



# Reimagine Minnesota Strategy I:

## Statewide Funding That Ensures Equity, Access and Opportunity for All Students

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# Desired Outcomes

- Equitable funding plan for ALL students and school districts
- Taxpayer equity
- Funding for all mandated programs



# **Current MN School District Finance Challenges**

1. Basic education formula lags behind inflation
2. Special education cross-subsidy
3. English Learner (EL) cross-subsidy
4. Taxpayer equity
5. Regional wage variations

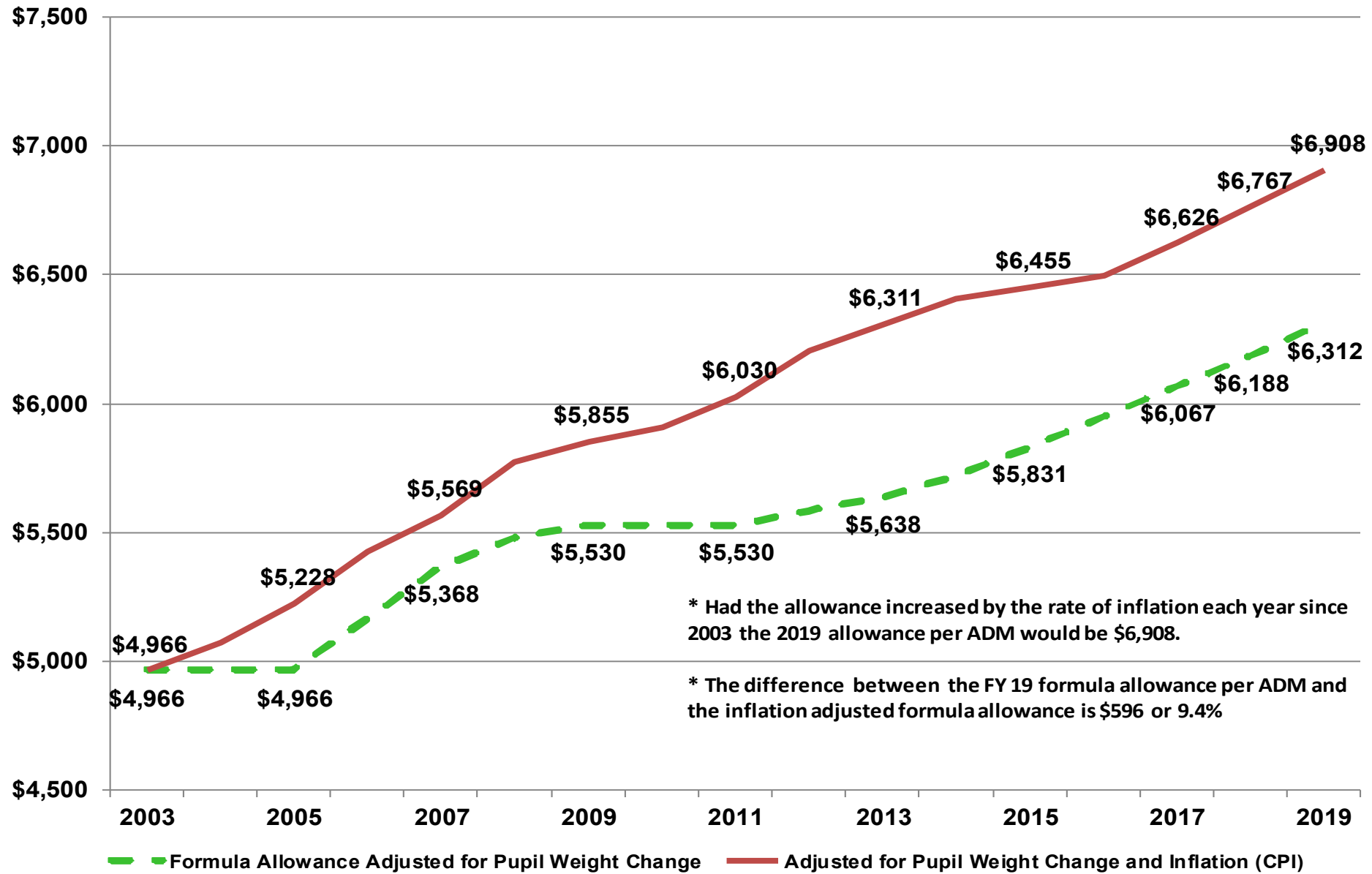


# Basic Education Formula Lags Behind Inflation

- Between 2003 and 2019, the basic formula has lost ground to inflation.
- Had the allowance increased by the rate of inflation each year since 2003, the 2019 allowance per ADM would be \$6,908.
- The difference between the FY 19 Formula Allowance per ADM and the inflation adjusted formula allowance is \$596 or 9.4%.

# General Education Formula Allowance 2003-2019

## Adjusted for Pupil Weight Change and Inflation (CPI)

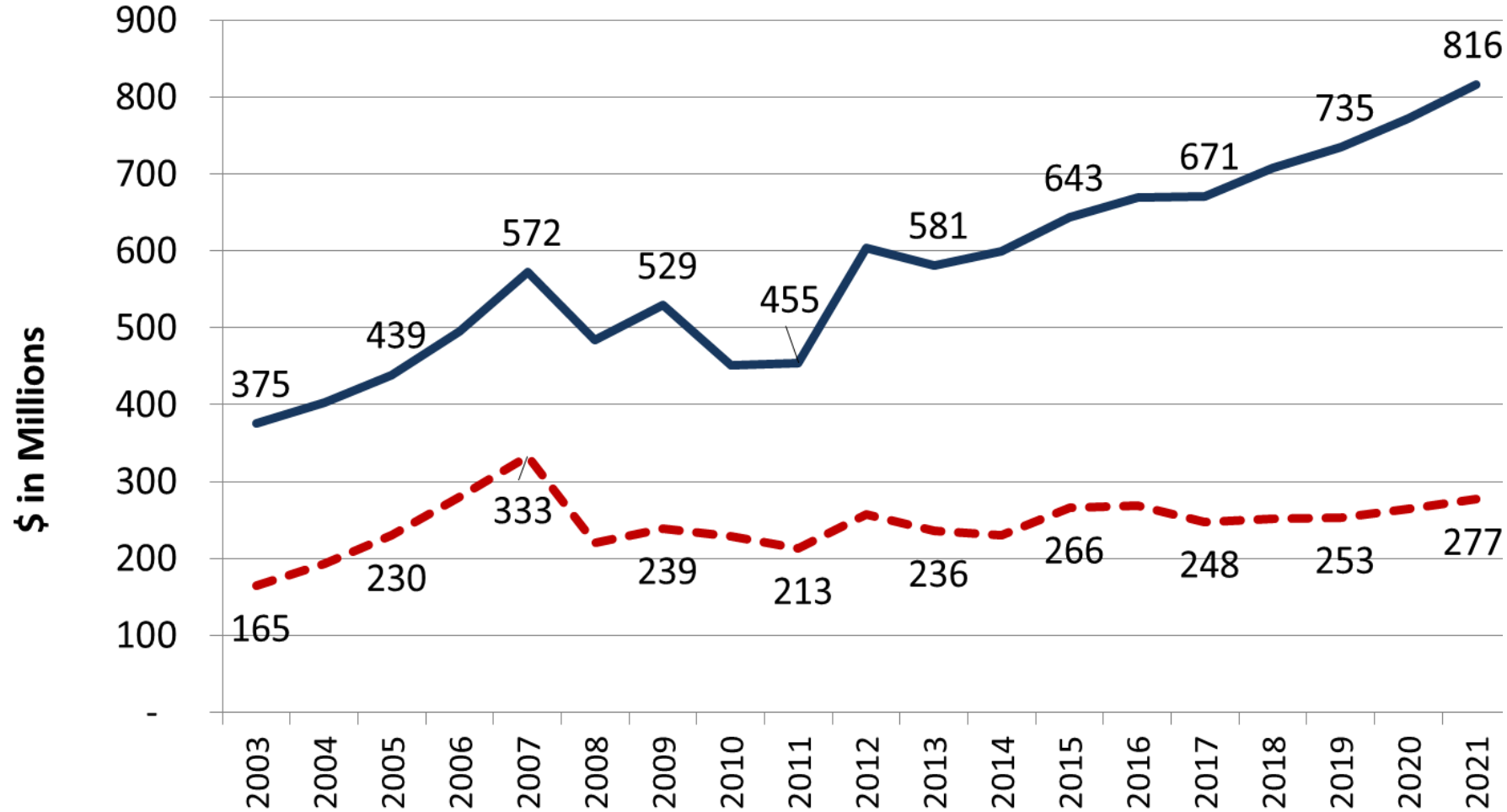


# Special Education Cross-subsidy

- The state and federal governments have never provided the funding necessary to serve our special education students.
- School districts are forced to use money meant for regular classroom instruction to make up the difference.
- The statewide special education cross-subsidy is projected to be \$671 million in FY 2017 (State Portion: \$248 million)

# Special Education Cross-subsidy

Total and State Portion – (if Fed Funding Covered 40% of Excess Cost),  
FY 2003 - FY 2021 Current \$ (Millions)



— Total Cross Subsidy

- - State Portion (Remainder if Federal Aid Covered 40% of Cost)

Source: Minnesota Department of Education, March 2018

# EL Cross-subsidy

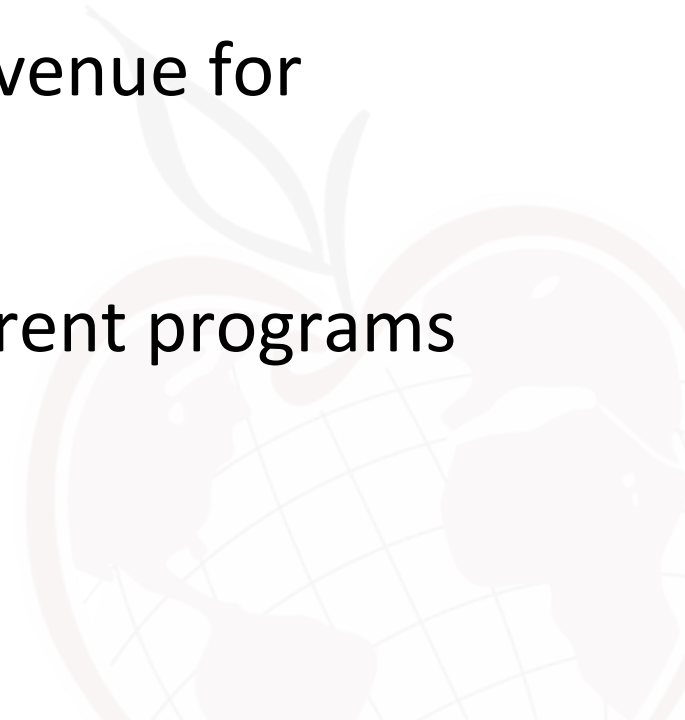
- There were 72,335 students who were eligible for English learner services in Minnesota in the 2016-17 school year.
- Eligibility for English learner services was extended from 6 to 7 years beginning in FY 2017.
- In FY 2017, AMSD members had an \$82 million EL cross subsidy.



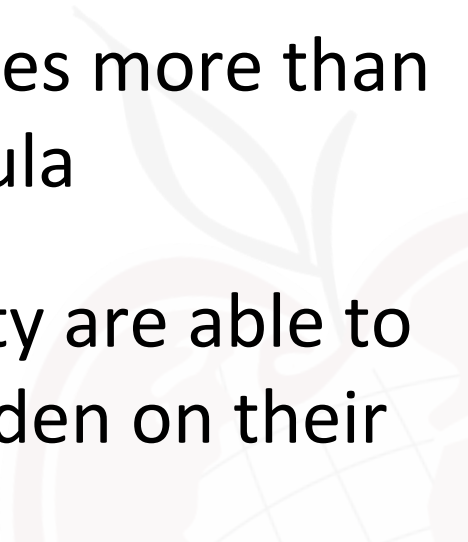


# Taxpayer Equity

- Minnesota's education funding system is based on a state and local partnership to provide the resources and opportunities our students need
- Local property taxes provide about 27% of the revenue for Minnesota school districts
- Districts rely on school levies just to maintain current programs or to reduce budget cuts.

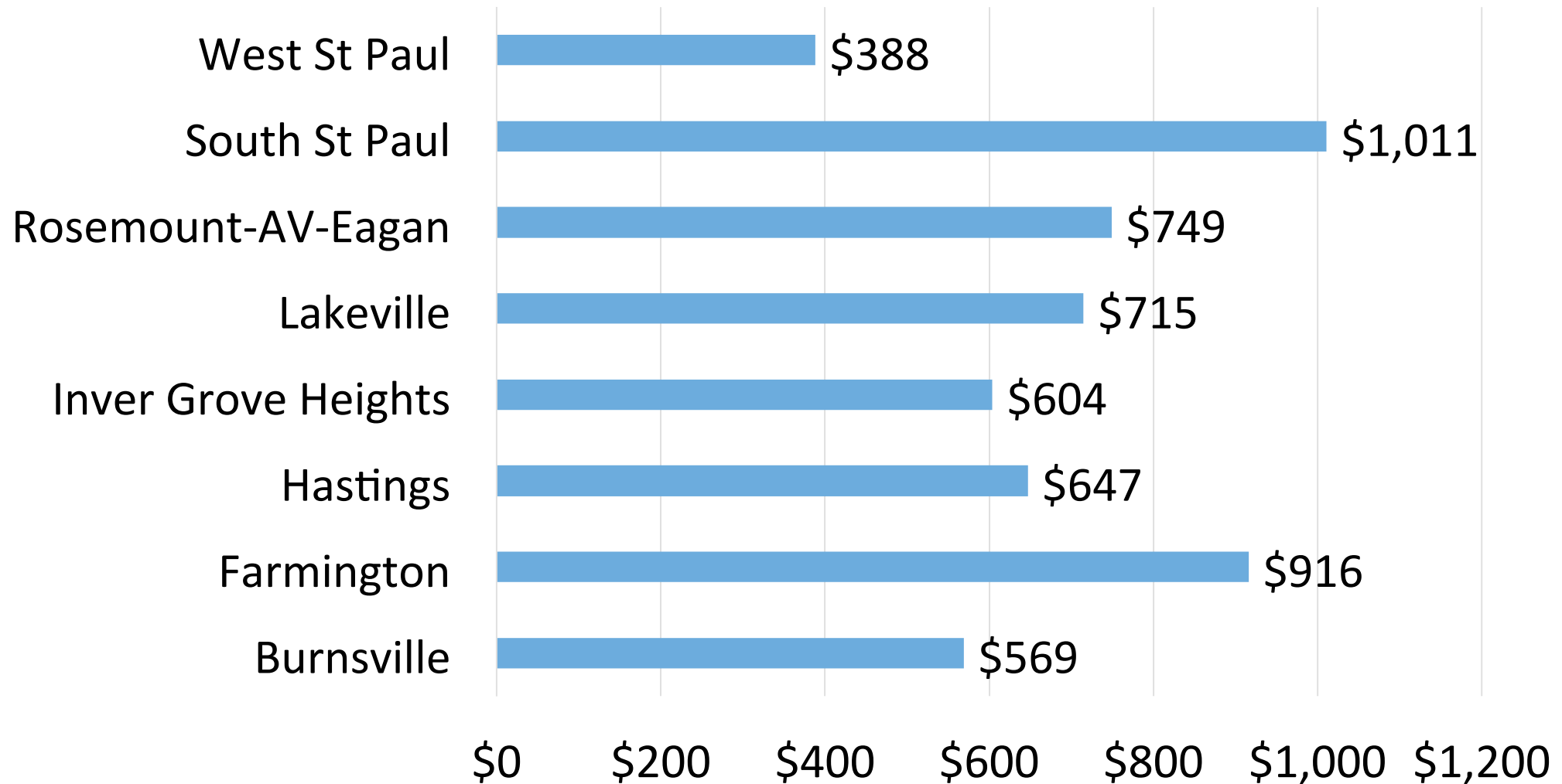


# Taxpayer Equity (cont.)

- Homeowners who live in comparably valued homes, do not generate a similar level of funding for their schools for a similar level of property taxes paid.
  - Some school districts generate three and four times more than other school districts due to the current tax formula
  - Districts with more commercial/industrial property are able to spread out property taxes and reduce the tax burden on their homeowners.
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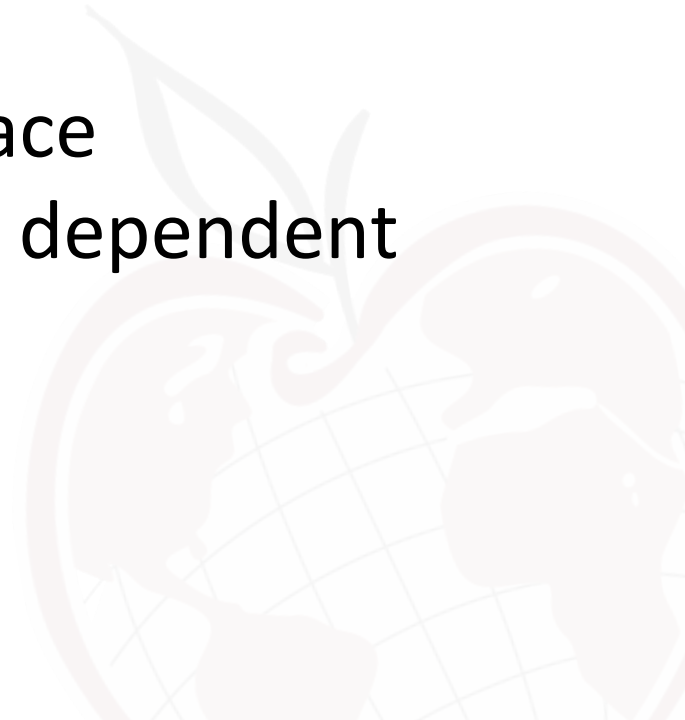
# Comparative Tax Impact of Referendum Revenue

Tax impact of an Operating Referendum of \$1,967 per Adjusted Pupil Unit on a Home with an Estimated Market Value of \$200,000, Pay 2017



# Regional Wage Variations

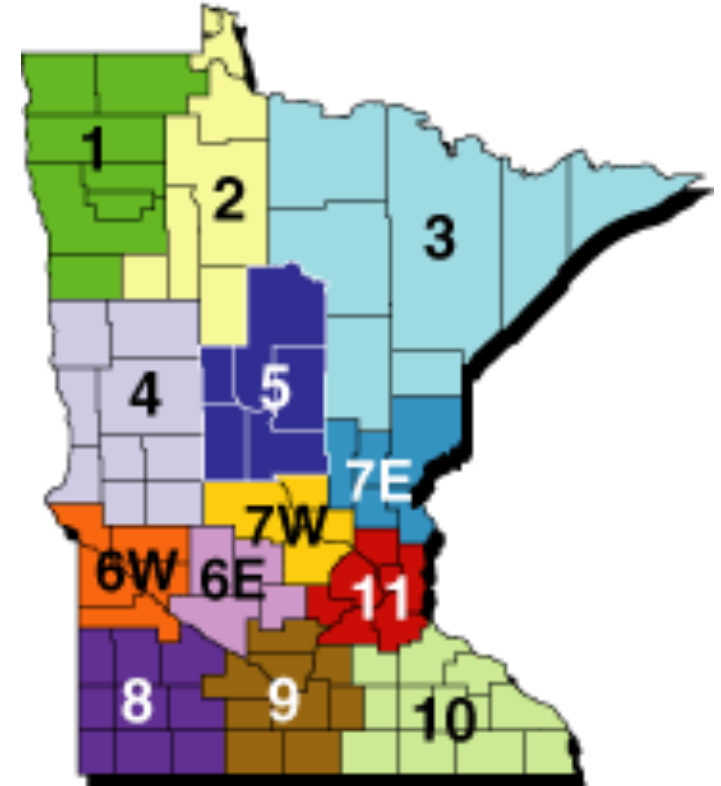
- Unlike many other states, Minnesota's education funding system does not account for regional wage variations.
- As a result, metro school districts, which face significantly higher labor costs, are heavily dependent on voter-approved operating referenda.



# Average Teacher Salary Comparison

## FY 2017-2018

Economic Development Region	Avg. Teacher Salary	% Under Metro
EDR 11 – Seven County	\$63,272	
EDR 7W – Central	\$56,626	-10.5%
EDR 3 – Arrowhead	\$54,493	-13.9%
EDR 7E – East Central	\$52,884	-16.4%
EDR 10 – Southeast	\$52,276	-17.4%
EDR 2 – Headwaters	\$52,000	-17.8%
EDR 6W – Upper Minnesota Valley	\$51,604	-18.4%
EDR 6E – Southwest Central	\$51,345	-18.9%
EDR 5 – North Central	\$51,177	-19.1%
EDR 4 – West Central	\$49,780	-21.3%
EDR 1 – Northwest	\$49,091	-22.4%
EDR 9 – South Central	\$48,981	-22.6%
EDR 8 – Southwest	\$46,127	-27.1%



# The South St. Paul Story

**Total PreK-12 enrollment = 3,554 students**

➤ **Special Education students**

- Serve 550 students
- Population has increased by 2.1% over past 10 years

➤ **English Learner students**

- Serve 187 students
- Population has decreased by 2.8% over past 10 years

➤ **Free/Reduced students**

- Serve 1,790 students
- Population has increased by 12.2% over past 10 years

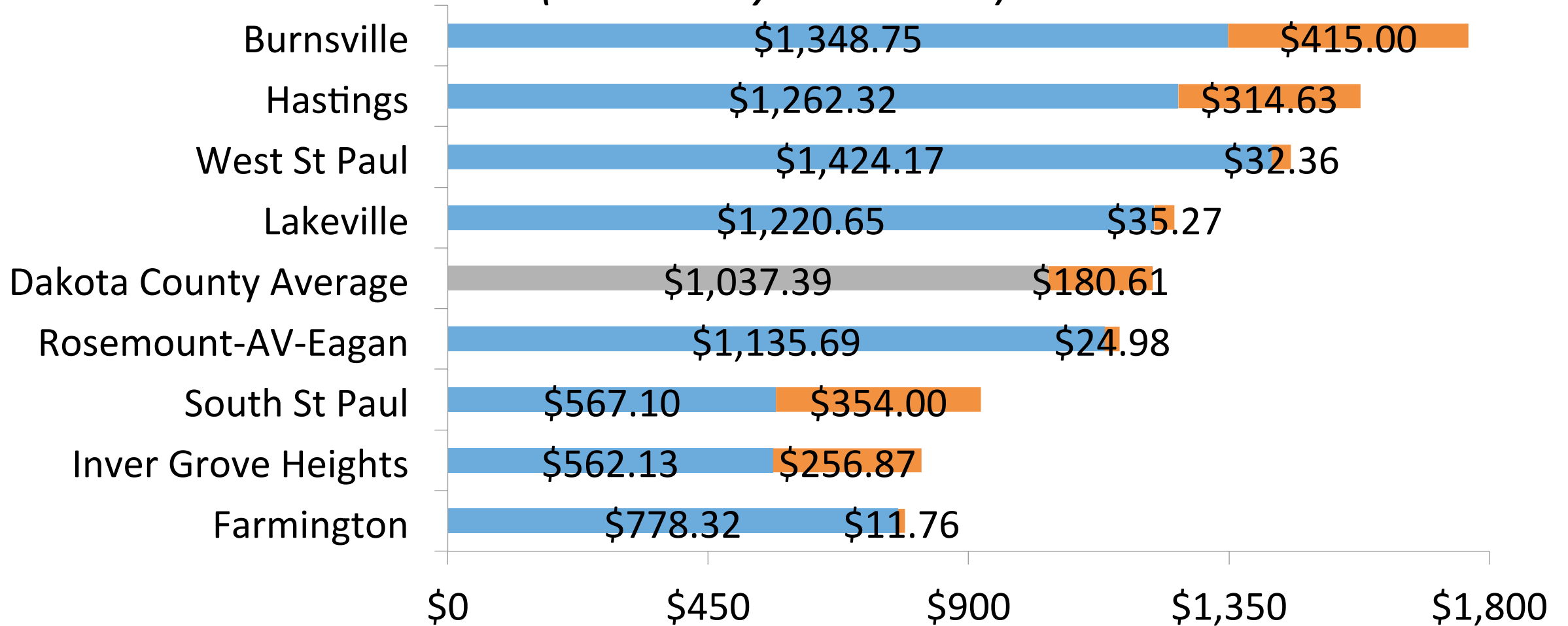


# The South St. Paul Story

Funding Category	Amount
2017-18 General Fund Revenue	\$42.8 million
General education funding matches inflation	\$2.1 million
Eliminate special education cross subsidy	\$3.5 million
Eliminate EL cross subsidy	\$0.7 million
Improve equalization factors	???
Improve regional wage differences	???
<b>Potential additional revenue</b>	<b>\$6.3 million</b>

# The South St. Paul Story

## Operating Levy Comparison (Dakota County School Districts)



Per Student Levy, 2018-19 : 2017-18 (Blue/Gray) + Change (Orange)



# The South St. Paul Story

## ➤ Equalization

## ➤ Communications Plan

- Local Leaders
- Staff and Community
  - *SixTimes* Publication
  - Social Media
- Legislators
- 3Fs – Facts about *Families, Fairness, Funding*



# The South St. Paul Story



For more information, visit [www.sspps.org/stateofthedistrict](http://www.sspps.org/stateofthedistrict)

# Possible Action Steps:

- A. Convene a Reimagine MN Finance team to evaluate and re-structure statewide school funding to educate all learners
- B. Reduce the need for local levy by indexing state aid to inflation

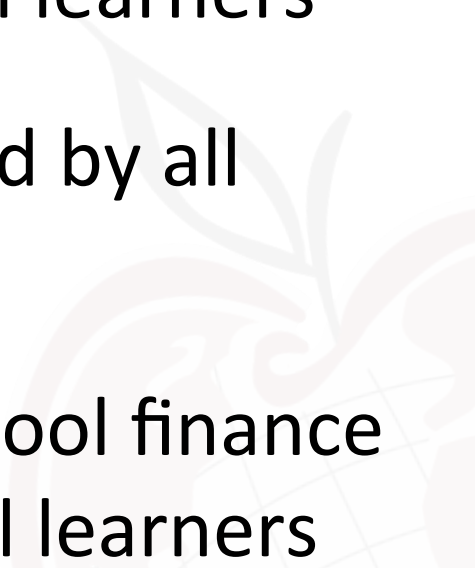


# Possible Action Steps (continued)

- C. Fund what is mandated
- D. Ensure a system with revenue and taxpayer equity



# Potential Related Directions

- Re-evaluate and re-structure statewide school funding
  - Identify funding needs and shortfalls and strategize ways to ensure sufficient funding for educating all learners
  - Build a unified legislative platform supported by all advocacy groups and policy stakeholders
  - Advocate for an equitable and sufficient school finance system that enables quality education for all learners
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# Table Discussion

## What is your district's story?

- What is your district currently doing to engage in this strategy?
  - What are other districts doing that interests you?
  - Based on what you heard/learned, what new or additional steps will you take to implement this strategy in your district?
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