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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.
 - 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, adult basic education 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 excess operating referendum and debt service 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 multiplied by pupil units. Both the basic formula allowance and the general education levy are set each year in legislation.

<u>School Year</u>	<u>Formula Allowance</u>	<u>Tax Rate</u>
1996-97	3,505 (a)	40.8%
1997-98	3,581	37.4%
1998-99	3,530 (b)	36.9%
1999-2000	3,740 (c)	36.58%
2000-01	3,964 (d)	35.78%
2001-02	4,068	32.41%
2002-03	4,601 (e)	0.0%
2003-04	4,601	0.0%
2004-05	4,601	0.0%
2005-06	4,783	0.0%
2006-07	4,974	0.0%
2007-08	5,074	0.0%
2008-09	5,124	0.0%
2009-10	5,124	0.0%
2010-11	5,124	0.0%

- (a) 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 (\$300 in total).
- (b) The formula for 1998-99 is the net change due to the roll-out of \$130 of training and experience funding from the general education formula.
- (c) The formula 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.
- (d) The \$224 formula increase in 2000-01 is the net result of the roll-in of \$67 in district cooperation revenue, an increase of \$39 for staff development and a \$118 increase in the formula.
- (e) The formula 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 formula and a \$104 increase in the formula.

Until 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 2002-03, the general education levy was eliminated.

The basic formula allowance for the 2009-10 school year is \$5,124 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 with the goal of reducing kindergarten and elementary classes to one teacher per 17 pupils.

2. Extended Time Revenue

Extended time revenue replaced the former learning year pupil program, where a district that had students enrolled for more than a standard school year equivalent could generate additional revenue for those students. Under prior law, learning year pupils could generate up to a total of 1.5 ADM for a school district. Extended time revenue allows students to generate up to an additional 0.2 (for a total of 1.2 maximum) ADM, which is then used to calculate the district’s AMCPU, which is multiplied by the extended time formula amount (\$4,601 for 2009-10) to calculate extended time revenue. The revenue can be used for extended day, week or year programs. For 2009-10, 122 districts qualify for a total of \$63.7 million in extended time revenue.

3. Gifted and Talented Revenue

Districts qualify for \$12 per pupil for gifted and talented revenue. Gifted and talented revenue must be used to identify gifted and talented students, to provide programming for those students and to provide staff development for teachers of those students. For 2009-10, all districts qualify for a total of \$11.4 million in gifted and talented revenue.

4. Basic Skills Revenue

Basic skills revenue includes compensatory, limited English proficiency (LEP) and LEP concentration revenues. Even with the revenues combined into one category, the funding for basic skills revenue is based on separate formulas for the individual components. The components are:

- **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 per pupil increases as the percent of free and reduced price pupils at a particular school site increases (however, the percent is capped).
- **Limited English Proficiency.** Districts receive LEP revenue based on the number of students with limited proficiency in English for their first five years of enrollment in Minnesota public schools. 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 \$403.9 million in basic skills revenue in 2009-10. (The \$403.9 million includes \$362.5 million in compensatory revenue and \$41.4 million in the LEP revenues.)

5. 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. 96 districts receive a total of \$23.2 million in sparsity revenue in 2009-10.

6. 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. During 2009-10, \$60.5 million of transportation sparsity revenue is divided among all school districts, with revenue amounts per district ranging up to \$762 per pupil unit.

7. Operating Capital Revenue

Operating capital revenue replaced the capital expenditure facilities and capital expenditure equipment formulas. The operating capital formula has a component representing the former equipment and technology formulas (\$73 per pupil unit), and a component representing the former facilities formula (\$100 times the district's maintenance cost index). Operating capital revenue is an equalized formula. The equalizing factor is \$10,700 of adjusted net tax capacity per pupil unit. Operating capital revenue ranges from \$173 to \$238 per pupil unit per district in 2009-10 and totals \$194.5 million statewide.

8. 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. 35 school districts qualify for training and experience revenue amounts ranging up to \$78 per pupil unit, for a total of \$744,000 statewide during 2009-10.

9. Equity Revenue

Equity revenue is intended to reduce the per pupil 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. There are three components to the equity formula: regular, low-referendum and a supplemental amount. The regular component is based on a district's ranking in their region (rural or metro), the low-referendum component provides additional revenue for districts with referendum amounts below 10 percent of the state average referendum amount, and

the supplemental component is a fixed amount (\$46 per pupil) for all districts. Only districts below the 95th percentile of revenue in referendum and basic revenue are eligible for the regular and low-referendum equity revenue, except districts in cities of the first class (Minneapolis, St. Paul and Duluth), which are automatically excluded. Equity revenue is an equalized formula, equalized at the same rate as the first tier of referendum revenue, or \$476,000 of referendum market value per pupil.

For the regular equity program, a district without an excess levy referendum is eligible for \$13 per pupil unit. A district with an excess levy referendum is eligible for \$13 per pupil unit, plus an additional amount based on their percentile ranking. To determine how much regular equity revenue a district receives, the district's equity index is calculated by dividing the difference between a district's basic and referendum revenue by the regional 95th percentile of basic and referendum revenue. The result is multiplied by \$75. The product of that calculation is added to the basic \$13 to generate the district's equity revenue.

Districts with referendum amounts below 10 percent of the state average referendum amount are also eligible for the supplemental low-referendum equity portion of equity revenue. Qualifying districts receive an amount per pupil equal to the difference between their referendum amount and 10 percent of the state average referendum amount, with a \$100,000 limit.

For districts in the seven county metropolitan area, the revenue amount resulting from both the regular and low-referendum equity calculations is multiplied by 1.25.

Finally, all districts are eligible for an additional \$46 per pupil.

Statewide, all districts qualify for equity revenue, sharing a total of \$93.4 million, with revenue amounts ranging from \$46 to \$238 per pupil per district.

10. Alternative Compensation Revenue

Alternative compensation revenue (commonly called "QComp Revenue") was created to encourage districts to adopt alternative pay structures for teachers. A district that adopts such a pay structure is eligible to receive \$260 per unweighted pupil in revenue. Alternative compensation revenue is a combination of aid and equalized levy. Total alternative compensation revenue is projected to go to 44 school districts and total \$77.5 million for 2009-10.

11. Transition Revenue

Transition revenue guarantees a district that its 2003-04 general education revenue, excluding referendum, per 2002-03 defined pupil unit (using Adjusted Marginal Cost Pupil Units (AMCPU) as defined on page 7) was at least as high as its 2002-03 per old AMCPU general education revenue, less referendum, or what it would have gotten in 2003-04 had the general education revenue formulas not been changed by the 2003 legislature. Transition revenue is set as a fixed amount per pupil equal to the 2003-04 transition amount, and is undesignated revenue which may be used for any general fund purpose. Transition revenue is a mix of aid and levy, levied against referendum market value using \$476,000 as the equalizing factor. During 2009-10, approximately \$29.8 million of transition revenue is divided among 206 school districts.

12. Referendum Revenue

Referendum revenue allows districts to increase their general fund revenue with the approval of the voters in the district. A referendum to increase general fund revenue may be held on the first Tuesday following the first Monday in November (Election Day) except that elections may be held at a different time if the election is held by mail ballot. If a district is in statutory operating debt and receives the commissioner's approval, the district may hold an additional election on a different day. 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) the greater of (a) 26 percent of the basic general education formula allowance (\$1,332.24 in the 2009-10 school year) or (b) \$1,294 multiplied by inflation since 2003-04 (which is currently estimated to be \$1,571.43 in the 2009-10 school year); or 2) the district's 1994 referendum allowance amount times 1.177 times the inflationary increase between 2003-04 and 2007-08 time one-fourth the percentage increase in the basic formula plus the district's 2002 supplemental and transition revenues minus \$215. District referendum revenue, except in districts eligible for sparsity revenue, may not exceed this cap. For most non-sparsity eligible districts, \$1,571.43 is the effective cap.

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 \$700 per pupil of a school district's referendum levy is equalized at \$476,000 per pupil of referendum market value. Any amount above \$700 and below the cap (\$1,571.43 in 2009-10) is equalized at \$270,000 per pupil of referendum market value. Districts qualifying for sparsity revenue have any amount of referendum revenue above \$700 per pupil and below 26% of the formula allowance (\$1,332.24 in 2009-10) equalized at \$270,000.

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 referendum market value per pupil unit to the equalizing factor (\$476,000 in the case of the first \$700 of referendum revenue) indicates how much 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 referendum market value per pupil unit is greater than \$476,000, that district will receive all of its referendum revenue from the local levy. The closer a district's referendum market value per pupil is to \$0, the higher the percentage of state aid the district receives for referendum levies below \$700 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 \$700 and \$1,332.24 per pupil.

For the 2009-10 school year, 305 districts have referendums totaling \$780.0 million, with amounts ranging up to \$4,261 per pupil. Most districts with referendum revenue receive referendum equalization aid, which totals \$71.3 million statewide (and is included in the \$780.0 million).

In 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.) Referendum market value excludes agricultural land and seasonal recreational cabin properties.

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 revenue, 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 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	=	.612 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. Each student may not count for more than 1.0 ADM.

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 (RMV) 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 calculating 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 Standards) - A statewide accounting procedure that must be used by school districts to record financial transactions and report financial information to the State Department of Education.

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 Fund – used to pay principal and interest on building project bonds
- iii. Trust Fund
- iv. Agency Fund

Districts Off The Formula - In districts with high property values per pupil unit, 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 part aid and part levy, with the equity, transition, operating capital, alternative compensation and referendum portions of the general education program being equalized.

The basic general education formula for 2009-10 is \$5,124 per pupil unit. Basic general education revenue plus several additional components (basic skills, extended time, secondary sparsity, elementary sparsity, operating capital, transportation sparsity, equity revenue, training and experience, transition and referendum) make up total general education revenue.

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

Number of Pupil Units *	=	1,000
Basic Revenue	=	\$5,124
Extended Time Revenue	=	\$20
Gifted & Talented Revenue	=	\$12
Basic Skills Revenue	=	\$30
Secondary Sparsity Revenue	=	\$10
Elementary Sparsity Revenue	=	\$0
Operating Capital Revenue	=	\$194
Transportation Sparsity Revenue	=	\$62
Equity Revenue	=	\$107
Training & Experience Revenue	=	\$8
Alternative Compensation Revenue	=	\$225
Transition Revenue	=	\$16
Referendum Revenue	=	\$425

General Education Revenue = (Basic Revenue + Extended Time Revenue + Gifted & Talented Revenue + Basic Skills Revenue + Secondary Sparsity Revenue + Elementary Sparsity Revenue + Operating Capital Revenue + Transportation Sparsity Revenue + Equity Revenue + Training & Experience Revenue + Alternative Compensation Revenue + Transition Revenue + Referendum Revenue + One-Time Revenue) x Pupil Units

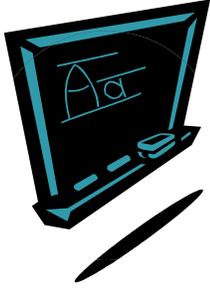
$$= (\$5,124 + \$20 + \$12 + \$30 + \$10 + \$0 + \$194 + \$62 + \$107 + \$8 + \$225 + \$16 + \$425) \times 1,000$$

$$= \$6,233 \times 1,000$$

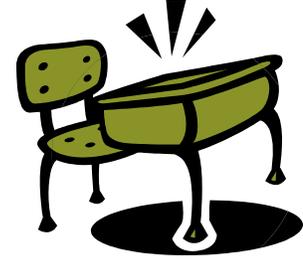
$$= \$6,233,000$$

* 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 formula revenue. Basic revenue is calculated as the basic formula allowance (\$5,124 for 2009-10) 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 served in the district (adjusted pupil units) or the district's current year adjusted pupil units multiplied by 77 percent, plus the



district's prior year weighted pupil count multiplied by 23 percent. This calculation allows districts that have declining adjusted pupil units to count 23 percent of the reduction in adjusted pupil units in their formulas for calculating current year revenue. [126C.10, 2]

Example -- Basic Revenue

Gopherville School District

Kindergarten ADM	70
1 st – 3 rd Grade ADM	220
4 th – 6 th Grade ADM	200
7 th – 12 th Grade ADM	370
2007-08 Adjusted Pupil Units	1000

$$\begin{aligned}
 &2009-10 \text{ adjusted pupil units} \\
 &= (.612 \times K \text{ ADM}) + (1.115 \times 1^{\text{st}}-3^{\text{rd}} \text{ ADM}) + (1.06 \times 4^{\text{th}}-6^{\text{th}} \text{ ADM}) + (1.3 \times 7^{\text{th}}-12^{\text{th}} \text{ ADM}) \\
 &= \quad 42.84 \quad + \quad 245.3 \quad + \quad 212.0 \quad + \quad 481.0 \\
 &= 981.14
 \end{aligned}$$

$$\begin{aligned}
 &2009-10 \text{ AMCPU} \\
 &= \text{the greater of: } 1) 2009-10 \text{ adjusted pupil units, or;} \\
 &\quad \quad \quad 2) 2007-08 \text{ adjusted pupil units} \times .23 + 2009-10 \text{ adjusted pupil units} \times .77 \\
 &= \text{the greater of: } 1) 981.14 \quad \quad \quad \text{or;} \\
 &\quad \quad \quad 2) 230 + 755.4 \\
 &= \text{the greater of: } 1) 981.14 \quad \quad \quad \text{or;} \quad 2) 985.5 \\
 &= 985.5
 \end{aligned}$$

$$\begin{aligned}
 \text{Basic revenue} &= 2009-10 \text{ AMCPU} \quad \times \quad 2009-10 \text{ Basic Formula Allowance} \\
 &= 985.5 \quad \quad \quad \times \quad \$5,124 \\
 &= \$5,049,702
 \end{aligned}$$

Extended Time Revenue

Extended time revenue replaces the former learning year pupil program, which allowed districts with students enrolled for more than a standard school year equivalent to generate additional revenue for those students. Extended time revenue allows students to count as up to an additional 0.2 (for a total of 1.2 maximum) ADM, which is then used to generate an AMCPU based on the student's grade level. The AMCPU total for extended time ADM is then multiplied by the extended time formula amount to calculate total extended time revenue. The extended time formula amount is fixed at \$4,601. Extended time revenue can be used for extended day, week or year programs. [126C.05, 15; 126C.10, 2a]



Example – Extended Time Revenue

Gopherville School District

ADM between 1.0 and 1.2	=	7
AMCPU for ADM between 1.0 and 1.2	=	10
Formula Allowance for Extended Time	=	\$4,601

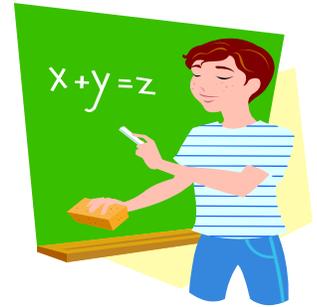
Extended Time Revenue

=	AMCPU for ADM between 1.0 and 1.2 x Extended Time Formula Allowance
=	10 x \$4,601
=	\$46,010

Gifted and Talented Revenue



Gifted and talented revenue is equal to \$12 per pupil. A district's gifted and talented revenue must be used to identify gifted and talented students, to provide programs for those students, and to train teachers for working with gifted and talented students. [126C.10, 2b]



Example – Gifted and Talented Revenue

Gopherville School District

AMCPU	=	1,000
Gifted & Talented Revenue Formula Amount	=	\$12

Gifted and Talented Revenue

=	AMCPU x Gifted & Talented Formula Allowance
=	1,000 x \$12
=	\$12,000

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 separate formulas for the individual components. [126C.10, 4; 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 minus \$415. Compensation pupil units equal $0.6 \times$ [the sum of the number of students receiving free lunch and $0.5 \times$ students receiving reduced price lunches] \times the lesser of (a) 1, or (b) the quotient of the following calculation divided by 80: the 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. For funding purposes, an LEP student is defined as one whose primary language is not English, whose English language skills do not allow full classroom participation, whose prior year score on an emerging academic English test is below the cutoff score, and who is enrolled in an LEP educational program but has not been enrolled in Minnesota public schools for five or more years.

LEP regular revenue is equal to \$700 times the greater of 20 or the number of eligible 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 (\$250 for 2009-10).

Example – Compensatory Component of Basic Skills

Gopherville School District, Central School

Number of pupils (October 1 st enrollment)	=	800
Number of pupils receiving free lunches	=	100
Number of pupils receiving reduced price lunches	=	200
General Education Formula Allowance	=	\$5,124

Compensation
pupil units = $(100 + (200/2)) \times .6 \times \text{the lesser of (a) 1 or (b):}$ $\frac{(100+(200/2))}{100 \times \frac{800}{80}}$

= $120 \times \text{the lesser of (a) 1 or (b) } \frac{25.0}{80}$

= $120 \times \text{the lesser of 1 or .313}$

= $120 \times .313 = 37.6$

Maximum Compensatory

Revenue	=	Compensatory pupil units	x	General Ed Formula Allowance - \$415
	=	37.6	x	\$5,124 - \$415
	=	37.6	x	\$4,709
	=	\$177,058		

Gopherville School District, Country School

Number of pupils (October 1 st enrollment)	=	200
Number of pupils receiving free lunches	=	10
Number of pupils receiving reduced price lunches	=	20
General Education Formula Allowance for Compensatory	=	\$5,124

Compensation
pupil units = $(10 + (20/2)) \times .6 \times \text{the lesser of (a) 1 or (b):}$ $\frac{(10+(20/2))}{100 \times \frac{200}{80}}$

= $12 \times \text{the lesser of (a) 1 or (b) } \frac{10.0}{80}$

= $12 \times \text{the lesser of 1 or .125}$

= $12 \times .125 = 1.5$

Maximum Compensatory

Revenue	=	Compensatory pupil units	x	General Ed Formula Allowance - \$415
	=	1.5	x	\$5,124 - \$415
	=	1.5	x	\$4,709
	=	\$7,064		

Example – LEP Component of Basic Skills

Gopherville School District

Number of Pupils	=	1,000
Number of Eligible LEP Students	=	68
Concentration Revenue Formula Amount	=	\$250

LEP Revenue = LEP Regular Revenue + LEP Concentration Revenue

LEP Regular Revenue

$$\begin{aligned} &= \$700 \times \text{the greater of a) 20 or b) Eligible LEP Pupil Units} \\ &= \$700 \times \text{the greater of a) 20 or b) 68} \\ &= \$700 \times 68 \\ &= \$47,600 \end{aligned}$$

LEP Concentration Revenue

$$\begin{aligned} &= \text{2009-10 LEP Students} \times \text{Concentration Formula} \times \text{Concentration Pupil Units} \\ &= 68 \times \$250 \times \text{the lesser of (a) 1 or (b): } \frac{68}{100 \times 1000} \\ &= 68 \times \$250 \times \text{the lesser of 1 or } .59 \frac{11.5}{11.5} \\ &= 68 \times \$250 \times .59 \\ &= \$10,030 \end{aligned}$$

LEP Total Revenue = LEP Regular Revenue + LEP Concentration Revenue

$$\begin{aligned} &= \$47,600 + \$10,030 \\ &= \$57,630 \end{aligned}$$

Example – Total Basic Skills Revenue

Gopherville School District

Compensatory Revenue (Central School Site)	\$177,058
Compensatory Revenue (Country School Site)	\$7,064
LEP Revenue	\$57,630

Basic Skills Revenue = Compensatory Revenue (Central + Country) + LEP Revenue

$$\begin{aligned} &= (\$177,058 + 7,064) + \$57,630 \\ &= \$241,752 \end{aligned}$$

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	=	\$5,124
High School Attendance Area	=	356 square miles
Distance from High School to Nearest High School	=	22 miles

$$\begin{aligned}
 \text{Isolation Index (ii)} &= \sqrt{.55 \times \text{Attendance_Area}} + \text{miles to nearest high school} \\
 &= \sqrt{.55 \times 356} + 22 \\
 &= \sqrt{196} + 22 \\
 &= 14 + 22 \\
 &= 36
 \end{aligned}$$

$$\begin{aligned}
 \text{Secondary Sparsity Revenue} &= \frac{(400 - \text{Sec ADM})}{\text{Formula Allowance} \times \text{Sec. ADM} \times (400 + \text{Sec ADM})} \times \text{the lesser of:} \quad \begin{array}{l} \text{a) } 1.5 \\ \text{b) } \frac{\text{ii} - 23}{10} \end{array} \\
 &= \frac{(400 - 250)}{\$5,124 \times 250 \times (400 + 250)} \times \text{the lesser of} \quad \begin{array}{l} \text{a) } 1.5 \\ \text{b) } \frac{36 - 23}{10} \end{array} \\
 &= \frac{150}{\$5,124 \times 250 \times 650} \times \text{the lesser of a) } 1.5 \text{ or b) } \frac{13}{10} \\
 &= \$5,124 \times 250 \times .23 \times \text{the lesser of a) } 1.5 \text{ or b) } 1.3 \\
 &= \$5,124 \times 250 \times .23 \times 1.3 \\
 &= \$5,124 \times 250 \times .299 \\
 &= \$5,124 \times 74.75 \\
 &= \$383,019
 \end{aligned}$$

$$\text{Secondary Sparsity Revenue per pupil unit} = \$383,019 / 530 = \$722.68$$

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	=	\$5,124
Distance to Nearest Elementary School	=	23 miles

Elementary Sparsity Revenue

$$\begin{aligned} &= \text{Elementary WADM} \times \text{Formula Allowance} \times \frac{(140 - \text{Elem ADM})}{(140 + \text{Elem ADM})} \\ &= 100 \times \$5,124 \times \frac{(140 - 100)}{(140 + 100)} \\ &= 100 \times \$5,124 \times \frac{40}{240} \\ &= 100 \times \$5,124 \times .1667 \\ &= 100 \times \$854.17 \\ &= \$85,417 \end{aligned}$$

(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. 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 \$73 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. Operating capital revenue is equalized formula, with an equalizing factor of \$10,700 of ANTC per pupil.
[126C.10, 13]

Example – Operating Capital Revenue

Gopherville School District

Number of Pupil Units	= 1,000
ANTC per Pupil Unit	= \$2,000
Operating Capital (facilities component)	= \$100 per pupil unit
Operating capital (equipment component)	= \$73 per pupil unit
Average Age of District Buildings	= 25 years
Maintenance Cost Index	= 1.25 (1 + ratio of average age to 100)

$$\begin{aligned} \text{Operating Capital Revenue per Pupil} &= \text{equipment component} + (\text{facilities component} \times \text{maintenance cost index}) \\ &= \$73 + (\$100 \times 1.25) \\ &= \$73 + \$125 \\ &= \$198 \end{aligned}$$

$$\begin{aligned} \text{Revenue} &= \text{pupil units} \times \text{operating capital per pupil revenue} \\ &= 1,000 \times \$198 \\ &= \$198,000 \end{aligned}$$

$$\begin{aligned} \text{Levy} &= \text{Revenue} \times (\text{ANTC per pupil} / \text{Operating Capital Equalizing Factor}) \\ &= \$198,000 \times (\$2,000 / \$10,700) \\ &= \$198,000 \times .187 \\ &= \$37,026 \end{aligned}$$

$$\begin{aligned} \text{Aid} &= \text{Revenue} - \text{Levy} \\ &= \$198,000 - \$37,026 \\ &= \$160,974 \end{aligned}$$

Transportation Sparsity Revenue

In 1996-97, a major portion of the funding of transporting students, equal to \$170 per pupil, was 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. [126C.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
General Education Formula Allowance	=	\$5,124
District Sparsity Index	=	.20
District Density Index	=	.09

Transportation Sparsity Revenue per Pupil Unit = [(formula allowance x .1469) x (the district's sparsity index raised to the .26 power) x (the district's density index raised to the .13 power)] - (formula allowance x .0485)

$$= [(\$5,124 \times .1469) \times (.20 \wedge .26) \times (.09 \wedge .13)] - (\$5,124 \times .0485)$$

$$= [\$753 \times .658063 \times .731226] - \$249$$

$$= \$363 - \$249$$

$$= \$114$$

Total Transportation Sparsity Revenue	=	Revenue per Pupil Unit x Pupil Units
	=	\$114 x 1,000
	=	\$114,000

Equity Revenue

Equity revenue is intended to reduce the disparity in revenue per pupil unit 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, using a set of three formulas, one for regular equity, one for low-referendum equity and one for supplemental equity.

Regular equity revenue is calculated by ranking all districts in each region according to their total basic and referendum revenue. Districts below the 95th percentile of revenue in those two components combined are eligible for regular and low-referendum equity revenue, except school districts located in cities of the first class (Duluth, Minneapolis and St. Paul), which are automatically excluded. All eligible districts receive \$13 per pupil unit, but districts with operating referendum receive additional revenue based on their percentile ranking compared to the rest of the region the district is in. 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 two categories by the 95th percentile of revenue in those two categories. The result is multiplied by \$75.

Low-referendum equity was created to provide additional aid for districts with referendum amounts per pupil below ten percent of the state average referendum amount (state average referendum revenue per pupil is \$823 for 2009-10). Low-referendum equity is equal to difference between a district's referendum per pupil and 10 percent of the state average referendum amount, with the total low-referendum supplemental equity amount not to exceed \$100,000 for any one district.

For districts in the seven county metropolitan area, the revenue amount resulting from both the regular and supplemental low-referendum equity formulas is multiplied by 1.25.

Finally, supplemental equity provides \$46 per pupil of revenue for all districts.

Equity revenue is equalized at the same rate as the first tier of referendum revenue, using \$476,000 of referendum market value (RMV) per pupil as the equalizing factor. [126C.10, 24-28]

Example – Equity Revenue
Gopherville School District

Number of pupil units	=	1,000
Basic Revenue	=	\$5,124
Gopherville Referendum Revenue per pupil	=	\$50
7-County Metro area	=	no
Rural 95 th percentile *	=	\$6,846.30
Rural 5 th percentile *	=	\$5,124.00
Metro 95 th percentile *	=	\$6,751.70
Metro 5 th percentile *	=	\$5,369.62
State Average Referendum Revenue per pupil	=	\$823
Gopherville Referendum Market Value (RMV) per pupil	=	\$150,000

Regular Equity Revenue

Regional Equity Gap (Rural)	=	95 th percentile - 5 th percentile \$6,846.30 - \$5,124.00	=	\$1,722.30
District Equity Gap	=	95 th percentile - District Basic and Referendum Revenue \$6,846.30 - \$5,174.00	=	\$1,672.30
Equity Index	=	[District Equity Gap / Regional Equity Gap] \$1,672.30 / \$1,722.30	=	.971
Regular Equity Rev.	=	Pupil units x [\$13 + (\$75 x Equity Index)]		
	=	1,000 x [\$13 + (\$75 x .971)]		
	=	1,000 x [\$13 + \$72.82		
	=	1,000 x \$85.82		
	=	\$85,820		

Supplemental Low-Referendum Equity Revenue

Low-Referendum Equity Revenue	=	Pupils x [(State Avg. Referendum x 10%) – District Ref.]
	=	1,000 x [(\$823 x 0.10) - \$50]
	=	1,000 x (\$82.30 - \$50)
	=	1,000 x \$32.30
	=	\$32,300

Supplemental Equity Revenue

$$\begin{aligned} \text{Supplemental Equity Revenue} &= \text{Pupils x Supplemental Equity Formula Amount} \\ &= 1,000 \times \$46 \\ &= \$46,000 \end{aligned}$$

Total Equity Aid and Levy

$$\begin{aligned} \text{Equity Revenue} &= \text{Regular Equity Revenue} + \text{Low-Referendum Equity Revenue} \\ &\quad + \text{Supplemental Equity Revenue} \\ &= \$85,820 \quad + \$32,300 \quad + \$46,000 \\ &= \$164,120 \end{aligned}$$

$$\begin{aligned} \text{Equity Levy} &= \text{Equity Revenue} \quad \times \quad \frac{\text{RMV per pupil unit}}{\$476,000} \\ &= \$164,120 \quad \times \quad \frac{\$150,000}{\$476,000} \\ &= \$164,120 \quad \times \quad .315 \\ &= \$51,698 \end{aligned}$$

$$\begin{aligned} \text{Equity Aid} &= \text{Equity Revenue} \quad - \quad \text{Equity Levy} \\ &= \$164,120 \quad - \quad \$51,698 \\ &= \$112,422 \end{aligned}$$

* 5th and 95th percentile figures are preliminary estimates, and are subject to change.

Transition Revenue

Transition revenue was initially a revenue guarantee for 2003-04 revenue, fixed at the 2004-05 amount per pupil, but now also includes a component for pre-kindergarten transition and for tuition reciprocity transition. For 2003-04, transition revenue ensured that a district's 2003-04 revenue was equal to the lesser of its 2002-03 revenue or its 2003-04 revenue under the laws prior to their amendment by the 2003 Legislature, calculated by comparing a district's 2003-04 general education revenue, less referendum, per 2002-03 defined AMCPU and the lesser of: (a) what the district would have gotten in 2003-04 had the general education revenue formulas not been changed by the 2003 legislature or (b) the district's 2002-03 general education revenue per old AMCPU, less referendum.

In addition to the revenue guarantee, transition revenue includes a pre-kindergarten component and a tuition reciprocity component. School districts that had pre-kindergarten programs prior to July 1, 2003 receive 4 percent of the amount they received for those programs prior to that date, and must reserve that revenue for those programs. In the first year of a tuition reciprocity agreement between Minnesota and a neighboring state, a district is eligible for transition revenue equal to an amount that would increase the district's general education revenue and tuition revenue up to the amount that the district would have received had the tuition reciprocity agreement not been in place.

Transition revenue is a fixed amount that is undesignated and may be used for any general fund purpose. Transition revenue is a mix of aid and levy, levied against referendum market value (RMV), using \$476,000 as the equalizing factor. [126C.10, 31-33]

Example – Transition Revenue Gopherville School District

2009-10 Pupil Units	=	960
2003-04 Pupil Units	=	980
2003-04 Pupil Units, Old Law *	=	1,000
2002-03 General Ed. Revenue per pupil	=	\$6,000
2003-04 Old law General Ed. Revenue per Old law pupil	=	\$6,025
2003-04 General Ed. Revenue per Old law pupil, excluding transition	=	\$5,900
Referendum Market Value (RMV) per pupil	=	\$200,000

**Old Law means as defined in MN Statutes 2002, prior to changes made by the 2003 Legislature.*

Transition Revenue Allowance = the greater of (a) \$0 or (b) the result of the following calculation:

2003-04 Pupil Units, Old Law x the result of the following calculation:

2003-04 Pupil Units

((the lesser of 2002-03 General Ed. Revenue per pupil or:
2003-04 Old law General Ed. Revenue per Old law pupil)
- 2003-04 General Ed. Rev. per Old law pupil, excluding transition

$$\begin{aligned} \text{(b)} &= 1000 / 980 \times ((\text{the lesser of } \$6,000 \text{ or } \$6,025) - \$5,900) \\ &= 1.02 \times (\$6,000 - \$5,900) \\ &= 1.02 \times \$100 \\ &= \$102 \end{aligned}$$

Transition Revenue Allowance = the greater of \$0 or \$102 = \$102

$$\begin{aligned}
\text{Transition Revenue} &= 2009-10 \text{ Pupil Units} \times \text{Transition Revenue Allowance} \\
&= 960 \times \$102 \\
&= \$97,920 \\
\text{Transition Levy} &= \text{Transition Revenue} \times \frac{\text{RMV per pupil}}{\$476,000} \\
&= \$97,920 \times \frac{\$200,000}{\$476,000} \\
&= \$97,920 \times .42 \\
&= \$41,143 \\
\text{Transition Aid} &= \text{Transition Revenue} - \text{Transition Levy} \\
&= \$97,920 - \$41,126 \\
&= \$56,794
\end{aligned}$$

*** This example assumes the district does NOT qualify for pre-kindergarten transition revenue or for tuition reciprocity transition revenue.*

Alternative Teacher Compensation Revenue

Alternative teacher compensation revenue of \$260 per prior year unweighted pupil is available to school districts, intermediate school districts and charter schools that develop and implement an alternative teacher pay system by October 1st of that school year. In general, in order to qualify for the revenue, the district must, one full school year prior to the year of implementation, notify the Commissioner of Education of the district's intent to implement an alternative pay system. Individual school sites may also qualify for alternative teacher compensation revenue, even if the school district in which the site is located does not qualify.



The \$260 per pupil of revenue is a mix of aid and levy, \$169 per pupil of aid and \$91 per pupil of equalized levy revenue. The \$91 per pupil of equalized levy revenue is equalized using an equalizing factor of \$5,913 of adjusted net tax capacity per pupil. Total alternative compensation aid is capped, and is available, in general, to districts on a first come, first served basis.

[126C.10, 34-36]

Example – Alternative Teacher Compensation Revenue

Gopherville School District

Prior Year October 1 st Enrollment	=	1,000
Qualifies for revenue?	=	Yes
Alternative Teacher Compensation Revenue formula amount per pupil	=	\$260

Alternative Teacher Compensation Revenue

= Alternative Compensation Formula x Prior Year October 1st Enrollment

= \$260 x 1,000

= \$260,000

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 average class size to 1 to 17 beginning with kindergarten through third grade.

[126C.12]

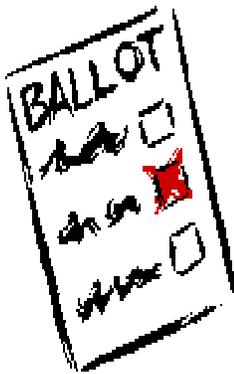
Revenue for Staff Development

An amount equal to two percent of the per pupil basic formula amount (\$102.48) 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. For the 2009-10 and 2010-11 school years only, this reserve requirement is suspended, and the money normally reserved for this purpose may be spent for any general or special education purpose. [122A.61]

Contract Settlement Deadline Penalty

State aid is reduced by \$25 per pupil unit in the first year of a biennium (for example, during the 2007-08 school year in the 2007-2009 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 teachers' 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 the district’s general fund with the approval of the voters in the district. Referendum revenue up to \$700 per resident pupil unit is equalized at \$476,000 of market value, and revenue above \$700 up to the cap (except districts which qualify for sparsity revenue, where the entire amount above \$700 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.



Referendum revenue is capped at an amount equal to the greater of 1) the greater of (a) 26 percent of the basic general education formula allowance (\$1,332.24 in the 2009-10 school year) or (b) \$1,294 multiplied by inflation since 2003-04 (which is currently estimated to be \$1,571.43 in the 2009-10 school year); or 2) the district’s 1994 referendum allowance amount times 1.177 times the inflationary increase between 2003-04 and 2007-08 plus one-fourth the percentage increase in the basic formula between 2007-08 and 2009-10 plus the district’s 2002 supplemental and transition revenues minus \$215. District referendum revenue, except in districts eligible for sparsity revenue, may not exceed this cap. For most non-sparsity eligible districts, \$1,571.43 is the effective cap. [126C.17]

Example – Referendum Revenue Gopherville School District

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

Resident Marginal Cost Pupil Units	=	1,000
Referendum Market Value	=	\$200,000,000
Referendum Market Value per pupil	=	\$200,000
Referendum Revenue per pupil unit	=	\$750
First Tier equalization factor	=	\$476,000
Second Tier equalization factor	=	\$270,000

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 \$700, the \$700 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	=	\$700 x Pupil Units
	=	\$700 x 1,000
	=	\$700,000
Second Tier Referendum Revenue	=	(Referendum per pupil unit - \$700) x Pupil Units
	=	(\$750 - \$700) x 1,000
	=	\$50 x 1,000
	=	\$50,000

Next, calculate the levy portion of referendum revenue by calculating the amount of levy for each tier of referendum revenue:

$$\begin{aligned}
 \text{First Tier Levy} &= \text{First Tier Revenue} \times \frac{\text{Referendum Market Value per pupil}}{\text{First Tier Equalizing Factor}} \\
 &= \$700,000 \times \frac{\$200,000}{\$476,000} \\
 &= \$700,000 \times .42 \\
 &= \$294,000
 \end{aligned}$$

$$\begin{aligned}
 \text{Second Tier Levy} &= \text{Second Tier Revenue} \times \frac{\text{Referendum Market Value per pupil}}{\text{Second Tier Equalizing Factor}} \\
 &= \$50,000 \times \frac{\$200,000}{\$270,000} \\
 &= \$50,000 \times .74 \\
 &= \$37,000
 \end{aligned}$$

$$\begin{aligned}
 \text{Total Levy} &= \text{First Tier Levy} + \text{Second Tier Levy} \\
 &= \$294,000 + \$37,000 \\
 &= \$331,000
 \end{aligned}$$

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

$$\begin{aligned}
 \text{Aid} &= \text{Referendum Revenue} - \text{Referendum Levy} \\
 &= \$750,000 - \$331,000 \\
 &= \$419,000
 \end{aligned}$$

This aid amount may be reduced by the amount of referendum tax base replacement aid that the district receives. (See p. 51 for a discussion of referendum tax base replacement aid.)

Referendum Equalization Examples

As illustrated by the table below, districts with different tax bases in referendum market value per pupil unit can have a significantly different mixes of referendum levy and referendum equalization aid. The table shows, using the formulas described in the previous pages, the referendum aid and levy in a district with high, medium and low market values per pupil unit with \$900 per pupil unit of referendum revenue authorized.

Calculating the tax rate for the total levy in each district shows how equalization works. The tax rate is calculated by dividing total levy by total tax base (which is referendum market value per pupil unit multiplied by referendum pupil units). In each of these cases, the tax rate is 0.2 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, with a tax rate that is the same.

	School District Referendum Market Value		
	<u>Low</u>	<u>Medium</u>	<u>High</u>
Market Value per pupil unit	\$185,000	\$400,000	\$600,000
Referendum Amount per pupil unit	\$900	\$900	\$900
Referendum pupil units	750	2,000	10,000
Total Revenue	\$675,000	\$1,800,000	\$9,000,000
First Tier Revenue	\$525,000	\$1,400,000	\$7,000,000
Second Tier Revenue	\$150,000	\$400,000	\$2,000,000
First Tier Levy	\$204,044	\$1,176,471	\$7,000,000
Second Tier Levy	\$102,778	\$400,000	\$2,000,000
First Tier Aid	\$320,956	\$223,529	\$0
Second Tier Aid	\$47,222	\$0	\$0
Total Levy	\$306,822	\$1,576,471	\$9,000,000
Total Aid	\$368,178	\$223,529	\$0
Percent Levy	45.5%	87.6%	100.0%
Percent Aid	54.5%	12.4%	0.0%
Tax Rate	0.2%	0.2%	0.2%

Special Education

Districts receive funding to recognize a portion of the additional costs of providing required services to students with a disability. 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, adjusted so that combined district revenues do not exceed the state total special education revenue, \$735.7 million in 2009-10, the amount set in statute (which includes the former special education transition revenue). Special education revenue for an individual district is calculated by multiplying special education initial revenue by the statewide adjustment factor. For 2009-10, all operating districts receive some special education aid, but the amount can vary greatly between districts, ranging from \$74 per pupil to \$1,765 per pupil. [125A.76]

Initial 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

District Special Education Initial Revenue	=	\$150,000
Statewide Adjusted Base Revenue	=	\$735,693,000
Statewide Current Year Special Education Revenue	=	\$892,719,000

$$\begin{aligned}\text{Statewide Adjustment Factor} &= \text{Statewide Adjusted Base Revenue} / \text{Statewide Current Year Revenue} \\ &= \$735,693,000 / \$892,719,000 \\ &= 0.824\end{aligned}$$

Special Education Revenue

$$\begin{aligned}&= \text{2009-10 Initial Revenue} \times \text{Statewide Adjustment Factor} \\ &= \$150,000 \quad \times \quad 0.824 \\ &= \$123,600\end{aligned}$$

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 their general education revenue (which for this purpose includes general education revenue minus operating capital and transportation sparsity revenue), the district receives excess cost aid equal to the greater of: 75% of the amount of the unreimbursed cost minus 4.36% of the district’s general revenue, or zero. However, excess cost aid is capped at \$110.8 million for 2009-10. If the statewide district entitlement for excess cost aid is greater than the cap amount, the amount each district would receive is adjusted in proportion to the ratio of the entitlement to the cap. The amount which the district is entitled to is based on the uncapped formula (or the statewide total entitlement) and is called initial excess cost aid. For 2009-10, 307 districts receive some excess cost aid, with the highest amount being \$429 per pupil. [125A.79, 2]

Example – Excess Cost Aid – Gopherville School District

State Total Excess Cost Aid	=	\$110,847,000
State Total Initial Excess Cost Aid (est.)	=	\$207,344,000
General education revenue	=	\$5,000,000
Unreimbursed special education costs	=	\$375,000
Qualify for aid? (Unreimbursed costs are greater than 4.36% of general revenue?)	=	Yes

Initial excess cost aid is the greater of:

- | | | | |
|---------------------------|---|--------------------------|-------------|
| 75% x (unreimbursed costs | - | .0436 x general revenue) | |
| .75 x (\$375,000 | - | .0436 x \$5,000,000) | |
| .75 x (\$375,000 | - | \$218,000) | = \$117,750 |
- \$0

Initial Excess cost aid for Gopherville = \$117,750

Excess cost aid adjustment factor

$$= \text{State Total Excess Cost Aid} / \text{State Total Initial Excess Cost Aid}$$

$$= \$110,847,000 / \$207,344,000$$

$$= 0.535$$

$$\text{Excess cost aid} = \text{Initial Excess Cost Aid} \times \text{Adjustment Factor}$$

$$= \$117,750 \times 0.535$$

$$= \$62,996$$

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]

Permanent School Fund Revenue

School Districts receive revenue from the State's Permanent School Fund, which is established in the state constitution (Article XI, section 8). The constitution makes provisions for the proceeds from school trust fund lands that were placed in trust after being granted from the federal government to the state in 1857, 1860 and 1866 for that purpose. The constitution requires that trust fund lands be managed to generate income for the Permanent School Fund. Initially, much of the land was sold, and the money deposited in the school trust fund. In addition to sale proceeds, income generated by the land (primarily through logging and mining activities) is deposited into the fund. The constitution requires that the proceeds remain in the fund "perpetual and inviolate forever." Any interest generated by the investment of the principal in the fund is allocated to school districts based on the number of students in the district in average daily membership (a resident student headcount) during the previous year, and paid out in two equal payments. Permanent school fund revenue received by school districts is undesignated general fund revenue, and thus available for any purpose.



For 2009-10, \$27.0 million will be allocated to school districts, with each district receiving approximately \$34 per resident student in average daily membership.
[MN Constitution, Art. XI, section 8; M.S. 127A.33]

Example – Permanent School Fund Revenue

Gopherville School District

2008-09 ADM	=	1,000
2009-10 Permanent School Fund Revenue Amount	=	\$34 (est.)

Permanent School Fund Revenue

$$\begin{aligned} &= \text{AMCPU} \times \text{Permanent School Fund Amount} \\ &= 1,000 \times \$34 \\ &= \$34,000 \end{aligned}$$

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. Individual projects that otherwise qualify for health and safety but which cost more than \$500,000 must be funded using alternative facilities revenue. Health and safety revenue is equalized with an equalizing factor of \$2,935. [123B.57]

Example – Health and Safety Revenue

Gopherville School District

Pupil Units	=	1,000
Adjusted Net Tax Capacity (ANTC)	=	\$2,000,000
Equalizing Factor for Health & Safety Revenue	=	\$2,935
Approved Health & Safety Revenue	=	\$75,000

Revenue = Amount approved by the commissioner in accordance with district plan
= \$75,000

Levy = Revenue x Lesser of: (a) 1, or (b) $\frac{\text{District ANTC}}{\text{P.U.}}$
\$2,935

= Revenue x Lesser of: (a) 1, or (b) $\frac{\$2,000}{\$2,935}$

= \$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 meet 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 Education. Districts also qualify for alternative facilities for individual health and safety projects that exceed \$500,000 in project cost. 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 projects funded under 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 the first tier of 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	
ANTC per Pupil Unit	=	\$2,000	*
Debt Service Revenue for 2009-10	=	\$630,000	
First Tier equalization factor	=	\$3,200	
Second Tier equalization factor	=	\$8,000	

** This example doesn't show a "typical" Minnesota school district. \$2,000 of ANTC per pupil unit would be a very low-value district, and is used to display the entire debt service equalization aid calculation. For 2009-10, the average ANTC per pupil is \$7,105, an amount that would almost eliminate all aid for the "average" district.*

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:

$$\begin{aligned}
 \text{First Tier Debt Service Revenue} &= \text{Debt Revenue} - 15\% \text{ of ANTC} - \text{Second Tier Debt Revenue} \\
 &= \$630,000 - .15 \times \$2,000,000 - \$130,000 \\
 &= \$200,000
 \end{aligned}$$

$$\begin{aligned}
 \text{Second Tier Debt Service Revenue} &= \text{Debt Service Revenue} - 25\% \text{ of District ANTC} \\
 &= \$630,000 - .25 \times \$2,000,000 \\
 &= \$130,000
 \end{aligned}$$

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

$$\begin{aligned} \text{Unequalized Debt Service Levy} &= 15\% \times \text{ANTC} \\ &= .15 \times \$2,000,000 \\ &= \$300,000 \end{aligned}$$

$$\begin{aligned} \text{First Tier Debt Service Levy} &= \text{First Tier Debt Service Revenue} \times \frac{\text{District ANTC/P.U.}}{\text{First Tier Equalizing Factor}} \\ &= \$200,000 \times \frac{\$2,000}{\$3,200} \\ &= \$200,000 \times .625 \\ &= \$125,000 \end{aligned}$$

$$\begin{aligned} \text{Second Tier Debt Service Levy} &= \text{Second Tier Debt Service Revenue} \times \frac{\text{District ANTC/P.U.}}{\text{Second Tier Equalizing Factor}} \\ &= \$130,000 \times \frac{\$2,000}{\$8,000} \\ &= \$130,000 \times .25 \\ &= \$32,500 \end{aligned}$$

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

$$\begin{aligned} \text{Total Debt Service Levy} &= \\ &= \text{Unequalized Debt Service Levy} + \text{First Tier Debt Service Levy} + \text{Second Tier Debt Service Levy} \\ &= \$300,000 + \$125,000 + \$32,500 \\ &= \$457,500 \end{aligned}$$

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

$$\begin{aligned} \text{Debt Service Aid} &= \text{Debt Service Revenue} - \text{Total Debt Service Levy} \\ &= \$630,000 - \$457,500 \\ &= \$172,500 \end{aligned}$$

Telecommunications Access Revenue

School districts and charter schools receive reimbursement for their eligible telecommunication and Internet access costs from the previous fiscal year. Eligible costs are defined as ongoing costs for Internet access, data lines and video links for certain purposes, recurring contractual costs for certain portions of a district’s network, recurring costs for shared regional delivery of access between school districts, postsecondary institutions and public libraries, and installation fees for new lines or increased bandwidth. Certain costs, such as staff support, telephone service, network hardware and fiber optic or wiring installation are defined as ineligible for reimbursement. School districts are also required to provide telecommunications and Internet access to nonpublic schools within the district’s boundaries, with nonpublic school responsible for paying for any costs in excess of the revenue received by the district. To access telecommunication access revenue, districts must apply for federal Internet funding, called “e-rate” funding.

Telecommunications Access Revenue for a district is equal to the district’s eligible costs for the prior year, minus any e-rate funding received, that exceed \$15 per pupil. If a district is a member of a telecommunications access cluster, the district’s revenue is not reduced by \$15 per pupil, and the revenue is distributed directly to the cluster. District revenue is prorated so that total state aid payments do not exceed the appropriation for the fiscal year, regardless of how high eligible costs are. [124B.26]

Example – Telecommunications Access Revenue
Gopherville School District

Number of Pupil Units	=	1,000
Eligible Telecommunications Costs	=	\$36,000
Federal E-Rate Funding	=	\$1,000
Cluster Member?	=	No *
Statewide Initial Revenue (Est.)	=	\$7,587,000
Available State Appropriation	=	\$3,750,000

Initial Telecommunications Access Revenue

=	Eligible Costs - E-Rate Reimbursement	- (\$15 x pupil units)*
=	\$36,000 - \$1,000	- (\$15 x 1,000)
=	\$36,000 - \$1,000	- \$15,000
=	\$20,000	

Telecommunications Access Revenue Proration Rate

=	Available State Appropriation / Initial Statewide Revenue
=	\$3,750,000 / \$7,587,000
=	49.4 %

Net Telecommunications Access Revenue	=	Initial Revenue	x	Proration Rate	=	
	=	\$20,000	x	.494	=	\$9,880

* If the district was a member of a telecommunications cluster, the calculation of initial revenue would not include the subtraction of \$15 times the district’s pupil units.

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, if the charter school does not provide transportation services, the charter school receives \$249 less per pupil (an amount equal to 4.85 percent of the basic formula) and will not receive their transportation sparsity revenue. (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, and the school district receives some state aid to help pay for that transportation.) Basic skills and transportation sparsity revenues are calculated for the charter school, but a charter school receives the state average for all other components of general education revenue, except referendum revenue. Charter schools receive only the aid portion of referendum revenue, calculated based on the resident district of each student. 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 (a) 90 percent of the approved cost of the lease, or; (b) the product of the number of pupils times their lease aid per pupil for 2002-03, or \$1,200, whichever is greater.
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

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 - The state pays all Advanced Placement and International Baccalaureate exam fees for low income students, and a portion of those exam fees on a sliding scale based on income for all other students. The State also subsidizes a portion of the training costs for teachers in advanced placement or international baccalaureate courses. [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. 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 \$206 per pupil unit for Duluth, \$445 per pupil unit for St. Paul, \$480 per pupil for Minneapolis, and the lesser of \$92 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 \$92 per pupil but has a protected student (minority students as defined in Minnesota Rules) enrollment of more than 15 percent of its student population qualifies for \$129 per pupil or the district's actual costs, instead of the \$92 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]
5. Library Basic Support Grants - For grants to public libraries for operations, interlibrary programs and services. Can be used for data and video access costs, improving or maintain electronic access, and connecting the library system with the state information infrastructure. [134.35]
6. 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]
7. Multicounty, Multitype Library System Grants - Multicounty or multitype libraries are eligible to receive grants for development or operations. Consideration of costs for sparsely populated or large geographic areas must be made when the grants are made. [134.353]
8. 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 lesser 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 lesser 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]

9. 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 2009-10 the base year is 2007-08) and then adjusted for the change in the general education formula allowance between the current year and the base year. [123B.92]
10. Regional Library Telecommunications Aid - For regional public library systems to cover data and video access, maintenance, equipment, or installation of telecommunications lines. [134.47]
11. Safe Schools Levy - A district may levy up to \$30 per pupil unit for the costs of peace officers used for school liaison services, drug prevention programs, gang resistance education programs, voluntary opt-in suicide prevention tools and security costs in the district's schools and on school property. The levy may also be used for school counselors, nurses, social workers, psychologists, and alcohol and chemical dependency counselors. Districts that are members of intermediate school districts may also levy an additional \$10 for these same purposes. [126C.44]
12. School Breakfast Aid - Schools are eligible to receive 55 cents for each fully paid breakfast and 30 cents each reduced price breakfast served. Districts that receive school breakfast aid must provide breakfast without charge to those students eligible for free and reduced price meals. [124D.1158]
13. School Lunch Aid - Schools are eligible to receive up to 12 cents of state funding for each lunch served. [124D.111]

Adult Basic Education

Adult Basic Education (ABE) provides instruction to eligible adults in basic academic skill areas of reading, writing, speaking and math. ABE courses include workforce instruction, literacy tutoring, English proficiency for speakers of other languages, citizenship training, work readiness, high school diploma instruction, and transition to post-secondary education. ABE participants must be over 16 years of age and currently not attending secondary or elementary education. Programs are delivered primarily through public school districts as well as through collaboration non-profit organizations, community and technical colleges and state and local correctional institutions. School districts may cooperate and form an ABE consortium, working with other districts and combining ABE aid. School boards and consortiums offering an ABE program may charge a sliding scale fee for students over 21 who are able to pay. [124D.52, 124D.531]

ABE aid has four components, which are connected to the needs of ABE students: basic population aid, contact hour aid, LEP aid and aid for adults over age 20 with no diploma. Basic population aid is equal to the greater of \$3,844 or \$1.73 times the population of the district. Once basic population aid is subtracted from the state appropriation for ABE, the balance is distributed as follows:

- 84 percent for contact hour aid, distributed to ABE providers based on the total number of contact hours provided during the prior program year. Money is distributed based on the number of contact hours provided in the prior year multiplied by a variable dollar rate which is based on the total number of contact hours and the available funds. For 2009-10, the prior year contact hour aid growth rate is not limited, but for 2009-10 and later, aid growth cannot exceed the greater of 11 percent or \$10,000.
- 8 percent for LEP aid, distributed based on the proportion of the state's K-12 LEP student enrollment at the ABE program.
- 8 percent for high school diploma aid based on the school district population of adults over age 20 who do not have a high school diploma.

Example – Adult Basic Education Aid

Gopherville School District

District Population	=	39,000
Contact Hours	=	16,000
Contact Hour Rate *	=	\$4.99
Prior Year Contact Hour Aid	=	\$72,000
LEP Enrollment	=	65
LEP Rate *	=	\$37.45
Over 20, No Diploma Count	=	1,000
Over 20, No Diploma Rate *	=	\$4.88

* Rates are calculated by the Department of Education and are based on the available appropriation and the census in each type of these types of funding. Rates stated here are the rates based on the statutory entitlement.

$$\begin{aligned} \text{Basic Population Aid} &= \$1.73 \times \text{District Population} \\ &= \$1.73 \times 39,000 \\ &= \$67,470 \end{aligned}$$

$$\begin{aligned} \text{Contact Hour Aid} &= \text{Contact Hour Rate} \times \text{Contact Hours} \\ &= \$4.99 \times 16,000 \\ &= \$79,840 \end{aligned}$$

$$\begin{aligned} \text{LEP Aid} &= \text{LEP Rate} \times \text{LEP Enrollment} \\ &= \$37.45 \times 65 \\ &= \$2,434 \end{aligned}$$

$$\begin{aligned} \text{Over 20, No Diploma} &= \text{Over 20, No Diploma Rate} \times \text{Over 20, No Diploma Count} \\ &= \$4.88 \times 1,000 \\ &= \$4,880 \end{aligned}$$

$$\begin{aligned} \text{ABE Aid Total} &= \text{Basic Population Aid} + \text{Contact Hour Aid} \\ &\quad + \text{LEP Aid} + \text{Over 20, No Diploma Aid} \\ &= \$67,470 + \$79,840 + \$2,434 + \$4,880 \\ &= \$154,624 \end{aligned}$$

Adults with Disabilities

As a part of the Community Education program, districts may offer programs for adults with disabilities. The adults with disabilities program supports activities such as increasing public awareness of the roles of people with disabilities, classes for adults with disabilities, outreach and marketing strategies to identify and encourage adults needing service, and services that meet consumer needs and enhance the role and contribution of people with disabilities in communities. Districts receive revenue equal to actual program expenditures up to \$60,000, with that revenue split one-half aid and one-half levy. Districts may receive additional revenue from public or private sources that will not change the aid amount paid by the State. [124D.19, subd 7 & 8, 124D.56]

Example – Adults with Disabilities Revenue

Gopherville School District

Adults with Disabilities Program Cost = \$40,000

Revenue = Program Cost, up to \$60,000
 = \$40,000

Levy = Revenue x 0.5
 = \$40,000 x 0.5
 = \$20,000

Aid = Revenue x 0.5
 = \$40,000 x 0.5
 = \$20,000

Community Education

Community education programs provide learning and involvement opportunities for people of all ages including providing school district residents with the opportunity to utilize educational facilities and programs during non-school hours. Community Education programs may also be offered to K-12 students during the summer and other non-school times, and fees for those programs may be charged. Community Education revenue may also be used for educational programming including: adults with disabilities, school age care, ABE and ECFE.

Community education revenue is equal to \$5.42 multiplied by the population of the district (per capita), or 1,335, whichever is greater. A district that implements a youth service program is also eligible for an additional \$1.00 per capita. Districts with a Youth After-School Enrichment Program also receive \$1.85 times the greater of (a) 1,335 residents or (b) the population of the district, up to 10,000. Districts with populations over 10,000 offering a Youth After-School Enrichment Program also receive \$0.43 times the population greater than 10,000 in the district. To be eligible for its full community education revenue, a district must levy a maximum rate of .9 percent of its adjusted net tax capacity, with the rate limited so that the levy may not exceed total annual revenue. [124D.20]

First, the calculation for a district WITHOUT an After School Youth Enrichment Program:

Example – Community Education Revenue

Gopherville School District

District Population	=	13,000
Adjusted Net Tax Capacity (ANTC)	=	\$2,000,000
Youth Service Program?	=	Yes
After School Enrichment Program?	=	No

Community Education Rate

$$\begin{aligned} &= \text{Community Education Rate} + \text{Youth Service Rate (if applicable)} \\ &= \$5.42 + \$1.00 = \$6.42 \end{aligned}$$

Community Education Revenue

$$\begin{aligned} &= \text{Community Education Rate} \times \text{the greater of: (a) 1,335 or (b) District Population} \\ &= \$6.42 \times \text{the greater of: (a) 1,335 or (b) 13,000} \\ &= \$6.42 \times 13,000 \\ &= \$83,460 \end{aligned}$$

$$\begin{aligned} \text{Community Education Levy} &= .9 \text{ percent} \times \text{ANTC} \\ &= .009 \times \$2,000,000 \\ &= \$18,000 \end{aligned}$$

$$\begin{aligned} \text{Community Education Aid} &= \text{Community Education Revenue} - \text{Community Education Levy} \\ &= \$83,460 - \$18,000 \\ &= \$65,460 \end{aligned}$$

Now, the calculation for community education revenue for a district WITH an After School Youth Enrichment Program:

Loon Lake School District

District Population	=	13,000
Adjusted Net Tax Capacity (ANTC)	=	\$2,000,000
Youth Service Program?	=	Yes
After School Enrichment Program?	=	Yes

Community Education Rate

=	Community Education Rate + Youth Service Rate (if applicable)
=	\$5.42 + \$1.00 = \$6.42

Regular Community Education Revenue

=	Community Education Rate x the greater of: (a) 1,335 or (b) District Population
=	\$6.42 x the greater of: (a) 1,335 or (b) 13,000
=	\$6.42 x 13,000
=	\$83,460

Youth After School Enrichment Program Revenue

=	\$1.85 x the lesser of: (a) District Population or (b) 10,000
	+ \$0.43 x District Population over 10,000
=	(\$1.85 x 10,000) + (0.43 x 3,000)
=	\$18,500 + \$1,290
=	\$19,790

Total Community Education Revenue = Regular Revenue + Youth After School Revenue

=	\$83,460 + \$19,790
=	\$103,250

Community Education Levy = 0.9 percent x ANTC

=	.009 x \$2,000,000
=	\$18,000

Community Education Aid = Community Education Revenue – Community Education Levy

=	\$103,250 - \$18,000
=	\$85,250

Early Childhood and Family Education

As a part of the Community Education program, districts may offer an Early Childhood and Family Education (ECFE) program providing educational services to expectant parents and the parents and other relatives of children between birth and kindergarten. To the extent that funds are insufficient to serve all eligible children, the program must focus on children from birth to age three. School districts must also establish a reasonable sliding fee for ECFE classes and must waive fees for any participant unable to pay. For 2009-10 the revenue for ECFE programs is equal to \$120 times the number of children under age five in the school district or 150, whichever is greater. For 2009-10, districts must have certified a levy at a tax rate of .335014 percent to be eligible for the full ECFE revenue (but the total levy cannot exceed a district's total revenue for the year). The tax rate is based on a statutory requirement that in total, districts must levy \$22.1 million statewide for ECFE revenue. In addition, a district may also levy an additional \$1.60 per child under age 5 for a home visiting program. [124D.13; 124D.135]

Example – ECFE Revenue

Gopherville School District

$$\begin{aligned} \text{Children under Age 5} &= 1,000 \\ \text{Adjusted Net Tax Capacity (ANTC)} &= \$2,000,000 \end{aligned}$$

$$\begin{aligned} \text{ECFE Revenue} &= \text{Children Under Age 5} \times \$120 \\ &= 1,000 \times \$120 \\ &= \$120,000 \end{aligned}$$

$$\begin{aligned} \text{ECFE Levy} &= .335014 \text{ percent} \times \text{ANTC} \\ &= .00335014 \times \$2,000,000 \\ &= \$6,700 \end{aligned}$$

$$\begin{aligned} \text{ECFE Aid} &= \text{ECFE Revenue} - \text{ECFE Levy} \\ &= \$120,000 - \$6,700 \\ &= \$113,300 \end{aligned}$$

$$\begin{aligned} \text{Home Visiting Levy} &= \text{Children Under Age 5} \times \$1.60 \\ &= 1,000 \times \$1.60 \\ &= 1,600 \end{aligned}$$

School Readiness

The School Readiness program prepares children ages three to five to enter kindergarten. A School Readiness program must assess each child at program entrance and exit, and provide a comprehensive program based on early childhood research and professional practice.



Half of the state appropriation for school readiness aid is divided among school districts in direct proportion to the number of four-year-old children in the district, compared to the number of four-year-olds in the state, and half of the state appropriation for school readiness aid is divided among school districts in direct proportion to the number of students in the district from families eligible for free and reduced price lunches, compared to the number of students from families eligible for free and reduced price lunches in the state. Districts must adopt a sliding fee schedule based on family income, but must waive the fee if a participant is unable to pay. [124D.15; 124D.16]

Example – School Readiness Revenue

Gopherville School District

Four-year-old Children in the District	=	200
Four-year-old Children in the State	=	50,000
District Students - Free or Reduced Lunch Families	=	500
State Students - Free or Reduced Lunch Families	=	250,000
State School Readiness Aid, 2009-10	=	\$10,095,000

School Readiness Aid

$$\begin{aligned} &= (\text{District Four-year-olds} / \text{State Four-year-olds}) \times (50\% \text{ of State School Readiness Aid}) \\ &+ (\text{District Free-Reduced Students} / \text{State Free-Reduced Students}) \times (50\% \text{ of State School Readiness Aid}) \\ &= ((200 / 50,000) \times (.5 \times \$10,095,000)) + ((500 / 250,000) \times (.5 \times \$10,095,000)) \\ &= (.004 \times \$5,047,500) + (.002 \times \$5,047,500) \\ &= \$20,190 + \$10,095 \\ &= \$30,285 \end{aligned}$$

School Aged Care / Disabled

Districts with a Community Education program may offer a School Age Care Program for children in kindergarten through grade 6 for the purposes of expanding learning opportunities when school is not in session. Districts are eligible for school age care revenue for the additional cost of providing services to children with disabilities or to children experiencing family or related problems of a temporary nature that participate in the school age care program. Revenue is equal to the approved additional cost of providing services to children with disabilities or children experiencing family or related problems of a temporary nature that participate in a school age care program. School aged care revenue has an equalizing factor of \$2,433. [124D.19, 11; 124D.22]

Example – School Aged Care Revenue

Gopherville School District

Pupil Units	=	1,000
Adjusted Net Tax Capacity (ANTC)	=	\$2,000,000
District ANTC per Pupil Unit	=	\$2,000
Equalizing Factor for School Aged Care	=	\$2,433
Approved School Aged Care Revenue	=	\$75,000

Revenue = Amount approved as additional cost
= \$75,000

Levy = Revenue x Lesser of: (a) 1, or (b) $\frac{\text{District ANTC per P.U.}}{\$2,433}$

= Revenue x Lesser of: (a) 1, or (b) $\frac{\$2,000}{\$2,433}$

= Revenue x Lesser of: (a) 1, or (b) .822

= \$75,000 x .822

= \$61,650

Aid = Revenue – Levy

= \$75,000 - \$61,650

= \$13,350

Other Categorical Family and Early Childhood Revenues

1. **GED Test Fee** - Reimbursement of 60 percent of a fee charged for the full general education development (GED) test. Reimbursement cannot exceed \$40 per individual. [124D.55]
2. **Head Start** - Head Start is a federal program, with additional state funding, provided to low-income children ages birth to five and their families. The program is designed to meet emotional, social, health, nutritional and psychological needs of the children, and promote the economic self-sufficiency of the parents. There are 34 Head Start grantees, including 23 community action agencies, 3 single purpose agencies, 1 school district and Tribal governments. State funds are allocated based on: (1) grantees' share of federal Head Start funds, and; (2) grantees' proportion of eligible children in the grantee service area who are not being currently served. [119A.50; 119A.51; 119A.52; 119A.53]
3. **Health and Development Screening Aid** - School districts are reimbursed for health and developmental screening services provided to children ages 3 to 6, prior to or within 30 days of enrollment in a public school kindergarten. The reimbursement rates are \$75 for each three-year-old screened, \$50 for each four-year-old screened and \$30 for each five-year-old or six-year-old screened prior to kindergarten enrollment; and \$30 for children who have not previously been screened and are screened within 30 days after first enrolling in kindergarten. Screening is required for public school enrollment. A child need not submit to developmental screening provided by a school district if the child's health records indicate they have received comparable developmental screening from a public or private health care organization or individual health care provider, or if the child's parent or guardian submits to the school a signed statement that the child has not been screened because of conscientiously held beliefs of the parent or guardian. [121A.16; 121A.17; 121A.18; 121A.19]
4. **Hearing Impaired Adults** - A program which provides interpreters or note-taker services for adults with hearing impairments wishing to continue their education on a part-time basis. Grantees include local school district adult education programs, adult technical college programs and vocational educational programs sponsored by public/private community agencies. [124D.57]

Property Tax Relief Aids

Property tax aids are intended to 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, county program aid and local government aid. Other smaller programs include disparity reduction aid and taconite aids. Most school districts receive some level of aid under all of these programs except county program aid and local government aid, which are available only to counties and cities respectively.

Another major property tax relief program is the property tax refund. It does not reduce individual property tax amounts, but rather, provides refunds to property tax payers based on the relationship between their income and property tax amount. Property tax payers with low incomes relative to their property tax bills have a portion of their tax refunded. Renters are also eligible to receive a property tax refund based on the assumption that a portion of their rent is property taxes.

Homestead Credit

The market value homestead credit reduces the overall property tax burdens for homeowners, particularly for low-valued homes. 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

The market value agricultural credit reduces the overall property tax burdens for farmers, particularly for low-valued agricultural homesteads. 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. 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 credit begins to phase down between \$115,000 and \$345,000 in value. Agricultural homesteads with values of \$345,000 and higher receive a credit of \$230.



Referendum Tax Base Replacement Aid

Operating referendum levies are not assessed on agricultural land or seasonal recreational property (cabins, for example). In order to prevent the shift of tax burden for referendum levies from these types of properties to other classes of property, districts are paid referendum tax base replacement aid. Payments to school districts equal the amount of taxes cabins and farms would have otherwise paid for existing levies had they not been exempted, based on referendum amounts in existence in 2003.

Property Tax Calculation - Residential Property

Tax Calculation for Homestead Property in a City
(For Property Taxes Payable in 2009)

Homestead Market Value	=	\$185,000
Class Rate	=	1%
Tax Capacity	=	Market Value x Class Rate
	=	(185,000 x .01)
	=	\$1,850
Tax Capacity Gross Tax	=	Tax Rate x Tax Capacity
	=	Tax Rate x \$1,850
Market Value Gross Tax	=	Tax Rate x Market Value
	=	Tax Rate x \$185,000

Calculation of Tax	Tax Capacity		Market Value	
	Tax Rate	x \$1,850	Tax Rate	x \$185,000
County Rate	51.7%	\$956	0.0%	\$0
City Rate	38.3%	\$709	0.0%	\$0
School Rate	25.4%	\$470	0.2%	\$370
Special Rate	5.0%	\$93	0.0%	\$0
Gross Tax	120.4%	\$2,228	0.2%	\$370

Net Tax	=	Tax Capacity Gross Tax	+	Market Value Gross Tax	-	Homestead Credit *
	=	\$2,228		+ \$370		- \$206
	=	\$2,392				

*** Calculation of the Homestead Credit**

Maximum Credit = \$304

Phase-out portion = (\$185,000 - 76,000) x .0009

= \$109,000 x .0009

= \$98

Credit = \$304 - \$98 = \$206

Property Tax Calculation - Agricultural Homestead Property

Tax Calculation for Agricultural Homestead
(For Property Taxes Payable in 2009)

Market Value	=	\$295,000
Home, Garage & 1 Acre market value	=	\$ 85,000
Farm Land market value	=	\$210,000
Class Rate = For Home, Garage and 1 acre:	1.0%	
For Agriculture land:	0.5%	

Tax Capacity	=	Market Value x Class Rate
Tax Capacity, Home	=	(\$85,000 x .01)
	=	\$850
Tax Capacity, Land	=	(210,000 x .005)
	=	\$1,050

Tax Capacity, Home and Farmland = \$850 + \$1,050 = \$1,900

Gross Tax = Tax Rate x Tax Capacity = Tax Rate x \$1,900

	Tax	x
Calculation of Tax	Rate	\$1,900
County Rate	51.7%	\$982
Township Rate	8.1%	\$154
School Rate	25.4%	\$483
Special Rate	5.0%	\$95
Tax Rate / Gross Tax	90.2%	\$1,714
Homestead / Ag Credit *		\$593
Net Tax		\$1,121

*** Calculation of Homestead and Ag Land Credits**

Homestead Portion (see previous page) \$296

Farmland Portion:

 Maximum Credit = \$345

 Phase-out portion = (\$210,000 - 115,000) x .0005

 = \$95,000 x .0005

 = \$48

 Farmland Credit = \$345 - \$48 = \$297

Total Credit = \$296 + \$297 = \$593

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, summed for all homesteads in the school district = \$425,000

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

	Homestead		Agriculture		
	Credit		Homestead		Net School
Levy			Credit		Property Tax
\$1,670,000 -	\$425,000	-	\$95,000	=	\$1,150,000

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.

		Education		Agriculture		
		Homestead		Homestead		Total State
Direct State		Credit		Credit		Aid Payments
Aid Payments						
\$2,435,000	+	\$425,000	+	\$95,000	=	\$2,955,000

Education Finance Appropriations

Fiscal Years 2009-10 and 2010-11

(\$ in thousands)

	2009-10	2010-11	Biennium
General Education	\$5,239,488	\$5,671,948	\$10,911,436
Education Excellence	\$153,699	\$160,268	\$313,967
Special Programs	\$847,243	\$894,879	\$1,742,122
Facilities & Technology	\$33,448	\$34,545	\$67,993
Family & Early Childhood Ed	\$101,647	\$102,510	\$204,157
Nutrition Programs	\$18,914	\$19,486	\$38,400
Libraries	\$18,070	\$18,070	\$36,140
Education Dept.	\$20,943	\$20,943	\$41,886
Minnesota State Academies	\$11,912	\$11,912	\$23,824
Center for Arts Education	\$7,087	\$7,087	\$14,174
	<u>\$6,452,451</u>	<u>\$6,941,648</u>	<u>\$13,394,099</u>

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. Under current law, for 2009-10 and 2010-11, the appropriations equal 90 percent of the current year entitlement, and the final 10 percent payment from the prior year. However, the payments amounts were changed by the Governor, using his unallotment powers, so that 2009-10 appropriations will equal 73 percent of the current year entitlement and the final 10 percent payment from the prior year, and 2010-11 appropriations will equal 73 percent of the current year entitlement and the final 27 percent payment from the prior year (see section on unallotment below).

For the FY2009-2011 biennium, state general education appropriations in the table above were reduced by \$500 million to offset a one-time influx of \$500 million of federal funding from the Federal Fiscal Stabilization Fund in the federal American Recovery and Reinvestment Act of 2009.

Unallotment Effect on Appropriations

For FY 2009-10 and 2010-11, the Governor has "unallotted" a portion of school funding using his authority under M.S. 16A.152. The unallotment reduces FY 2009-10 appropriations by \$1.1 billion and FY 2010-11 appropriations by \$101.7 million, mimicking a change in the payment schedule described in the first paragraph (which is set in statute) from 90 percent current year plus 10 percent final year to 73 percent current year plus 27 percent final year.

In addition, for FY 2010-11, the general education appropriation is reduced by \$600.7 million as part of unallotment process connected to when school districts will be required to recognize revenue received from property tax payments. Currently, districts collect property tax payments in May and October of each calendar year, with the payments allocated as revenue for the school year beginning in July of that calendar year. As part of the unallotment process the Governor is requiring school districts to recognize the May payment as revenue for the fiscal year ending in June of the calendar year, which generates State general fund savings of \$600.7 million.

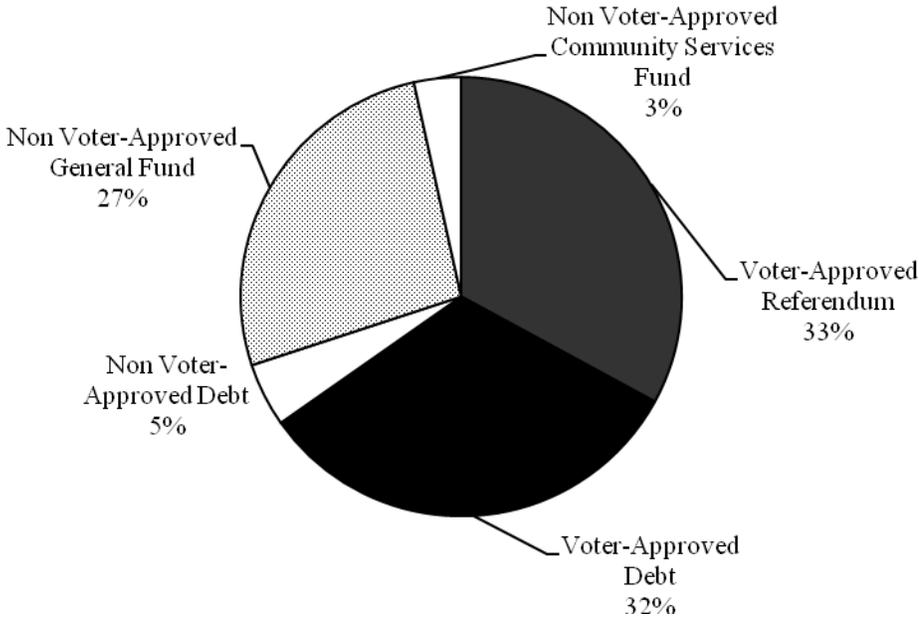
School District Property Tax Levies
 Fiscal Years 2009-10 and 2010-11

	FY 2009-10 Payable 2009	FY 2010-11 Payable 2010
General Fund	\$1,270,868,700	\$1,408,105,100
Debt Service Fund	\$763,809,600	\$808,466,000
Other Post-Employment Benefits Debt Fund	\$26,969,400	\$51,241,900
Community Service Fund	\$73,856,500	\$74,962,700
Total Levies	\$2,135,504,200	\$2,342,775,700

These are the levies certified (before applying the tax relief aids) for a specific year. Levy figures for payable 2009 are the amounts that were certified for 2009 in the fall of 2008, and levy figures for payable 2010 are the amounts estimate to be certified for 2010 in the fall of 2009.

Under current law, levies providing revenue for 2009-10 were certified in the fall of 2008 and paid in May and October of 2009; levies providing revenue for 2010-11 will be certified in the fall of 2009 and paid in May and October of 2010. (Please see page 55 for a discussion about the effect of the Governor’s 2009 unallotment on this payment schedule.)

FY 2010, Pay 2009 Levies
 Total Levy: \$2.1 billion



Property Tax Relief Aid Payments to School Districts

Fiscal Years 2009-10 and 2010-11

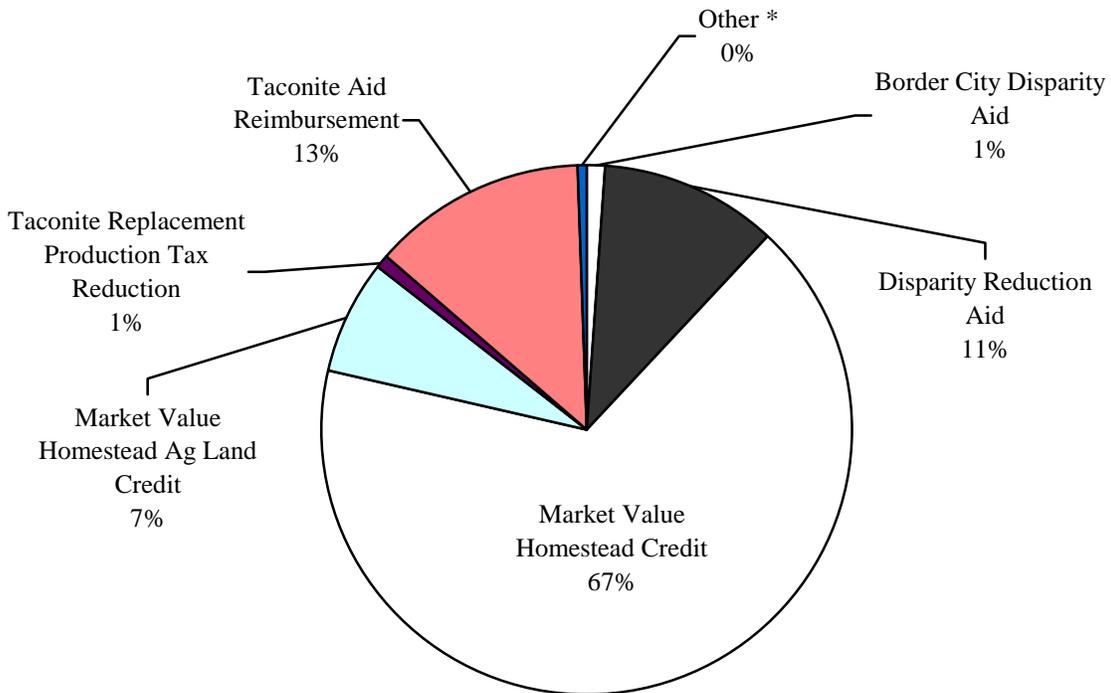
	<u>2009-10</u>	<u>2010-11</u>
Border City Disparity Aid	\$780,000	\$987,000
Disparity Reduction Aid	\$7,063,000	\$8,584,000
Market Value Homestead Credit	\$44,069,000	\$52,067,000
Market Value Homestead Ag Land Credit	\$4,613,000	\$5,528,000
Taconite Replacement Production Tax Reduction	\$561,000	\$561,000
Taconite Aid Reimbursement	\$8,666,800	\$8,983,600
Other *	\$295,000	\$324,000
Total Tax Relief Aids	\$66,047,800	\$77,034,600

* Other includes Disaster Credits and prior year adjustments

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 2007-08 and later, the appropriation in statute is 90 percent of the current year entitlement, along with the final 10 percent from the prior year. (Please see page 55 for a discussion about the effect of the Governor's 2009 unallotment on this payment schedule.)

Property Tax Relief Aid Payments

2009-10



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 Education, 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 2009-10 and 2010-11

	<u>2009-10</u>	<u>2010-11</u>
State Appropriation (1)	\$6,581,012,100	\$7,070,572,100
Tax Relief Aid (1)	\$66,047,800	\$77,034,600
Net Education Tax Levy (3)	\$2,069,456,400	\$2,265,741,100
Dedicated Funds (2)	\$45,533,537	\$46,755,884
Total Revenue	<u>\$8,762,049,837</u>	<u>\$9,460,103,684</u>
Percent from State Sources	76.4%	76.0%
Percent from Property Taxes	23.6%	24.0%

(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 2007-08 and later, the appropriations in statute equal 90 percent of the current year entitlement, and the final 10 percent payment from the prior year. (See page 55 for a discussion about the effect of the Governor's 2009 unallotment on this payment schedule.) The state appropriation includes K-12 education appropriations (including state agencies), 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 or estimated to be levied for the school year.

Education Revenue Sources

Fiscal Year 2010-11 - Total Revenue \$8,762,049,837

