



# MINNESOTA

## Description of the Formula

General education foundation program based on weighted pupils in average daily membership (ADM). Kindergarten pupils are weighted at 0.612, pupils in grades 1-6 at 1.15, pupils in grades 4-6 at 1.06, and secondary pupils (grades 7-12) at 1.3. For districts with declining weighted ADM from the previous school year, revenues are calculated using 77% of the current year weighted ADM and 23% of the prior year weighted ADM. A district's general education revenue equals the sum of its basic, compensatory, limited English proficiency (LEP), extended time, training and experience, alternative teacher compensation, sparsity, transportation sparsity, operating capital, gifted & talented, equity and transition revenues. Basic revenue equals \$5,124 times weighted ADM.

Most categories of general education revenue, including the basic revenue, are funded entirely with state aid. The basic general education levy was repealed in 2001. School districts are required to levy for a portion of operating capital, transition, equity, and alternative compensation revenues. If a district levies less than the maximum amount for these categories, the corresponding state aid is reduced proportionately.

## District-Based Components

### Density/Sparsity of Small Schools

Districts with secondary schools having fewer than 400 pupils in grades 7-12, or elementary schools having fewer than 140 pupils in kindergarten through grade 6, located in isolated areas receive sparsity revenue in the general education formula. The amount of revenue for secondary pupils varies as a function of the number of pupils, the distance to the nearest high school, and the attendance area. The amount of revenue for elementary pupils varies as a function of the number of pupils enrolled in schools located 19 or more miles from the nearest elementary school.

## **Grade Level Differences**

Pupil weighting factors used in general education program:

Kindergarten	0.612
Grades 1 – 3	1.115
Grades 4-6	1.06
Grades 7-12	1.30

## **Declining Enrollment or Growth**

Most revenues are calculated using adjusted marginal cost pupil units (AMCPU). For districts with declining weighted ADM from the previous school year, AMCPU equal 77% of the current year's weighted ADM and 23% of the prior year's weighted ADM. AMCPU for districts with growing weighted ADM are based on 100% of the current year's weighted ADM.

## **Capital Outlay and/or Debt Service**

The capital outlay revenue program include four major components not requiring voter approval: operating capital revenue, health and safety revenue, alternative facilities revenue and lease levies. Operating capital revenue, which is part of the general education revenue program, equals \$173 plus \$1 times the lesser of 50 or the district's average school building age per weighted ADM, and is funded with an equalized levy. Health and safety revenue equals the approved cost of health and safety projects, and is also funded with an equalized levy. Alternative facilities revenue allows 24 large school districts to make an annual levy or issue bonds for the approved costs of deferred maintenance, health & safety or disabled access, and allows other districts to make an annual levy or to issue bonds for the approved costs of health & safety projects exceeding \$500,000 per site. Additionally, a district may also levy for the approved cost of renting or leasing facilities, not to exceed \$150 per pupil unit. Charter schools receive building lease aid equal to the lesser of \$1,200 per weighted ADM or 90% of approved building lease costs.

Two programs require voter approval: issuance of general obligation bonds, which are repaid with an annual debt service levy, and capital project referendum levies. For debt service, a district may levy an amount equal to 105% of the amount needed to make principal and interest payments on general obligation bonds. The levy is equalized by the state using a two-tiered equalization formula. Additionally, a district may levy the local tax rate approved in a capital project referendum for facilities and equipment purposes. No state equalization is provided for this levy.

Further, a district may levy without voter approval 105% of the amount needed to make principal and interest payments on certificates of indebtedness or capital notes issued for certain facilities projects or the purchase of specified capital equipment. The amount levied under this program is subtracted from the general fund levy of the district.

Finally, a limited loan program, requiring specific legislative approval for individual projects, exists to assist districts with unusually high debt service effort.

## **Transportation**

Funding for regular to and from school transportation for public school students is included in the general education revenue program. Of the basic general education formula, 4.85% (\$249 per weighted ADM) is attributable to pupil transportation. This is intended to cover the average cost of transportation for districts located in the Twin Cities metropolitan area. The transportation sparsity formula funds the added cost of pupil transportation in more sparsely populated school districts, and is based on analysis of the relationship between per pupil cost and population density. A categorical nonpublic pupil transportation aid formula provides funding to school districts for transporting nonpublic school pupils, based on the district's per pupil cost for all regular to and from school transportation

To and from school transportation, and transportation between buildings during the day for pupils with a disability who require special transportation is funded through the special education aid formula. The added costs of transportation for desegregation purposes is funded through the integration revenue formula.

## **Expenditure Based Components**

### **Special Education Aid:**

Special education aid through FY 2007 was based on expenditures in the second prior year (base year). State special education aid for FY 2007 was based on expenditures in FY 2005. Beginning in FY 2008, Special Education aid is based on expenditures in the current year. State special education aid for FY 2008 is based on expenditures in FY 2008.

Several additional changes to the special education formulas took place in FY 2008. Transition Disabled Aid which equaled \$8.8 million in FY 2007 was rolled into Special Education aid in FY 2008. Transition programs for students with disabilities provides for transitional career and technical (vocational) experiences/programs that provide career exploration, healthy work attitudes, specific career and academic knowledge, and job skills for students with disabilities. Transition programs for students with disabilities serves students who meet state disability eligibility criteria and who have Individual Education Plans (IEP) that include work-based learning and require extra interventions not provided in regular work-based learning programs.

Lastly, FY 2008 is the first year that districts receive Bus Depreciation Aid for busses purchased after 7/1/05 and used for the majority of the time providing special transportation services.

The special education Initial Aid equals the sum of the following amounts computed using base year data:

- *Salary* - 68% of the salary of each essential staff providing direct instructional and related services to students (both special education, transition disabled and alternative delivery of specialized instructional services programs);
- *Contracted Services* - 52% of the amount of a contract for instruction and services that are supplemental to a district's education program for students with disabilities. 52% of the difference between the amount of the contract and the general education revenue of the district for that pupil for the fraction of the school day the student receives services that are provided in place of services of the district's program (both special education, transition

disabled and alternative delivery of specialized instructional services programs). For transition disabled programs only, 52% of the cost of vocational evaluation;

- *Supplies and Equipment*
  - Special Education and alternative delivery of specialized instructional services Programs - 47% of the cost of supplies and equipment not to exceed an average of \$47 per student with a disability;
  - Transition Disabled Programs - 47% of the cost of supplies not to exceed an average of \$47 per student with a disability. 47% of the cost of equipment.
- *Travel* – For Transition Disabled Programs only, 47% of the costs of necessary travel between instructional sites by transition program teachers.
- *Bus Depreciation.* 100% of the cost of regular busses over 8 years and Type III busses over 5 years that are used the majority of time providing special transportation services.

*Transportation* - 100% of the cost of special transportation services.

A school district's special education aid equals its initial special education aid computed as per the formula above times the ratio of the state total special education aid to the state total initial special education aid plus aid adjustments for serving non-resident special education students.

The state total special education revenue for FY 2008 through FY 2011 is set in state law. For FY 2008, FY 2009, FY 2010 and FY 2011 it is \$694.1 million, \$719.5 million, \$735.7 million and \$787.6 million respectively. The state total special education aid for FY 2012 and later fiscal years, the state total special education aid equals:

1. the state total special education aid for the preceding fiscal year times;
2. the program growth factor times;
3. the greater of one, or the ratio of the state total Average Daily Membership (ADM) for the current fiscal year to the state total ADM for the preceding fiscal year.

The program growth factor is 1.046 for FY 2012 and later fiscal years

The link to Minnesota's special education formula is:

<https://www.revisor.leg.state.mn.us/statutes/?id=125A.76>

### **Special Education Excess Cost Aid:**

For FY 2008 and later years, a district excess cost aid equals 75% of the difference between the district's unreimbursed special education cost and 4.36% of the district's general education revenue.

The state total excess cost aid equals \$110.6 million in FY 2008, and \$110.9 million in FY 2009, \$110.8 in FY 2010 and \$110.9 in FY 2011. For FY 2012 and later years, the state total excess cost aid equals:

1. the state total special education excess cost aid for the preceding fiscal year, times
2. the program growth factor times;
3. the greater of one, or the ratio of the state total ADM for the current fiscal year to the state total ADM for the preceding fiscal year.

The program growth factor is 1.02 for FY 2012 and later years.

A school district's special education excess cost aid equals its initial special education excess cost aid computed as per the formula above times the ratio of the state total special education excess cost aid to the state total initial special education excess cost aid.

The link to Minnesota's special education excess cost formula is:

<https://www.revisor.leg.state.mn.us/statutes/?id=125A.79>

### **Compensatory Education**

Compensatory education revenue is included in the general education revenue program. Funding is based on building-level concentration of students eligible for free and reduced priced lunches as of October 1 of the previous fiscal year. Students eligible for reduced price lunches are weighted at 0.5 and students eligible for free lunches are weighted at 1.0. If the adjusted free & reduced price lunch count is at least 80% of the building's enrollment, the compensatory revenue equals \$2,825 times the adjusted free & reduced price lunch count. The rate per adjusted count decreases proportionately as the concentration of eligible students decreases (e.g., ½ of this amount for a school with an adjusted eligible count equal to 40% of building enrollment).

### **Pupil Weights for Compensatory Education**

<b>Definition of Category</b>	<b>Weight</b>
Free & Reduced Price Lunch	Variable weighting 0.0 to 0.6, depending on concentration of free & reduced lunch-eligible pupils in the building. Applies only to compensatory revenue calculation

### **English Language Learner/Bilingual Education**

Revenue for limited English proficiency (LEP) programs is included in the general education revenue program. Students who have generated 5 or more ADM in Minnesota public schools before the start of the current school year are not eligible to be counted for LEP revenue calculations. Students in grades 4 – 12 who were enrolled in a Minnesota public school when the Test of Emerging Academic English (TEAE) was administered during the prior year are not eligible unless they scored below the state cutoff score on the TEAE. For districts with at least one but fewer than 20 eligible LEP students, funding is based on 20 students. Basic LEP revenue equals \$700 times the eligible LEP average daily membership served. Districts where the concentration of LEP students is 11.5% or greater receive an additional \$250 per eligible LEP student. In districts where the concentration is lower, the concentration allowance is reduced proportionately (e.g., \$125 in a district with a 5.75% concentration).

### **Gifted and Talented Education**

Gifted & talented revenue is included in the general education revenue program. A district's gifted and talented revenue equals \$12 per weighted ADM. It must be used only to identify gifted & talented students, provide educational programs for gifted & talented students, or provide staff development for teachers to best meet the needs of gifted & talented students.

## **Other**

At-risk students attending extended time programs before or after school or during the summer generate up to 0.2 additional ADM based on the number of hours enrolled in the extended time programs. Training and experience revenue is being phased out, and a new alternative teacher compensation program enacted in 2005 provides participating districts with up to \$260 per pupil. Equity revenue provides additional revenue to districts with relatively low voter approved operating referendum levies to reduce the gap between high- and low-spending districts. Transition revenue is a hold-harmless provision ensuring that districts will not receive less funding than they received under previous formulas.

## **Revenue and Expenditure Information**

### **State Mandates Restricting Revenue or Expenditure Increases**

State sets limits on property tax levies. Districts may levy beyond the limitation as permitted by referendum. Operating referendum levies are limited to \$1,524 per weighted pupil. Bonding limit is 15% of the total market value of property.

### **Property Assessment Ratios Used/Legal Standards For Property Assessment**

County assessor determines the market value of property. Class rates are specified by law for various types of property (e.g., the class rate for residential homestead property) is 1% for the first \$500,000 of market value and 1.25% for value over \$500,000. The class rate for commercial and industrial property is 1.5% for the first \$150,000 of market value and 2% for value over \$150,000. Market values are multiplied by the appropriate class rates to determine a net tax capacity. Sales ratio studies are used to review the accuracy of market values. Adjusted net tax capacities, reflecting the results of the sales ratio study, are used in computing most of the school district levy limitations.

### **Measure of Local Ability To Support Schools**

Property valuation -- two measures are used. Adjusted net tax capacity is used for most school levies; referendum market value is used for the operating referendum, transition and equity levies. Referendum market value is based on the full market value before applying the class rates, excludes agricultural land and seasonal recreational cabin property, and does not use the sales ratio calculations.

### **School District Budget and Tax Rate Procedures/Sources of Local Revenue**

All 337 school districts are fiscally independent. Separate levy limitations are determined by the state for general education and community education based on various statutory formulas. School districts may levy additional amounts for general education and debt service based on local referendum elections. The property tax is the primary source of local revenues for schools.

### **State Support for Nonpublic Schools**

School districts are required to provide "equal transportation" for nonpublic school pupils; state aid is provided for costs of transporting nonpublic school pupils.

Taxpayers may deduct, for state income tax purposes, the amounts spent for tuition, secular textbooks, and transportation of dependents attending public or nonpublic schools, up to \$1,625 per dependent on grades K-6 and up to \$2,500 per dependent in grades in 7-12. Taxpayers with household incomes below \$33,500 may claim a credit for state income tax purposes for K-12 educational expenses, excluding school tuition. The credit equals 75% of qualifying expenses, not to exceed \$1,000 per qualifying child. The credit is phased out for families with income exceeding \$33,500, depending on the number of eligible children for whom the credit is claimed.

School districts are required to provide secular textbooks, individualized instructional materials, and standardized tests to nonpublic school pupils, to offer these pupils health services, and to offer nonpublic secondary pupils guidance and counseling services. The state reimburses school districts for their costs up to formulas limits based on the statewide average cost per pupil.

School districts may provide shared time programs for nonpublic school pupils, and must make shared time special education programs available to handicapped nonpublic school students. The state pays shared time aid for these programs of \$5,124 times the number of FTE weighted ADM served.

*For further information see:*

<http://education.state.mn.us/mdeprod/groups/Finance/documents/Publication/010078.pdf>

<http://www.house.leg.state.mn.us/fiscal/files/06fined.pdf>

<http://www.house.leg.state.mn.us/hrd/pubs/mnschfin.pdf>