may be eligible for additional revenue to operate the elementary school. To be eligible, an elementary school must have an average of 20 or fewer pupils per grade level and be located 19 miles or more from the nearest elementary school. [124A.22; 6a]

Example

Gopherville School District ABC Elementary School

Grades K-6 Pupil Units (WADM)	=	100
General Education Formula Allowance for Sparsity	=	\$3,581
Distance to Nearest Elementary School	=	23 miles

Formula Calculation

$$\begin{aligned} \text{Elementary Sparsity Revenue} &= \text{Elementary WADM} \times \text{Formula Allowance} \times \frac{(140 - \text{Elem WADM})}{(140 + \text{Elem WADM})} \\ &= 100 \times \$3,581 \times \frac{(140 - 100)}{(140 + 100)} \\ &= 100 \times \$3,581 \times \frac{40}{240} \\ &= 100 \times \$3,581 \times .1667 \\ &= 100 \times \$596.95 \\ &= \$59,695 \end{aligned}$$

(The 140 used in the formula assumes 20 pupils in each of grades K-6. If this elementary school had fewer than seven grades, the formula would be adjusted for the actual number of grades).

Operating Capital Revenue

Operating capital revenue is available for repair and betterment of facilities, acquisition of land, purchase or lease of equipment, and purchase of books. Operating capital revenue is placed in the operating capital account in the general fund. Operating capital revenue is based on two former components of a capital expenditure funding formula--facilities revenue and equipment revenue. A new facilities revenue component is being phased in, with the new formula essentially generating revenue of \$100 per pupil unit plus a weighting for the average age of the district's buildings. The old formula was \$128 per pupil unit. The new facilities revenue component is in the third year of a four year phase-in. The equipment revenue component is \$68 per pupil unit. In addition, a district with a learning year program receives an additional \$30 per pupil unit at the site a program is in place. [124A.22; 10, 11, 12]

In addition to regular operating capital revenue, for 1997-98 only school districts will also receive an operating capital revenue supplement for additional technology purchases. Districts' operating capital revenue will be increased by whichever is greater: \$24 per pupil unit, or the lessor of (a) \$25,000 or (b) \$80 per pupil unit. The additional technology revenue is reserved for technology related purposes.

Example - Operating Capital Formula

Gopherville School District

Number of Actual Pupil Units	=	1,000
Operating Capital (facilities component)	=	\$100 per actual p.u.
Operating Capital Previous Formula (facilities component)	=	\$128 per actual p.u.
Average Age of District Buildings	=	25 years
Maintenance Cost Index	=	1.25 (1 + ratio of average age to 100)
Operating capital (equipment component)	=	\$68 per actual p.u.
Additional Technology Revenue (1997-98 only)	=	\$24 per p.u. or the lessor of: \$25,000 or \$80 per p.u.

Regular Operating Capital Revenue

Regular Per Pupil Revenue = Equipment component + [25% x previous formula (facilities component)] + [50% x operating capital (facilities component) x maintenance cost index]

$$= \$68 + [.25 \times \$128] + [.75 \times \$100 \times 1.25]$$

$$= \$68 + [.25 \times \$128] + [.75 \times \$125]$$

$$= \$68 + \$32 + \$93.75$$

$$= \$193.75$$

Regular Revenue = pupil units x regular per pupil revenue

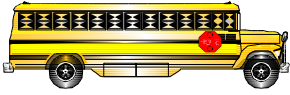
$$= 1,000 \times \$193.75$$

$$= \$193,750$$

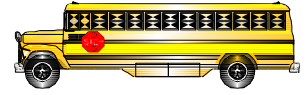
Technology Operating Capital Revenue

Technology Operating Capital Revenue	=	the greater of: \$24 per p.u. or the lessor of	\$25,000 or \$80 per p.u.
	=	the greater of \$24 x 1,000 or the lessor of	\$25,000 or \$80 x 1,000
	=	the greater of \$24,000 or the lessor of	\$25,000 or \$80,000
	=	the greater of: \$24,000 or	\$25,000
	=	\$25,000	
Total 1997-98 Operating Capital Revenue	=	Regular + Technology Operating Capital Revenue	
	=	\$193,750 + \$25,000	
	=	\$218,750	

Transportation Sparsity Revenue



Beginning in 1996-97, a major portion of the funding of transporting students is rolled into the basic general education formula. To recognize the additional costs



of transporting students in those districts with fewer students per square mile, the transportation sparsity formula provides additional funding based on the number of students per square mile. The actual formula uses logarithms to calculate a revenue amount. The final part of the formula subtracts \$170, this is the \$170 by which the general education formula has been increased. [124A.22, 13, & 13a]

For this formula, sparsity index means the greater of .2 or the number of square miles in the district divided by the number of pupil units (WADM). Density index means the number of square miles divided by the number of pupil units (WADM), however, the density index may not be greater than .2 or less than .005.

Example

Gopherville School District

Number of Pupil Units	=	1,000
Number of Square Miles	=	90
Basic General Education Formula	=	\$3,581
District Sparsity Index	=	.20
District Density Index	=	.09

Transportation Sparsity Revenue Per Pupil Unit = [(formula allowance x .1469) x (the logarithm of the district's sparsity index and .26) x (the logarithm of the district's density index and .13)] - (formula allowance x .0485)

$$= [(\$3,581 \times .1469) \times (\text{the log of } .2 \text{ and } .26) \times (\text{the log of } .09 \text{ and } .13)] - (\$3,581 \times .0485)$$

$$= [\$526 \times .658063 \times .731226] - \$174$$

$$= \$253 - \$174$$

$$= \$79$$

Total Transportation Sparsity Revenue	=	Revenue Per Pupil Unit x Pupil Units
	=	\$78 x 1,000
	=	\$78,000

Transition Revenue

Beginning in 1996-97, the basic formula increased by \$300 per pupil unit, representing the “roll-in” of transportation revenue and training and experience revenue. Transition revenue provides that if a district in 1995-96 had received more than the \$300 in transportation revenue (excluding the amounts reflected in the transportation sparsity revenue and the targeted needs transportation revenue) and in training and experience revenue, the district will be guaranteed those amounts as transition revenue. If a district had received less than \$300 in those components in 1995-96, transition revenue provides for a phasing-up to the \$300. As a result, transition revenue may be positive (guaranteeing a higher amount) or negative (phasing up to the \$300).

The transportation portion of transition revenue is phased in over two years, with 10 percent of the increase in 1996-97 and the full amount in 1997-98. The training and experience portion was initially to be phased in over five years. However, with the “roll-out” of training and experience revenue in 1998-99, the training and experience portion of transition will be removed for 1998-99 and following years. In addition, a compensatory transition component guarantees that a districts will receive as much revenue under the new compensatory formula (based on free and reduced price lunch student counts) as they did under the old compensatory formula (based on AFDC counts), but also that no district can receive more than \$300 per pupil under the new formula than they would have received under the old formula.

Transition revenue is an aid and levy combination in the same ratio as the general education formula and is either a negative or positive adjustment. All school districts have positive or negative transition revenue adjustments netting \$10 million for 1996-97. [M.S. 124A.22; 13b, 13c, 13d, 13e]

The training and experience revenue component that was in effect through 1995-96 provided additional funding for districts with highly trained and experienced staff. This component will return for the 1998-99 school year, but only for existing staff, not newly hired teachers.

Example Gopherville School District

Number of Pupil Units - 1996-97	1,000
1995-96 Transportation Revenue (excluding other components)	\$ 180
1997-98 Portion of General Education Formula Reflecting Transportation	\$ 170
1995-96 Training & Experience Revenue	\$ 97
1997-98 Portion of General Ed Formula Reflecting Training & Experience	\$ 130

Transition Transportation Calculation: \$170 compared to district 1995-96 transportation revenue

- 1.) If \$170 is less than 1995-96 amount, district is guaranteed 1995-96 amount,
- 2.) If \$170 is more than 1995-96 amount, district receives \$170.

Gopherville District’s Transition Transportation Revenue = \$10 [Difference: \$180 - \$170 = \$10]

Transition Training & Experience Calculation: \$130 compared to district 1995-96 T&E revenue

- 1.) If \$130 is less than 1995-96 amount, district is guaranteed 1995-96 amount,

2.) If \$130 is more than 1995-96 amount, district receives 1995-96 amount plus 25% of difference.

Gopherville District's Transition Training & Experience Revenue = -\$24.75 [Difference: \$97 - \$130 = - \$33], [Difference plus 25%: - \$33 + (\$33 x .25) = -\$24.75]

Transition Revenue Per Pupil Unit = Transition Transportation Revenue [\$10] + Transition Training & Experience Revenue [-\$24.75] = -\$14.75

Total Transition Revenue Adjustment = Transition Revenue Per Pupil Unit x Pupil Units

$$= -\$14.75 \times 1,000$$

$$= -\$14,750$$

Supplemental Revenue

In 1997-98, a district is guaranteed the same amount per pupil of supplemental revenue as it received in 1992-93 with reductions as described below.

The original basis for the supplemental revenue was the revenue level of the district in various categories in 1987-88. These categories were combined into the general education formula. The effect of the supplemental revenue is to guarantee a minimum increase over the formula factors in place in 1987-88.

The district's supplemental revenue amount from 1992-93 is reduced by \$100 (representing the increase in the formula allowance between 1993-94 and 1995-95) and by 25% of all increases in training and experience revenue and compensatory revenue between 1993-94 and 1995-96. In 1995-96 and 1996-97, the supplemental revenue reduction is not reduced by the full amount in lower property wealth school districts.

Supplemental revenue is a combination of levy and aid in the same ratio as the district's general education revenue. [124A.22, 8, 8a, 8b, & 9]

Example

Gopherville School District

Number of Pupil Units	=	1,000
Percent of General Education Revenue From Levy	=	40%
Supplemental Revenue Per Pupil Unit 1996-97	=	\$20

$$\begin{aligned} \text{Supplemental Revenue} &= \text{Supplemental Revenue Per Pupil Unit} \times \text{Pupil Units} \\ &= \$20 \times 1,000 \\ &= \$20,000 \end{aligned}$$

$$\begin{aligned} \text{Supplemental Levy} &= \text{Supplemental Revenue} \times \text{Percent Levy} \\ &= \$20,000 \times 40.0\% \\ &= \$8,000 \end{aligned}$$

$$\begin{aligned} \text{Supplemental Aid} &= \text{Supplemental Revenue} - \text{Supplemental Levy} \\ &= \$20,000 - \$8,000 \\ &= \$12,000 \end{aligned}$$

General Education Revenue - Reserved Revenue and Reductions

Learning and Development Revenue

Of a district's basic general education revenue, an amount equal to .06 times kindergarten through sixth grade pupil units must be reserved for class size reduction. The reserved revenue must be used to reduce and maintain the instructor to student ratio in elementary grades to 1 to 17 beginning with kindergarten and first grade. [124A.225]

Revenue for Staff Development

Districts are encouraged to reserve a portion of the general education revenue for staff development programs, in-service for violence prevention programs, curriculum development and other costs related to staff development. Districts are no longer required to use a portion of the general education revenue for staff development programs. [124A.29]

Contract Settlement Deadline Penalty

State aid is reduced by \$25 per pupil unit if a district and the exclusive representative of the teachers have not signed a collective bargaining agreement by January 15 of the year following the expiration the teacher's contract (teacher contracts expire June 30 of each odd numbered year). The penalty does not apply if the unresolved issues have been submitted to binding arbitration by December 31. For districts that have reorganized, the deadline date is March 15 instead of January 15. This penalty is suspended for the 1997-98 and 1998-99 school years. [124A.22; 2a]

Referendum Revenue

A school district may increase its general fund revenue by a referendum approved by the voters of the district. The ballot question must state the amount of the increased revenue in dollars per pupil unit and the tax capacity rate in the first year it is to be in effect. The additional revenue authority may be approved for up to ten years. This revenue authority can be revoked by referendum.

Such a referendum may be held only on the first Tuesday after the first Monday in November (Election Day) unless (a) the district is in statutory operating debt and receives approval of the Commissioner of Children, Families, and Learning to hold the referendum on a different date, (b) the election is held by mail, or (c) the election is held in conjunction with a bond issue, the revenue raised would be to operate the facility proposed in the bond issue, and waiting until November to hold the election will significantly affect the ability to operate the proposed facility. A referendum election may be held one or two years prior to the year in which it is first levied.

An amount of the referendum revenue equal to \$315 per pupil unit of referendum levies will be equalized at 100 percent. Referendum revenue amounts in excess of \$315 are not equalized, they are totally local property tax.

Referendum amounts are limited to an amount not to exceed 25 percent of the basic general education formula allowance minus \$300 or \$895.25 ($\$3,581 \times .25$) in 1997-98. If a district's previous referendum amount exceeded this limit, the district's revenue limit continues at the higher level but may not be increased.

Referendum amounts were reduced by \$100 (the increase in the general education formula between 1993-94 and 1994-95). Also, referenda over \$315 per pupil unit were reduced by 25 percent of all increases in training and experience revenue and compensatory revenue between 1993-94 and 1994-95. (These reductions were applied first to supplemental revenue, amounts remaining after the supplemental revenue reduction apply to referenda.) However, in a district with a low fund balance, no supplemental revenue, low ANTC, and a high referendum amount, the reduction may have been less than the increase in the formula allowance.

Any referendum approved after November 1, 1992 is certified on market value rather than on adjusted net tax capacity (ANTC). (ANTC provides tax advantages for residential and agricultural property compared to commercial and industrial property; market value treats most property the same.) Districts with referendum levies on ANTC may convert those levies to market value over several years.

Unless set to expire sooner, most referendum revenue will expire July 1, 2000 (after the payable 2000 levy year) and will have to be approved again by the voters to be continued. Districts that convert from ANTC to market value may have several more years before the revenue amount expires.

Referendum Revenue (example)

This example assumes voter approval of a referendum and a school board decision to levy the full authorized amount. It also assumes the referendum is levied on ANTC rather than market value.

Gopherville School District

Number of Pupil Units	=	1,000
Adjusted Net Tax Capacity (ANTC)	=	\$3,500,000
Referendum Revenue Per Pupil Unit	=	\$300
Equalizing Factor	=	\$9,575

Revenue Calculation

Referendum Revenue	=	Referendum Revenue Per Pupil Unit x Pupil Units
	=	\$300 x 1,000
	=	\$300,000

Levy Calculation

(This equalization example applies for amounts less than \$315 per pupil unit, amounts above \$315 are totally levy.)

Levy	=	Referendum Revenue	x	$\frac{\text{District ANTC/P.U.}}{\text{Equalizing Factor}}$
	=	\$300,000	x	$\frac{\$3,500}{\$9,575}$
	=	\$300,000	x	.37
	=	\$109,661		

Aid Calculation

Aid	=	Referendum Revenue - Referendum Levy
	=	\$300,000 - \$109,661
	=	\$190,339

Determination of the Equalizing Factor - 1997-98

General Education Formula Allowance Per Actual Pupil Unit = \$3,581

General Education Tax Capacity Rate = .374

Equalizing Factor = $\frac{\text{General Education Formula Allowance}}{\text{General Education Tax Capacity Rate}}$

= $\frac{\$3,581}{.374}$

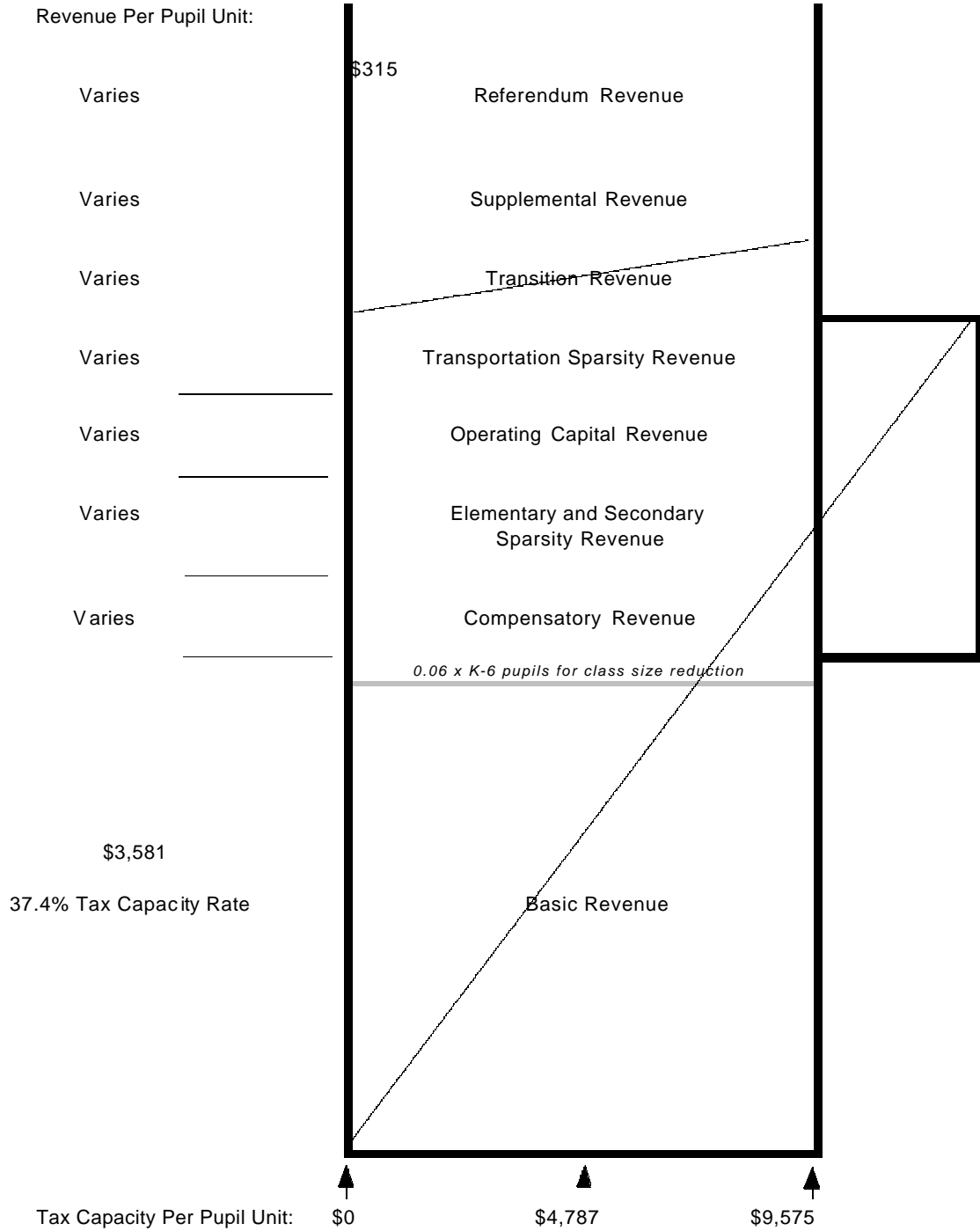
= \$9,575

The equalizing factor defines the level at which the state equalizes the basic general education formula. For every 1% of tax capacity levied, the state guarantees the district will receive \$95.75 per actual pupil unit ($\$9,575 \times .01 = \95.75). When a school district's ANTC per actual pupil unit exceeds \$9,575, the district will be off the basic formula. If a school district's ANTC is \$4,000 per actual pupil unit (41.8% of \$9,575), it would receive 41.8% of its basic general education revenue from the general education levy and 58.2% from state general education aid.

Formulas that are equalized at 100% of the equalizing factor are guaranteed to raise \$95.75 per actual pupil unit for each 1% of tax capacity levied.

A formula that is equalized at 50% of the equalizing factor is guaranteed to raise \$47.88 per actual pupil unit for each 1% of tax capacity levied ($.50 \times \$9,575 = \47.88). A formula that is equalized at 30% of the equalizing factor or 30% of the level of the basic formula is guaranteed to raise \$28.73 per actual pupil unit for each 1% of tax capacity levied ($.30 \times \$95.75 = \28.73).

1997-98 General Education Funding Program



Targeted Needs Transportation Revenue

Targeted needs transportation revenue provides funding for the cost of transportation for special programs (students with disabilities requiring special transportation), integration programs and nonpublic pupils. While much of the revenue for transportation funding is now part of the general education formula, separate funding continues for these three program categories. Funding for transportation for special programs and nonpublic pupils is similar to the funding for these areas prior to 1996-97. A district must levy an amount equal to (1) 28 percent of the sum of (a) the district's special programs transportation revenue and (b) integration transportation revenue (2) multiplied by the lesser of (a) one or (b) the district's ANTC per pupil unit divided by \$3,540. The remaining targeted needs transportation revenue is state aid. [M.S. 124.225; 13, 14, 15, 16, 17 & M.S. 124.226; 10]

Special Programs Transportation

Special programs transportation revenue is equal to the district's cost for providing these services in the base year (the second prior year, for 1997-98 the base year is 1995-96) and then adjusted for overall enrollment change in the district between the base year and current year. In addition, districts receive 80 percent of the difference between the adjusted base year cost and the actual cost of special programs transportation for the current year.

Integration Transportation

Integration transportation amounts are set in law and based on amounts previously spent for this purpose for three school districts that have been implementing desegregation plans. The amounts are \$4 per pupil unit for Duluth, \$73 per pupil unit for St. Paul and \$158 per pupil unit for Minneapolis.

Nonpublic Pupil Transportation

Nonpublic pupil transportation revenue is equal to the cost per pupil of providing transportation services in the base year (the second prior year, for 1997-98 the base year is 1995-96) and then adjusted for the change in the general education formula allowance between the current year and the base year.

Other Transportation Funding

Transportation Safety Revenue is equal to the greater of \$500 per district or \$1.50 per pupil unit. This revenue must be used for transportation safety programs. [M.S. 124.225; 7f, 8m]

Interdistrict Desegregation or Integration Grants are available for transportation of pupils for interdistrict programs for desegregation or integration purposes. [M.S. 124.227]

Targeted Needs Transportation Revenue - Example
Gopherville School District

Number of Pupil Units - Base Year (1995-96)	950
Number of Pupil Units - Current Year (1997-98)	1,000
Adjusted Net Tax Capacity (ANTC) Per Pupil Unit	\$3,000
Special Program Transportation Cost - Base Year	\$65,000
Special Program Transportation Actual Cost - Current Year	\$70,000
Integration Transportation Program Cost	\$0
Nonpublic Pupil Transportation Cost - Base Year	\$35,000
General Education Formula - Base Year	\$3,150
General Education Formula - Current Year (for this formula)	\$3,581

Special Program Transportation Revenue = Special Program Transportation Cost in the Base Year x Current Year Pupil Units/Base Year Pupil Units + 80% of the Difference Between Actual Current Year Cost and the Adjusted Cost

$$\begin{aligned}
 &= \$65,000 \times 1,000/950 + .80 \times (\$70,000 - \text{adjusted cost}) \\
 &= \$65,000 \times 1.053 + .80 \times (\$70,000 - \text{adjusted cost}) \\
 &= \$68,445 + .80 \times (\$70,000 - \$68,445) \\
 &= \$68,445 + .80 \times \$1,555 \\
 &= \$68,445 + \$1,244 \\
 &= \$69,689
 \end{aligned}$$

Nonpublic Pupil Transportation Revenue = Nonpublic Pupil Transportation Cost in the Base Year x Current Year Formula Allowance/Base Year Formula Allowance

$$\begin{aligned}
 &= \$35,000 \times \$3,581/\$3,150 \\
 &= \$35,000 \times 1.137 \\
 &= \$39,789
 \end{aligned}$$

Total Targeted Needs Transportation Revenue = Special Programs Transportation Revenue + Integration Transportation Revenue + Nonpublic Pupil Transportation Revenue

$$\begin{aligned}
 &= \$69,689 + \$0 + \$39,789 \\
 &= \$109,478
 \end{aligned}$$

Targeted Needs Transportation Levy = 28% x (Special Program Transportation Revenue + Integration Transportation Revenue) x the lesser of (1) or District ANTC per Pupil Unit / \$3,540

$$\begin{aligned}
 &= .28 \times (\$69,689 + 0) \times \text{the lesser of 1, or } \$3,000/\$3,540 \\
 &= .28 \times \$69,689 \times \text{the lesser of 1, or } .847 \\
 &= \$19,513 \times .847 \\
 &= \$16,527
 \end{aligned}$$

Targeted Needs Transportation Aid = Revenue - Levy

$$\begin{aligned}
 &= \$109,478 - \$16,527 \\
 &= \$92,951
 \end{aligned}$$

Special Education

Districts receive funding to recognize a portion of the additional costs of providing required services to handicapped students. [124.3202, 124.321]

Regular special education revenue provides districts with 68% of the salaries of special education teachers, related services and support services staff providing direct services to students in a base year adjusted for total enrollment change in the school district and growth factor. State aid for special education in 1997-98 is 80% of the revenue and will increase by 10 percentage points each year until it reaches 100% in 1999-2000. The state funds to increase the state aid percentage come from a transfer of school HACA funds into special education funding. The difference between the state aid and the revenue amount is available through an equalized levy and aid. Revenue amounts are adjusted so that the combined district revenues do not exceed the state total special education revenue, \$358.5 million in 1997-98.

Special education revenue in 1997-98 is calculated by taking the special education revenue for the base year (the base year for 1997-98 is 1995-96) and adjusting it for enrollment growth in the district and by a growth factor. For 1997-98, the growth factor is approximately 2% over the base year.

Base year revenue includes:

- a) 68% of the salaries of teachers, persons providing related services to students and support service staff providing direct services to students;
- b) 47% of supplies, materials and equipment up to \$47 per student;
- c) 52% of the difference between the general education basic allowance and the cost to a resident district for special education services provided by contract with agencies other than school districts;
- d) Funding for summer programs in categories (a), (b), and (c) listed above.

Example
Gopherville School District

Number of Pupils in Average Daily Membership in Base Year (1995-96)	=	961
Number of Pupils in Average Daily Membership in Current Year	=	1,000
Base Year Special Education Revenue	=	\$150,000
Program Growth Factor for 1997-98	=	2.0%
Adjusted Net Tax Capacity (ANTC)	=	\$3,000,000
Equalizing Factor for Special Education Equalization	=	\$3,540

$$\begin{aligned}
 \text{1996-97 Special Education Revenue} &= \text{1994-95 Revenue} \times \frac{\text{1996-97 ADM}}{\text{1994-95 ADM}} \times \text{Program Growth Factor} \\
 &= \$150,000 \times \frac{1,000}{961} \times 1.02 \\
 &= \$159,209 \\
 \text{Aid} &= \$159,209 \times .80
 \end{aligned}$$

$$= \$127,367$$

The levy is equalized for school districts with ANTC per pupil unit lower than \$3,540.

$$\begin{aligned} \text{Levy and Equalization Aid} &= \$159,209 \times .20 \\ &= \$31,842 \end{aligned}$$

$$\begin{aligned} \text{Levy} &= \text{Equalization Revenue} \times \frac{\text{District ANTC/P.U.}}{\text{Special Education Equalizing Factor}} \\ &= \$31,842 \times \frac{\$3,000}{\$3,540} \\ &= \$31,842 \times .847 = \$26,970 \end{aligned}$$

$$\begin{aligned} \text{Equalization Aid} &= \text{Equalization Revenue} - \text{Levy} \\ &= \$31,842 - \$26,970 \\ &= \$4,872 \end{aligned}$$

$$\begin{aligned} \text{Total Special Education Aid} &= \text{Regular Aid} + \text{Equalization Aid} \\ &= \$127,367 + \$4,872 \\ &= \$132,239 \end{aligned}$$

Additional special education aid categories:

1. **Excess Cost Aid** - If a district's special education cost per pupil unit that is not reimbursed by the special education formula is greater than 5.7% of the district's general education revenue plus referendum revenue per pupil unit, a district will receive special education excess cost aid equal to the greater of: a) 70% of the amount of the unreimbursed cost or b) 70% of the increase between the base and current year or c) 1.6% of general education revenue. [124.323]
2. **Home Based Travel Aid** - Aid is provided to reimburse 50% of the travel costs of personnel providing home-based travel services to children under age five with disabilities. [124.32, 2b]
3. **Special Pupil Aid** - Districts are reimbursed for the special education costs not covered by other special education funding or the general education formula for students with disabilities residing in public or private residential facilities in the district and for whom there is no school district of residence because parental rights have been terminated or the parents can not be located. [124.32,6]

Limited English Proficient Revenue

School districts with Limited English Proficient (LEP) students receive aid to recognize the additional cost of educating these students. A LEP student is defined as one whose primary language is not English and whose score on an English reading or language arts test is significantly below the average score for students of the same age.

LEP revenue in 1997-98 is equal to 68% of the salaries of LEP teachers plus 47% of the cost of supplies and equipment up to \$47 per student in the base year. The base year for 1997-98 is 1995-96. A district is allowed one full-time LEP teacher for each 40 LEP students or a proportionate amount for fewer students. However, a district with less than 20 LEP students is funded on the basis of one half-time teacher. In addition, district's also receive LEP concentration revenue, which provides additional revenue when a district has a higher concentrations of LEP pupils.

The base year funding is adjusted by the change in the number of LEP students in the current year compared to the base year. In 1997-98, 80% of a district's LEP revenue is state aid and 20% is an equalized levy and aid. The state aid share will be increased by 10 percentage points each year until it reaches 100% in 1999-2000. LEP concentration revenue is computed by taking the lessor of 1, or the result of dividing the concentration percentage (which is 100 times the ration of current year LEP pupils to total average daily membership) by 11.5 and multiplying that number by the number of current year LEP students and the concentration revenue formula amount.

LEP revenue, along with Integration/Desegregation revenue and Assurance of Mastery revenue, is included in the broader Targeted Needs Program Revenue category. Targeted needs revenue is intended to meet the educational needs of learners whose progress toward meeting state and local performance or content standards is below the level expected of them. In 1998-99, LEP revenue, Assurance of Mastery revenue and compensatory revenue will become the Basic Skills Block Grant, and will be included in general education (using the current formulas). [124.273]

Example

Gopherville School District

Number of Pupils (ADM)	=	1,000
Number of LEP Students in the Base Year (1995-96)	=	65
Number of LEP Students in the Current Year	=	68
Base Year LEP Revenue	=	\$37,000
Concentration Revenue Formula Amount	=	\$190

$$\underline{1997-98 \text{ LEP Revenue}} = \text{LEP Regular Revenue} + \text{LEP Concentration Revenue}$$

LEP Regular Revenue

$$\begin{aligned}
 &= 1995-96 \text{ Revenue} \times \frac{1997-98 \text{ LEP Students}}{1995-96 \text{ LEP Students}} \\
 &= \$37,000 \times \frac{68}{65} \\
 &= \$37,000 \times 1.046 \\
 &= \$38,708
 \end{aligned}$$

LEP Concentration Revenue

$$\begin{aligned}
 &= 1997-98 \text{ LEP Students} \times \text{Concentration Formula} \times \text{Concentration Pupil Units} \\
 &= 68 \times \$190 \times \text{the lessor of (a) 1 or (b):} \quad \frac{68}{\frac{100 \times 1000}{11.5}} \\
 &= 68 \times \$190 \times \text{the lessor of 1 or .59} \\
 &= 68 \times \$190 \times .59 \\
 &= \$7,689
 \end{aligned}$$

$$\underline{1997-98 \text{ LEP Total Revenue}} = \text{LEP Regular Revenue} + \text{LEP Concentration Revenue}$$

$$\begin{aligned}
 &= \$38,708 + \$7,689 \\
 &= \$46,397
 \end{aligned}$$

$$\begin{aligned}
 \text{Aid} &= \$46,397 \times .80 \\
 &= \$37,118
 \end{aligned}$$

$$\begin{aligned}
 \text{Levy and Equalized Aid} &= \$46,397 \times .20 \\
 &= \$9,279
 \end{aligned}$$

(The equalization aid and levy is calculated using the special education equalizing factor as shown in the special education example on the previous pages. With an ANTC of \$3,000 per pupil unit, Gopherville's levy would be \$7,859 and equalization aid would be \$1,420.)



Secondary Vocational Education

Districts with state approved secondary vocational programs are eligible for aid to offset part of the cost of those programs. [124.573]

Secondary Vocational Education Aid - 1997-98

Secondary Vocational Aid equals the lesser of:

- a) \$80 times the number of pupils in grades 10-12, or
- b) 25 percent of the vocational expenditures including salaries of essential, licensed vocational personnel providing direct services to students secondary vocational classes; necessary instructor travel, curriculum development; supplies; and non-school district contracted services.

However, districts are guaranteed an amount of secondary vocational aid equal to the lesser of:

- a) 95 percent of the secondary vocational aid received by the district in the previous year, or
- b) 40 percent of the expenditures listed under "2" above.

Up to ten percent of a district's secondary vocational aid may be spent on equipment purchases.

Example Gopherville School District

Number of Pupil Units	=	1,000
Number of Pupil (ADM) in Grades 10-12	=	190
Secondary Vocational Teacher Salaries	=	\$65,000
Other Eligible Secondary Vocational Expenses	=	\$5,000
1996-97 Secondary Vocational Aid	=	\$15,065

Secondary Vocational Aid

$$= \text{the lesser of: } \begin{array}{ll} \text{(a) } \$80 \times 190 & [\$15,200], \text{ or} \\ \text{(b) } (\$65,000 + \$5,000) \times .25 & [\$17,500] \end{array}$$

The guarantee

$$= \text{the lesser of: } \begin{array}{ll} \text{(a) } \$15,065 \times .95 & [\$14,312], \text{ or} \\ \text{(b) } (\$65,000 + \$5,000) \times .40 & [\$28,000] \end{array}$$

The district will receive \$15,200 in 1997-98.

Cooperation Program Funding

1. District Cooperation Revenue

Districts are eligible for district cooperation revenue of \$67 per pupil unit. This revenue replaces revenue for education districts, intermediate districts, secondary vocational cooperatives, interdistrict cooperation, special cooperation for large districts, educational cooperative service units, and regional management information centers. The equalization level is about 15 percent. District cooperation revenue goes directly to the school district which can then buy services from cooperatives (districts can also opt for payments to go directly to cooperatives). District cooperation revenue must be placed in a reserved account and used to purchase goods and services from cooperative entities. A district that was a member of an intermediate school district on July 1, 1996 must allocate an amount of its cooperation revenue equal to 5/11 of its prorated share of 1994-95 intermediate district revenue for special education programs and 6/11 of its prorated share of 1994-95 intermediate district revenue for secondary vocational programs. Districts that were not members of intermediate districts on July 1, 1994 must use at least \$9 per pupil unit of the cooperation revenue for secondary vocational programs. [124.2727]

2. Consolidation Transition Revenue

Districts that consolidate are eligible for state aid of \$200 per pupil unit in the first year of the consolidation and \$100 per pupil unit in the second year. The number of pupil units used to calculate this aid may not exceed \$1,500. This funding is intended to cover early retirement costs of employees, operating debt of the districts, enhancing learning opportunities and for other costs of reorganization. If this aid is not adequate to cover the early retirement costs, the district may levy for the additional amount. [124.2726]

3. Cooperation and Combination Revenue

Districts that have adopted a plan to cooperate and then combine are eligible for additional revenue. The cooperation and combination revenue is \$100 per pupil unit for the first four years of the agreement. The revenue is equalized but at a declining level each year. In addition, the districts are eligible for additional grants of \$100 per pupil unit in the first year of cooperation and \$100 per pupil unit in the first year of combination. No new groups of districts are eligible for cooperation and combination revenue after the 1994-95 school year. [124.2725]

Capital Expenditure Related Programs

Health and Safety

Capital expenditure health and safety revenue is available for hazardous substance removal, fire and life safety code repairs and health, safety, environmental and air quality management. Health and safety revenue is equalized slightly below 50 percent of the equalizing factor. [124.83]

Example - Health and Safety Revenue

Gopherville School District

Number of Actual Pupil Units	=	1,000
Adjusted Net Tax Capacity (ANTC)	=	\$3,000,000
Equalizing Factor for Health & Safety Revenue	=	\$4,707.50
Approved Health & Safety Revenue	=	\$75,000

Revenue = Amount approved by the commissioner in accordance with district plan
= \$75,000

Levy = Revenue x Lesser of: (a) 1, or (b) District ANTC per P.U.
\$4,707.50

= Revenue x Lesser of: (a) 1, or (b) \$3,000
\$4,707.50

= \$75,000 x 63.7%

= \$47,796

Aid = Revenue - Levy
= \$75,000 - \$47,796
= \$27,204

Disabled Accessibility

A school district may levy up to \$300,000 over a period of eight years beginning with taxes payable in 1993 for the costs of making school buildings accessible for students or employees with disabilities. [124.84]

Interactive Television (ITV) Revenue

School districts outside of the metropolitan area are eligible to receive ITV revenue. Revenue is the greater of .5 percent times district ANTC or \$25,000 per district. The revenue is fully equalized. Revenue amounts must be approved by the Commissioner of Children, Families and Learning. [124.91, 5]

Debt Service Revenue

School districts may issue general obligation bonds to finance capital improvements. The issuance of the bonds must be approved by a majority of the voters in a referendum. The district must then levy each year an amount necessary to meet its debt obligation. Debt service levies are equalized at an equalizing factor of \$4,707.50 (about 50% of the general education formula equalizing factor) for the amount that the debt service levy in a school district exceed 10% of adjusted net tax capacity. [124.95]

Example

Gopherville School District

Number of Pupil Units	=	1,000
Adjusted Net Tax Capacity	=	\$3,000,000
Debt Service Revenue Needed in 1997-98	=	\$630,000
Equalizing Factor for Debt Service	=	\$4,707.50
Unequalized Debt Service Levy (first 10%)	=	10% x ANTC
	=	.10 x \$3,000,000
	=	\$300,000
Equalized Debt Service Levy =		
Debt Service Revenue Needed - Unequalized Levy	x	$\frac{\text{District ANTC/P.U.}}{\text{Debt Service Equalizing Factor}}$
	=	$(\$630,000 - \$300,000) \times \frac{\$3,000}{\$4,707.50}$
	=	$\$330,000 \times .637$
	=	\$210,210
Total Debt Service Levy	=	Unequalized Debt Service Levy + Equalized Debt Service Levy
	=	\$300,000 + \$210,210
	=	\$510,210
Debt Service Aid	=	Debt Service Revenue Needed - Total Debt Service Levies
	=	\$630,000 - \$510,210
	=	\$119,790

Other Categorical Revenue - 1997-98

1. Abatement Revenue - A replacement for anticipated property tax receipts because property valuation has been reduced after the levies were certified. The aid applies to equalized levies only; districts may make an adjustment levy the next year for the remaining revenue loss. Districts may also levy for the shortfall in abatement aid. [124.214,2; 124.912,9]

2. Advanced Placement and International Baccalaureate Programs - The fee for the first A.P. or I.B. exam for all students taking an exam, a portion of the fee for additional exams depending on income levels and a portion of the training costs for teachers in advanced placement or international baccalaureate courses will be reimbursed. [126.239]

3. Assurance of Mastery Revenue - Districts that have identified direct instructional services to assure that K-8 pupils master learner outcomes in communications and math are eligible for state aid up to \$22.50 per K-8 pupil unit. The state aid must be matched by other district revenue. This revenue, along with limited English proficient revenue and assurance of mastery revenue, is included in the targeted needs revenue category. [124.311]

4. Crime Related Costs - A district may levy up to \$1.50 times the population of the district for the costs of peace officers used for school liaison services, drug prevention programs, and gang resistance education programs. [124.912,6]

5. First Grade Preparedness Grants - For the 1996-97, 1997-98 and 1998-99 school years certain school sites are eligible for funding to operate full day kindergarten programs or half day programs for four year olds to develop reading and other skills necessary to succeed in school. School sites with the highest concentrations of pupils eligible for free and reduced price lunch are eligible for funding. The funding is the amount equal to .53 times pupils enrolled in the program times the general education formula allowance. [124.2613]

6. Gifted and Talented Programs - Districts can receive grants to help them identify and challenge gifted and talented students, and provide staff development for teachers to help meet those students' needs. A one to one match with school district funds or in-kind contributions is required.

7. Graduation Rule Implementation - \$10 per pupil of one-time aid to accelerate the implementation of the graduation rule throughout all education sites in a district through intensive staff development and decentralized decision making.

8. Historic Building Revenue - A district which maintains a building listed on the National Register of Historic Places is eligible for revenue equal to \$100 per pupil served in that building. The revenue is divided between aid and levy. [124.825]

9. Homeless Student Revenue - In addition to regular graduation incentives revenue, districts can receive additional revenue for homeless pupils who are eligible to participate in the program. The revenue is equal to \$100 per pupil unit, and must be used for expanding education services to include preschool, after-school, or summer school programs to provide transition and follow-up services to homeless pupils who are placed or mainstreamed in a district school, or to provide parent education and support services. [126.225]

10. Integration/Desegregation Grants - Grants to cover a portion of integration and desegregation costs are made to Duluth, Minneapolis and St. Paul. Districts may also levy for part of these costs. This revenue, along with limited English proficient revenue and assurance of mastery revenue, is included in the targeted needs revenue category. [124.312, 4,5; 124.912,2,3]

11. Learn and Earn - This program provides funding to ensure educational opportunities for at-risk students. In addition to basic education, students must perform community service, basic competency above regular classroom instruction, and cultural and life-skills enrichment. Upon completion of various aspects of the program, students receive stipends and scholarships. [126.79]

12. Learning Site Technology Grants - Grants for districts and groups of districts, to fund technology projects. Eligible projects include, but are not limited to, hardware and software purchases or leasing and installation, establishment or expansion of networks, technical support, and training and staff development in the use of technology and software. Districts with over 5,000 students must provide a match of \$1 local money and \$1 of non-state or non-district money, or in-kind contributions. Districts under 5,000 students must demonstrate attempts to provide a match.

13. Low-Income Concentration Grants - School sites where at least 20 percent of the students are eligible for free and reduced price lunch and at least 20 percent are minority and that are in school districts where at least 10 percent of the students are eligible for free and reduced price lunch, at least 10 percent are minority, at least 1,500 students are in the district and the district is in the seven-county metropolitan area but not Minneapolis or St. Paul are eligible for grants of \$50,000.

14. Minority Teacher Incentives - Districts with integration\desegregation plans or a minority enrollment greater than 10% are eligible for grants of one-half but not to exceed \$20,000 of the salary of minority teachers who have not previously taught in Minnesota. [124.278]

15. School Breakfast Aid - Schools are eligible to receive 5.1 cents for each fully paid breakfast and each free and reduced price breakfast not eligible for the “severe need” rate. In addition, districts are eligible for an additional 10.5 cents for each free and reduced breakfast not eligible for the “severe need” rate if between 33 and 40 percent of the school lunches are served free or reduced. [124.6469]

16. School Lunch Aid - Schools are eligible to receive up to 6.5 cents of state funding for each lunch served. [124.646]

17. Secondary Vocational Programs for Children With Disabilities - Vocational programs for students with disabilities are eligible for salary, equipment and materials, travel and contract reimbursements similar to special education. [124.574]

18. Telecommunications Access Grants - A district may apply for a grant to establish telecommunications connections among school districts and to the MNet statewide network and to enhance telecommunications capacity within the district. [124C.74]

Property Tax Relief Aids

Property tax relief aids replace property tax levies with state payments. The effect is that the property tax payer pays less than the taxes assessed on the property and the state makes up the difference in revenue with a state payment to the taxing district. The major tax relief aid is the homestead and agricultural credit aid. Others include disparity reduction aid, attached machinery aid and taconite aids. School districts are one of the taxing districts receiving property tax relief aids.

Homestead and Agricultural Credit Aid

The homestead and agricultural credit aid (HACA) replaces the agricultural credit and homestead credit beginning with property taxes paid in 1990 (1990-91 school year revenue). While no longer based on actual property tax levies, HACA continues the goals of the homestead credit and agricultural credit - to provide property tax relief to homestead property and agricultural property. The amount of HACA is based on the amount of the credits for pay 1989 taxes plus adjustments required in law. A major adjustment is that HACA for the equalized levies (general education, supplemental, referendum, transportation, and transition) has been transferred directly into those formulas through reduced levies. These equalized levies, in effect, no longer earn any HACA. Beginning with taxes payable in 1996, HACA is being reduced and that state funding used to eliminate the levy for special education. Each year, a district's HACA will be reduced by the lesser of one fourth of the total or an amount equal to one percent of the district's adjusted net tax capacity (ANTC). The special education levy is phased out over a four-year period. The 1996-97 school year is the first year that HACA funding is reduced and transferred to special education aid.

Because HACA is based on 1989 taxes, changes in school district tax levies from year to year no longer directly result in changes in the credits. When property taxes are calculated by the county, the amount of HACA is subtracted from the property tax bill sent to the taxpayer. The amount that school property taxes are reduced is paid directly to the school district by the Department of Children, Families and Learning. [273.1398]

Education Homestead Credit

For taxes payable in 1998, the 1998-99 school year, a new education homestead credit will be implemented. The Education Homestead Credit is a credit of 32 percent of the general education homestead property tax, with a maximum of \$225, for homestead property and agricultural homestead properties (limited to the value of the house, garage and one acre for agriculture homestead properties). [273.1382]

Property Tax Calculation - Residential Property

Tax Calculation For Homestead Property In a City
(For Property Taxes Payable in 1997)

(Note: The process illustrated on this page shows the concepts that are used in the determination of levies and tax credits but greatly oversimplifies the actual process used.)

Homestead Market Value	=	\$85,000
Rate	=	1% below \$72,000, 2% above \$72,000
 Tax Capacity	=	Market Value x Rate
	=	(72,000 x .01) + ((85,000-72,000) x .02)
	=	\$720 + \$260
	=	\$980
 Tax	=	Rate x Tax Capacity
	=	Rate x \$980

	Rate	x	\$980
County Rate	38.4%		\$376.32
City Rate	39.1%		\$383.18
School Rate	45.5%		\$445.90
Special Rate	<u>5.0%</u>		<u>\$49.00</u>
	128.0		\$1,254.40

The homestead and agricultural credit (HACA) for this property is the difference between the gross tax capacities in effect for taxes payable in 1989 and the net tax capacities used for taxes payable in 1990. In addition, the amount of HACA provided to all taxing jurisdictions since 1990 has been adjusted to account for class rate reductions since that time that the Legislature chose to “buy down” rather than to allow the property tax burden to “shift” onto other classes of property. The HACA is divided between all the jurisdictions that levy taxes on this property.

A portion of the original school HACA is now used to reduce the equalized school levies (general education, supplemental, referendum, basic transportation, capital expenditure facilities and capital expenditure equipment). The amount of remaining school HACA is paid to the school district by the state and replaces a portion of the levy certified by the district. Beginning with taxes payable in 1996, HACA is being reduced and that state funding used to eliminate the levy for special education. Each year, a district's HACA will be reduced by the lesser of one fourth of the total or an amount equal to one percent of the district's adjusted net tax capacity (ANTC).

Property Tax Calculation - Agricultural Property

Tax Calculation for 320 Acre Agricultural Property and Homestead
(For Property Taxes Payable in 1997)

(Note: The process illustrated on this page shows the concepts that are used in the determination of levies and tax credits but greatly oversimplifies the actual process used.)

Market Value = \$310,000
 Home, Garage & 1 Acre market value \$100,000
 Farm Land market value \$210,000
 Rate = For Home, Garage and 1 acre: 1% below \$72,000, 2% above \$72,000
 For Agriculture land: .45% below \$115,000, 1% above \$115,000

Tax Capacity = Market Value x Rate
 Tax Capacity, Home = (72,000 x .01) + ((100,000-72,000) x .02)
 = \$720 + \$560 = \$1,280
 Tax Capacity, Land = (115,000 x .0045) + ((210,000-115,000) x .01)
 = \$517.50 + \$950 = \$1,467.50

Tax Capacity, Home and Farmland = \$1,340 + \$1,467.5 = \$2,747.50

Tax = Rate x Tax Capacity
 = Rate x \$2,747.50

	Rate	x	\$2,747.50
County Rate	38.4%		\$1,055.04
Township Rate	6.1%		\$167.60
School Rate	45.5%		\$1,250.11
Special Rate	5.0%		\$137.38
	<u>95.0%</u>		<u>\$2,610.13</u>

The homestead and agricultural credit (HACA) for this property is the difference between the gross tax capacities in effect for taxes payable in 1989 and the net tax capacities used for taxes payable in 1990. In addition, the amount of HACA provided to all taxing jurisdictions since 1990 has been adjusted to account for class rate reductions since that time that the Legislature chose to “buy down” rather than to allow the property tax burden to “shift” onto other classes of property. The HACA is divided between all the jurisdictions that levy taxes on this property.

A portion of the original school HACA is now used to reduce the equalized school levies (general education, supplemental, referendum, basic transportation, capital expenditure facilities and capital expenditure equipment). The amount of remaining school HACA is paid to the school district by the state and replaces a portion of the levy certified by the district. Beginning with taxes payable in 1996, HACA is being reduced and that state funding used to eliminate the levy for special education. Each year, a district's HACA will be reduced by the lesser of one fourth of the total or an amount equal to one percent of the district's adjusted net tax capacity (ANTC).

Effect of Tax Relief Aids on School District Revenue

Gopherville School District

Total Property Tax Levies Certified by the School Board = \$1,670,000
Total Direct State Education Aid Payments = \$2,435,000

Homestead and Agricultural Credit Aid (HACA) applied
to reduce property tax levies in the school district = \$110,000

The school district levy amount is reduced by the amount of the HACA that has been applied to property in the school district.

Levy HACA School Property Tax
\$1,640,000 - \$110,000 = \$1,530,000

This is the amount of school property taxes to be paid by property owners after reductions for HACA.

The district receives the amount of HACA as state aid in addition to other state aid paid on education funding formulas.

Direct State Total State
Aid Payments HACA Aid Payments
\$2,435,000 + \$110,000 = \$2,545,000

Education Finance Appropriations

Fiscal Years 1997-98 and 1998-99

(\$ in thousands)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>Biennium</u>
General Education, Transportation and Facilities Aid	\$2,713,484	\$2,778,384	\$5,491,868
Special Education Programs	342,813	451,155	793,968
Targeted Needs Aid	47,225	29,023	76,248
American Indian Education Programs	5,768	6,278	12,045
Lifework Development Education	19,323	19,109	38,432
Education Organization & Cooperation Aid	16,285	9,973	26,258
School Lunch and Breakfast Aid	8,927	7,890	16,817
Public Libraries	9,164	9,177	18,341
Technology Aid	74,508	15,052	89,560
Department of Children, Families & Learning	24,339	23,957	48,296
Minnesota Center for Arts Education	5,541	6,054	11,595
Faribault Academies	8,910	8,908	17,818
Other Programs	74,088	34,309	108,397
Total	<u>\$3,350,375</u>	<u>\$3,399,268</u>	<u>\$6,749,643</u>

These are appropriation figures rather than entitlement figures. Most figures represent 10% of the prior year's entitlement and 90% of the current year's entitlement. These are state general fund appropriations only, based on the June 1997 end of special legislative session appropriations.

The general education appropriations includes \$17 million in 1997-98 for reduction of the property tax revenue recognition shift. Special education aid increases in 1996-97 in part because of school HACA used to reduce the special education levy.

Property Tax Relief Aid Payments to School Districts

	<u>1997-98</u>	<u>1998-99</u>
Homestead and Agriculture Credit Aid (HACA)	\$93,728,000	\$66,984,000
Disparity Reduction Aid	12,569,000	12,547,000
Border City Disparity Aid	1,903,000	1,978,000
Attached Machinery Aid	836,000	836,000
Homestead Education Credit	0	141,800,000
Others	35,000	0
Total — Tax Relief Aids	\$109,071,000	\$224,145,000

These are appropriations figures rather than entitlement figures. They represent 10% of the prior year's entitlement and 90% of the current year's entitlement.

School District Property Tax Levies

Fiscal Years 1997-98 and 1998-99

(\$ in thousands)

	FY 1997-98	FY 1998-99
	<u>Payable 1997</u>	<u>Payable 1998</u>
General Fund	1,878,886	1,844,282
Debt Service Fund	339,520	362,156
Community Service Fund	66,348	72,958
Statutory Operating Debt	<u>38</u>	<u>41</u>
Total Operating Levies	2,284,792	2,279,436

These are the levies certified (before applying the tax relief aids) for a specific year. Because of the revenue recognition shift initially implemented in the 1982-83 school year, approximately 7% of the payable 1997 levy will be recognized as revenue in the previous fiscal year and the remaining 93% in the fiscal year for which it is levied. The shift is scheduled to change so that the payable 1998 shift amount is applied only to the general education levy.

Levies providing revenue for 1997-98 were certified in the fall of 1996 and paid in May and October of 1997; levies providing revenue for 1998-99 are certified in the fall of 1997 and paid in May and October of 1998.

Levy figures for 1998-99 are estimates from February 1997.

Education Revenue Sources

This chart shows the revenue available for education from state and local sources. All state education finance appropriations including the Department of Children, Families and Learning, Faribault Academies, the Minnesota Center for Arts Education, tax relief aid payments to districts, various dedicated revenues, and net education property tax levies are included. (Net levies are certified levies minus tax relief aids.) Federal revenues are not included. It is important to note that these are total revenue figures, not revenue per pupil unit.

School District Revenue Fiscal Years 1997-98 and 1998-99 (\$ in thousands)

	1997-98	1998-99
State Appropriation (1)	\$3,444,837,70	\$3,566,467,700
	0	
Dedicated Funds (2)	39,782,800	40,429,300
Tax Relief Aid (1)	109,071,000	224,145,000
Net Education Tax Levy(3)	2,175,721,400	2,039,506,800
Tax Shift Adjustments(4)	(35,700,000)	0
Total Revenue	\$5,733,712,90	\$5,870,548,800
	0	
Percent Change in Revenue from Prior Year	4.7%	2.3%
Percent from State Sources	62.7%	65.3%
Percent from Property Taxes	37.3%	34.7%

(1) The state appropriation and tax relief aids are appropriation rather than entitlement, generally 90% of the current year's entitlement plus 10% of the previous year's entitlement. The state appropriation includes K-12 Education Finance Appropriations (p. 44), early childhood and family education appropriations, special TRA contributions for first class cities and maximum effort debt service.

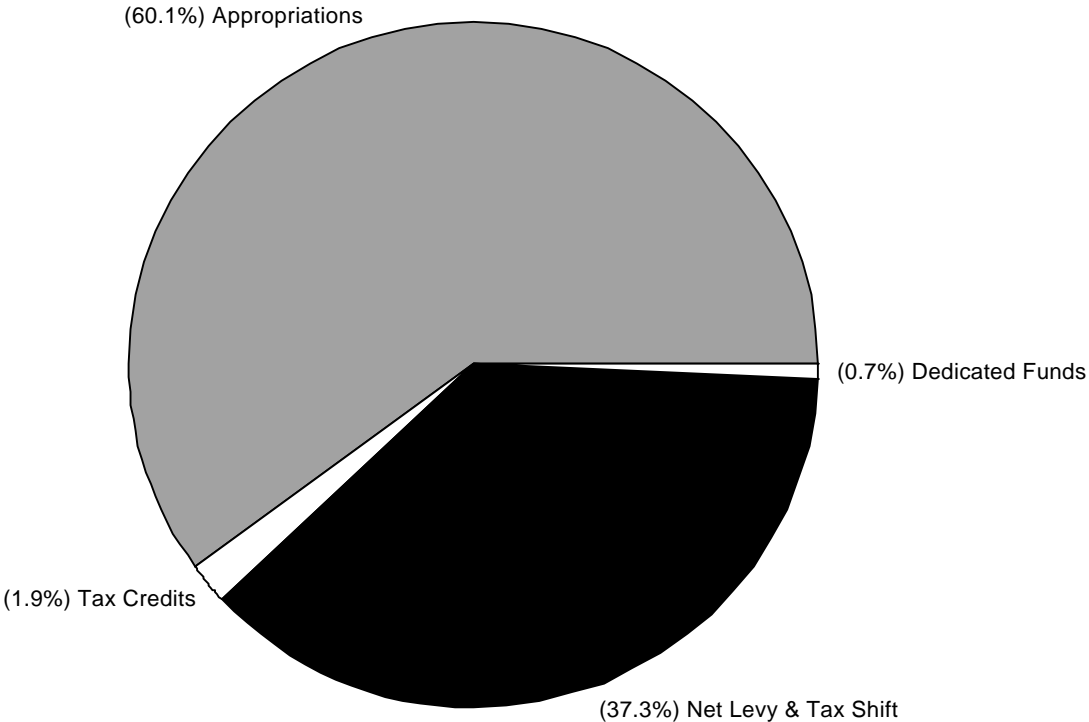
(2) Dedicated funds include permanent school fund, trunk highway fund, alcohol impaired driver account, county apportionment and taconite revenue.

(3) The property tax figure is the amount levied for the school year. Because of the revenue recognition shift, in the 1997-98 school year 7% of the levy proceeds are recognized as revenue in the previous fiscal year and 93% in the fiscal year for which it was levied.

(4) When the amount shifted in one year exceeds the amount shifted in the previous year, an additional aid subtraction is made. However, if the amount shifted in one year is less than the amount shifted in a previous year, additional aid must be paid. The shift is being reduced in both 1995-96 and 1996-97.

Elementary-Secondary Education Revenue Sources

Fiscal Year 1997-98 - Total Revenue = \$5,733,712,900



Greg Crowe, House Fiscal Analyst 8/97
Does not include federal funds (Shift at 7%)