



Association of Metropolitan School Districts

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Comparing Biennial E-12 Education Spending: The Story Behind the Numbers

The complicated nature of the education funding system can lead to an inaccurate picture of the state of funding for school districts. A prime example is comparing total education spending from one biennium to the next biennium rather than comparing year-to-year spending on a per pupil basis. For example, the February 2019 State Budget and Economic Forecast shows that E-12 Education spending is projected to grow by **\$711 million (3.8%)** from the 2018-19 biennium to the 2020-21 biennium. However, absent appropriate context, this provides a greatly distorted picture of school funding that is not reflective of the actual funding increases received by school districts. Below is an explanation of the biennium to biennium cost drivers. It is important that state policymakers understand the real story behind the numbers.

Special Education. (\$443 million)

The projected increase in special education expenditures is the result of more students receiving special education services and the changes to the special education funding formula that were adopted in the 2013 session. While state special education aid is projected to grow significantly, mandated special education expenditures are projected to **grow even faster**. In fact, the Minnesota Department of Education projects that the special education cross-subsidy - the amount by which school district special education expenditures exceed special education revenue – is projected to grow. **The increased number of students receiving special education services, and the increasing costs of those services, accounts for \$443 million of the projected biennial increase.**

Pupil Growth. (\$217 million)

General education spending is largely driven by the number of students served by our public schools. The number of pupils expected to be served in our public schools is projected to increase by more than 27,000 in the coming biennium. As a result, it costs the state more money just to provide the same level of per pupil funding as existed during the previous biennium. **The increased number of pupils accounts for almost \$217 million of the projected biennial increase in education spending.**

Second Year Effect – Formula increase in second year of biennium (\$105 million)

A third factor arises when the Legislature enacts a new program or increases funding for an existing program effective in the second year of the biennium. In this case, the

new program or increase to an existing program only requires one year of funding in that biennium but must be funded for BOTH years in the subsequent biennium.

- The 2017 Legislature approved an increase in the basic formula of 2% per year for the 2018-19 biennium. The 2% increase that took effect in the second year of the 2018-19 biennium, in fiscal year 2019, only had to be paid for in one year of that biennium but will have to be paid for in both years of the 2020-21 biennium. This accounts for \$105 million of the biennial increase.

Compensatory Funding

Compensatory funding is actually projected to decrease by almost \$60 million from the 2018-19 biennium to the 2020-21 biennium. The decrease is the result of fewer students qualifying for, or applying for, free or reduced price lunch. This will result in a significant decrease in compensatory funding for some school districts.

Why is this important?

State policymakers may be led to believe that school districts are scheduled to receive significant new funding over the next two years if they look only at the biennium to biennium spending comparison. It is important that legislators understand that the vast majority of increased state spending described above does not represent new, per pupil operating revenue for school districts and in no way negates the need for investments in the basic formula allowance, special education and other important education programs during the 2019 session.

Major Drivers of School Funding: More Students, Rising Special Education Costs, Second Year Funding Effect	Biennium to Biennium Increase (millions)
More students receiving special education services and increased costs of providing those services	\$443
Growth in pupils served (27,111 more pupils)	\$217
Second year formula increase	\$105
Compensatory funding decrease	(\$60)
Total	\$705