



Association of Metropolitan School Districts

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Minnesota Education Funding Facts

Important Education Funding Facts & Information

- 1. Schools have not been adequately funded over the last decade as funding has not kept pace with inflation.** Between 2003 and 2011, Minnesota's basic per pupil funding formula increased from \$4,601 to \$5,124, an increase of only 11.4 percent. During that same time period, inflation grew by 35.1 percent as measured by the Implicit Price Deflator (IPD) for State and Local Government Purchases. This time period is used for comparison due to the fact that major education funding and property tax reforms took effect in 2003. The reforms included a state takeover of the general education levy and a commitment by the state to assume the primary responsibility for funding K-12 education.
- 2. The funding increase approved in the 2011 Special Session does not make up for previous years of inadequate funding and the "shift" in state aid further squeezes school district budgets.** The Governor and legislators are to be commended for their commitment to education in the face of a major state budget shortfall. However, the \$50 per student, per year increase in the basic formula approved during the recent special session represents an increase of two percent over the next two years. Inflation is projected to be 3.3 percent over that same time period. Furthermore, a portion of that increase will need to be used to pay borrowing costs caused by the "shift" in state aid.
- 3. What is the "shift"? Why are school districts being forced to borrow money to pay expenses?** A school payment "shift" refers to the percentage of school funding that school districts receive over two fiscal years. Due to the budget deficit during the last session, legislators and the governor increased the shift to a 60/40 payment schedule. This means that school districts will receive 60% of their funding in the first year and the remaining 40% in the second year of the budget. The "shift" is essentially an IOU to school districts. The problem is that school districts still need money to open their doors, make payroll and buy textbooks, etc. so they are forced to drain reserves and/or engage in short-term borrowing in order to pay expenses. The school payment "shift" has been used several times over the years by state policymakers to balance the state budget, but the delayed payment percentage has never been as high as 40%.

4. **The State is NOT paying its share of special education costs putting even more pressure on the general education formula.** According to the Minnesota Department of Education, special education costs exceeded state and federal special education aid by \$563 million or \$687 per pupil in FY 2011. The expiration of the federal special education aid provided through the American Recovery and Reinvestment Act will increase the unfunded cost of special education to \$695 million, or \$834 per student, by FY 2013 -- an increase of \$147 per pupil! In other words, the \$50 per year increase in the basic formula provided in the 2011 Education Finance Bill will be more than offset by the \$147 increase in the unfunded cost of special education over the next two years.
5. **The State mandated increase in the employer contribution to the Teachers Retirement Association (TRA) further stains district budgets.** The \$50 per pupil increase in the formula over the next two years will also be offset by the mandated increase in the employer contribution to TRA. Analysis shows that about half of the \$50 increase each year will go to cover the mandated increase to TRA. Legislation enacted in 2010 increases the employer contribution from 5.5 percent to 7.5 percent between 2011 and 2014. The increase is phased in over 4 years at .5 percent per year.
6. **Schools are faced with a more challenging student population than ever before.** Since 2003, the number of Minnesota students eligible for free or reduced price lunch has increased from 27 percent to 37 percent. The percent of students with limited English proficiency increased from 6.2 percent to 7.7 percent and the number of students eligible for special education services increased from 13.2 percent to 14.8 percent.