Today’s presentation will focus on the following areas:

• Review of Minnesota State Budget and K12’s share of the budget;

• Enrollment Trends;

• Special Education Trends; and

• Operating Referendum Trends.
State Budget Overview and K12 Context

The next several slides show:

• Shares of each of the major state and local taxes over the last 50 years;

• State General Fund Budget Surplus Estimate;

• Where State General Fund Resources Come From for FY 20;

• Where State Revenues are Spent Under the Base Budget for FY 20;

• Total Estimated Revenue for School Districts for FY 20; and

• The Components of General Education Revenue for FY 20.
State and Local Tax Revenue History
End of 2017 Session

History of Major Taxes Percent Share
FY 1957 - 2017

Source: Minnesota Department of Revenue and
Price of Government, End of Session 2017
Includes sales tax rebates FY 1999-2001

“The Big Plan” 2001 Reform
FY02 FY03
Income 30% 30%
Sales 25% 26%
PTX 29% 28%
Other 18% 18%

Minnesota Miracle
# State General Fund Budget November 2018 Forecast ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 2018-19</th>
<th>FY 2020-21</th>
<th>FY 2022-23</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Balance</td>
<td>$3,333</td>
<td>$3,194</td>
<td>$??</td>
</tr>
<tr>
<td>Revenues</td>
<td>45,409</td>
<td>48,326</td>
<td>50,735</td>
</tr>
<tr>
<td>Spending</td>
<td>45,549</td>
<td>47,454</td>
<td>50,279</td>
</tr>
<tr>
<td>Gap Between Revenue &amp; Spending</td>
<td>-140</td>
<td><strong>872</strong></td>
<td><strong>456</strong></td>
</tr>
<tr>
<td>Balance Forward Before Reserves</td>
<td>3,194</td>
<td>4,067</td>
<td>??</td>
</tr>
<tr>
<td>Cash Flow and Budget Reserve</td>
<td>2,425</td>
<td>2,425</td>
<td>2,425</td>
</tr>
<tr>
<td>Stadium Reserve</td>
<td>50</td>
<td>98</td>
<td>98</td>
</tr>
<tr>
<td>Forecast Budgetary Balance</td>
<td>720</td>
<td>1,544</td>
<td>??</td>
</tr>
</tbody>
</table>
Where the Money Comes From:
FY 20 State General Fund Resources $26.890 Billion

- Individual Income: 48%
- Sales: 22%
- Corporate/Bank/Ins: 6%
- Liquor/Cig/Gambling: 3%
- Non-Tax Revenue: 3%
- Statewide Property Tax: 3%
- Mortgage and Deed: 1%
- Fund Balance In: 12%
- All Other: 3%
Where the Money Goes
FY 20 State General Fund Spending $23.570 Billion

- K-12 Education: 41%
- Health & Human Services: 32%
- Public Safety: 5%
- Intergovt Aids: 8%
- State Govt: 3%
- Higher Ed: 7%
- Debt Service: 2%
- Environment & Eco Dev: 1%
- All Other: 1%
Major Components of the School Finance System
Total Revenue for Schools FY 20: $14.375 Billion
General Education Revenue by Component
$8.579 Billion FY 2020
Enrollment and Counting Students

Minnesota’s funding is primarily based on the number of students served by each school district and charter school. The next several slides show:

• How Minnesota Counts Pupils;
• Enrollment Trends Over Time;
• Five and 20 Year Changes in Enrollment by District;
• School Enrollment by Region; and
• School Enrollment by Size.
School district funding is primarily based on a weighted, full-time count of students served by the school district.

• **Resident pupils** are the students who live within a school district’s borders and attend a school district or charter school. The resident count of pupils excludes students who attend nonpublic schools or who are home schooled.

• **Average Daily Membership**—Each district counts pupils for the portion of the year that they attend that school district. This count is called Average Daily Membership (ADM).

• **Adjusted Average Daily Membership (AADM)** adjusts the ADM by excluding students who open enroll to another school district or charter school, and includes students who open enroll into the school district.

• **Adjusted Pupil Units** is the AADM weighted by grade level (secondary students are weighted as 1.2). This count is used for most of Minnesota’s school aid formulas.
# Pupil Weights by Grade Level

<table>
<thead>
<tr>
<th>Grade Level</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>VPK or SRP (Approved schools)</td>
<td>1.0 (limited to no more than 60% time)</td>
</tr>
<tr>
<td>Pre-K Disabled and K Disabled</td>
<td>1.0</td>
</tr>
<tr>
<td>Regular K</td>
<td>1.0 Full time/.55 Part Time</td>
</tr>
<tr>
<td>Grades 1-6</td>
<td>1.0</td>
</tr>
<tr>
<td>Grades 7-12</td>
<td>1.2</td>
</tr>
<tr>
<td>Extended Time Pupils</td>
<td>0.2 (not added to pupil count)</td>
</tr>
</tbody>
</table>
Context: Minnesota School Enrollment State Total Enrollment, 1960 to 2021

- District & Charter
- District Only
- Homeschools
- Nonpublic Schools

<table>
<thead>
<tr>
<th>Year</th>
<th>District Only</th>
<th>Charter Only</th>
<th>Homeschools</th>
<th>Nonpublic Schools</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>921,957</td>
<td>695,777</td>
<td>854,041</td>
<td>870,737</td>
</tr>
<tr>
<td>1970</td>
<td>814,137</td>
<td>85,988</td>
<td>65,885</td>
<td>19,432</td>
</tr>
<tr>
<td>1980</td>
<td>158,560</td>
<td>124,934</td>
<td>92,822</td>
<td>671,682</td>
</tr>
</tbody>
</table>
Special Populations as Percent of Public School Enrollment

![Graph showing the percentage of special populations in public school enrollment from 2003 to 2017. The chart includes data for Free/Reduced, Minority, Spec Educ, and English Learner categories. The graph shows an upward trend in the percentage of these populations over time.]
School Enrollment by Region FY 2018

- #1 Northwest: 5%
- #2 Northeast: 3%
- #3 WestCentral: 4%
- #4 Northcentral: 3%
- #5 SW: 5%
- #6 EastCentral: 12%
- #7 Southcentral: 4%
- #8 Southeast: 9%
- #9 Metro Area: 55%

1/24/2019 House K12 Finance Overview
Much more detailed information can be found in the MDE July 24, 2018 powerpoint describing Minnesota’s special education system. This document shows:

• State special education aid over time;

• The special education cross-subsidy over time; and

• Variation in the cross-subsidy by type of district.
EDUCATION FUNDING TRENDS
State Special Education Aid per Student

[Graph showing trends over years with data points and labels for years and aid amounts.]

Not Adjusted for Inflation
Adjusted for Inflation (CPI) 2019 $
Special Education Cross Subsidy per ADM

November 2017 Forecast Estimates

Not Adjusted for Inflation  Adjusted for Inflation (CPI) - 2021 $
SPECIAL EDUCATION CROSS SUBSIDY
Per Pupil Unit by District Type, FY 2017

- Statewide Districts: $801
- Statewide Charters: $95
- Mpls and St. Paul: $1,220
- Other Metro, Inner: $905
- Other Metro, Outer: $798
- NonMetro > 2,000: $771
- NonMetro 1,000 to 2,000: $640
- NonMetro <1,000: $603
School Districts may seek additional money through an operating referendum.

• A school board may approve up to $300 of operating referendum without an election. This amount is offset from any other referendum authority previously approved by the voters.

• A school board may hold a November election to approve additional referendum authority. The amount approved is specified on the ballot as an amount per pupil. A referendum cap limits the overall amount of referendum authority. School districts eligible for sparsity revenue are exempt from the cap.

• Referendum revenue is equalized in three tiers.

• The referendum printout shows tax base per pupil, referendum authority, the district’s share aid/levy share for each of the three tiers, the overall amount of referendum aid and levy, and the tax impact of the referendum authority on a sample property.
Referendum and Local Optional Revenue per Student
November 2017 Forecast

Diagram showing the forecasted revenue per student from 2003 to 2019, adjusted and not adjusted for inflation.