Financing Education in Minnesota
2002-03

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# Table of Contents

Introduction ..........................................................................................................................................1

Education Finance Terms .....................................................................................................................2

General Education Program .................................................................................................................8
  - Basic Revenue .............................................................................................................................9
  - Basic Skills Revenue ..................................................................................................................10
  - Secondary Sparsity Revenue ..................................................................................................13
  - Elementary Sparsity Revenue .................................................................................................14
  - Operating Capital Revenue .....................................................................................................15
  - Transportation Sparsity Revenue ...........................................................................................16
  - Equity Revenue ......................................................................................................................17
  - Training and Experience Revenue .........................................................................................18
  - Reserved Revenue and Reductions ........................................................................................19
  - Referendum Revenue .............................................................................................................20

Categorical Programs .........................................................................................................................23
  - Special Education Regular .....................................................................................................23
  - Special Education Excess Cost ...............................................................................................24
  - Special Education Home Based Travel ..................................................................................25
  - Special Education Special Pupil .............................................................................................25
  - Capital Expenditure Related Programs ..................................................................................26
  - Health and Safety ....................................................................................................................26
  - Alternative Facilities ...............................................................................................................26
  - Debt Service Revenue ..............................................................................................................27
  - Charter School Revenue ........................................................................................................29
    - Charter School Building Lease Aid ....................................................................................29
    - Charter School Startup Grants ............................................................................................29
  - Abatement Revenue ................................................................................................................30
  - Advanced Placement and International Baccalaureate Programs ...........................................30
  - Consolidation Transition Revenue ........................................................................................30
  - Crime Related Costs ...............................................................................................................30
  - Fast Break for Learning ............................................................................................................30
  - First Grade Preparedness Grants ............................................................................................30
  - Integration Revenue ................................................................................................................30
  - Magnet School Start-up Grants ...............................................................................................30
  - Minority Teacher Incentives ...................................................................................................31
  - Nonpublic Pupil Aid ................................................................................................................31
  - Nonpublic Pupil Transportation ..............................................................................................31
  - School Breakfast Aid ..............................................................................................................31
  - School Lunch Aid .....................................................................................................................31
  - Secondary Vocational Programs for Children with Disabilities ............................................31
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., career and technical 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.

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 from voter-approved levies: the referendum and debt service equalization levies.
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.

1. Basic General Education Formula Revenue

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.

<table>
<thead>
<tr>
<th>School Year</th>
<th>Formula Allowance</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993-94</td>
<td>3,050</td>
<td>30.7%</td>
</tr>
<tr>
<td>1994-95</td>
<td>3,150</td>
<td>34.9%</td>
</tr>
<tr>
<td>1995-96</td>
<td>3,205 (a)</td>
<td>34.2%</td>
</tr>
<tr>
<td>1996-97</td>
<td>3,505 (b)</td>
<td>40.8%</td>
</tr>
<tr>
<td>1997-98</td>
<td>3,581</td>
<td>37.4%</td>
</tr>
<tr>
<td>1998-99</td>
<td>3,530 (c)</td>
<td>36.9%</td>
</tr>
<tr>
<td>1999-2000</td>
<td>3,740 (d)</td>
<td>36.58%</td>
</tr>
<tr>
<td>2000-01</td>
<td>3,964 (e)</td>
<td>35.78%</td>
</tr>
<tr>
<td>2001-02</td>
<td>4,068</td>
<td>32.41%</td>
</tr>
<tr>
<td>2002-03</td>
<td>4,601 (f)</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

(a) The formula for 1995-96 was originally $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) 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 reflects that roll-in. The tax rate reflects the roll-in and also includes the property tax portion of the operating capital funding.

(c) The formula for 1998-99 reflects the roll-out of training and experience funding from the general education formula. The decrease of $51 is the net result of the $130 reduction for the roll-out of training and experience and a $79 increase in the formula.

(d) The formula allowance increase in 1999-2000 of $210 is the net result of the roll-in of $43 in graduation standards revenue into the formula and a $167 increase in the formula.

(e) The formula allowance increase in 2000-01 of $224 is the net result of the roll-in of $67 in district cooperation revenue, an increase of $39 to the formula for staff development and a $118 increase in the formula.

(f) The formula allowance increase in 2002-03 of $533 is the net result of the roll-in of $14 in assurance of mastery revenue, the conversion of $415 of referendum revenue onto the basic formula and a $104 increase in the formula.

Until FY 2002-03, the general education formula was an “equalized” formula - the state paying in aid the difference between what was raised by the local levy and the formula
allowance. Beginning in FY 2002-03, the general education levy is eliminated (thus the 0.0% Tax Rate column of the table for 2002-03).

The basic revenue allowance for each district for the 2002-03 school year is $4,601 per marginal pupil unit. Of this amount, the revenue resulting from .057 times K, .115 times 1st-3rd and .06 times 4th-6th grade students in average daily membership must be reserved to reduce kindergarten and elementary classes to one teacher per 17 pupils.

2. Basic Skills Revenue

Basic skills revenue includes Compensatory, Limited English Proficiency (LEP) and LEP concentration revenues. While these revenues are combined into a single category, the funding available for Basic Skills revenue is based on existing formulas for the individual components. The components are:

C Compensatory revenue. School sites where pupils eligible for free and reduced priced lunches attend receive Compensatory revenue based on the number of eligible pupils at the site. Compensatory revenue increases as the percent of free and reduced price pupils at a particular school site increases (however, the percent is capped).

C Limited English Proficiency. Districts receive LEP revenue based on the cost of providing services to students with limited proficiency in English. In addition, a per pupil amount is provided to districts with concentrations of LEP students. The per pupil funding increases as the concentration increases (though the concentration percentage is capped).

All school districts will receive some portion of approximately $301 million in basic skills revenue in 2002-03. (The $301 million is based on approximately $250 million in Compensatory revenue and approximately $51 million in the LEP revenues.)

3. Sparsity Revenue

Sparsity revenue provides additional revenue for small and isolated schools. This revenue acknowledges the higher cost of necessarily small education programs. Options to increase the number of students would require students to travel an unacceptable amount of time. There are two parts to the sparsity formula, one for secondary schools and one for elementary schools. The secondary school sparsity formula takes into account a secondary school's enrollment, distance from the secondary school to the nearest secondary school and the geographic area of the secondary school attendance area.

The elementary sparsity formula provides additional funding for elementary schools that average 20 or fewer pupils per grade and that are 19 miles or more from the nearest elementary school.

Districts that are relatively small in enrollment and large in geographic area tend to have the largest sparsity allowances. 78 districts receive a total of approximately $16 million in sparsity revenue in 2002-03.
4. **Transportation Sparsity Revenue**

Transportation Sparsity Revenue provides districts with additional funding based on the number of pupil units per square mile in the school district. Approximately $57 million of transportation sparsity revenue is divided among all school districts, with revenue amounts per district ranging up to $651 per pupil unit.

5. **Operating Capital Revenue**

Operating Capital Revenue replaces the capital expenditure facilities and capital expenditure equipment formulas. The operating capital formula has a component representing the former equipment formula ($68 per pupil unit), a component representing the former facilities formula ($100 times the district's maintenance cost index), and a component to fund technology costs ($5 per pupil unit). The technology set aside is eliminated after FY 2002-03, and the $5 amount is added to the $68 representing the former capital equipment formula. Operating capital revenue ranges from $173 to $222 per pupil unit per district in 2002-03 and totals $199 million statewide.

6. **Training and Experience Revenue**

Training and experience revenue is based on the experience and education of a school district's faculty. Beginning in the 1998-99 school year, only teachers hired prior to 1996-97 are counted for the purposes of computing a school district's training and experience revenue. 216 school districts qualify for Training and Experience Revenue amounts ranging up to $124 per pupil unit, for a total of $18 million statewide.

7. **Equity Revenue**

Equity Revenue is intended to reduce the disparity between the highest and lowest revenue districts on a regional basis. For the purposes of equity revenue, there are two regions in the state: the seven-county metropolitan area and the balance of the state. In each region, districts are ranked according to their basic and referendum revenue. Districts below the 95th percentile of revenue in those two components are eligible for equity revenue, except districts in cities of the first class, which are automatically excluded.

A district without an excess levy referendum is eligible for $10 per pupil unit. A district with an excess levy referendum is eligible for $10 per pupil unit, plus an additional amount based on their percentile ranking. To determine how much extra revenue a district receives, the district's equity index is calculated by dividing the difference between the district's basic and referendum revenue by the regional 95th percentile of basic and referendum revenue. The result is multiplied by $55. The product of that calculation is added to the basic $10 to generate the district's equity revenue. Statewide, 322 districts qualify for the revenue, sharing a total of $35 million.

8. **Referendum Revenue**

Referendum revenue allows districts to increase the revenue available in their general fund with the approval of the voters in the district. A referendum to increase general fund revenue may be held only on the first Tuesday following the first Monday in November (Election Day) except that elections may be held at a different time if (a) the district is in statutory operating debt and receives
commissioner's approval or (b) the election is held by mail. A referendum election may be held in the calendar year before it is levied or one year earlier.

Referendum revenue is capped at an amount equal to the greater of 1) 18.2 percent of the basic general education formula allowance ($837 in the 2002-03 school year); or 2) the district’s 1994 referendum allowance amount times 1.162 plus the district’s 2002 supplemental and transition revenues minus $415. District referendum revenue may not exceed this cap, except that districts eligible for sparsity revenue may exceed the referendum limit.

The referendum revenue formula is an "equalized" formula; that is the state pays in aid the difference between what is raised by a local levy and a guaranteed revenue amount. The first $126 per pupil of a school district's referendum levy is equalized at $476,000 of market value. Any amount above $126 and below the cap ($837 in 2002-03) is equalized at $270,000. Districts qualifying for sparsity revenue have any amount of referendum revenue above $126 per pupil equalized at $270,000, regardless of the cap amount.

Equalization is used to make property tax burdens for districts with similar per pupil referendum revenues, but varying tax bases the same. The relationship of a district's market value per pupil unit to the equalizing factor ($476,000 in the case of the first $126 of referendum revenue) indicates how much basic referendum revenue the district will receive from property taxes. If a district's property valuation per pupil unit were $238,000 for example (50 percent of $476,000), the district would receive 50 percent of its revenue from its referendum levy and 50 percent from state equalization aid. If a district's market value per pupil unit is greater than $476,000, that district will receive all of its basic revenue from the local levy. The closer a district’s market value per pupil is to $0, the higher the percentage of state aid the district receives for referendum levies below $126 per pupil. The same district with $238,000 per pupil in market value would levy 88.1 percent ($238,000 / $270,000 = .881) of the revenue for a referendum amount between $126 and $837 per pupil.

For the 2002-03 school year, 266 districts have referendum levies totaling $230 million. In addition, most of those districts receive referendum equalization aid totaling $67 million.

In FY 2002-03, basic revenue was increased by $415 per pupil unit, and referendum, supplemental and transition revenue were decreased by $415 per pupil. The reduction was first applied to a district’s supplemental and transition revenue, with any supplemental and transition in excess of $415 added to a district’s referendum revenue. If the district’s supplemental and transition revenues were below $415, the balance was removed from the district’s referendum revenue.

Prior to that, referendum revenue was also reduced by the general education formula increase between 1993-94 and 1994-95 ($100). Also, revenue in excess of $315 per pupil unit was reduced by 25 percent of increases in training and experience revenue and compensatory revenue between 1993-94 and 1995-96. (These reductions applied first to supplemental revenue, amounts remaining after the supplemental reduction applied to referenda.) However, in a district with a low fund balance, no supplemental revenue, low adjusted net capacity and a high referendum amount, the reduction may have been less than the increase in the formula allowance.

Referendum levies must be certified on referendum market value rather than adjusted net tax capacity (ANTC). (ANTC provides tax advantages for residential and agricultural property
compared to commercial and industrial property; referendum market value treats most residential and commercial property the same, with a tax advantage for agricultural property).

**Equalizing Factor** - The dollar amount used to calculate the state and local shares in formulas that are equalized. Most equalizing factors are fixed, such as that for Health and Safety Revenue, which is set at $2,935. A fixed equalizing factor is a guarantee by the State that a certain tax rate will generate a certain amount of revenue for a school district, regardless of the district’s property value. In the case of Health and Safety, the State guarantees that a 1% tax rate will generate $29.35 (.01 x $2,935) in revenue for the district, whether it is raised via the local property tax, or provided by the State. The percent of revenue in a given formula which will be raised through local levies is equal to the district's property value (in ANTC or market value for referendum) divided by the equalizing factor. In the case of Health and Safety Revenue, for example, a district with $1,468 in ANTC per pupil unit will raise 50% of its supplemental revenue locally ($1,468 / $2,935 = .5), with the balance being provided as state aid.

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

- One Kindergarten Pupil = 0.557 pupil units
- One Elementary Pupil (grade 1-3) = 1.115 pupil units
- One Elementary Pupil (grade 4-6) = 1.06 pupil units
- One Secondary Pupil (grade 7-12) = 1.3 pupil units

A Preschool Pupil with Disabilities is counted as 1.25 pupil units for the ratio of hours of service to 825 with a minimum of .28 ADM and a maximum of 1.25 pupil unit.

**Weighted Average Daily Membership** (WADM) is the total of the above weighted pupil unit categories for a school district.

**Adjusted Marginal Cost Pupil Units** (AMCPU) is the greater of the total of weighted average daily membership served by the school district multiplied times .77 plus the total of the weighted average daily membership served by the school district for the prior school year multiplied times .23, or the actual current weighted average daily membership served by the district.

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

*In the examples presented in this booklet, “pupil units” means adjusted marginal cost pupil units, unless otherwise noted.*

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

1. Special Education Revenue
2. School Lunch Aid
3. 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, and excludes cabins and agricultural land.

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 $500,000 has a class rate of 1 percent; the amount over $500,000 has a class rate of 1.25 percent.

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, transportation, ongoing capital expenditures and equipment
   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 - In very high property value per pupil unit school districts, the levy rate for particular programs may generate revenue that is equal to or greater than the total revenue the district is entitled to for the program. These districts are referred to as being “off the formula” for that program.
General Education Program Revenue

General education revenue is a combination of several 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 all aid (unless the district has an operating referendum which is part levy).

The basic general education formula for 2002-03 is $4,601 per pupil unit. Several additional components (basic skills, secondary sparsity, elementary sparsity, operating capital, transportation sparsity, equity revenue, training and experience and referendum) make up total general education revenue.

Example – General Education Program Revenue
Gopherville School District
($ per pupil unit)

<table>
<thead>
<tr>
<th>Number of Pupil Units *</th>
<th>= 1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Revenue</td>
<td>= $4,601</td>
</tr>
<tr>
<td>Basic Skills Revenue</td>
<td>= $50</td>
</tr>
<tr>
<td>Secondary Sparsity Revenue</td>
<td>= $10</td>
</tr>
<tr>
<td>Elementary Sparsity Revenue</td>
<td>= $0</td>
</tr>
<tr>
<td>Operating Capital Revenue</td>
<td>= $194</td>
</tr>
<tr>
<td>Transportation Sparsity Revenue</td>
<td>= $78</td>
</tr>
<tr>
<td>Equity Revenue</td>
<td>= $27</td>
</tr>
<tr>
<td>Training &amp; Experience Revenue</td>
<td>= $63</td>
</tr>
<tr>
<td>Referendum Revenue</td>
<td>= $125</td>
</tr>
</tbody>
</table>

General Education Revenue = (Basic Revenue + Basic Skills Revenue + Secondary Sparsity Revenue + Elementary Sparsity Revenue + Operating Capital Revenue + Transportation Sparsity Revenue + Equity Revenue + Training & Experience Revenue + Referendum Revenue) x Pupil Units

\[
= (\$4,601 + \$50 + \$10 + \$0 + \$194 + \$78 + \$27 + \$63 + \$125) \times 1,000
\]

\[
= \$5,148 \times 1,000
\]

\[
= \$5,148,000
\]

* As noted earlier, all references to “pupil units” are references to adjusted marginal cost pupil units
Basic Revenue

Basic revenue is also referred to as basic formula, or formal revenue. Basic revenue is calculated as the basic formula allowance ($4,601 for 2002-03) times the district’s adjusted marginal cost pupil units (AMCPU). AMCPU is calculated as the greater of the district’s current year weighted students in average daily membership (WADM) or the district’s current year WADM multiplied by 77 percent, plus the district’s prior year WADM multiplied by 23 percent. This calculation allows districts that have declining WADM to count 23 percent of the reduction in WADM in their formulas for calculating current year revenue. \([126C.10, 2]\)

Example -- Basic Revenue

Gopherville School District

<table>
<thead>
<tr>
<th>Grade Level</th>
<th>ADM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kindergarten</td>
<td>70</td>
</tr>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt; – 3&lt;sup&gt;rd&lt;/sup&gt; Grade</td>
<td>220</td>
</tr>
<tr>
<td>4&lt;sup&gt;th&lt;/sup&gt; – 6&lt;sup&gt;th&lt;/sup&gt; Grade</td>
<td>200</td>
</tr>
<tr>
<td>7&lt;sup&gt;th&lt;/sup&gt; – 12&lt;sup&gt;th&lt;/sup&gt; Grade</td>
<td>370</td>
</tr>
<tr>
<td>2001-02 WADM</td>
<td>1000</td>
</tr>
</tbody>
</table>

2002-03 WADM
\[
= (.557 \times \text{K ADM}) + (1.115 \times \text{1<sup>st</sup>–3<sup>rd</sup> ADM}) + (1.06 \times \text{4<sup>th</sup>–6<sup>th</sup> ADM}) + (1.3 \times \text{7<sup>th</sup>–12<sup>th</sup> ADM})
\]
\[
= 38.99 + 245.3 + 212.0 + 481.0 = 977.29
\]

2002-03 AMCPU
\[
= \text{the greater of: 1) 2002-03 WADM, or; 2) 2001-02 WADM x .23 + 2002-03 WADM x .77}
\]
\[
= \text{the greater of: 1) 977.29 or; 2) 230 + 752.5}
\]
\[
= \text{the greater of: 1) 977.29 or; 2) 982.5}
\]
\[
= 982.5
\]

Basic revenue = 2002-03 AMCPU \(\times\) 2002-03 Formula Allowance
\[
= 982.5 \times $4,601 = $4,520,483
\]
Basic Skills Revenue

Basic skills revenue includes the former Compensatory, Limited English Proficiency (LEP) and LEP concentration revenues. While these revenues are combined into a single category, the total revenue is based on existing formulas for the individual components. [126C.15; 124D.65]

Compensatory Revenue. Districts receive additional funding, called compensatory revenue, for students eligible to receive free and reduced price lunches, based on the count on October 1 of the previous year. Compensatory revenue must be allocated to the school site in which the pupil who 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 the revenue and report on its expenditure.

Compensatory revenue is calculated by multiplying compensation pupil units times the general education formula allowance. Compensation pupil units equal .6 x [the sum of the number of students receiving free lunch and .5 x students receiving reduced price lunches] x the lesser 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.

Limited English Proficiency 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 scores for students of the same age.

2002-03 LEP regular revenue is equal to $584 times the greater of 20 or the LEP pupil units. Districts also receive LEP concentration revenue, which provides additional revenue when a district has a higher concentration of LEP pupils.

LEP concentration revenue is computed by taking the lesser of 1, or the result of dividing the concentration percentage (which is 100 times the ratio 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.
Example -- **Compensatory** Component of Basic Skills

**Gopherville School District, Central School**

Number of pupils (October 1st enrollment) = 800
Number of pupils receiving free lunches = 100
Number of pupils receiving reduced price lunches = 200
General Education Formula Allowance for Compensatory = $4,601

Compensation
pupil units = \((100 + (200/2)) \times 0.6 \times \text{the lesser of (a) 1 or (b)}:\frac{(100+(200/2))}{100 \times 800} \times \frac{25.0}{80} \times \frac{1}{0.6} = 37.6\)

Maximum Compensatory Revenue = Compensatory pupil units \times General Ed Formula Allowance
= 37.6 \times $4,601
= $172,998

**Gopherville School District, Country School**

Number of pupils (October 1st enrollment) = 200
Number of pupils receiving free lunches = 10
Number of pupils receiving reduced price lunches = 20
General Education Formula Allowance for Compensatory = $4,601

Compensation
pupil units = \((10 + (20/2)) \times 0.6 \times \text{the lesser of (a) 1 or (b)}:\frac{(10+(20/2))}{100 \times 200} \times \frac{10.0}{80} \times \frac{1}{0.6} = 1.5\)

Maximum Compensatory Revenue = Compensatory pupil units \times General Ed Formula Allowance
= 1.5 \times $4,601
= $6,902
Example - LEP Component of Basic Skills

Gopherville School District

Number of Pupils = 1,000
Number of LEP Students = 68
Concentration Revenue Formula Amount = $190

2002-03 LEP Revenue = LEP Regular Revenue + LEP Concentration Revenue

LEP Regular Revenue

= $584 x the greater of a) 20 or b) LEP Pupil Units
= $584 x the greater of a) 20 or b) 68
= $584 x 68
= $39,712

LEP Concentration Revenue

= 2002-03 LEP Students x Concentration Formula x Concentration Pupil Units
= 68 x $190 x the lesser of (a) 1 or (b): \( \frac{68}{100} \times \frac{1000}{1000} \)
= 68 x $190 x the lesser of 1 or .59
= 68 x $190 x .59
= $7,623

2002-03 LEP Total Revenue = LEP Regular Revenue + LEP Concentration Revenue
= $39,712 + $7,623
= $47,401

Example - Total Basic Skills Revenue

Gopherville School District

Compensatory Revenue (Central School Site) $172,998
Compensatory Revenue (Country School Site) $6,902
LEP Revenue $47,401

Basic Skills Revenue = Compensatory Revenue (Central + Country) + LEP Revenue
= ($172,998 + 6,902) + $47,401
= $227,301
Secondary Sparsity Revenue

Districts with one or more sparsely populated high school attendance areas 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. [126C.10, 6,7]

Example -- Secondary Sparsity Revenue
Gopherville School District

Pupil Units (WADM) = 530
Secondary Average Daily Membership (ADM) = 250
General Education Formula Allowance for Sparsity = $4,601
High School Attendance Area = 356 square miles
Distance from High School to Nearest High School = 22 miles

Isolation Index (ii) = \( \sqrt{\frac{.55 \times Attendance \_ Area}{.55 \times 356}} + \text{miles to nearest high school} \)
\( = \sqrt{196} + 22 \)
\( = 14 + 22 \)
\( = 36 \)

Secondary Sparsity Revenue = \( (400 - \text{Sec ADM}) \times a) \times \text{Sec. ADM} \times (400 + \text{Sec ADM}) \times b) \times \text{the lesser of:} \)
\( = \frac{(400 - 250)}{10} \times \frac{(400 + 250)}{10} \times \text{the lesser of a) 1.5 or b) 36 - 23} \)
\( = \frac{150}{10} \times \text{the lesser of a) 1.5 or b) 13} \)
\( = \frac{150}{10} \times 13 \)
\( = $4,601 \times 250 \times .23 \times \text{the lesser of a) 1.5 or b) 1.3} \)
\( = $4,601 \times 250 \times .23 \times 1.3 \)
\( = $4,601 \times 250 \times .299 \)
\( = $4,601 \times 74.75 \)
\( = $343,925 \)

Secondary Sparsity Revenue per pupil unit = \( \frac{$343,925}{530} = $648.92 \)
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. [126C.10, 8]

Example -- Elementary Sparsity Revenue

Gopherville School District
ABC Elementary School

Grades K-6 Pupil (ADM) = 100
General Education Formula Allowance for Sparsity = $4,601
Distance to Nearest Elementary School = 23 miles

Formula Calculation

Elementary Sparsity Revenue
= Elementary WADM x Formula Allowance x \(\frac{(140 - \text{Elem ADM})}{(140 + \text{Elem ADM})}\)
= 100 x $4,601 x \(\frac{140 - 100}{140 + 100}\)
= 100 x $4,601 x \(\frac{40}{240}\)
= 100 x $4,601 x .1667
= 100 x $766.99
= $76,699

(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 the two former components of a capital expenditure funding formula--facilities revenue and equipment revenue, and a component designated for telecommunications access. The facilities component of the formula generates 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 equipment revenue component is $68 per pupil unit. The telecommunications access component is $5 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. [126C.10, 13]

**Example - Operating Capital Revenue**

**Gopherville School District**

Number of Pupil Units     = 1,000  
Operating Capital (facilities component)   = $100 per pupil unit  
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 pupil unit  
Operating capital (telecommunications access component) = $5 per pupil unit

**Regular Operating Capital Revenue**

Operating Capital Per Pupil Revenue  =  
equipment component + (facilities component x maintenance cost index) +  
telecommunications access component  
= $68 + ($100 x 1.25) + $5  
= $68 + $125 + $5  
= $198  

Regular Revenue  = pupil units x operating capital per pupil revenue  
= 1,000 x $198  
= $198,000
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 4.85% of the basic formula amount, which in 1997 was the $170 by which the general education formula was increased due to the “roll-in” of transportation revenue, adjusted for the changes in the basic formula since 1996-97. [124C.10, 18]

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

Example – Transportation Sparsity Revenue

Gopherville School District

Number of Pupil Units = 1,000
Number of Square Miles = 90
Basic General Education Formula = $4,601
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)

= [($4,601 x .1469) x (the log of .2 and .26) x (the log of .09 and .13)] - ($4,601 x .0485)

= [$676 x .658063 x .731226] - $223

= $325 - $223

= $102

Total Transportation Sparsity Revenue = Revenue Per Pupil Unit x Pupil Units

= $102 x 1,000

= $102,000
**Equity Revenue**

Equity revenue is intended to reduce the disparity between the highest and lowest revenue districts on a regional basis, with the regions defined as the seven-county metropolitan area and the balance of the state. In each region, districts are ranked according to their total basic, transition, supplemental and referendum revenue. Districts below the 95th percentile of revenue in those four components combined are eligible for equity revenue, except cities of the first class (Duluth, Minneapolis and St. Paul), which are automatically excluded. [126C.10, 24-28]

All districts are eligible for $10 per pupil, but a district with an excess levy referendum is eligible to receive an additional amount based on its percentile ranking compared to the rest of the region. To determine how much extra revenue a district receives, the district's equity index is calculated by dividing the difference between the district's revenue in the four categories by the 95th percentile of revenue in those four categories. The result is multiplied by $55. The product of that calculation is added to the basic $10 to generate the district's equity revenue.

**Example – Equity Revenue**

**Gopherville School District**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of pupil units</td>
<td></td>
<td>1,000</td>
</tr>
<tr>
<td>Basic and Referendum Revenue</td>
<td></td>
<td>$4,725</td>
</tr>
<tr>
<td>7-County Metro area</td>
<td></td>
<td>no</td>
</tr>
<tr>
<td>Rural 95th percentile *</td>
<td></td>
<td>$5,505.30</td>
</tr>
<tr>
<td>Rural 5th percentile *</td>
<td></td>
<td>$4,601.00</td>
</tr>
<tr>
<td>Metro 95th percentile *</td>
<td></td>
<td>$5,828.81</td>
</tr>
<tr>
<td>Metro 5th percentile *</td>
<td></td>
<td>$4,601.00</td>
</tr>
<tr>
<td>Regional Equity Gap (rural) = 95th - 5th percentiles, or;</td>
<td>$5,505.30 - $4,601.00</td>
<td>$904.30</td>
</tr>
<tr>
<td>District Equity Gap = 95th percentile - District Revenue, or,</td>
<td>$5,505.30 - $4,725.00</td>
<td>$780.30</td>
</tr>
<tr>
<td>Equity Index = [District Equity Gap / Regional Equity Gap], or,</td>
<td>$780.30 / $904.30</td>
<td>.863</td>
</tr>
<tr>
<td>Equity Revenue = Pupil units x [$10 + ($55 x Equity Index)]</td>
<td>1,000 x [$10 + ($55 x .863)]</td>
<td>$57,460</td>
</tr>
</tbody>
</table>

* Preliminary estimates, subject to change
Training and Experience Revenue

Training and experience revenue is allocated to school districts based on the experience and education of its teaching faculty. Beginning in 1998-99, only faculty who were on the district's payroll in the 1996-97 school year are included in the determination of training and experience revenue. As teachers leave a district, training and experience revenue will be phased-out.

Training and experience revenue is determined using a method which sorts the number of teachers into a matrix, prepared by the Department of Children, Families and Learning as reported by school districts, based on the number of staff at each training level (BA, BA+15, MA, etc.) and years of teaching experience. The district's training and experience index is the average of the training and experience levels of all staff members hired before 1996-97 (at their training and experience levels as of 1996-97) with staff hired after that date counting at the lowest level (BA+0). The matrix shows the relationship of the statewide average salary at each position on the matrix to the statewide average salary. To calculate training and experience revenue, take the district index minus 0.8 times $660 times pupil units. [126C.11]

Example – Training and Experience Revenue

Gopherville School District

<table>
<thead>
<tr>
<th>Number of Pupil Units</th>
<th>1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Training and Experience Index</td>
<td>1.020</td>
</tr>
</tbody>
</table>

Training and Experience Revenue = (District Index - 0.8) x $660 x pupil units
= (1.02 - 0.8) x $660 x 1,000
= .22 x $660 x 1,000
= $145.20 x 1,000
= $145,200
General Education Revenue - Reserved Revenue and Reductions

Learning and Development Revenue
Of a district's basic general education revenue, an amount equal to .057 times kindergarten students in average daily membership times the basic formula amount plus .115 times first grade through third grade students in average daily membership times the basic formula amount plus .06 times fourth grade through sixth grade students in average daily membership times the basic formula amount 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. [126C.12]

Revenue for Staff Development
An amount equal to two percent of the per pupil basic formula amount ($92.02) must be spent for staff development. Each year, if a district's licensed teachers and school board agree via a vote, this reserve may be waived. In addition, a district in statutory operating debt is exempt from this reserve requirement. [122A.61]

Contract Settlement Deadline Penalty - (Suspended for the 2001-02 and 2002-03 school years)
State aid is reduced by $25 per pupil unit in the first year of a biennium (for example, during the 1999-2000 school year in the 1999-2001 biennium) if a district and the exclusive representative of the teachers in that district 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 reorganized the previous year, the deadline date is March 15 instead of January 15. [123B.05, 4]
**Referendum Revenue**

Referendum revenue allows districts to increase the revenue available in their general fund with the approval of the voters in the district. Referendum revenue up to $126 per resident pupil unit is equalized at $476,000 of market value, and revenue above $126 up to the cap (except districts which qualify for sparsity revenue, where the entire amount above $126 qualifies for equalization) is equalized at $270,000. Referendums are calculated based on the resident pupil count, and the aid portion of the revenue is transferred from the resident district to the school district in which the pupil receives services. [126C.17]

Referendum revenue is capped at an amount equal to the greater of 1) 18.2 percent of the basic general education formula allowance ($837 in the 2002-03 school year); or 2) the district’s 1994 referendum allowance amount times 1.162 plus the district’s 2002 supplemental and transition revenues minus $415. District referendum revenue may not exceed this cap, except that districts eligible for sparsity revenue may exceed the referendum limit.

**Example – Referendum Revenue**

This example assumes voter approval of a referendum and a school board decision to levy the full authorized amount.

**Gopherville School District**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Marginal Cost Pupil Units</td>
<td>1,000</td>
</tr>
<tr>
<td>Referendum Market Value</td>
<td>$200,000,000</td>
</tr>
<tr>
<td>Referendum Revenue per pupil unit</td>
<td>$300</td>
</tr>
<tr>
<td>First Tier equalization factor</td>
<td>$476,000</td>
</tr>
<tr>
<td>Second Tier equalization factor</td>
<td>$270,000</td>
</tr>
</tbody>
</table>

To calculate a district’s total referendum levy, and the amount that will be paid to the district from the State in the form of referendum equalization aid, first calculate referendum revenue in each tier (remembering that if the district’s referendum revenue per pupil is less than $126, the $126 in the first tier calculation would be replaced with the actual approved amount, and the second tier calculation would be unnecessary):

First Tier Referendum Revenue  $
= \$126 \times \text{Pupil Units}
= \$126 \times 1,000
= \$126,000

Second Tier Referendum Revenue  $
= (\text{Referendum per pupil unit - } \$126) \times \text{Pupil Units}
= (\$300 - \$126) \times 1,000
= \$174 \times 1,000
= \$174,000
Next, calculate the levy portion of referendum revenue by calculating the amount of levy for each tier of referendum revenue:

First Tier Levy  
\[ \text{First Tier Levy} = \text{First Tier Revenue} \times \frac{\text{Referendum Market Value per pupil}}{\text{First Tier Equalizing Factor}} \]
\[ = \frac{126,000 \times 200,000}{476,000} \]
\[ = 52,920 \]

Second Tier Levy  
\[ \text{Second Tier Levy} = \text{Second Tier Revenue} \times \frac{\text{Referendum Market Value per pupil}}{\text{Second Tier Equalizing Factor}} \]
\[ = \frac{174,000 \times 200,000}{270,000} \]
\[ = 128,760 \]

Total Levy  
\[ \text{Total Levy} = \text{First Tier Levy} + \text{Second Tier Levy} \]
\[ = 52,920 + 128,760 \]
\[ = 181,680 \]

Finally, calculate the aid portion of referendum revenue by subtracting the levy total from the total referendum revenue generated:

Aid  
\[ \text{Aid} = \text{Referendum Revenue} - \text{Referendum Levy} \]
\[ = 300,000 - 181,680 \]
\[ = 118,320 \]

This aid amount may be reduced by the amount of tax base replacement aid that the district receives. (See p. 32 for a discussion of tax base replacement aid.)
Referendum Equalization Examples

As is shown in the table below, districts with different tax bases in market value per pupil unit can have a significantly different mix of referendum levy and referendum equalization aid. The table shows how, using the formulas described in the previous pages, the referendum aid and levy with $300 per pupil unit of referendum in a district with high, medium and low market values per pupil unit.

A calculation of the tax rate for the total levy in each district would show the basis for the theory of equalization. The tax rate is calculated by dividing total levy by total tax base (which is market value per pupil unit times referendum pupil units). In each of these cases, the tax rate is 0.1 percent, so although the low value district has the same effective tax rate as the high value district, and less property value per pupil than the high value district, the low value district receives the same amount of money per pupil as the high value district, due to the referendum equalization aid provided by the state.

<table>
<thead>
<tr>
<th>School District Market Value</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value per pupil unit</td>
<td>$75,000</td>
<td>$185,000</td>
<td>$450,000</td>
</tr>
<tr>
<td>Referendum per pupil unit</td>
<td>$300</td>
<td>$300</td>
<td>$300</td>
</tr>
<tr>
<td>Referendum pupil units</td>
<td>750</td>
<td>2,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$225,000</td>
<td>$600,000</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>First Tier Revenue</td>
<td>$94,500</td>
<td>$252,000</td>
<td>$1,260,000</td>
</tr>
<tr>
<td>Second Tier Revenue</td>
<td>$130,500</td>
<td>$348,000</td>
<td>$1,740,000</td>
</tr>
<tr>
<td>First Tier Levy</td>
<td>$14,890</td>
<td>$97,941</td>
<td>$1,191,176</td>
</tr>
<tr>
<td>Second Tier Levy</td>
<td>$36,250</td>
<td>$238,444</td>
<td>$1,740,000</td>
</tr>
<tr>
<td>Total Levy</td>
<td>$51,140</td>
<td>$336,386</td>
<td>$2,931,176</td>
</tr>
<tr>
<td>Total Aid</td>
<td>$173,860</td>
<td>$263,614</td>
<td>$68,824</td>
</tr>
<tr>
<td>Percent Levy</td>
<td>22.7%</td>
<td>56.1%</td>
<td>97.7%</td>
</tr>
<tr>
<td>Percent Aid</td>
<td>77.3%</td>
<td>43.9%</td>
<td>2.3%</td>
</tr>
</tbody>
</table>
Categorical Programs

**Special Education**

Districts receive funding to recognize a portion of the additional costs of providing required services to students with a disability. [125A.76]

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 adjusted so that combined district revenues equal the state total special education revenue, $535 million in 2002-03. (The $535 million is calculated by multiplying the FY 2001-02 state total special education revenue by the rate of change in the number pupils in average daily membership and by the statutorily set growth factor of 1.046.) Special education revenue for an individual district for 2002-03 is calculated by multiplying special education base revenue (the base year for 2002-03 is 2000-01) by the ratio of the current year’s enrollment to the base year enrollment in the district and by the statewide adjustment factor.

Base 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 – Special Education Revenue**

**Gopherville School District**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Pupils in Average Daily Membership in Base Year (2000-01)</td>
<td>961</td>
</tr>
<tr>
<td>Number of Pupils in Average Daily Membership in Current Year</td>
<td>1,000</td>
</tr>
<tr>
<td>Special Education Base Revenue</td>
<td>$150,000</td>
</tr>
<tr>
<td>Statewide Special Education Base Revenue</td>
<td>$558,000,000</td>
</tr>
<tr>
<td>Statewide Adjusted Base Revenue</td>
<td>$553,000,000</td>
</tr>
<tr>
<td>Statewide Current Year Special Education Revenue</td>
<td>$535,000,000</td>
</tr>
</tbody>
</table>

Statewide Adjustment Factor = Statewide Current Year Revenue / Statewide Adjusted Base Revenue
= $535,000,000 / $553,000,000
= 0.967

2002-03 Special Education Revenue
= 2000-01 Revenue x \( \frac{\text{2002-03 ADM}}{\text{2000-01 ADM}} \) x Statewide Adjustment Factor
= $150,000 x \( \frac{1,000}{961} \) x 0.967
= $150,937
Additional special education aid categories include:

**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 4.36% of the district's general revenue (which for the purpose of excess cost aid includes general education revenue plus referendum revenue per pupil unit minus operating capital and transportation sparsity revenue), a district will receive special education excess cost aid equal to the greater of: a) 75% of the amount of the unreimbursed cost minus 4.36% of the district's general revenue, b) 70% of the difference between the increase in unreimbursed costs between the base and current year and 1.6% of general education revenue or c) zero. However, excess cost aid is capped (the 2002-03 cap is $93.7 million), so that if the total district entitlement for excess cost aid is greater than the cap, the amount each district would receive is adjusted. The amount which the district is entitled to based on the formula (or the statewide total entitlement) is called initial excess cost aid. [125A.79, 2]

**Example – Excess Cost Aid – Gopherville School District**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Total Excess Cost Aid</td>
<td>$93,700,000</td>
</tr>
<tr>
<td>State Total Initial Excess Cost Aid (est.)</td>
<td>$108,300,000</td>
</tr>
<tr>
<td>General education revenue</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Unreimbursed special education costs</td>
<td>$375,000</td>
</tr>
<tr>
<td>Base year unreimbursed special education costs</td>
<td>$325,000</td>
</tr>
<tr>
<td>Qualify for aid? (Unreimbursed costs are greater than 4.36% of general revenue?)</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Initial excess cost aid is the greater of:

1. $0.75 \cdot \text{unreimbursed costs} - 0.0436 \cdot \text{general revenue}$
   \[= 0.75 \cdot ($375,000 - 0.0436 \cdot 5,000,000) = 117,750\]
2. $0.70 \cdot \left(\text{current year} - \text{base year}\right) - 0.016 \cdot \text{general revenue}$
   \[= 0.70 \cdot ($375,000 - $325,000) - 0.016 \cdot 5,000,000) = -21,000\]
3. $0$

Initial Excess cost aid for Gopherville = $117,750

Excess cost aid adjustment factor
\[= \frac{\text{Prior Year Excess Cost Aid} \times \text{Change in ADM} \times 1.02}{\text{Current Year Excess Cost Aid}}\]
\[= \frac{91,925,000 \times (846,967 / 847,699) \times 1.02}{93,700} = .865\]

Excess cost aid
\[= \text{Initial Excess Cost Aid} \times \text{Adjustment Factor}\]
\[= 117,750 \times .865 = 101,854\]
**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 a disability. [125A.75, 1]

**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 a disability 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 cannot be located. [125A.75, 3]
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 with an equalizing factor of $2,935. [123B.57]

Example - Health and Safety Revenue

Gopherville School District

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pupil Units</td>
<td>1,000</td>
</tr>
<tr>
<td>Adjusted Net Tax Capacity (ANTC)</td>
<td>$2,000,000</td>
</tr>
<tr>
<td>Equalizing Factor for Health &amp; Safety Revenue</td>
<td>$2,935</td>
</tr>
<tr>
<td>Approved Health &amp; Safety Revenue</td>
<td>$75,000</td>
</tr>
</tbody>
</table>

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. $2,935
= Revenue x Lesser of: (a) 1, or (b) $2,000 $2,935
= $75,000 x .6814
= $51,107

Aid = Revenue - Levy
= $75,000 - $51,107
= $23,893

Alternative Facilities
A school district qualifies for the alternative facilities program if it has an average of at least 66 pupils per grade, more than 1.85 million square feet of space that averages more than 15 years old, or more than 1.5 million square feet of space that averages more than 35 years old, and insufficient health and safety and capital facilities revenue to meets its deferred maintenance needs, make accessibility improvements or fire, safety or health repairs, and if it has a ten-year facility plan approved by the Commissioner of Children, Families, and Learning. Qualifying districts may sell bonds and make a levy to repay the bonds, or may annually levy for the costs in the ten-year plan without voter approval. The cost of this program is offset in part by state aid for districts that participated in the program before 1999-2000. Levies under this program are also eligible for debt service equalization. [123B.59]
Debt Service Revenue

School districts may issue general obligation bonds to finance capital improvements. Generally, 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. The amount of Debt Service Revenue needed each year is equalized at varying rates in relation to the ratio of the amount of Debt Service Revenue to the district’s total adjusted net tax capacity. Debt service levies are equalized at an equalizing factor of $3,200 for the amount of debt service that totals between 15% and 25% of the district’s adjusted net tax capacity, and $8,000 for the amount of debt service that exceeds 25% of the district’s adjusted net tax capacity. [123B.53]

Example -- Debt Service Revenue

Gopherville School District

| Number of Pupil Units | 1,000 |
| Adjusted Net Tax Capacity (ANTC) | $2,000,000 |
| Debt Service Revenue for 2002-03 | $630,000 |
| First Tier equalization factor | $3,200 |
| Second Tier equalization factor | $8,000 |

To calculate a district’s total debt service levy, and the amount that will be paid to the district from the State in the form of debt service equalization aid, first calculate the revenue amounts in the first and second tier that are eligible for equalization:

First Tier Debt Service Revenue = Debt Revenue - 15% of ANTC - Second Tier Debt Revenue
= $630,000 - .15 x $3,000,000 - $130,000
= $200,000

Second Tier Debt Service Revenue = Debt Service Revenue - 25% of District ANTC
= $630,000 - .25 x $3,000,000
= $130,000

Next, calculate, for each Tier and for the initial Unequalized portion, how much of the revenue will be raised in local levy:

Unequalized Debt Service Levy = 15% x ANTC
= .15 x $2,000,000
= $300,000

First Tier Debt Service Levy = First Tier Debt Service Revenue x \frac{\text{District ANTC/P.U.}}{\text{First Tier Equalizing Factor}}
= $200,000 x \frac{\$2,000}{\$3,200}
= $200,000 x .625
= $125,000
Second Tier Debt Service Levy = Second Tier Debt Service Revenue \times \frac{\text{District ANTC/P.U.}}{\text{Second Tier Equalizing Factor}}
\[= \frac{130,000 \times 2,000}{8,000} \]
\[= 32,500\]

Next, calculate the total levy, by adding the levy component of the two equalized tiers of the revenue to the initial unequalized levy amount:

Total Debt Service Levy = Unequalized Debt Service Levy + First Tier Debt Service Levy + Second Tier Debt Service Levy
\[= 300,000 + 125,000 + 32,500 \]
\[= 457,500\]

Finally, calculate the amount of aid by subtracting the levy total from the total revenue need for that year:

Debt Service Aid = Debt Service Revenue - Total Debt Service Levy
\[= 630,000 - 457,500 \]
\[= 172,500\]
Charter School Revenue

Charter schools in Minnesota are public schools, and are defined as being part of the State's system of public education. They are not school sites of the school district within which they are located, although they may have been sponsored by the school district within which they are located. Although they are public schools, charter schools are exempt in law from many, but not all of the requirements governing public schools and school districts. In regard to revenue, charter schools are eligible for general education revenue, special education aid, building lease aid, start-up grants, and other revenue school districts receive. [124D.11]

Charter school revenue sources include:

1. **General Education Revenue** - Charter schools receive general education revenue per pupil just as school districts do, with a few exceptions. First, a charter school receives $223 per pupil less if the charter school does not provide transportation services. (If transportation services are not provided by the charter school, the district in which the charter school is located must provide transportation to charter school students in the same way it provides transportation to students residing in or attending school in the public school district.) Basic Skills, Transportation Sparsity and Referendum revenues are calculated for the charter school, but a charter school receives the state average for all other components of general education revenue. Also, included in general education revenue is the state aid portion of a charter pupil’s district of residence excess levy referendum. Finally, the operating capital component of general education revenue may be used for any purpose by the charter school.

2. **Special Education Aid** - Charter schools receive special education aid just as school districts do, and are allowed to bill back a disabled student’s resident school district for any eligible special education costs that are unreimbursed.

3. **Charter School Building Lease Aid** - Charter schools with building leases qualify for aid equal to the lesser of 90 percent of the approved cost of the lease or the product of the number of pupils times $1,500.

4. **Charter School Startup Grants** - Charter schools, for the first two years of their operation, are eligible for aid to pay for start-up costs and some operating costs. Start-up aid is the greater of $50,000 per charter school or $500 times the charter school’s enrollment for that year.

5. **Other aid, grants, and revenue** - A charter school is eligible to receive other aids, grants, and revenue as though it were a school district, unless a property tax levy is required to obtain the money. Further, a charter school may receive money from any source for capital facilities needs.
Other Categorical Revenue - 2002-03

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. [126C.46]

2. **Advanced Placement and International Baccalaureate Programs** - 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. [120B.13]

3. **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. [123A.485]

4. **Crime Related Costs** - A district may levy up to $11 per pupil unit for the costs of peace officers used for school liaison services, drug prevention programs, gang resistance education programs and security costs in the district's schools and on school property. For the 2003-04 (taxes payable in 2003), this levy will be called the “Safe Schools Levy,” and districts will be able to levy up to $30 per pupil unit. [126C.44]

5. **Fast Break for Learning** - Provides aid to elementary schools, with priority to schools with greater than one-third of their students eligible for free and reduced priced lunches, to subsidize the cost of providing breakfast to students. [124D.1156]

6. **First Grade Preparedness Grants** - 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. School sites are ranked, and the funding is allocated and distributed, in four categories: Minneapolis, St. Paul, suburban school districts within the seven-county metropolitan area, and school districts in the balance of greater Minnesota. The funding is the amount equal to .53 times pupils enrolled in the program times the general education formula allowance. [124D.081]

7. **Integration Revenue** - This replaces the old operating and transportation integration aid, combining it into a single amount, distributed on a per pupil formula. The per pupil amounts are $207 per pupil unit for Duluth, $446 per pupil unit for St. Paul, $481 per pupil for Minneapolis, and the lesser of $93 or a district's actual costs, for any other district that implements a desegregation program or is a member of a multidistrict integration collaborative and would not otherwise qualify. A district which qualifies for $93 per pupil but has a protected student enrollment of more than 15 percent of its student population qualifies for $130 per pupil or the district's actual costs, instead of the $93 per pupil. Integration revenue must follow students to their district of attendance if the enrollment contributes to desegregation or integration purposes. Integration revenue is part state aid, part local levy. [124D.86]
8. **Magnet School Start-up Grants** - During the first two years of a metropolitan magnet school's operation, the school is eligible for aid for start-up costs and additional operating costs of $500 times the school's pupil units served during the year for which the aid is received. [124D.88]

9. **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. [122A.65]

10. **Nonpublic Pupil Aid** - Public school districts receive aid to fund services and textbooks for the benefit of nonpublic school students. The funding can be used for secular textbooks and other instructional materials, and the services include health services and secondary guidance and counseling services. The textbook funding level is set at the average amount expended in public schools per pupil for similar materials in the second prior year, multiplied by a factor equal to the growth in the basic formula amount between the second prior year and the current year. Similarly, health services are reimbursed on a per pupil basis to the public school district at the rate of the lessor of their actual cost or the average cost of providing those services to public school students in the second prior year, and guidance and counseling services are reimbursed on a per secondary pupil basis at the rate of the lessor of their actual cost or the average cost of providing those services to public school secondary students in the second prior year. [123B.40-123B.48]

11. **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 2002-03 the base year is 2000-01) and then adjusted for the change in the general education formula allowance between the current year and the base year. [123B.92]

12. **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. [124D.115, 124D.117]

13. **School Lunch Aid** - Schools are eligible to receive up to 6.5 cents of state funding for each lunch served. [124D.111]

14. **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. [125A.75, 1]
Property Tax Relief Aids

Property tax aids replace property tax levies with state payments for local taxing jurisdictions. Property tax credits reduce property taxes with state payments for individual taxpayers. In both cases, the effect is that the property tax payer pays less than what the taxes would otherwise be on the property, and the state makes up the difference with state payments to the taxing district. The major tax relief programs are the homestead credit, the agriculture credit, referendum tax base replacement aid, local government aid, and homestead and agricultural credit aid. Others include disparity reduction aid, attached machinery aid and taconite aids. School districts receive some of these types of property tax relief aids.

Homestead Credit

Beginning with taxes payable in 2002, a homestead credit to offset the shift in property tax burdens on to low-valued homes from most other classes of property, as well as to provide some tax relief to homeowners is instituted. The credit applies to all residential homesteads, including the house, garage, and one-acre of farm homesteads, and equals 0.4 percent multiplied by the market value of the property up to a maximum credit amount of $304 with the credit being phased out for home values over $76,000. The rate of phase-out equals .09 percent times the market value above $76,000 resulting in the credit being fully phased-out for homes valued at $414,000 or more.

Agricultural Credit

Beginning with taxes payable in 2002, an agricultural credit to offset the shift in property tax burdens on to low-valued agricultural homesteads from most other classes of property, as well as to provide some tax relief to owners of agricultural homesteads, is instituted. The credit applies to all agricultural homesteads, but does not apply to the house, garage, and surrounding one acre of farmland, since that portion of the property benefits from the homestead credit. For 2002, the credit equals 0.2 percent multiplied by the market value of the agricultural portion of the property up to a maximum credit amount of $230. For 2003 and thereafter, the credit equals 0.3 percent multiplied by the market value of the agricultural portion of the property up to a maximum credit amount of $345, with the credit being partially phased out for land values over $115,000. The rate of phase-out equals .05 percent times the market value above $115,000; the most that the credit can be reduced because of the phase-out is $115, which occurs at a value of $345,000.

Referendum Tax Base Replacement Aid

Referendum levies are not assessed on agricultural land or cabins beginning with taxes payable in 2002. In order to prevent the shift of tax burden for existing referendum levies from these types of properties to other classes of properties, a new referendum tax base replacement aid is created. Payments to school districts will be equal to the amount of taxes cabins and farms would have otherwise paid for existing levies had they not been exempted. The aid applies only to existing referendums and ends when existing referendums expire or are renewed by voters.
Property Tax Calculation - Residential Property

Tax Calculation For Homestead Property In a City
(For Property Taxes Payable in 2002)

(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
Class Rate = 1%

Tax Capacity = Market Value x Class Rate
= (85,000 x .01)
= $850

Gross Tax = Tax Rate x Tax Capacity
= Tax Rate x $850

<table>
<thead>
<tr>
<th>Calculation of Tax</th>
<th>Tax Rate</th>
<th>x $850</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Rate</td>
<td>51.7%</td>
<td>$439</td>
</tr>
<tr>
<td>City Rate</td>
<td>38.3%</td>
<td>$326</td>
</tr>
<tr>
<td>School Rate</td>
<td>25.4%</td>
<td>$216</td>
</tr>
<tr>
<td>Special Rate</td>
<td>5.0%</td>
<td>$42</td>
</tr>
<tr>
<td><strong>Gross Tax</strong></td>
<td>120.4%</td>
<td><strong>$1,023</strong></td>
</tr>
<tr>
<td>**Education Homestead Credit **</td>
<td>-</td>
<td><strong>$296</strong></td>
</tr>
<tr>
<td><strong>Net Tax</strong></td>
<td></td>
<td><strong>$727</strong></td>
</tr>
</tbody>
</table>

* Calculation of the Homestead Credit
Maximum Credit = $304
Phase-out portion = ($85,000 – 76,000) x .0009
= $9,000 x .0009
= $8
Credit = $304 - $8 = $296
**Property Tax Calculation - Agricultural Homestead Property**

Tax Calculation for Agricultural Property and Homestead  
(For Property Taxes Payable in 2002)

(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 = $85,000  
Farm Land market value = $210,000  

Class Rate =  
For Home, Garage and 1 acre: 1%  
For Agriculture land: .55%

Tax Capacity = $310,000 x 1% = $3,100  
Tax Capacity, Home = $85,000 x 0.01 = $850  
Tax Capacity, Land = $210,000 x 0.0055 = $1,155

Tax Capacity, Home and Farmland = $850 + $1,155 = $2,005

Gross Tax = Tax Rate x Tax Capacity = Tax Rate x $2,005

<table>
<thead>
<tr>
<th>Calculation of Tax</th>
<th>Tax Rate</th>
<th>x 2,005</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Rate</td>
<td>51.7</td>
<td>$1,037</td>
</tr>
<tr>
<td>Township Rate</td>
<td>8.1%</td>
<td>$162</td>
</tr>
<tr>
<td>School Rate</td>
<td>25.4</td>
<td>$509</td>
</tr>
<tr>
<td>Special Rate</td>
<td>5.0%</td>
<td>$100</td>
</tr>
<tr>
<td>Gross Tax</td>
<td>90.2</td>
<td>$1,808</td>
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<tr>
<td>Homestead / Ag Credit *</td>
<td></td>
<td>$479</td>
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<tr>
<td>Net Tax</td>
<td></td>
<td>$1,329</td>
</tr>
</tbody>
</table>

* Calculation of Homestead and Ag Land Credits

Homestead Portion (see previous page) = $296

Farmland Portion:
- Maximum Credit = $230
- Phase-out portion = ($210,000 - 115,000) x 0.0005 = $95,000 x 0.0005 = $47.50
- Farmland Credit = $230 - $47.50 = $182.50
- Total Credit = $296 + $182.50 = 478.50
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

Sum of the portion of the Homestead Credit allocated to school levy, determined for all homesteads in the school district = $425,000
Sum of the portion of the Agriculture Homestead Credit allocated to school levy, determined for all agriculture homesteads in the school district = $95,000

<table>
<thead>
<tr>
<th></th>
<th>Homestead</th>
<th>Agriculture</th>
<th>Net School Property Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Levy</td>
<td>$1,670,000</td>
<td>$425,000</td>
<td>$95,000</td>
</tr>
<tr>
<td></td>
<td>$1,150,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This is the amount of school property tax that will actually be received from property owners in the school district after reductions for the homestead credit and the agriculture homestead credit.

The district receives the amount of homestead credit and agriculture homestead credit as state aid in addition to other state aid paid on education funding formulas.

<table>
<thead>
<tr>
<th>Direct State Aid Payments</th>
<th>Education Homestead Credit</th>
<th>Agriculture Homestead Credit</th>
<th>Total State Aid Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,435,000</td>
<td>$425,000</td>
<td>$95,000</td>
<td>$2,955,000</td>
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</tbody>
</table>
### Education Finance Appropriations
Fiscal Years 2001-02 and 2002-03
($ in thousands)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY 2002</th>
<th>FY 2003</th>
<th>Biennium</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Education</td>
<td>$3,446,583</td>
<td>$4,619,554</td>
<td>$6,976,060</td>
</tr>
<tr>
<td>Special Education Programs</td>
<td>612,047</td>
<td>567,204</td>
<td>1,270,318</td>
</tr>
<tr>
<td>Facilities and Technology Programs</td>
<td>75,650</td>
<td>59,084</td>
<td>136,477</td>
</tr>
<tr>
<td>Education Excellence Programs</td>
<td>117,032</td>
<td>105,227</td>
<td>250,560</td>
</tr>
<tr>
<td>School Lunch and Breakfast Aid</td>
<td>11,946</td>
<td>12,169</td>
<td>24,585</td>
</tr>
<tr>
<td>Department of Children, Families &amp; Learning</td>
<td>28,801</td>
<td>27,827</td>
<td>63,278</td>
</tr>
<tr>
<td>Minnesota Center for Arts Education</td>
<td>7,831</td>
<td>7,816</td>
<td>15,497</td>
</tr>
<tr>
<td>Minnesota State Academies</td>
<td>10,761</td>
<td>10,966</td>
<td>21,727</td>
</tr>
<tr>
<td>Total</td>
<td>$4,310,651</td>
<td>$5,409,897</td>
<td>$8,758,502</td>
</tr>
</tbody>
</table>

State appropriations are not made on an entitlement basis, but are appropriated based on a majority percentage of the current year's entitlement plus the balance of the previous year's entitlement adjusted for changes in formula variables, such as pupil counts or concentrations. For FY 2001-02, the appropriations equal 90 percent of the current year entitlement, and the final 10 percent payment from the prior year. For FY 2002-03, the appropriation is 83 percent of the current year entitlement, along with the final 10 percent from the prior year.

### Education Revenues by Major Category, FY 2003

- General Education: 69.0%
- Facilities & Technology: 11.8%
- Community Education: 2.5%
- Special Programs: 8.6%
- Referendum: 4.5%
- Other: 3.6%
### Property Tax Relief Aid Payments to School Districts

<table>
<thead>
<tr>
<th>Description</th>
<th>2001-02</th>
<th>2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homestead and Agriculture Credit Aid (HACA)</td>
<td>$14,590,000</td>
<td>$1,347,000</td>
</tr>
<tr>
<td>Mobile Home HACA</td>
<td>3,730,000</td>
<td>373,000</td>
</tr>
<tr>
<td>Border City Disparity Aid</td>
<td>1,423,000</td>
<td>817,000</td>
</tr>
<tr>
<td>Attached Machinery Aid</td>
<td>836,000</td>
<td>836,000</td>
</tr>
<tr>
<td>Education Homestead Credit</td>
<td>404,988,000</td>
<td>41,377,000</td>
</tr>
<tr>
<td>Agriculture Education Credit</td>
<td>54,202,000</td>
<td>5,512,000</td>
</tr>
<tr>
<td>Disparity Reduction Aid</td>
<td>10,393,000</td>
<td>8,376,000</td>
</tr>
<tr>
<td>Market Value Homestead Credit</td>
<td>0</td>
<td>60,991,000</td>
</tr>
<tr>
<td>Market Value Homestead Ag Land Credit</td>
<td>0</td>
<td>3,307,000</td>
</tr>
<tr>
<td>Taconite Replacement Production Tax Reduction</td>
<td>12,447,000</td>
<td>7,480,000</td>
</tr>
<tr>
<td>Other *</td>
<td>27,000</td>
<td>19,000</td>
</tr>
<tr>
<td><strong>Total — Tax Relief Aids</strong></td>
<td><strong>$502,636,000</strong></td>
<td><strong>$130,435,000</strong></td>
</tr>
</tbody>
</table>

* Other includes Enterprise Zone and Disaster Credits and the prior year HACA adjustment

Tax relief aids are appropriated based on a majority percentage of the current year's entitlement plus the balance of the previous year's entitlement adjusted for changes in formula variables. For FY 2001-02, the payments equal 90 percent of the current year, and the final 10 percent payment from the prior year. For FY 2002-03, the appropriation is 83 percent of the current year entitlement, along with the final 10 percent from the prior year.
School District Property Tax Levies  
Fiscal Years 2001-02 and 2002-03

<table>
<thead>
<tr>
<th></th>
<th>FY 2001-02</th>
<th>FY 2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Payable 2001</td>
<td>Payable 2002</td>
</tr>
<tr>
<td>General Fund</td>
<td>$1,880,798,900</td>
<td>$502,570,400</td>
</tr>
<tr>
<td>Debt Service Fund</td>
<td>$489,374,200</td>
<td>$510,093,300</td>
</tr>
<tr>
<td>Community Service Fund</td>
<td>$48,268,100</td>
<td>$62,601,100</td>
</tr>
<tr>
<td>Statutory Operating Debt</td>
<td>$50,400</td>
<td>$49,700</td>
</tr>
<tr>
<td>Total Operating Levies</td>
<td>$2,418,491,600</td>
<td>$1,075,314,500</td>
</tr>
</tbody>
</table>

These are the levies certified (before applying the tax relief aids) for a specific year. Levy figures for payable 2001 are the amounts certified for 2001, and levy figures for payable 2002 are estimates of what was certified for 2002 from February 2002.

Levies providing revenue for 2002-03 were certified in the fall of 2000 and paid in May and October of 2001; levies providing revenue for 2002-03 were certified in the fall of 2001 and paid in May and October of 2002.

School District Property Tax Levies  
2002-03 School Year, Payable 2002

- General Fund: 46.7%
- Debt Service Fund: 47.4%
- Community Service Fund: 5.8%
- Statutory Operating Debt: 0.0%
**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, Minnesota State 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 and fees charged by districts are not included. These are total revenue figures, not revenue per pupil unit.

### School District Revenue
**Fiscal Years 2001-02 and 2002-03**
($ in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2002-03</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriation (1)</td>
<td>$4,439,820,800</td>
<td>$5,571,455,600</td>
</tr>
<tr>
<td>Dedicated Funds (2)</td>
<td>42,722,300</td>
<td>43,122,300</td>
</tr>
<tr>
<td>Tax Relief Aid (1)</td>
<td>502,636,000</td>
<td>130,435,000</td>
</tr>
<tr>
<td>Net Education Tax Levy (3)</td>
<td>1,915,805,200</td>
<td>944,829,800</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>$6,900,984,300</td>
<td>$6,689,842,700</td>
</tr>
</tbody>
</table>

Percent Change in Revenue from Prior Year

- 3.7%  
- -3.1%

Percent from State Sources

- 72.2%  
- 85.9%

Percent from Property Taxes

- 27.8%  
- 14.1%

---

(1) The state appropriation and tax relief aids are calculated on an appropriation rather than entitlement basis, with the appropriation generally equal to a majority percentage of the current year's entitlement plus the balance of the previous year's entitlement adjusted for changes in formula variables, such as pupil counts or concentrations. For FY 2001-02, the appropriations equal 90 percent of the current year entitlement, and the final 10 percent payment from the prior year entitlement. For FY 2002-03, the appropriation is 83 percent of the current year entitlement, along with the final 10 percent from the prior year. This shift from making payments on a 90%/10% basis to an 83%/17% basis also accounts for the reduction in state revenue (-3.1%) between FY 2001-02 and FY 2003-03. The reduction is not a reduction in revenue for school districts, merely an accounting change that makes the State’s obligation appear lower for 2002-03. The state appropriation includes K-12 Education Finance Appropriations, 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.
Elementary-Secondary Education Revenue Sources
Fiscal Year 2002-03 - Total Revenue = $6,689,842,700

- Appropriations: 83.3%
- Net Levy & Tax Shift: 14.1%
- Tax Credits: 1.9%
- Dedicated Funds: 0.6%

Total Revenue: $6,689,842,700