MN HOUSE RESEARCH

Minnesota School Finance: A Guide for Legislators

About this Publication

This guidebook explains how public elementary and secondary schools are funded in Minnesota.

By Tim Strom, Legislative Analyst

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Contents

This publication was prepared by Tim Strom, a legislative analyst specializing in the area of K-12 education finance. Questions can be addressed to Tim at 651-296-1886.

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www.house.mn/hrd | 651-296-6753 | 600 State Office Building | St. Paul, MN 55155

List of Tables

Executive Summary

Minnesota's school finance system provides funds to operate the state's public elementary and secondary schools. The bulk of Minnesota's support for elementary and secondary education is distributed to school districts and charter schools through the general education revenue program, which provides money for the current operating expenditures of the districts. The state's remaining appropriations are provided through special purpose or categorical aids, such as special education aid and local property tax relief aids. The state legislature also controls the amount each school district can levy through limits on the amounts and type of property tax levies. The purpose of this guide is to describe the programs that provide funding for Minnesota's school districts and charter schools. The guide provides program descriptions, financial information, and some historical background for each school funding program.

For the 2019-20 school year, a full-time equivalent staff of roughly 58,000 teachers served approximately 878,000 public school students. Minnesota's nonpublic schools served 65,647 students, and 20,701 students were homeschooled. During the same school year, total revenue for Minnesota's public schools is estimated at $14.375 billion, of which $9.702 billion is from state aid, $3.931 billon is from local property taxes and other local source revenue, and $742 million was from federal funds.

This publication describes the current system for funding the K-12 education system. It includes definitions of common terminology, explains how students are counted, details funding formulas, and describes various education programs. An appendix at the end of the document also provides some historical information for certain long-standing programs and programs that are no longer in effect but are referenced by current programs.

Introduction

Minnesota's school finance system is shaped by the historical and legal context of public schools in the United States.

Historical and Legal Background

Public education in the United States is the legal responsibility of state government. In Minnesota, as in most states, the state constitution charges the legislature with responsibility for public schools:

> 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.

(Minn. Const., art. XIII, § 1)

Minnesota delegates responsibility for the actual operation of schools to local school districts and charter schools, whose powers and duties are prescribed by state statute. Historically, the property taxes levied by the school boards governing these school districts have been the primary source of revenue for running schools. Some time after 1900, property taxes were supplemented by limited amounts of state appropriations for aid to school districts. By the 1970-71 school year, the Minnesota state foundation aid program provided all districts a flat grant per pupil unit (a pupil unit is a weighted enrollment measure) and provided some districts an additional "equalized" amount that varied inversely with a district's property valuation. Under this system, state aid funded about 43 percent of the cost of running schools, and school expenditures per pupil varied widely from district to district. Local property taxes rose rapidly in all districts in the late 1960s, and the tax rate for schools also varied widely among districts.

The 1971 Legislature addressed these disparities by substantially increasing the amount of equalized state foundation aid per pupil unit and imposing a uniform statewide limit on the property tax rate for schools. The 1973 Legislature eliminated flat grants and established a system whereby the amount of foundation aid program revenue available per pupil unit to low-spending districts would be increased to the state average over a six-year period. From 1973 to 1983, the legislature adjusted the foundation aid formula several times making it more responsive to differences among districts and altering the relationship between local tax effort and state aid, without changing the formula's basic structure.

The 1983 Legislature enacted a new foundation aid program replacing several components of the previous foundation aid formula with five tiers of optional aids and levies. The main characteristics of the new five-tier program were equal access to revenues, recognition of some specific cost differences, and more discretion on the part of school boards in choosing the necessary level of revenue.

Current Program Design. The 1987 Legislature replaced the foundation aid program with the general education revenue program, effective for the 1988-89 school year. General education formula components have remained relatively stable since 1989. In general, each component reflects school district funding needs in different areas and is based on pupil counts, demographic characteristics, and the extent of need for each school district.

General education revenue is the primary source of operating funds for Minnesota's public schools, which for the 2019-20 school year, consists of 331 school districts and 169 charter schools. General education revenue pays for operating expenses of the district including employee salaries, fringe benefits, and supply costs. For fiscal year 2020, each school district's general education revenue is the sum of 14 components; two of which are the same per pupil unit for all districts and charter schools and 12 that vary by district demographic and geographic characteristics.

In addition to general education revenue, school districts also receive state appropriations through categorical aids and authorized property tax levies, which provide funds for specific purposes (such as special education, school integration/desegregation, and safe schools activities).

School Finance Litigation

Across the nation, there have been and are a number of legal challenges to states' school finance formulas. These lawsuits have been based on series of principles, including equalization, fiscal neutrality, equal protection, and adequacy, among others.

Equalization. Equalization challenges measured state aid to districts compared with perceived need (using property wealth as the measure of need). The earliest challenges under the equal protection clause of the Fourteenth Amendment to the United States Constitution ("...nor shall any state...deny to any person within its jurisdiction the equal protection of the laws") were unsuccessful. These challenges claimed that the only permissible variations in public school expenditures across districts should be based on "educational needs." The courts concluded this standard was too political and unclear for them to apply to state school finance systems.

Fiscal neutrality. The second round of challenges, also made under the Fourteenth Amendment, proposed the standard of "fiscal neutrality." Fiscal neutrality means that the quality of a child's education, measured by the amount expended for that education, cannot be permitted to vary according to the property wealth of his or her parents and their neighbors. The taxpayers in a property poor district cannot be required to pay a higher tax rate than taxpayers in a property rich district to attain the same quality of education for their children. This standard was first endorsed by the California Supreme Court under the federal and state equal protection clauses in its 1971 decision, which refused to dismiss the complaint in *Serrano v. Priest*. In short order, a number of other courts also adopted the standard of fiscal neutrality, including the Minnesota federal district court in its October 1971 decision upholding the validity of the claim in *Van Dusartz v. Hatfield*. This round of litigation came to an abrupt halt in March 1973 when the U.S. Supreme Court, in *San Antonio Independent School District v. Rodriguez*, reversed a lower court's decision in support of fiscal neutrality under the Fourteenth Amendment.

Equal Protection and adequacy. The next round of school finance litigation is occurring under the equal protection and education provisions of state constitutions. The *Serrano* case in California went to trial in 1974, and both the trial court and the California Supreme Court (in 1977) found that the school finance system violated the state equal protection clause under the principles of fiscal neutrality.

Since that time, legal theories for suits under state constitutions' education clauses also include the arguments that school finance systems must provide for minimum levels of pupil achievement, must ensure that districts have the minimum resources necessary to supply a basic education, must respond to differences among districts' tax burdens, costs, and needs, or cannot predominantly base the availability of funds on voters' willingness to approve taxes. Since the 1970s, challenges to school finance systems under state constitutional provisions have occurred in all but a handful of states, and more recent lawsuits are pending in many states, including states where earlier challenges were successful and states where earlier challenges were unsuccessful.

In 1993, the Minnesota Supreme Court reversed an earlier trial court decision and held Minnesota's school finance system constitutionally permissible. The ruling in *Skeen v. State of Minnesota* stemmed from a lawsuit filed in 1988 by 52 outer ring suburban and rural school districts representing 25 percent of the state's K-12 enrollment. The suit claimed that Minnesota's school finance system was unconstitutional because the finance system was not uniform and school districts received disparate amounts of government aid.

The plaintiff school districts challenged the constitutionality of the operating referendum and debt service levies that at the time of the suit, were unequalized levies based solely upon local property tax bases and some parts of general education revenue that varied among school districts, including training and experience revenue, and supplemental revenue. The Minnesota Supreme Court declared the issues in the case to be "whether the state's present system of education finance is sufficient to meet the state constitutional requirement that the legislature 'establish a general and uniform system of public schools' and provide sufficient financing to 'secure a thorough and efficient system of public schools throughout the state.'"

However, the court ruled that education in Minnesota is a fundamental right and that the system of education finance in place at that time satisfied that right. The court found that "all plaintiff [school] districts are provided with an adequate level of education which meets or exceeds the state's basic education requirements and ... are given sufficient funding to meet their basic needs." The court used the term "adequate" or "adequacy" to mean the measure of need that must be met and not some minimal floor. The court's ruling establishes the minimum standard the state must meet in designing an education funding system that is constitutional.[1]

The state of Minnesota is currently in litigation over an adequacy case named *Cruz-Guzman*.

Descriptive Information for Minnesota

Public elementary and secondary education is provided via a financial partnership between the state and local school districts and charter schools. These school districts and charter schools exhibit diversity in terms of enrollment, local property wealth, and expenditure levels, as shown in Table 1 and Table 2.

Minnesota's public school enrollment has shown slow growth over the last decade. Since 2008, two-thirds of this growth has occurred in charter school enrollment. Tables 3 and 4 display the state total enrollment history and projections for the period from 1959-60 to 2022-23.

The state and federal governments share in financial partnership with local districts and charter schools to fund elementary and secondary education. For the 2019-20 school year, the state provided approximately 68 percent of the total costs of elementary and secondary education. Local revenue sources (primarily property taxes and fees for services such as school lunch) provided approximately 27 percent of 2019-20 operating revenues, and the federal government provided approximately 5 percent.

The bulk of state support for elementary and secondary education is distributed to the districts through the general education revenue program, which provides money for the current operating expenditures of the districts. The remaining portion of the state's appropriation to local districts is provided through special purpose or categorical aids, such as special education aid and local property tax relief aids. The state programs that provide financial aid to Minnesota school districts are described in the following pages.

Table 1: Characteristics of Minnesota Independent School Districts, 2018-2019

Data for school districts only, excludes charter schools*

	Maximum	95th Percentile	Mean	Median	5th Percentile	Minimum	State Total
Average Daily Membership Served and Tuitioned Students	38,473	9,466	2,500	937	207	64	822,559
English Learning Students	10,957	965	178	9	0	0	61,799
	82%	17%	8%	1%	0%	0%	

[1] For further information on the *Skeen* decision, see *Skeen vs. State of Minnesota, The School Finance Lawsuit*, House Research Department, September 1993.

	Maximum	95th Percentile	Mean	Median	5th Percentile	Minimum	State Total
Students Eligible for Free or Reduced Price Meals	25,294	2,933	890	311	82	15	294,441
	82%	63%	35%	36%	15%	6%	
Students of Color	29,207	3,207	779	113	14	0	268,636
	100%	62%	33%	14%	4%	0%	36%
2016 Adjusted Net Tax Capacity per Pupil Unit	$65,196	$25,301	$8,138	$8,197	$3,819	$0**	$7,224,045,624
Total PK-12 Operating Expenditures per Pupil	$24,257	$15,735	$12,005	$11,630	$9,642	$9,025	$10,050,806,340

* Two districts, Franconia and Prinsburg, are nonoperating districts, and don't directly serve regular education students and are excluded from this data.
** The Pine Point school district exists entirely within the Park Rapids school district and has no tax base.
Sources: Minnesota, Department of Education Profiles 2018-2019; Research Department, Minnesota House of Representatives

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Table 2: Characteristics of Minnesota Charter Schools, 2018-2019

	Maximum	95th Percentile	Mean	Median	5th Percentile	Minimum	State Total
Average Daily Membership Served and Tuitioned Students	3,622	1,086	328	221	54	11	58,977
English Learning Students	866	305	74	5	0	0	11,993
	>90%*	70%	20%	2%	0%	0%	
Students Eligible for Free or Reduced Price Meals	1,903	580	171	78	17	0	23,247
	>90%*	88%	39%	48%	8%	0%	
Students of Color	2,200	755	219	107	7	1	35,9124
	100%	100%	61%	52%	6%	0%	
Total PK-12 Operating Expenditures per Pupil	$78,071	$20,228	$14,284	$12,690	$8,551	$7,345	$720,592,000

* Data is masked due to small cell size

	Maximum	95th Percentile	Mean	Median	5th Percentile	Minimum	State Total
Sources: Minnesota, Department of Education Profiles Data 2018-19; Research Department, Minnesota House of Representatives							

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Table 3: School Enrollment 1959-60 to 2022-23 by School Type

	All Public School (including Charter Students)			Charter Schools			Traditional Nonpublic		Homeschool	
School Year		Adjusted Avg. Daily Membership	Percent Change from Prior Year		Average Daily Membership	Percent Change from Prior Year	Enrollment	Percent Change from Prior Year	Enrollment	Percent Change from Prior Year
1960	1	671,682	NA				158,560	NA		
1961	1	692,136	3.0%				163,253	3.0%		
1962	1	713,461	3.1				167,909	2.9		
1963	1	739,735	3.7				171,968	2.4		
1964	1	768,089	3.8				174,265	1.3		
1965	1	794,304	3.4				173,534	-0.4		
1966	1	818,255	3.0				169,207	-2.5		
1967	1	844,554	3.2				161,523	-4.5		
1968	1	871,510	3.2				150,596	-6.8		
1969	1	899,597	3.2				137,319	-8.8		
1970	1	914,847	1.7				124,934	-9.0		
1971	1	921,957	0.8				118,091	-5.5		
1972		914,018	-0.9				106,392	-9.9		
1973		903,778	-1.1				99,139	-6.8		
1974		893,465	-1.1				94,023	-5.2		
1975		884,648	-1.0				92,128	-2.0		
1976		874,961	-1.1				91,893	-0.3		
1977		856,964	-2.0				91,793	-0.1		
1978		831,250	-3.0				90,919	-1.0		
1979		803,312	-3.4				88,524	-2.6		
1980		772,101	-3.9				90,954	2.7		

School Year	All Public School (including Charter Students)			Charter Schools			Traditional Nonpublic			Homeschool		
		Adjusted Avg. Daily Membership	Percent Change from Prior Year		Average Daily Membership	Percent Change from Prior Year		Enrollment	Percent Change from Prior Year		Enrollment	Percent Change from Prior Year
1981		751,373	-2.7					91,077	0.1			
1982		729,105	-3.0					91,803	0.8			
1983		710,972	-2.5					92,302	0.5			
1984		700,167	-1.5					92,760	0.5			
1985		695,777	-0.6					92,822	0.1			
1986		699,191	0.5					90,530	-2.5			
1987		708,446	1.3					87,208	-3.7			
1988		716,125	1.1					85,043	-2.5		2,322	NA
1989		723,598	1.0					82,165	-3.4		2,900	24.9%
1990		733,338	1.3					80,293	-2.3		3,538	22.0
1991		750,865	2.4					81,262	1.2		4,418	24.9
1992		767,786	2.3					80,743	-0.6		5,086	15.1
1993		785,072	2.3		47	NA		81,631	1.1		6,149	20.9
1994		799,285	1.8		615	1,208.5%		81,697	0.1		7,671	24.8
1995		812,582	1.7		1,046	70.1		83,435	2.1		9,135	19.1
1996		827,588	1.8		1,494	42.8		84,278	1.0		10,519	15.2
1997		838,336	1.3		2,138	43.1		83,955	-0.4		12,145	15.5
1998		845,117	0.8		3,292	54.0		85,122	1.4		13,081	7.7
1999		851,729	0.8		4,991	51.6		85,988	1.0		13,638	4.3
2000		852,675	0.1		7,526	50.8		88,502	2.9		14,906	9.3
2001		854,042	0.2		9,199	22.2		89,680	1.3		15,249	2.3
2002		851,536	-0.3		10,170	10.6	4	84,538	-5.7		15,510	2.4
2003		835,217	-1.9		11,998	18.0		89,944	6.4		16,519	5.8
2004	2	829,832	-0.6		13,948	16.3		86,513	-3.8		17,533	6.1
2005		825,843	-0.5		17,121	22.7		86,956	0.5		17,135	-2.3
2006		826,542	0.1		20,306	18.6		82,258	-5.4		17,334	1.2
2007		827,197	0.1		23,588	16.2	4	79,200	-3.7	5	17,621	1.7
2008		823,755	-0.4		27,753	17.7		81,598	3.0	5	15,256	-13.4

	All Public School (including Charter Students)			Charter Schools			Traditional Nonpublic		Homeschool		
School Year		Adjusted Avg. Daily Membership	Percent Change from Prior Year		Average Daily Membership	Percent Change from Prior Year	Enrollment	Percent Change from Prior Year		Enrollment	Percent Change from Prior Year
2009		821,021	-0.3		31,687	14.2	79,793	-2.2	5	15,653	2.6
2010		821,923	0.1		34,463	8.8	77,121	-3.3	5	17,036	8.8
2011		823,347	0.2		36,087	4.7	74,384	-3.5	5	16,523	-3.0
2012		824,922	0.2		38.044	5.4	72,458	-2.6	5	16,081	-2.7
2013		831,692	0.8		40,834	7.3	70,715	-2.4	5	17,129	6.5
2014		837,630	0.7		43,249	5.9	68,521	-3.1	5	17,451	1.9
2015		845,512	0.9		47,436	9.7	67,992	-0.8	5	18,085	3.6
2016		852,397	0.8		50,647	6.3	66,188	-2.7	5	18,772	3.8
2017		861,624	1.1		53,572	6.3	67,614	2.2	5	19,432	3.5
2018		869,102	0.9		56,198	4.9	65,785	-2.7	5	18,988	-2.3
2019	3	873,010	0.4	3	58,902	4.8	65,638	-0.2	5	19,228	1.3
2020	3	871,523	0.5	3	62,460	6.0	65,657	0.0	5	20,701	7.7
2021	3	883,833	0.7	3	66,149	5.9					
2022	3	887,262	0.4	3	70,003	5.8					
2023	3	890,622	0.4	3	74,030	5.8					

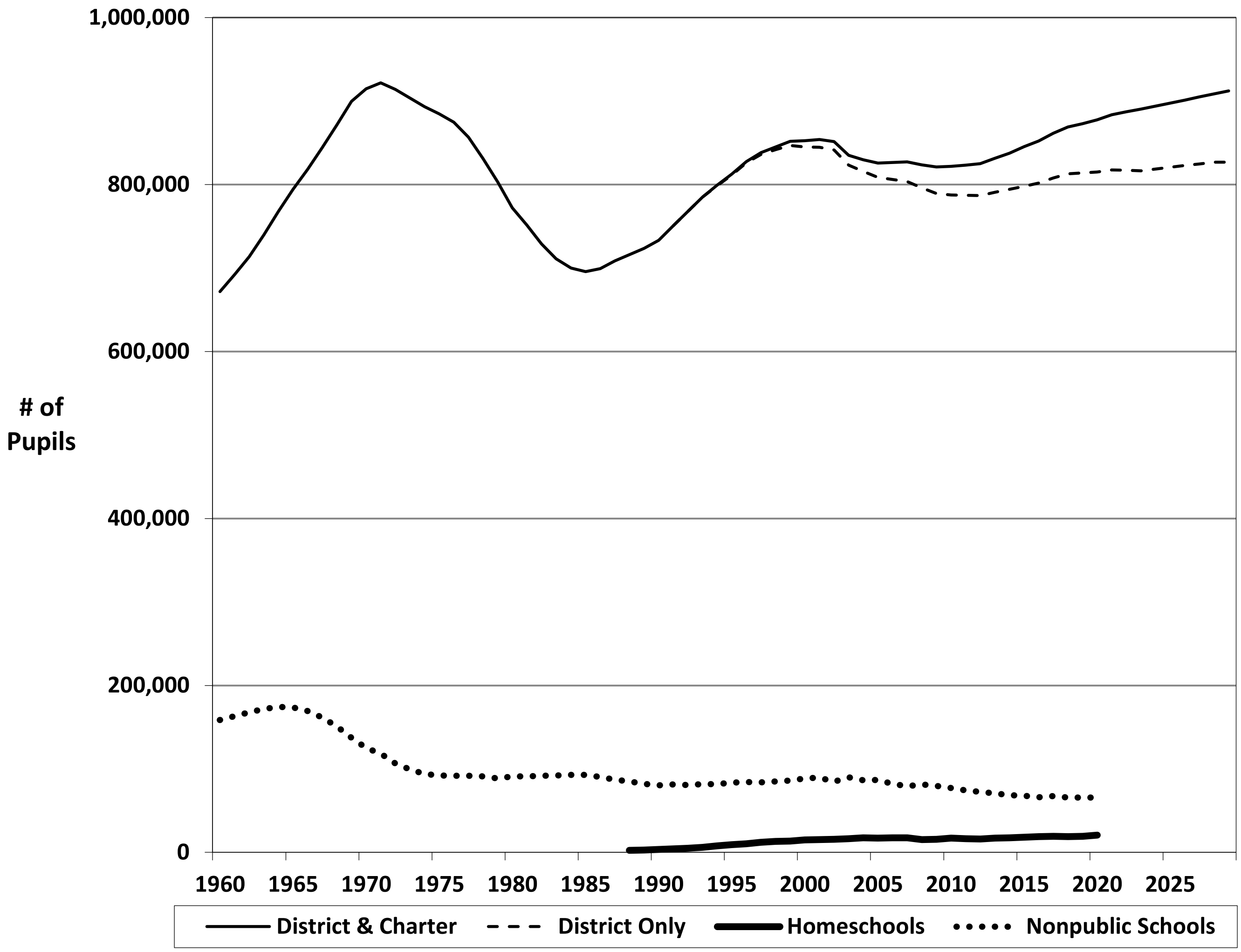
Notes:
1. Fall enrollment count.
2. A large portion of the enrollment decline shown between 2003 and 2004 results from the limit on average daily membership to not more than 1.0.
3. Estimated.
4. Department of Education officials suspect significant under-reporting of nonpublic pupil count for 2001-02 and 2006-07 school years by nonpublic schools.
5. Minnesota Department of Education Homeschool Enrollment by Compulsory Attendance Count. All ages compliant and noncompliant; 2012 to 2020.

Source: Pupil Unit Estimates, Minnesota Department of Education

House Research Department

Table 4: Minnesota School Enrollment

1960 to 2019 Actual; 2020 to 2029 Estimated



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School Finance Terminology

The following terms and concepts are essential to understand Minnesota's school finance program.

Adjusted Marginal Cost Pupil Units (AMCPU): The counts of pupils used for most school funding formulas through fiscal year 2014 and replaced by "adjusted pupil units" for fiscal year 2015 and later. The count is adjusted (meaning students actually served by the district), marginal (the greater of the current year's count, or 77 percent of current year's count and 23 percent of the previous year's count), and weighted by grade level (pupil units).

Adjusted Net Tax Capacity (ANTC): The net tax capacity of a school district as divided by the sales ratio. The purpose of the sales ratio adjustment is to neutralize the effect of different assessment practices among the taxing jurisdictions of the state.

Adjusted Pupils Units: Beginning in fiscal year 2015, adjusted pupil units, or adjusted weighted average daily membership, is the primary pupil count used in school-funding formulas. The count is weighted by grade level (.55 for half-day kindergarten, 1.0 for full-day kindergarten and elementary grades, and 1.2 for secondary grades) and "adjusted" to reflect students served.

Aid Entitlement: 100 percent of the state aid due a school district for a fiscal year, regardless of when the aid is actually received by the school district.

Appropriation: Amount of state aid paid to a school district during a fiscal year. The appropriation consists of a portion of the aid entitlement for the current year (for fiscal year 2021 this is 90 percent) and the remaining cleanup payments owed by the state to the school district for the previous fiscal year (10 percent).

Average Daily Membership (ADM): The sum for all pupils of the number of days in the district's school year that each pupil is enrolled, divided by the number of days the schools are in session.

Categorical Aid: Funds paid by the state to school districts and designated for specific purposes, such as transportation, special education for disabled children, and career and technical education. Categorical aids are relatively minor compared to general education revenue, the main school district funding stream.

Elementary Sparsity Revenue: Revenue available to small, sparsely populated school districts. Elementary sparsity revenue is part of general education revenue. To qualify for elementary sparsity revenue, a district must have an elementary school that is at least 19 miles from the next nearest elementary school and have an average of 20 or fewer students per elementary grade.

Equalizing Factor: For school funding formulas that are a mix of state aid and local property taxes, the "equalizing factor" is a way of calculating the local levy share. The equalizing factor is usually specified as a fixed number in statute, which, if a district's tax base per pupil is lower than this amount, is used as the denominator to determine the local levy share. The equalizing factor is intended to partially equalize tax rates among school districts based on each district's property tax base per pupil. The lower the district's tax base per pupil, the lower the levy ratio, and the higher the state aid. Currently, many other school funding program formulas have statutorily fixed equalizing factors ranging from very generous to very small amounts of state aid.

Fiscal Year: A 12-month period between settlements of financial accounts. The fiscal year for the state and school districts runs from July 1 through June 30 and is identified by the calendar year in which it ends. For example, fiscal year 2021 runs from July 1, 2020, through June 30, 2021. A fiscal year is interchangeable with a school year for school finance purposes. For example, fiscal year 2021 is equivalent to the 2020-21 school year.

Formula Allowance: The dollar amount per pupil unit used to calculate each district's basic general education revenue—the "front end" of the formula. The formula allowance for fiscal year 2021 is $6,567. This amount changes either because (1) the total funding is increasing or (2) existing separate formulas are "rolled in" to the general formula or funding for specific programs are "rolled out" of the general formula and into a separate formula.

Table 5: General Education Formula Increases 1989 to 2021

($ per Pupil Unit)

Fiscal Year	General Ed Formula Allowance	Statutory Dollar Increase in Formula	Formula Increase Adjusted for Roll-ins and Roll-outs & pupil weight changes	% Increase for Adjusted Formulas	Biennial Adjusted Formula Increases Over Previous Biennium
2021	$6,567	$129	$129	2.0%	4%
2020	$6,438	$126	$126	2.0%	
2019	$6,312	$124	$124	2.0%	4%
2018	$6,188	$121	$121	2.0%	
2017	$6,067	$119	$119	2.0%	4%
2016	$5,948	$117	$117	2.0%	
2015	$5,831	$529	$105	2.0%	3.5%
2014	$5,302	$78	$78	1.5%	
2013	$5,224	$50	$50	1.0%	2.0%
2012	$5,174	$50	$50	1.0%	
2011	$5,124	$0	$0	0.0%	0.0%
2010	$5,124	$0	$0	0.0%	
2009	$5,124	$50	$50	1.0%	3.0%

Fiscal Year	General Ed Formula Allowance	Statutory Dollar Increase in Formula	Formula Increase Adjusted for Roll-ins and Roll-outs & pupil weight changes	% Increase for Adjusted Formulas	Biennial Adjusted Formula Increases Over Previous Biennium
2008	$5,074	$100	$100	2.0%	
2007	$4,974	$181	$191	4.0%	8.1%
2006	$4,783	$182	$182	4.0%	
2005	$4,601	$0	$0	0.0%	0.0%
2004	$4,601	$0	$0	0.0%	
2003	$4,601	$533	$104	2.6%	5.3%
2002	$4,068	$104	$104	2.6%	
2001	$3,964	$224	$157	4.2%	9.2%
2000	$3,740	$210	$167	4.7%	
1999	$3,530	-$51	$79	2.2%	4.4%
1998	$3,581	$76	$76	2.2%	
1997	$3,505	$300	$0	0.0%	1.8%
1996	$3,205	$55	$55	1.7%	
1995	$3,150	$100	$0	0.0%	0.0%
1994	$3,050	$0	$0	0.0%	
1993	$3,050	$0	$0	0.0%	3.3%
1992	$3,050	$97	$97	3.3%	
1991	$2,953	$115	$115	4.1%	7.2%
1990	$2,838	$83	$83	3.0%	
1989	$2,755	—	—	—	

Notes to Formula Adjustments
In 2015: The $529 increase included a pupil weight adjustment of $424 to account for lower pupil weights and other changes to the general education program.
In 2003: The $533 increase included a $415 roll-in of referendum revenue and a $14 roll-in of assurance of mastery revenue
In 2001: The $224 increase was reduced by the $67 roll-in of cooperation revenue
In 2000: The $210 increase was reduced by the $43 roll-in of graduation rule revenue
In 1999: The $51 decrease was offset by the restoration of $130 for training and experience revenue
In 1997: The $300 increase was offset by reductions in training and experience and transportation funding
In 1995: For most school districts, the $100 increase was offset by a corresponding reduction in referendum revenue

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General Education Aid: Funds paid by the state to school districts as part of the general education revenue program and permitted to be used for any operating expense.

General Education Levy: Portion of general education revenue received through the property tax. For fiscal years 2003 through 2012, there was no general education levy. A modified form of the general education levy was reinstituted in fiscal year 2013 under the name “student achievement levy.” The 2015 Legislature repealed this levy beginning in fiscal year 2019.

General Education Tax Rate: The tax rate that when multiplied by the adjusted net tax capacity of all districts, raises the dollar value specified in statute. Prior to levies made in 1985, the legislature set the tax rate instead of the total dollar value that was to be raised. The general education tax rate equaled zero for fiscal years 2003 (taxes payable in 2002) through 2014. The general education tax rate (student achievement tax rate) was 0.30 percent for fiscal year 2017, 0.16 for fiscal year 2018, and was eliminated for fiscal year 2019 and later.

General Education Revenue: General education revenue is the primary formula for providing general operating funds to school districts and charter schools and is composed of basic general education revenue; extended time revenue; declining pupil revenue; local optional revenue; gifted and talented revenue; basic skills revenue, including EL and compensatory revenue; elementary and secondary sparsity revenue; transportation revenue; operating capital; equity revenue; small schools revenue; pension adjustment reserve; and transition revenue.

Levy: A tax imposed on property. The amount of property taxes that a school board may levy is limited by statute. Each autumn, the Minnesota Department of Education computes the exact amounts of the limits on the permitted levies for each district. For levies based on adjusted tax capacity, the previous year’s adjusted tax capacity value is used. Each year, school boards hold truth-in-taxation hearings, vote on how much of their maximum they want to levy, and “certify” that amount to the county auditor. Most districts certify the maximum levy possible. A levy certified in the late fall is collected in the calendar year beginning the following January. (See Table 79 on page 129 for an illustration of the relationship among the years for valuation, certification, collection, and use of levies.)

Net Tax Capacity (NTC): This value is derived by multiplying the taxable market value of each parcel by the appropriate class (use) rate for that parcel. Class rates for taxes payable in 2015 and later range from 0.45 percent on certain homesteads owned by disabled persons (residential homesteads with market values of less than $500,000 are subject to a class rate of 1 percent) to 2 percent for most commercial/industrial property.

Nonresident School District: A district other than the student’s district of residence that provides educational services to the student (same as serving school district for funding purposes).

Pupil Units: A weighted count of pupils in ADM used in the calculation of state aid and local tax levies.

Resident District: The district where the student’s parent or guardian lives.

Serving School District: The district providing educational services to a student.

Secondary Sparsity Revenue: Revenue paid to small, sparsely populated school districts. The secondary sparsity revenue formula takes into account the secondary enrollment, the distance between high schools, and the geographic area of the district. Secondary sparsity revenue is a component of the general education revenue program.

Tax Capacity Percentages (class rates): Statutory classification percentages that are applied to market values to vary property tax by class of property.

Tax Capacity Rate: The rate arrived at by dividing each district's levy amount by the district's net tax capacity. Tax capacity rate replaces the term "mill rate."

Transportation Sparsity Revenue: Component of the general education revenue program used to provide additional revenue to school districts that have a relatively low ratio of pupils to the square mile area of the school district.

Uniform Financial Accounting and Reporting Standards (UFARS): Rules and instructions adopted under legislative mandate to govern the methods by which school districts record financial transactions and inform the Department of Education and public about their finances.

The following is a list of acronyms that are commonly used when discussing education issues.

Table 6: Education Acronyms

Acronym	Name	Meaning/Use
ADM	Average Daily Membership	Count of resident students attending public school
ANTC	Adjusted Net Tax Capacity	Taxable tax base adjusted by the sales ratio
APU	Adjusted Pupil Units	Weighted count of students actually served by a public school used to compute most education revenue amounts
EBD	Emotional Behavioral Disorder	Condition characterized by an established pattern of behavior that may include such things as severely aggressive or impulsive behaviors
ECFE	Early Childhood Family Education	School district operated programs designed to provide parenting skills and early learning opportunities for children five years of age and younger
EL	English Learner	Students who are not yet proficient in the English language
ESSA	Every Student Succeeds Act	2015 federal law reauthorizing the Elementary and Secondary Education Act (ESEA), replacing the No Child Left Behind (NCLB) Act
HSGI	High School Graduation Incentive Program	Alternative program for students who are not succeeding in a traditional academic setting
IDEA	Individual with Disabilities Education Act	Federal law governing many special education procedures
IEP	Individualized Education Program	Plan developed by school officials and student's parent or guardian to address educational needs of a special education pupil

Acronym	Name	Meaning/Use
K-12	Kindergarten through Grade 12	Grades generally served by public schools; shorthand for elementary and secondary education, sometimes also referred to as E-12 and PreK-12
LD	Specific Learning Disability	Condition within the student affecting learning, relative to potential, manifested by interference with learning
LRE	Least Restrictive Environment	Special education term that refers to the requirement that a special education student must be kept in the most mainstreamed program possible
NTC	Net Tax Capacity	Taxable tax base most levies are spread against
PELRA	Public Employee Labor Relations Act	Laws governing collective bargaining for Minnesota's public employees
PK	Prekindergarten	Students not yet enrolled in kindergarten
PSEO	Postsecondary Enrollment Options Program	Choice program allowing certain 10th grade students and 11th and 12th grade students to attend postsecondary institutions
T&E	Training and Experience	Former category of the general education funding program that generated additional revenue for additional levels of teacher training and experience
WADM	Weighted Average Daily Membership	Count of pupils formerly used in some education funding formulas
VPK	Voluntary Prekindergarten	School readiness program for four-year-old students operated by school districts and charter schools

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Property Tax System Terminology

In order to understand education finance, it is important to be familiar with Minnesota's property tax terminology and its two types of property tax bases that are used to compute and spread school district levies.

Tax Base Terms

Market Value: Each individual parcel of property is valued by an assessor. This value is referred to as estimated market value. Estimated market value is the value, as the name implies, that the property would bring in a sale on the open market.

Taxable Market Value: For homes with a value under $413,800, state law excludes a portion of each home's market value for property tax purposes. For homes valued at $76,000 or less, 40 percent of the value is excluded from taxable market value. As the value of the home increases, the exclusion is phased out. A home with a value in excess of $413,800 receives no exclusion. Each property's taxable market value is its estimated market value less its homestead market value exclusion.

Referendum Market Value: Referendum market value is the taxable market value of all taxable property in the school district excluding seasonal recreational and agricultural lands. School taxes for the local share of the operating referendum, local optional revenue, equity revenue, and transition revenue are computed and spread against referendum market value.

Net Tax Capacity (NTC): The legislature has established class rates for different types of property (e.g., homestead, commercial, residential, rental, etc.), and the assessor applies the appropriate class rate to the taxable market value of each parcel of property. The resulting value is called tax capacity or net tax capacity. Tax capacity is the value of the property that the property taxes will be levied against for all school funding formulas, except for the levy share of operating referendum revenue, local optional revenue, equity revenue, and transition revenue (which are levied against the referendum market value of the school district).

Sales Ratio: A sales ratio is a statistical measure prepared by the Department of Revenue that measures the difference between the actual sale prices of property and the assessor's market values on those properties. The purpose of the sales ratio is to neutralize the effect of different assessment practices among the taxing jurisdictions of the state. The sales ratio is divided into the taxable value (net tax capacity) to obtain the adjusted tax capacity of a school district.

Adjusted Net Tax Capacity (ANTC): School funding formulas that are spread on net tax capacity are generally calculated using adjusted net tax capacity. Adjusted net tax capacity is the net tax capacity of the district divided by its sales ratio.

Calculating and Paying School Taxes

Tax Rates: The property taxes levied against each parcel of property are computed by the county auditor, who adds up the total dollars of property tax levied by each local unit of government and determines what rate of taxation needs to be applied to the tax capacity of the taxing jurisdictions in order to raise that dollar amount. The rate of taxation is called the tax rate. A net tax capacity tax rate is expressed as a percentage of taxable value. A 50 percent tax rate, therefore, raises $50 for each $100 of taxable value (tax capacity). A similar tax rate is calculated for tax levies spread on referendum market value.

Tax Statement: The property taxpayer receives a statement listing the total tax rate levied by each taxing jurisdiction (school district, county, and city or township) and the total dollar amount of taxes owed. A preliminary version of this statement, called the Notice of Proposed Property Taxes, is sent out in November each year. The final version is sent out the following spring.

Payment of Property Taxes: The taxpayer makes two payments to the county treasurer for the total taxes owed, and the county treasurer then forwards the remitted amounts to the appropriate taxing jurisdiction (city, county, or school district).

Counting Students

Minnesota funds the majority of its K-12 programs on a rather involved count of the number of students attending each public school. For fiscal year 2015 and later, for most funding programs, the pupil count, known as adjusted pupil units, is used to determine school revenue amounts. This count does not include homeschool or traditional nonpublic students.

Determining Pupil Units

There are three steps involved in calculating the student count, called adjusted pupil units, which are used in most of the K-12 funding formulas.

1) **Average Daily Membership (ADM):** Students are counted in average daily membership. Average daily membership is the count of resident students in the district for the full school year. A "resident" student means a student who lives in that school district and attends a school district, charter school, or other public K-12 education program. Students that are present for only part of the year are prorated for their time attending the school. Excused absences from school (for things such as illness, etc.) do not reduce a school district's ADM.

2) **Adjusted Pupils or Adjusted Average Daily Membership (AADM):** The ADM student count is adjusted to reflect only the students actually served by the district. Each district's pupil count is reduced by the number of students leaving the district to attend a charter school or through open enrollment and increased by the number of students entering the district from another district.

3) **Adjusted Pupil Units:** Each student is weighted by grade level according to the weights listed in Table 7. The different weights are intended to reflect differing educational costs across the grade levels.

Other Pupil Counts

There are a variety of other counts used for select school finance formulas. The following is a brief list of these counts.

Resident Pupil Units or Weighted Average Daily Membership (WADM): For fiscal year 2015 and later, for purposes of calculating a school district's operating referendum revenue aid and levy shares, resident pupil units or WADM are used. This count is the same as the adjusted pupil units except that it is based on resident pupils, instead of pupils served by the school district.

Enrollees: Student enrollment is based on the count of students as of October 1 of the school year. This count of students is used only for a few school formulas, where a site count is necessary, such as the alternative compensation revenue calculation. Enrollment counts are also used as the denominator for formulas such as compensatory revenue, where the numerator is based on free and reduced lunch counts, which are taken as part of the October 1 census data.

Pupil Weights

Pupils are weighted by grade level. The following table shows the weights by grade. Pupil units, called actual pupil units or weighted average daily membership (WADM), are equal to the number of full-time pupils times the appropriate pupil unit weight by grade.

Table 7: Enrollment Weights by Grade

Fiscal Year(s)	Prekindergarten and Kindergarten Disabled Weight*	Voluntary Prekindergarten Weight	Half-day Kindergarten Weight	Full-day Kindergarten Weight	Grades 1-3 Weight	Grades 4-6 Weight	Secondary Weight
2017 and later	Hours served	0.60**	.550	1.00	1.00	1.00	1.20
2015 and 2016	Hours served	NA	.550	1.00	1.00	1.00	1.20
2008 to 2014	Hours served	NA	.612	.612	1.115	1.06	1.30
2000 to 2007	Hours served	NA	.557	.557	1.115	1.06	1.30
1995 to 1999	Hours served	NA	.530	.530	1.06	1.06	1.30
1994	Hours served	NA	.515	.515	1.03	1.03	1.30
1992 to 1993	Hours served	NA	.500	.500	1.00	1.00	1.30
1990 to 1991	Hours served	NA	.500	.500	1.00	1.00	1.35

* The prekindergarten disabled pupil weight equals the ratio of the actual hours served to 825 times 1.25, limited to minimum of 0.28 and a maximum of 1.25. The kindergarten disabled weight equals the ratio of the actual hours served to 875, but not more than 1.0.
** The voluntary prekindergarten weight applies only to specifically approved programs. The maximum weight is 0.60 regardless of the maximum hours of service. A program must provide at least 350 hours of service to receive the minimum weight of 0.412. The funding was first available for fiscal year 2017.

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For fiscal years 1994 to 2014, the additional kindergarten (above .50) and elementary pupil weights (above 1.0) provided reserved revenue that had to be set aside to reduce elementary class sizes. For fiscal year 2015 and later, a school must reserve $299 per kindergarten pupil and $459 per pupil for all other elementary grades for class size reduction efforts.

General Education Revenue

Elementary and secondary schools receive the bulk of their general operating funds from the state through the general education revenue program. General education revenue is provided mainly through state aid payments, but within the general education program, there are equalized levies for operating capital, equity revenue, and transition revenue.

Components of General Education Revenue

The general education revenue funding formula is the primary source of general operating funds for school districts. Statewide, approximately two-thirds of school districts' total revenue comes from the general education program. Each school district's general education revenue is the sum of the components shown in Table 8. The table shows each general education revenue component name, revenue amount, and the number of districts eligible for the revenue for that year.

Table 8: General Education Revenue Components Excluding Referendum Revenue

Estimated for Fiscal Year 2021

	General Education Revenue Component	All Revenue (District and Charter)	Number of Eligible Districts	Charter School Revenue Only	Est. Number of Eligible Charters*
1	Basic Education Revenue (Formula Allowance)	$6,307,155,000	331/331	$469,635,000	168/168
2	Extended Time Revenue	57,235,000	149/331	2,756,000	57/168
3	Gifted and Talented	12,486,000	331/331	930,000	168/168
4	Small Schools Revenue	16,450,000	163/331	0	0/168
5	Declining Enrollment Revenue	9,952,000	155/331	961,000	33/168
6	Local Optional Revenue	641,836,000	330/331	0	0/168
7a	Basic Skills Revenue (compensatory)	543,083,000	329/331	82,153,000	167/168
7b	Basic Skills Revenue (English learner)	59,257,000	106/331	12,417,000	106/168
8	Sparsity Revenue (elementary and secondary)	28,706,000	103/331	2,048,000	168/168
9	Operating Capital Revenue	217,503,000	331/331	16,195,000	168/168
10	Transportation Sparsity Revenue	75,473,000	308/331	1,731,000	63/168
11	Equity Revenue	111,473,000	330/331	8,300,000	168/168
12	Transition Revenue	29,790,000	200/331	2,397,000	36/168

General Education Revenue Component		All Revenue (District and Charter)	Number of Eligible Districts	Charter School Revenue Only	Est. Number of Eligible Charters*
13	Pension Adjustment Revenue	43,162,000	330/331	1,897,000	167/168
14	Options Adjustments	7,924,000	71/331	2,625,000	162/168
	Total General Education Revenue	**$8,161,287,000**		**$609,128,000**	
* As of August 1, 2020, 168 charter schools and 331 school districts were reporting estimated pupils for the 2020-2021 school year.					

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Minnesota's school districts and charter schools use general education revenue to pay for the operating expenses of the district including employee salaries, employee benefits, and supply costs.

General education revenue, except for the portion of revenue attributable to compensatory revenue, which must be passed through to each school site, is provided to school districts, and each local school board determines how to allocate that money among school sites and programs, subject to certain legislative restrictions.

1. Basic Education Revenue

Basic education revenue for each district equals the product of the formula allowance multiplied by the adjusted pupil units for the school year.[2] The basic formula allowance is $6,567 for fiscal year 2021 and later.

(Minn. Stat. § 126C.10, subd. 2)

Table 9: Basic Education Formula Allowances

School Year	Formula Allowance
2020-21	$6,567
2019-20	6,438
2018-19	6,312
2017-18	6,188
2016-17	6,067
2015-16	5,948

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[2] Page 15 provides additional information on pupil unit weights and calculations.

2. Extended Time Revenue

Beginning in fiscal year 2004, school districts are prohibited from counting a student as more than 1.0 in average daily membership (ADM). Prior to this, a student could be counted in excess of 1.0 if the student was participating in a learning year program. A learning year program may include extended day, extended week, summer school programming, or an independent study program. The 1987 Legislature eliminated funding for summer school when it replaced the foundation aid program with the general education revenue program. During the 1990s, many school districts started using the learning year program as a method to fund summer school programs. The growth in learning year pupils was quite significant. The 2003 Legislature adopted a provision that limits a student's annual average daily membership to 1.0.

The extended time revenue program allows a school district to count a student who participates in extended programming for up to an additional 0.2 students in ADM for the time the student spends in extended day, extended week, summer school, or other additional programming authorized by the learning year program. This additional ADM counts only for purposes of generating extended time revenue. The extended time revenue allowance is $5,117. For charter schools offering extended time services, beginning in fiscal year 2017, per pupil extended time revenue equals 25 percent of the district average amount for that year.

(Minn. Stat. § 126C.10, subd. 2a)

School District
Extended Time Revenue = $5,117 x the district's extended time adjusted pupil units

3. Gifted and Talented Revenue

A school district receives $13 per pupil unit for gifted and talented programming. The revenue must be reserved and spent only to:

1) identify gifted and talented students;
2) provide education programs for gifted and talented students; or
3) provide staff development to prepare teachers to teach gifted and talented students.

Gifted and Talented Revenue = $13 x Adjusted Pupil Units

(Minn. Stat. § 126C.10, subd. 2b)

4. Small Schools Revenue

A school district (but not a charter school) that serves less than 960 pupil units is eligible for small schools revenue equal to $544 times the district's adjusted pupil units, times the ratio of 960 less the district's adjusted pupil units to 960.

(Minn. Stat. § 126C.10, subd. 2c)

5. Declining Enrollment Revenue

A district's declining enrollment revenue equals the greater of zero or 28 percent of the formula allowance for that year and the difference between adjusted pupil units for the current year and the adjusted pupil units for the previous year.

(Minn. Stat. § 126C.10, subd. 2d)

6. Local Optional Revenue

A school district's local optional revenue equals $724 per pupil unit. Local optional revenue is available to school districts only and is not available to charter schools. For a school district that had a referendum prior to 2016, a district's local optional revenue offsets the first $724 per pupil of referendum revenue. As a result, for school districts with referendum authority above this amount, local optional revenue provided no direct additional revenue. Instead, local optional revenue provides the district space under the referendum allowance cap and provides enhanced equalization revenue for districts. For years prior to 2021, local optional revenue is equalized using an equalizing factor of $510,000 per pupil.

For fiscal year 2021 and later, local optional revenue consists of two tiers, the first tier of $300 per pupil, is equalized at $880,000 per pupil (the same equalizing factor that existed when this tier was included in operating referendum revenue). The second tier, $424 per pupil, remains equalized at $510,000 per pupil. For fiscal year 2021 and later, there is no longer any connection between local optional revenue and referendum revenue.

(Minn. Stat. §§ 126C.10, subd. 2d; 126C.17)

7. Basic Skills Revenue

Basic skills revenue consists of compensatory revenue and English learner (EL) revenue.

Compensatory Revenue. The vast majority of basic skills revenue is generated by the compensatory revenue formula. Compensatory revenue is site-based revenue. The revenue is calculated based on the characteristics of each school site, and at least 50 percent of the revenue must be distributed to qualifying programs at each site. Compensatory revenue must be used to meet the educational needs of pupils whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age.

Eligible uses of compensatory revenue include the following:

- providing direct instructional services under the assurance of mastery program
- providing remedial instruction in reading, math, and other core curriculum
- adding teachers and teacher aides to provide more individualized instruction
- lengthening the school day, week, or year (including summer school)
- providing staff development consistent with each site's site plan

- purchasing instructional materials and technology
- implementing programs to reduce truancy, encourage graduation, and provide a safe and secure learning environment
- providing bilingual, bicultural, and EL programs
- providing all-day kindergarten
- providing parental involvement programs

Compensatory revenue must be reserved in a separate account, and each district must produce an annual report describing how compensatory revenue has been spent at each site within the district.

The compensatory revenue increases as the number of compensatory pupil units goes up, which is driven by the number of free and reduced lunch students as well as the percentage of such students at the school site. A higher percentage concentration of free and reduced price lunch students leads to a higher count of compensatory pupil units.

Compensatory Pupil Units. Compensatory revenue is provided to school sites through the compensatory revenue component of the general education formula based on the number of students at the site eligible for free or reduced price meals. The formula is often referred to as a concentration formula because as the concentration of students eligible for free or reduced price meals increases, the compensatory revenue per compensatory pupil also increases.

Compensatory pupils are counted and calculated at the site where the students are being educated. A pupil is counted as a compensatory pupil if the pupil is eligible for free or reduced price meals. Eligibility for free and reduced price meals is set by the federal government at 130 percent and 185 percent of the federal poverty guidelines, respectively (for fiscal year 2021, these percentages limited yearly income for a family of four to not more than $34,060 and $48,470). The compensatory pupil count is conducted during the fall at each school site. In addition to parent-reported income data, school districts may also qualify students through "direct match" with income information held by the state for participants in certain public assistance programs.

Compensatory pupil units are calculated for each site as follows:

1) Calculate the building concentration factor, which is equal to the ratio of the number of pupils eligible for free lunch plus half of the number of pupils eligible for reduced price meals to the school site's total enrollment
2) Calculate a building weighting factor equal to the lesser of:
   (a) 1; or
   (b) the building's concentration factor divided by .80
3) Multiply the compensation pupils calculated in step (1) by the weighting factor calculated in step (2) by .60

The formula that generates compensatory revenue is a concentration formula based on each school building's count of students that are eligible for free or reduced price meals.

$$\text{Compensatory Pupil Units} = \left(\text{Free Lunch Students} + (.5 \times \text{Reduced Lunch Students})\right) \times \text{the lesser of: (1) one; or (2) (free lunch students + (.5 x reduced lunch students)/building ADM)/.8}$$

$$\text{Compensatory Revenue} = (\text{Basic Formula Allowance} - \$839) \times .6 \times \text{Compensatory Pupil Units}$$

(Minn. Stat. §§ 126C.05, subd. 3; 126C.10, subd. 3; 126C.15)

The following table displays some characteristics of several selected school buildings and the resulting compensatory revenue.

Table 10: Compensatory Revenue Characteristics for Selected School Buildings for the 2020-21 School Year

Dist. No.	District Name	Building Name	Fall 2019 School Enrollment	Pupils Eligible for Free or Reduced Meals	% of Enrollees Eligible	Compensatory Revenue	Compensatory Revenue/ Enrollee
1	Minneapolis	Bethune	309	296	96%	$979,265	$3,169
1	Minneapolis	Barton	703	315	45	532,000	757
38	Red Lake	Elementary	588	466	79	1,544,000	2,626
264	Herman	Elementary	54	26	48	43,000	795
273	Edina	South View	965	129	13	58,000	60
282	St. Anthony	Sr. High	687	153	22	107,000	156
284	Wayzata	Kimberly Lane	622	22	4	3,000	5
625	St. Paul	Adams	544	261	48	412,000	757
625	St. Paul	Vento	480	414	86	1,324,000	2,758
709	Duluth	East	1,518	215	14	95,000	63
709	Duluth	Myers-Wilkins	370	303	82	964,000	2,606
833	S. Wash.	East Ridge	1,869	181	10	54,000	29
State Average/Total			**892,452**	**319,806**	**36%**	**$523,116,000**	**$586**

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English Learner (EL) Revenue. Districts receive EL revenue to provide instruction to students with limited English skills. Programs may include bilingual programs or English-as-a-second-language (ESL) programs. Bilingual education programs provide curriculum instruction to students in their native language. ESL program students are taught to read, write, listen, and speak in English. The state has provided funding for EL programs since 1980. In the early

2000s, the maximum number of years that a student could qualify for EL funding was reduced from seven to five years. This limitation was increased to six years for fiscal years 2015 and 2016 and restored to seven years for fiscal year 2017 and later.

There are two parts to the EL portion of basic skills revenue: the first part or basic formula is a set amount per EL pupil; the second part of the EL formula is a concentration formula. A school district with at least one student eligible for EL services has a statutorily assigned minimum EL pupil count of 20.

Basic EL Revenue = $704 x district's EL Pupil Units

EL Concentration Pupils = EL pupils x the lesser of:
(1) 1; or
(2) (EL pupils/ADM)/.115

EL Concentration Revenue = $250 x the district's EL concentration pupils

(Minn. Stat. §§ 124D.58-124D.65; 126C.10, subd. 3)

Table 11: English Learner Revenue Characteristics for Selected School Districts 2020-21 School Year

Dist. No.	District Name	FY 21 Pupils Served (AADM)	Est. FY 21 English Learners	% English Learner	Total English Learner Revenue	English Learner Revenue per Pupil
	Totals	**878,961**	**63,515**	**7.2%**	**$59,477,000**	**$67**
	Mpls & St. Paul	67,135	14,298	21.5%	13,640,000	203
	Inner Ring Suburbs	88,952	7,685	8.8%	6,900,000	78
	Outer Ring Suburbs	277,824	13,470	4.9%	11,631,000	41
	Greater MN >2,000	193,377	10,279	5.4%	9,352,000	48
	Greater MN 1,000 to 2,000	95,370	2,097	2.3%	2,062,000	22
	Greater MN <1,000	87,346	1,464	1.7%	1,950,000	22
	Charters	66,149	13,163	19.1%	12,408,000	182
	Other	2,807	1,653	58.9%	1,577,000	562
4195	Oshki Ogimaag	30	24	80.0%	23,000	763
4178	Lincoln International	150	120	80.0%	114,000	763
4073	Academia Cesar Chavez	540	283	52.4%	270,000	500
518	Worthington	4,023	1,114	27.7%	1,063,000	264

Dist. No.	District Name	FY 21 Pupils Served (AADM)	Est. FY 21 English Learners	% English Learner	Total English Learner Revenue	English Learner Revenue per Pupil
13	Columbia Heights	3,354	850	25.3%	811,000	242
347	Willmar	4,258	1,041	24.4%	993,000	233
625	St. Paul	35,103	8,998	25.6%	8,584,000	245
742	St. Cloud	9,964	2,239	22.5%	2,136,000	214
241	Albert Lea	3,494	259	7.4%	224,000	64
284	Wayzata	12,769	280	2.2%	210,000	16
4098	Nova Classical Academy	994	30	3.0%	23,000	23

House Research Department

8. Sparsity Revenue

Secondary Sparsity Revenue. Secondary sparsity revenue provides additional revenue to geographically large districts that have relatively few secondary pupils. The formula measures sparsity and isolation of the district and then provides additional revenue to the district using an assumption about how many pupil units are necessary to run an acceptable secondary program. The formula assumes that a district with 400 secondary pupils in average daily attendance can provide an acceptable secondary program. Therefore, a district with one high school, no matter how few pupils per square mile it has, will not receive any sparsity aid if the district has a secondary average daily membership (SADM) in excess of 400. In addition, the requirement of large geographic size ensures funding for districts that have few pupils due to geographic isolation and not due to a school board’s reluctance to provide cooperative programming with a neighboring school district.

Secondary sparsity revenue is computed as follows:

$$\text{Isolation Index} = \text{the lesser of: (a) 1.5; or (b) } \frac{\left(\sqrt{.55 \times sq.\,mile\ attendance\ area}\right) - 23}{10} + \text{miles to next nearest high school}$$

$$\text{Secondary Sparsity Revenue} = \text{Sparsity Formula Allowance}^{3} \times \text{Adjusted Pupil Units} \times \frac{(400 - \text{SADM})}{(400 + \text{SADM})} \times \frac{(\text{Isolation index} - 23)}{10}$$

The isolation index is a numerical representation of the sum of the geographic area of the district and the miles to the next nearest high school.

[3] The sparsity allowance is the basic formula allowance less $530.

(Minn. Stat. § 126C.10, subds. 6 and 7)

Elementary Sparsity Revenue. A school district qualifies for elementary sparsity revenue if it has an elementary school that is located 19 or more miles from the next nearest elementary school and has fewer than 20 pupils per elementary grade. As with secondary sparsity revenue, the more elementary pupils in average daily membership (EADM) attending the school, the lower the elementary sparsity revenue per pupil.

$$\text{Elementary Sparsity Revenue} = \text{Sparsity Formula Allowance} \times \text{EADM} \times \left(\frac{140 - \text{EADM}}{140 + \text{EADM}} \right)$$

(Minn. Stat. § 126C.10, subds. 6 and 8)

Table 14 (page 35) displays characteristics of the sparsest and densest districts in the state.

Sparsity Guarantee. A school district that closes a school facility is eligible for at least as much sparsity revenue as it received in the previous school year. A district that loses sparsity revenue because of a neighboring district's decision to relocate a school is eligible for at least as much sparsity revenue as it received in the previous school year.

(Minn. Stat. § 126C.10, subd. 8a)

9. Operating Capital Revenue

Operating capital revenue replaced two former capital formulas known as equipment revenue and facilities revenue and moved the revenue stream to each district's general fund. Operating capital revenue must be reserved and used for equipment and facility needs. A school board may spend other general fund money for operating capital expenses, but general fund money provided by the operating capital revenue component must be reserved and spent only for eligible equipment and facilities needs.

(Minn. Stat. § 126C.10, subds. 13, 14, 15, and 16)

Revenue Computation. Operating capital revenue equals the sum of $79 per pupil unit and the product of $109 per pupil unit and the district's average building age index. The age index is called the maintenance cost index (MCI) and is calculated as follows:

$$\text{Maintenance Cost Index (MCI)} = \frac{\text{Weighted square footage of buildings}}{\text{Unweighted square footage of buildings}}$$

The weighted square footage of each building is equal to the building's square footage times the lesser of:

(a) 1.50; or
(b) the sum of 1.0 + (the age of each building or addition /100)

Operating capital revenue is provided through an equalized aid and levy and is computed as follows:

Operating Capital Revenue	=	[\$79 + (MCI x \$109)]	x Adjusted Pupil Units
Operating Capital Levy	=	Operating Capital Revenue	x the lesser of: (1) one; or (2) (ANTC/Adjusted Pupil Units)/\$23,885
Operating Capital Aid	=	Operating Capital Revenue	– Operating Capital Levy

Eligible Uses. Eligible uses of operating capital revenue include the following:

- acquiring land for school purposes
- acquiring or constructing buildings for school purposes
- renting or leasing buildings, including the costs of building repair or improvement that are part of a lease agreement
- improving and repairing school sites and buildings, and equipping or reequipping school buildings with permanent attached fixtures
- using the revenue for a surplus school building that is used substantially for a public nonschool purpose
- eliminating barriers or increasing access to school buildings for individuals with a disability
- bringing school buildings into compliance with the uniform fire code adopted according to chapter 299F
- removing asbestos from school buildings, encapsulating asbestos, or making asbestos-related repairs
- cleaning and disposing of polychlorinated biphenyls found in school buildings
- cleaning, removing, disposing of, and making repairs related to storing heating fuel or transportation fuels such as alcohol, gasoline, fuel oil, and special fuel, as defined in section 296.01
- performing energy audits for school buildings and for modifying buildings if the audit indicates the cost of the modification can be recovered within ten years
- improving buildings that are leased according to section 123.36, subdivision 10
- paying special assessments levied against school property but not paying assessments for service charges
- paying principal and interest on state loans for energy conservation according to section 216C.37 or loans made under the northeast Minnesota Economic Protection Trust Fund Act according to sections 298.292 to 298.298
- purchasing or leasing interactive telecommunications equipment
- paying principal and interest payments on certain debt obligations
- paying capital expenditure equipment-related assessments of any entity formed under a cooperative agreement between two or more districts

- purchasing or leasing computers and related materials, copying machines, telecommunications equipment, and other noninstructional equipment
- purchasing or leasing assistive technology or equipment for instructional programs
- purchasing textbooks
- purchasing and replacing library books
- purchasing or leasing vehicles
- purchasing or leasing telecommunications equipment; computers hardware, software, and any associated annual licensing fees; and related equipment for integrated information management systems
- paying personnel costs directly related to the acquisition, operation, and maintenance of telecommunications systems, computers, related equipment, and network and applications software
- paying the costs directly associated with closing a school facility, including moving and storage costs

10. Transportation Sparsity Revenue

A compromise agreement reached during the 1995 Special Session and affirmed by the 1997 Legislature led to the elimination of the basic transportation funding formulas. In their place, $170 was added to the basic formula allowance; a new component called transportation sparsity revenue was added to the general education revenue program; and a portion of transition revenue was designed to soften the impact of the funding changes. Transportation sparsity revenue may be used for any general operating purpose. A district is not required to use transportation sparsity revenue for pupil transportation expenses. Beginning in fiscal year 2018, transportation sparsity revenue includes an adjustment based on the district's unreimbursed transportation cost.

Transportation sparsity revenue is computed as follows:

Transportation Revenue = (1) Transportation Sparsity Allowance x Adjusted Pupil Units
+ (2) 18.2% of the districts' unreimbursed costs of to and from school transportation

The following steps are necessary to compute a district's transportation sparsity allowance:

$$\text{Density Index} = \left.\frac{\text{square mile area of the district}}{\text{Adjusted Pupil Units}}\right\} \text{but not less than .005 or more than .2}$$

Sparsity Index = the greater of:
(a) .2; or
(b) $\dfrac{\text{square mile of the district}}{\text{Adjusted Pupil Units}}$

$$\text{Transportation Sparsity Allowance} = (\text{Basic Formula Allowance} \times .141) \times (\text{Sparsity Index}^{26/100}) \times (\text{Density Index}^{13/100}) - (\text{Basic Formula Allowance} \times .0466)$$

(Minn. Stat. § 126C.10, subds. 17 and 18)

11. Equity Revenue

The equity revenue formula consists of three parts: basic equity revenue; low referendum equity revenue; and a supplemental equity amount equal to $50 per pupil unit. Equity revenue is designed to provide additional revenue to districts with lower amounts of referendum revenue. To calculate equity revenue, the state is divided into two regions: a seven-county metro region and a greater Minnesota (nonmetro) region. Equity revenue is calculated separately for districts within each of the two regions.

(Minn. Stat. § 126.10, subds. 24 to 30)

Basic Equity Revenue. Basic equity revenue equals the product of: (1) 125 percent; (2) $14 plus the product of $80 and the district's equity index; and (3) the district's adjusted pupil units for that year. A school district equity index equals one minus the ratio of the sum of the district's per pupil basic formula allowance, local optional revenue, and referendum revenue to the per pupil amount for the district at the 95th percentile in that region. School districts located in cities of the first class (Minneapolis, St. Paul, and Duluth) as of July 1, 1999, do not receive basic equity revenue.

For fiscal year 2020 the 5th and 95th percentiles for the equity regions are estimated as follows:

Table 12: Equity Revenue Percentiles

Fiscal Year 2021

	5th	95th
Rural	$6,867	$8,646
Metro	$6,878	$8,691

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Low Referendum Revenue. A school district that has per pupil referendum revenue less than 10 percent of the statewide average amount of per pupil referendum revenue ($779 for fiscal year 2021) receives an additional equity amount equal to the lesser of $100,000 or the difference between 10 percent of the statewide average referendum revenue and the district's current amount of referendum revenue.

Supplemental Equity Revenue. All school districts receive supplemental equity revenue equal to $50 per pupil unit.

Equity Aid and Levy. A district's total equity revenue is equalized on referendum market value using an equalizing factor of $510,000.

12. Transition Revenue

Transition revenue provides school districts with a partial grandfather or hold-harmless due to the 2003 Legislature's changes to general education revenue. Transition revenue guarantees a school district the lesser of (a) its fiscal year 2003 general education revenue per pupil or (b) the amount of revenue per pupil that the district would have received during the 2004 fiscal year under the old definitions of general education revenue. The difference between the actual fiscal year 2004 revenue and the guaranteed amount is the new transition revenue. Beginning in fiscal year 2015, transition revenue is adjusted for a number of changes to the general education revenue program.

This revenue was provided entirely in state aid for fiscal year 2004 and is an equalized aid and levy for later years. Transition revenue is provided through an equalized aid and levy based on a referendum market value equalizing factor of $510,000.

(Minn. Stat. § 126C.10, subds. 31, 32, 33)

13. Pension Adjustment Revenue

School districts receive general education revenue pension adjustment revenue to compensate for some past legislative changes to the employer contribution rates to the public employee retirement systems—Public Employee Retirement Association (PERA) for nonlicensed staff and Teacher Retirement Association (TRA) for licensed teachers. There are two parts to this revenue: (1) a fixed amount based on past contribution rate changes; and (2) beginning in fiscal year 2019, an amount equal to the TRA employer contribution rate increases approved by the 2018 Legislature. The amount equals the difference between the rate for the current year and the rate for fiscal year 2018, times the district's covered payroll for the previous fiscal year. This increase is phased in over six years as the employer contribution increases by the same percentage.

Employer TRA contribution rate increases are .21 percent over the previous year for each of the next six years until the TRA employer contribution rate reaches 8.75 percent of covered payroll. See page 118 for additional information on Minnesota's teacher retirement system.

$$\text{FY 21 Pension Adjustment Revenue} = \text{2015 Grandfather Amount} + \left(.0063 \times \text{FY 20 Covered Teacher Payroll} \right)$$

Table 13: Pension Adjustment Aid Entitlement

Fiscal Year	Pension Adjustment Aid	% of Payroll
2021	$43,162,000	0.63%
2020	32,228,000	0.42
2019	19,316,000	0.21
2018	7,201,000	NA

Fiscal Year	Pension Adjustment Aid	% of Payroll
2017	7,184,000	NA
2016	7,161,000	NA

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(Minn. Stat. §§ 126C.10, subd. 38; 127A.50)

14. Options Adjustments

A school district's general education revenue is adjusted by three "options" adjustments, based on enrollment changes made under student movement programs. A district's general education revenue is reduced for referendum aid attributable to resident pupils who are open-enrolled, certain aid payments for resident pupils who attend the Minnesota Academies for the Deaf or Blind, and certain charter school transportation payments. A district's general education revenue is increased by an aid amount equal to the transportation portion of each charter school pupil whom the district transports.

(Minn. Stat. § 127A.47)

Table 14: Characteristics of Largest and Smallest School Districts

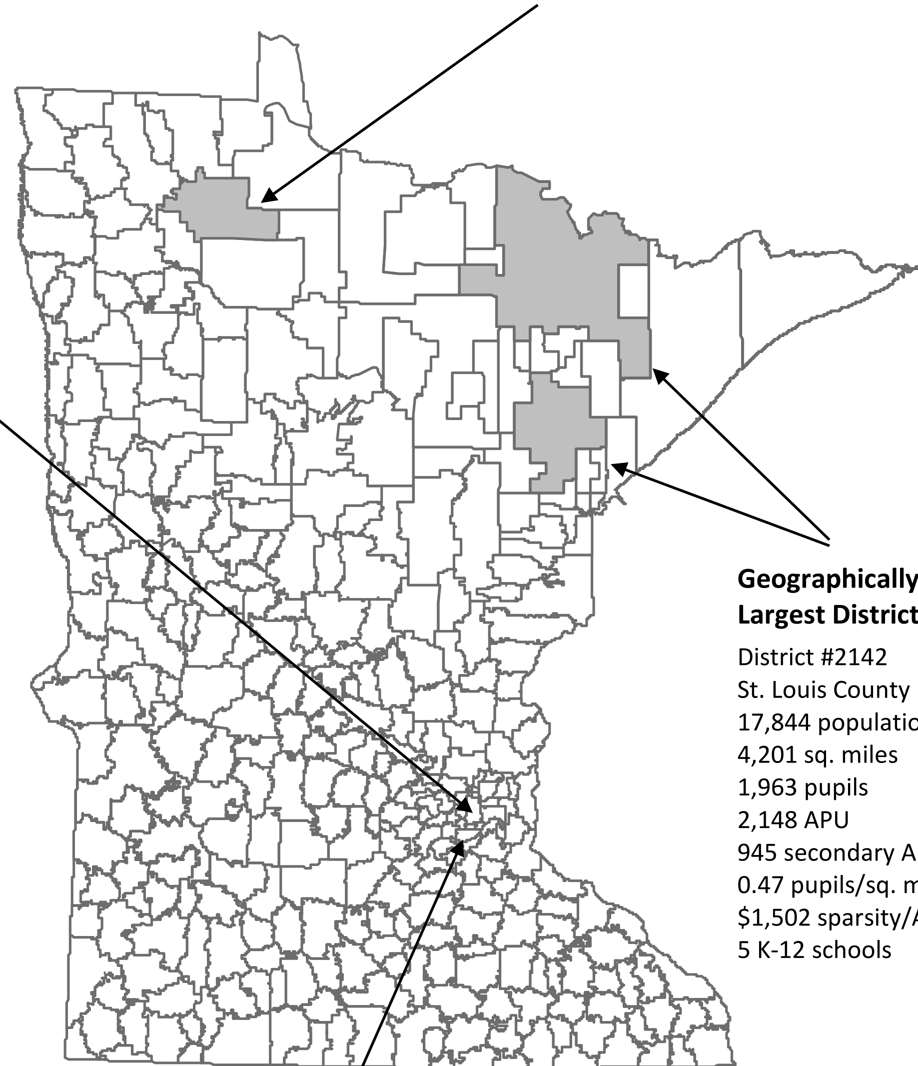
Fiscal Year 2021

Sparsest District

District #447
Grygla
1,024 population
810 sq. miles
141 pupils
155 APU
68 secondary ADM
0.17 pupils/sq. mile
$3,853 sparsity/APU
1 K-12 school

Geographically Smallest District

District #282
St. Anthony-New Brighton
9,846 population
2.59 sq. miles
1,810 pupils
2,002 APU
926 secondary ADM
696 pupils/sq. mile
$0 sparsity/APU
1 elementary school
1 middle school
1 high school



Geographically Largest District

District #2142
St. Louis County
17,844 population
4,201 sq. miles
1,963 pupils
2,148 APU
945 secondary ADM
0.47 pupils/sq. mile
$1,502 sparsity/APU
5 K-12 schools

Densest District

District #286
Brooklyn Center
8,228 population
2.7 sq. miles
2,322 pupils
2,570 APU
1,272 secondary ADM
860 pupils/sq. mile
$0 sparsity/APU
1 elementary school
1 middle school
1 secondary school

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Reserved Revenue

School districts are required to reserve a portion of their general education revenue for certain purposes. The reserved amounts and purposes are as follows.

Staff development. School districts must reserve 2 percent of their basic general education revenue ($131.34 per pupil unit for fiscal year 2021) for staff development purposes. A school board and its teacher union may mutually agree to waive this requirement. This staff development reserve was legislatively suspended for fiscal years 2004 and 2005 and was legislatively suspended again for fiscal years 2010 through 2013.

Class size reduction. A portion of each district's general education revenue must be reserved to reduce class sizes in the early elementary grades. The reserved revenue for class size reduction equals the sum of $299 times the number of kindergarten students (measured by adjusted average daily membership) and $459 times the adjusted average daily membership in grades 1 to 6.

The reserved revenue must be used to reduce kindergarten, and first through third grade class sizes to a ratio of 17 students to one classroom teacher. Once the district achieves a class size of 17:1 in grades kindergarten through 3, the district must use the remaining reserved revenue (if any) to reduce class sizes in subsequent elementary grades.

In fiscal year 2021, school districts are expected to reserve $196 million for class size reduction.

Table 15: Revenue Reserved for Class Size Reduction

Fiscal Year	Formula Allowance	Reserved Revenue
2021	$299 per pupil for K; $459 per pupil for 1-6	$196,517,000
2020	$299 per pupil for K; $459 per pupil for 1-6	196,792,000
2019	$299 per pupil for K; $459 per pupil for 1-6	200,829,000
2018	$299 per pupil for K; $459 per pupil for 1-6	200,476,000
2017	$299 per pupil for K; $459 per pupil for 1-6	198,831,000
2016	$299 per pupil for K; $459 per pupil for 1-6	199,159,000

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Operating capital revenue. For purposes of eligible operating capital expenditures (see page 29 for details), a district must reserve an amount equal to its operating capital revenue.

(Minn. Stat. §§ 122A.61; 126C.12)

Aid and Levy Calculations

School districts receive the vast majority of general education revenue from state aid payments (charter schools receive their general education revenue entirely in state aid). The mix of aid and levy is designed to equalize local tax burdens. A school finance program that provides the same amount of total revenue per pupil unit to each district and requires the same tax rate of local effort is said to be fully equalized. Under an equalized system, the higher a district's property wealth per pupil unit, the lower the amount of education aid the district receives from the state for that program and the higher the amount of revenue provided through the local district's property tax.

Student Achievement Levy. For four years only, beginning in fiscal year 2015 and ending in fiscal year 2018, a general education levy, called the student achievement levy, was reinstated. The levy was set as the adjusted net tax capacity rate required to raise $20 million statewide in the first three years and $10 million statewide in its last year (fiscal year 2018).

Operating Capital Levy and Aid. A district's operating capital is provided through an equalized aid and levy (for the decade prior to fiscal year 2005, the full amount of operating capital was provided through state aid). The operating capital equalizing factor has changed a fair amount in the last decade. This levy has often changed to balance out other levy changes in the annual K-12 bills. The equalizing factor equals $23,885 for fiscal year 2021, and $22,912, for fiscal year 2022 and later.

Equity Levy and Aid. A district's equity revenue is equalized on referendum market value using an equalizing factor of $510,000 (the same equalizing factor used for calculating the second tier of referendum revenue). This revenue is calculated and spread on referendum market value—so the levy is not spread on agricultural lands or seasonal recreational property. Prior to fiscal year 2005, a district's equity revenue was provided entirely in state aid.

Transition Levy and Aid. A district's transition revenue is equalized on referendum market value using an equalizing factor of $510,000.

Table 16: General Education Program Aid Entitlement and Levy

	Fiscal Year			
	2018	2019	2020	2021
Basic General Education				
Aid	$5,835,005,000	$6,004,329,000	$6,134,959,000	$6,307,155,000
Levy	9,674,000	0	0	0
Operating Capital				
Aid	135,843,000	148,060,000	143,276,000	141,012,000
Levy	77,615,000	67,486,000	72,562,000	76,491,000
Equity				
Aid	27,608,000	24,492,000	22,964,000	20,563,000
Levy	86,292,000	87,096,000	91,295,000	90,910,000
Transition				
Aid	6,257,000	6,284,000	5,362,000	4,700,000
Levy	23,755,000	23,861,000	24,491,000	25,091,000

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Referendum Revenue

The referendum revenue program, often referred to as the operating referendum levy or the excess levy referendum, is a mechanism that allows a school district to obtain voter approval to increase its revenue beyond the limits set in statute. Because of the exceptional growth in the referendum levy in the late 1980s and early 1990s, the legislature made several changes to the program including: equalizing a portion of the revenue; capping the total amount of per pupil revenue a district may have; limiting the length of time that new referendums may run; and requiring referendums approved after November 1, 1992, to be spread on referendum market value instead of tax capacity.

The 2001 Legislature reduced the referendum levy beginning in fiscal year 2003. Each district's referendum revenue was reduced by $415 per pupil unit. (A district with less than $415 per pupil in referendum authority lost the full amount of its authority.) At the same time the referendum was reduced, the basic formula allowance for all districts was increased by $415 per pupil unit. As a result, referendum revenue was reduced by approximately $200 million. Since that time, referendum revenue has increased substantially as a result of subsequent elections. The 2013 Legislature made a number of significant changes to referendum revenue beginning in fiscal year 2015. These changes included:

1) changing the allowance from an amount per resident pupil unit to an amount per adjusted pupil unit (the fiscal year 2015 conversion will keep the total dollar amount of authority the same);

2) allowing a district to implement the first $300 per pupil of referendum authority by board action;
3) creating a new category of revenue called location equity revenue and allowing a board to choose to convert referendum authority to location equity revenue;
4) dividing the equalization aid into three tiers and increasing the equalization of the first tier; and
5) modifying the referendum revenue cap and eliminating the grandfather cap.

The 2019 Legislature switched the first $300 per pupil (the board-approved amount) from operating referendum revenue to local optional revenue beginning in fiscal year 2021. This shift is revenue neutral but returns all referendum revenue to voter-approved authority.

(Minn. Stat. § 126C.17)

Referendum Revenue Cap. A school district eligible for sparsity revenue is not subject to a cap on referendum revenue. For other districts, for years prior to fiscal year 2015, a district's maximum total referendum allowance is limited to 26 percent of the formula allowance adjusted for inflation ($1,597 for fiscal year 2014). For those districts with authority from 1994 that were above the cap, their capped authority increased by 26 percent of the formula allowance or 17.7 percent less $215 (instead of the $415 subtraction that applies to other school districts, whichever is greater). For fiscal year 2015 and later, the referendum revenue cap is $1,845 adjusted for the roll-out of local optional revenue and annually adjusted for inflation ($1,780 for fiscal year 2021).

Referendum Revenue Equalization. For fiscal year 2021 and later, each district's referendum revenue consists of two equalized tiers. The first tier of equalization aid is the amount up to $460 per adjusted pupil. This amount carries an equalizing factor of $576,000 per pupil. Referendum revenue for fiscal year 2021 is computed in two tiers as follows:

Total Referendum Revenue = Adjusted Pupil Units x Referendum Allowance

Tier 1 Revenue = the lesser of:
(1) $460 per adjusted pupil unit; or
(2) the district's Total Referendum Revenue

Tier 1 Equalization Levy = Tier 1 Revenue x the lesser of:
(1) 1; or
(2) $\dfrac{\text{district referendum market value per pupil unit}}{\$576{,}000}$

Tier 1 Equalization Aid = Tier 1 Revenue – Tier 1 Equalized Levy

Tier 2 Revenue = (1) the lesser of:
(i) the district's referendum revenue; or
(ii) an amount equal to 25 percent of the basic formula allowance times the district's resident pupil units less,
(2) its tier 1 referendum revenue

$$\text{Tier 2 Equalization Levy} = \text{Tier 2 Revenue} \times \text{the lesser of: (1) 1; or (2) } \frac{\text{district's market value per pupil unit}}{\$290{,}000}$$

Tier 2 Equalization Aid = Tier 2 Revenue – Tier 2 Equalized Levy

Total Referendum Equalization Aid = Tier 1 Equalization Aid + Tier 2 Equalization Aid

Total Referendum Levy = Total Referendum Revenue – Total Referendum Equalization Aid

Referendum Tax Base Replacement Aid. Referendum tax base replacement aid was implemented by the 2001 Legislature as a mechanism designed to compensate school districts for the loss of agricultural land and cabin tax base. Tax base replacement aid is a frozen dollar amount based on fiscal year 2003 characteristics. Any referendum equalization aid earned by the school district is first offset by referendum tax base replacement aid. The remaining equalization aid, if any, is the amount used when computing the referendum aid accompanying charter schools and open enrollment pupils.

Election Requirements. A district's general levy can be increased with the approval of the voters at a referendum called by the school board. The election must be held during the November election only, unless the election is held by mail ballot or upon approval of the Commissioner of Education, if the district is in statutory operating debt. If the election is conducted by mail ballot, it must be in accordance with state election law, and each taxpayer must receive notice by first-class mail of the election and of the proposed tax increase at least 20 days before the referendum.

Referendum Market Value. Unlike most other school district levies, referendum levies are spread on referendum market value instead of net tax capacity. Referendum market value is the market value of all property within the school district with two exceptions. First, all seasonal recreational property (cabins) and farmland are excluded from referendum market value. Second, any property with a class rate of less than 1.0 percent is taxed at its market value times its class rate.

(Minn. Stat. § 126C.17)

Table 17: Referendum Revenue Allowances and Equalizing Factors

Fiscal Year	Referendum Cap Per Pupil	First-tier Allowance Per Pupil	First-tier Equalizing Factor	Second-tier Allowance Per Pupil	Second-tier Equalizing Factor	Third-tier Allowance Per Pupil	Third-tier Equalizing Factor
2021	$1,780	$460	$567,000	>$460	$290,000	NA	NA
2020	2,006	300	880,000	460	510,000	> $760	$290,000
2019	1,977	300	880,000	460	510,000	> 760	290,000
2018	1,934	300	880,000	460	510,000	> 760	290,000
2017	1,892	300	880,000	460	510,000	> 760	290,000
2016	1,857	300	880,000	460	510,000	> 760	290,000

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Table 18: Referendum Revenue Amounts

Fiscal Year	Referendum Aid Entitlement	Referendum Levy
2021	$36,909,000	$710,963,000
2020	132,269,000	800,990,000
2019	145,074,000	701,554,000
2018	149,545,000	625,149,000
2017	169,244,000	591,382,000
2016	157,100,000	517,070,000

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Permanent School Fund Income

The Permanent School Fund (PSF) of Minnesota consists of the proceeds of the lands granted to the state by the federal government for the use of schools, proceeds from swamplands granted to the state, and cash and investments credited to the fund. While much of the initial land granted to the state has been sold, the state Department of Natural Resources is responsible for managing about 2.5 million acres of school trust land. The net proceeds from the land management activities (timber sales, minerals activities, lease revenue, etc.) annually are added to the principal of the fund.

The state holds the land and accumulated revenues from the land in trust for the benefit of public schools in Minnesota. The State Board of Investment is responsible for investing the principal of the fund, subject to direction from the Constitution and the legislature. The interest and dividends arising from the fund are required by the Constitution to be distributed to the state's school districts according to the method described in statute.

Prior to fiscal year 2010, the earnings from the PSF were simply offset against each district's general education aid.

Beginning in 2010, the offset was eliminated and school districts began receiving income from the PSF as additional state aid. The aid payments are distributed to schools through a formula that provides two semiannual payments of aid to schools based on each school's count of pupils. The PSF payments to schools are based on pupils served, and payments go to both traditional school districts and charter schools.

Table 19: Permanent School Fund Endowment and Income

Fiscal Year	Endowment Fund Balance	Payment to Schools	Payment per pupil
2021*	$1,692,485,000	$41,651,000	$47.39
2020	1,621,486,000	39,090,000	45.04
2019	1,416,194,000	35,996,000	41.67
2018	1,391,420,000	32,822,000	38.36
2017	1,276,580,000	29,958,000	35.40
2016	1,219,441,000	27,763,000	33.06
* Estimated			

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(Minn. Stat. §§ 127A.30-127A.34; 126C.21, subd. 1)

Other General Fund Programs

Shared Time Foundation Aid. Districts receive a proportionate amount of general education aid for nonpublic school pupils who attend public school programs for part of the school day.

(Minn. Stat. §§ 126C.01, subds. 6-8; 126C.19)

County Apportionment Aid. General education aid is reduced by an amount equal to the district's share of county apportionment funds (miscellaneous fines and fees, collected by counties and apportioned to school districts).

(Minn. Stat. §§ 127A.34; 126C.21, subd. 3)

School Transportation

School Transportation Background

The 1995 Legislature made substantial changes to the pupil transportation funding programs. Categorical funding programs were replaced with an across-the-board increase in the general education formula allowance of $170 per pupil unit, and the remaining categorical transportation formulas were reduced in size and scope.

The previous categorical pupil transportation funding formulas provided varying amounts of revenue for each of three different categories of transportation services: regular services, nonregular services, and excess cost services. As a result, the distinction between required pupil transportation services (state-mandated services) and authorized pupil transportation services, where additional funding was generated if the service was provided, was somewhat blurred. The 1995 legislative changes attempted to clarify the state mandate as well as eliminate a series of formulas that were seen by some as creating disincentives for cost efficiency in pupil transportation.

A school district may provide pupil transportation services by operating its own fleet of school buses, contracting with a private vendor of transportation services, or mixing district-operated and contracted services.

Required Transportation

The state's basic pupil transportation mandate requires a school board to provide transportation to and from school, or to provide board and lodging for all pupils (regardless of age) who live **two** miles or more from schools. A school board is required to provide equal transportation for nonpublic school children (a more detailed description of nonpublic pupil transportation can be found on page 101).

A school board is also required to:

- provide certain transportation services for disabled children;
- provide transportation for a nonresident open enrollment pupil from the nonresident (serving) district's border to the school attended; and
- provide transportation services for resident pupils attending a charter school that is located within the district if the charter school has declined to provide transportation services to its students.

The statute grants school boards sole discretion, control, and management over:

- scheduling of routes;
- establishing location of bus stops;
- manner and method of transportation;
- control and discipline of school children; and

- "any other matter related thereto."

(Minn. Stat. §§ 124D.03, subd. 8; 124D.10, subd. 16; 123B.84-123B.88)

Fees for Transportation Services

A school district may charge fees for some but not all transportation services in accordance with the state's general fee policy regarding public school education. Several categories of fees for transportation services are specifically authorized, and fees are specifically prohibited for certain other services.

A school district may charge a fee for:

- transportation to and from extracurricular activities, where attendance is optional;
- transportation of pupils to and from school for pupils living within two miles from school as well as all other transportation services not required by law, if a district charging fees for transportation of pupils establishes guidelines to ensure that no pupil is denied transportation solely because of inability to pay; and
- transportation to and from postsecondary institutions for pupils enrolled under the postsecondary enrollment options program under section 123B.88, subdivision 22. Fees collected for this service must be reasonable and must be used to reduce the cost of operating the route. Families who qualify for mileage reimbursement under section 124D.09, subdivision 22, may use their state mileage reimbursement to pay this fee.

A school board may waive any fee if any pupil or the pupil's parent or guardian is unable to pay it.

A school district is prohibited from charging a fee for:

- field trips that are required as a part of a basic education program or course; and
- transportation to and from school for pupils living two miles or more from school.

(Minn. Stat. §§ 123B.34-123B.37)

Capital Finance

School districts must finance both ongoing capital needs, such as equipment purchases, repairs, and maintenance, as well as major building construction projects. Major building projects are usually financed at the local level, often with the assistance of state-paid debt service equalization aid. Districts borrow money through the sale of bonds and levy an annual tax to repay the money over a period of years. Smaller remodeling projects, equipment purchases, and other ongoing capital needs are normally financed by capital revenue programs.

Beginning with the 1996-97 school year, two of the largest capital funding formulas—the equipment formula and the facilities formula—were moved from the capital fund to a reserved account in the general fund. The purpose of this change was to allow districts greater discretion in the use of operating money for capital needs. The new formulas, named operating capital revenue, are a component of the general education revenue program. School districts may now use general fund operating revenue for capital programs, but operating capital revenue must be used for specified capital purposes and may not be used for general operating purposes.

This section explains the financing methods available to districts to obtain funds for ongoing capital needs and major construction projects.

Review and Comment on Construction Projects. When a new school building is constructed or when an existing facility is substantially remodeled, a district incurs a substantial financial obligation that must be met immediately. School districts issue bonds to obtain the funds necessary to pay the contractors. The district then pays back the bonds over a period of years with money raised from the debt service levy and any debt service aid received from the state. Because of the importance and cost of major construction projects, the Department of Education provides a review and comment on each major project. Any project that requires an expenditure of more than $2,000,000, except for certain deferred maintenance projects, must be submitted by the district to the commissioner for review and comment, unless the school district has an outstanding capital loan, in which case the project must be submitted for review and comment for any expenditure in excess of $500,000.

The commissioner may give the project a positive, unfavorable, or negative review and comment. If the project receives a positive review and comment, the district may hold a referendum to authorize the sale of bonds; upon approval of a simple majority of the voters, the project may proceed. If the commissioner submits an unfavorable review and comment, the local school board must reconsider the project. If the local school board decides to continue with the project, the referendum to authorize the sale of bonds must receive the approval of at least 60 percent of the voters. If the commissioner submits a negative review and comment, the school board cannot proceed with the project.

The findings of the commissioner's review and comment must be published in the legal newspaper of the district prior to a referendum on the construction project.

(Minn. Stat. §§ 123B.70; 123B.71)

Debt Service Revenue

Minnesota's local school districts have generally financed the construction of new school buildings through the sale of bonds. The bonds are repaid with revenue raised from the local district's property tax receipts. The total amount of building bonds issued by the district determines the yearly debt service that the district must pay; and the amount of bonds issued is, of course, directly related to the district's building needs. The tax rate that the district levies in order to make its debt service payments depends both on the amount of debt and the size of the district's property tax base. The larger the debt, and the smaller the property tax base, the greater the district's tax rate for debt service needs.

Debt Service Equalization Aid

The debt service equalization aid program provides state aid to local school districts to help repay the bonds issued to finance construction. The amount of a school district's debt service that the state will pay depends on two factors: the district's total amount of annual debt service and the district's taxable property tax base (net tax capacity) per pupil.

Debt service equalization aid is available for a school district's qualifying debt service. Debt service amounts that qualify for debt equalization are general debt service amounts for land acquisition, construction costs, and capital energy loans. Net debt is the sum of these amounts reduced by any excess balance that the district has in its debt redemption account and must be for facilities that:

- receive a positive review and comment from the Commissioner of Education;
- are comparable in size and quality to facilities in other districts; and
- have been reviewed by all neighboring school districts.

The debt service revenue is divided into tiers. The first tier applies to the portion of a school district's debt that is below 15.74 percent of the district's adjusted net tax capacity. The first tier must be provided entirely through the local levy. The second tier applies to the portion of debt revenue between 15.74 percent and 26.24 percent of adjusted net tax capacity. This tier is equalized at a relatively low level. The remaining debt revenue makes up the third tier.

The equalizing factors for each of the tiers are as follows:

Table 20: Debt Service Equalizing Factors

Fiscal Year	1st Tier	2nd Tier Greater of $4,430 or 55.33% of average tax base per pupil	3rd Tier Greater of $8,000 or 100% of average tax base per pupil
2021	Unequalized	$5,060	$9,146
2020	Unequalized	4,814	8,700
2019	Unequalized	4,598	8,311
2018	Unequalized	4,430	8,003
2017	Unequalized	4,430	8,000
2016	Unequalized	3,400	8,000

House Research Department

The following example shows the calculation of debt service equalization aid for a hypothetical district for fiscal year 2021.

Table 21: Debt Service Equalization Aid Calculation for a Hypothetical District

a	Debt revenue (amount needed to repay bonds)		$6,000,000
b	Initial unequalized tax rate	(a)/(d)	30.0%
c	Pupil units used for debt calculation		5,000
d	Tax base (adjusted net tax capacity)		$20,000,000
e	Tax base/per pupil unit	(d)/(c)	$4,000
f	Regular equalizing factor for FY 21		$5,060
g	Enhanced equalizing factor for FY 21		$9,146
h	Tier 1: 15.74% paid locally	(d) x .1574	$3,148,000
	Tier 2: 15.74% to 26.24% equalized at $4,814		
i	Debt revenue in this category	(d) x .105	$2,100,000
j	Aid percentage	1 – (k)	20.95%
k	Levy percentage	(e)/(f)	75.05%
l	First-tier aid	(j) x (i)	$439,950
m	First-tier levy	(k) x (i)	$1,660,050
o	Tier 3: Remaining debt above 26.24% at enhanced rate	(a) – ((h) + (i))	$752,000
p	Aid percentage	1 – (q)	56.26%
q	Levy percentage	(e)/(g)	43.74%
r	Second-tier aid	(p) x (o)	$328,887
s	Second-tier levy	(q) x (o)	$423,113

t	Total annual aid	(l) + (r)	$63,063
u	Total annual levy	(a) – (t)	$5,136,937
v	Total equalized tax rate	(u)/(d)	25.68%
w	Percent of debt revenue from state	(t)/(a)	14.38%

House Research Department

(Minn. Stat. §§ 123B.53; 123B.55)

Natural Disaster Debt Service Equalization

For fiscal year 2017 and later, a school district that has sustained more than $500,000 in damage to its facilities because of a natural disaster is eligible for enhanced debt service equalization. All facilities debt service in excess of 10 percent of ANTC is equalized at 300 percent of the statewide average amount of ANTC per pupil (currently estimated at $26,100). Currently, only two school districts (Rushford-Peterson and Moose Lake) qualify for debt equalization aid under this program.

(Minn. Stat. § 123B.535)

Table 22: Total Statewide Debt Service Amounts; Regular and Enhanced Equalization Aid

School Year	Debt Service Aid Entitlement	Net Debt Service Fund Levy Certified
2020-21	$25,398,000	$1,107,409,000
2019-20	20,684,000	998,302,000
2018-19	22,920,000	916,368,000
2017-18	25,092,000	840,765,000
2016-17	23,244,000	847,542,000

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School Building Bond Agricultural Credit

The 2017 Legislature created a new tax credit to reduce the property tax impact of school building projects on agricultural properties. Beginning with school taxes payable in 2018, the school building bond agricultural credit reduces the school taxes paid by agricultural property. The credit applies to existing debt levies and to debt levies attributable to any newly authorized school bond issues.

The tax credit applies to all property classified as agricultural (identified as class 2a, 2b, and 2c, property under Minnesota Statutes, section 273.13, subdivision 23) excluding the house, garage, and surrounding one acre of land of an agricultural homestead. The credit began with taxes payable in 2018, equal to 40 percent of the tax on the property attributable to school district bonded debt levies. This percentage remained for taxes payable in 2019. The legislature increased the percentage to 50 percent for taxes payable in 2020, 55 percent for 2021, 60 percent for 2022, and 70 percent for taxes payable in 2023 and later.

As with other property tax credits, the state replaces the local levy lost through the credit to the school district with state aid through an open and standing appropriation.

Table 23: School Building Bond Agricultural Credit

Fiscal Year	Ag Credit Entitlement	Total Est. School Debt	Initial % of Debt Levy Paid by Ag Lands	Ag Credit Percent
2021*	$57,815,000	$1,107,419,000	9.8%	50%
2020	40,137,000	998,123,000	10.1	40
2019	39,447,000	889,935,000	11.1	40
* Estimated				

House Research Department

(Minn. Stat. §§ 273.1387; 273.1392)

Capital Project Referendum

A school district may conduct an election to approve funds for certain capital projects. (This program was formerly called the Down Payment Levy.) When approved by a voter referendum, school districts may levy for no more than ten years the amount authorized for a down payment on future construction costs or for specific capital projects. Proceeds of the levy must be placed in a special account and used only for the approved purposes, which include facilities repairs and equipment purchases.

(Minn. Stat. § 123B.63)

Table 24: Capital Project Levy

Fiscal Year	Capital Project Levy Certified	Number of Districts
2021	$121,354,000	53
2020	113,308,000	51
2019	98,847,000	51
2018	91,190,000	48
2017	85,123,000	47
2016	65,830,000	40

House Research Department

Maximum Effort School Aid Law

Some districts find it difficult or impossible to finance construction projects through conventional bond sales because the district property tax base is too small. These districts can qualify for state assistance under the Maximum Effort School Aid Law. Under this program, the state borrows money via bond sales and lends it to qualifying school districts on favorable terms. Two types of loans are available: **capital loans** (for new construction projects) and **debt service loans** (to reduce the amount that districts must levy for debt service on completed projects). Qualifying districts can obtain either or both types of loans. A district is eligible for a capital loan only if its net debt tax rate, after any state-paid debt service equalization aid, is more than 33.59 percent of ANTC.

(Minn. Stat. §§ 126C.62-126C.72)

Capital Loans. The process to obtain a capital loan follows.

1) A school district that intends to apply for a capital loan must submit the project proposal to the Commissioner of Education for review and comment by July 1. Capital loans may not be used to pay for swimming pools, ice arenas, athletic facilities, day care centers, bus garages, or heating system improvements.
2) The commissioner must prepare a review and comment of the proposed project. In order to grant a positive review and comment, the commissioner must determine that all of the following conditions have been met:
   - no adequate facilities currently exist
   - no form of cooperation with other districts would provide the needed facilities
   - the facilities are comparable to facilities recently constructed in other districts of similar enrollment
   - the facilities are comparable to facilities recently constructed in other districts that are financed without a capital loan
   - the district is projected to have adequate funds to support a quality education program during the next five years
   - the current facility poses a health and safety threat and cannot be brought into compliance with code
   - the district has made an effort to adequately maintain the existing facility
   - the district has shared its plans and received comments from neighboring school districts
3) The school board of a district that wants a capital loan must adopt a resolution that describes the project and submit an application for a capital loan to the commissioner by November 1.
4) The commissioner makes a recommendation for each capital loan to the education committees of the legislature by February 1.
5) Each capital loan must be approved in law.
6) A district must conduct a successful referendum on the project before February 1.

If the capital loan is approved, the district must issue bonds up to the amount of: (1) the district's net debt limit, as defined in Minnesota Statutes, section 475.53, or (2) 637 percent of ANTC, whichever is less. The amount of the capital loan the district is eligible for is the difference between the total cost of the project and the amount of the local bond issue.

The district's repayment of the loan is determined by one of several formulas, depending upon when the loan was obtained. For districts obtaining loans approved by the commissioner after January 1, 1990, the district must levy the greater of:

1) 29.39 percent of ANTC; or
2) the amount needed to pay the annual principal and interest on the local bond issue.

In any year, if 29.39 percent of ANTC is the greater amount, the difference between (1) and (2) is applied to repayment of the state loan. If the amount needed for local debt service is the greater amount, no payment is required on the state loan in that year. Maximum effort capital loans are forgiven if they are not paid within 50 years of issue.

Early Repayment. A special law that passed in 2011 and was amended in 2016 allows school districts with outstanding maximum effort capital loans to refinance those loans and pay back only the outstanding principal amount to the state. Any outstanding interest is then forgiven. The law initially only applied to school districts that received maximum effort capital loans prior to January 1, 1997, and required the districts to refinance the loan and repay the outstanding principal on the capital loan to the state prior to July 1, 2012. Six districts took advantage of this opportunity and repaid $42.3 million to the state; those same districts had a total of $73.6 million of outstanding interest forgiven (note that some of these districts would have had their outstanding interest forgiven at the end of the loan period under the general law).

In 2016, the legislature extended the early repayment offer to school districts with outstanding maximum effort capital loan balances for loans issued prior to January 1, 2007. Because the legislation also eliminated the authority for all maximum effort school districts to issue one-day bonds, it is expected that most of the remaining capital loan districts will refinance their existing debt and repay the outstanding loan principal owed to the state. The legislation contains a new replacement aid of $2.2 million per year for five years to compensate some of the maximum effort capital loan districts for a portion of the expected foregone revenue from one-day bond sales.

Debt Service Loans. Districts in which the levy required to make debt service payments on local bond issues exceeds 29.39 percent of ANTC by 10 percent, or by $5,000, can obtain a debt service loan from the state. This is a loan to reduce the magnitude of the debt service levy that must be collected. The amount of the loan can be up to the amount of the difference between the required debt service levy and 29.39 percent of ANTC. However, the debt service loan amount cannot exceed 1 percent of the district's outstanding bonded debt.

Debt service loans are repaid in the same fashion as capital loans. Districts must levy at least 29.39 percent of ANTC; if this amount exceeds the amount that the district must levy for debt service on its bonds, the difference is used to repay the state loan.

Funding. Capital loans and debt service loans are initially funded by the sale of state bonds. In addition to the bond proceeds, supplemental appropriations by the legislature are often necessary to make principal and interest payments because repayments of loans by districts occur at a slower rate than that needed to meet the state's obligations to its bondholders.

Table 25: Maximum Effort Bond Sales

-Most Recent Bond Sales Approved

Year Authorized	Amount of Bonds Authorized
2018	$14,000,000
2014	5,491,000
2006	10,700,000
2005	18,000,000
2002	12,400,000
2001	19,000,000

House Research Department

Bonds for Certain Capital Facilities

A district may issue general obligation bonds without voter approval for certain capital projects. The bonds must be repaid within 15 years of issuance with the district's annual operating capital revenue.

(Minn. Stat. § 123B.62, subd. 9)

Long-Term Facilities Maintenance Revenue

The 2015 Legislature created a new program to support facilities maintenance needs for school districts, charter schools, and cooperatives, including intermediate school districts. The program, Long-Term Facilities Maintenance Revenue, is a per pupil, formula-driven revenue source that replaces health and safety revenue, alternative facilities revenue, and deferred maintenance revenue beginning with the 2016-17 school year.

Qualifications and Revenue Uses

To qualify for Long-Term Facilities Maintenance Revenue (LTFMR), a school district or cooperative unit must develop a ten-year facilities plan and submit that plan to the Commissioner of Education. The plan must be updated annually, and every two years the updated plan must be forwarded to the Commissioner of Education. LTFMR must be reserved and may only be used for deferred maintenance projects, increasing facility accessibility, and health and safety purposes. LTFMR may not be used for the construction of new facilities, for the purchase of portable classrooms, to finance lease purchase agreements, for energy-efficiency projects, or for violence prevention and facility security, ergonomics, or emergency communications devices.

A district may sell and issue general obligation bonds without voter approval to fund qualifying LFTMR projects and may use the annual revenue received under the program to repay the bonds.

Revenue Calculation

LTFMR is primarily provided through a per pupil allowance. For school districts, for fiscal year 2019 and later, the per pupil allowance is $380. To determine the initial revenue, multiply: (i) the district's pupil units; (ii) the allowance for that year; and (iii) the lesser of one, or the ratio of the district's average building age to 35.

A school district may add to its per pupil amount the costs for health and safety for indoor air quality projects, asbestos abatement projects, and fire alarm and suppression where the cost of any of these projects at any site exceeds $100,000. If this amount is less than the amount the district would have received under the former alternative facilities and health and safety formulas, the district is grandfathered in at the higher level of revenue. Districts may add to their revenue amount the proportional share of any qualifying costs allocated from any cooperatives to which the district belongs.

For charter schools, the per pupil allowance is $132 for fiscal year 2019 and later. A charter school's LTFMR is provided entirely in state aid. A charter school is not required to submit a ten-year plan in order to receive LTFMR.

Equalized Long-Term Facilities Maintenance Revenue, Levy, and Aid

A school district's equalized alternative facilities revenue equals the lesser of the per pupil formula amount for that year or the actual amount of the initial revenue.

Equalized Revenue for FY 21	=	lesser of:	(1) initial LTFMR,	or
			(2) $380 x pupil units	

Equalized Levy = Initial Revenue	–	greater of:	(1) the lesser of:	(a) the initial revenue, or
				(b) the district's alternative facilities aid for FY 15; or
			(2) equalized revenue x the greater of:	
				(a) zero, or
				(b) $\frac{\text{district ANTC/pupil unit}}{1.23 \times (\text{statewide ANTC/pupil unit})}$

Equalized Aid	=	Equalized Revenue	–	Equalized Levy

Total LTFMR Levy = Equalized Levy + Unequalized Levy

The calculation of the equalized levy is made in such a way that no district will receive less aid under the LTFMR program than it formerly received under the alternative facilities program.

Table 26: Long-Term Facilities Maintenance Revenue; Appropriation and Levy

Fiscal Year	LTFM General Fund Aid	LTFM General Fund Equalized Levy	LTFM General Fund Unequalized Levy	LTFM Bond Fund Aid	Net LTFM Bond Fund Levy	Total
2021	$107,820,000	$120,679,000	$119,782,000	$45,127,000	$179,670,000	$573,078,000
2020	104,391,000	129,133,000	110,673,000	41,430,000	143,072,000	528,699,000
2019	102,823,000	135,020,000	99,393,000	38,308,000	131,919,000	507,463,000
2018	80,238,000	102,579,000	110,428,000	33,534,000	122,550,000	449,329,000
2017	58,150,000	65,548,000	98,282,000	29,167,000	106,315,000	357,462,000

House Research Department

(Minn. Stat. § 123B.595)

Disabled Access and Fire Safety Levy

A district that has insufficient money in its capital expenditure fund to either remove architectural access barriers from a building, or to make fire safety modifications required by the fire inspector, may submit an application to the commissioner for approval of levy authority of up to $300,000 spread over an eight-year period. For disabled access projects, the commissioner shall develop criteria to determine the cost effectiveness of removing barriers in consultation with the council on disabilities. The commissioner shall approve or disapprove an application within 60 days of receiving it. While most districts have used their full authority under this program, 38 districts have the full remaining levy authority as these districts have not yet started to levy under the program.

The state has also provided state bond proceeds to help small school districts remove accessibility barriers: $1 million was approved in 1993, $4 million was approved in 1994, $2 million was approved in 1996, and $1 million was approved in 1998.

(Minn. Stat. § 123B.58)

Building Lease Levy

The leased facilities levy authority allows districts to levy to pay rent on leased facilities. The levy authority has been modified many times in the last two decades. The allowable purposes of the levy were narrowed and then expanded. Currently, upon the commissioner's approval, districts may levy for leased facilities when the leased facility would be economically advantageous. The lease levy must not exceed the lesser of the lease costs or $212 per pupil unit, except that a school district that is a member of an intermediate school district may levy an additional $65 per pupil unit for space in intermediate facilities. The facilities must be used for instructional purposes.

(Minn. Stat. § 126C.40, subds. 1, 2, and 6)

Table 27: Building Lease Levy Amounts

Fiscal Year	Total Levy
2021	$85,868,000
2020	84,989,000
2019	80,849,000
2018	75,257,000
2017	71,884,000
2016	65,149,000

House Research Department

Telecommunications/Internet Access Aid

School districts, charter schools, and nonpublic schools are eligible for state aid to pay for a portion of their telecommunications and Internet access costs. The telecommunications/Internet access aid program grants school districts and charter schools that belong to a telecommunication cluster state aid equal to 90 percent of the schools' unreimbursed telecommunications costs; if the district or charter school is not a member of a telecommunications cluster, the aid equals 90 percent of the unreimbursed cost exceeding $15 per pupil unit.

School districts are required to provide telecommunications and Internet access to nonpublic schools (excluding a homeschool) located within the district's boundaries through a reimbursement equal to 90 percent of the nonpublic school's unreimbursed costs exceeding $10 per pupil unit. The school district receives additional telecommunications/Internet access aid from the state for this purpose.

In order to qualify for the aid, school districts and charter schools must submit their actual telecommunications and Internet access costs to the Commissioner of Education and file applications for federal Internet funds (commonly referred to as e-rate funds). The aid amount is prorated to the state appropriations cap, which substantially reduces each school district's aid payment.

Table 28: Telecommunications/Internet Access Aid

Fiscal Year	Aid
2021	$3,750,000
2020	3,750,000
2019	3,750,000
2018	3,750,000
2017	3,750,000
2016	3,750,000

House Research Department

(Minn. Stat. § 125B.26)

Special Education

Special Education Mandate

Local school districts are required by state law to provide appropriate and necessary special education to children with disabilities from birth through 21 years of age. Children with disabilities are defined in statute to include children who have a hearing impairment, visual disability, speech or language impairment, physical disability, mental disability, emotional/behavioral disorder, specific learning disability, deaf/blind disability, or other health impairment. The definition of a child with a disability also includes every child under age five who needs special instruction and services, as determined by state standards, because the child has a substantial delay or an identifiable and known physical or mental condition. The mandate for service does not include pupils with short-term or temporary physical or emotional disabilities.

Special instruction and services for children with disabilities must be based on the assessment and individualized education program (IEP). The statutes and rules specify school district responsibilities for program decisions for children with disabilities and for the education of children who are placed outside the district where their parents reside. Districts are required to provide special education on a shared time basis to pupils enrolled in nonpublic schools.

A total of 152,016 students, or 17.2 percent, receive some special education services.[4]

(Minn. Stat. §§ 125A.01-125A.03; 125A.08)

Table 29: Special Education Unduplicated Child Count by Disability Category (All Ages) as of December 1, 2019

Category	Count
Speech Language Impaired	23,462
Developmentally Cognitive Disability, Mild-Moderate	5,367
Developmentally Cognitive Disability, Severe-Profound	1,888
Severely Multiple Impaired	1,603
Physically Impaired	1,636
Hearing Impaired	2,554
Blind/Visually Impaired	512
Specific Learning Disabilities	35,072
Emotional Behavior Disorder	17,329
Deaf/Blind	126

[4] This percentage is based on the December 2019 unduplicated child count (birth through age 21) conducted by the Department of Education.

Category	Count
Other Health Impaired	20,434
Autism Spectrum Disorder	21,528
Traumatic Brain Injury	453
Early Childhood/Developmentally Delayed	20,052
Total	**152,016**
Source: Minnesota Department of Education	

House Research Department

Special Education Funding Formulas

School districts receive state aid and some federal aid to pay for special education services. If these funds are insufficient to pay for the costs of the programs, districts must use other general fund revenue.

(Minn. Stat. §§ 125A.75-125A.79)

Special Education Revenue

Minnesota's special education formula is a multistep hybrid formula. The formula combines a cost-reimbursement formula with a modified "census style" of funding, provides a floor of funding based on fiscal year 2016 funding amounts, and authorizes serving school districts and charter schools to bill a portion of their unfunded special education costs attributable to nonresident students back to the student's resident school district. The partial costs are based on the salaries paid to special education teachers and other essential personnel. The census amounts are set in statute and provide differing levels of reimbursement based on the district's characteristics and the students' category of disability.

Initial Aid. For fiscal year 2021 and later, a district's initial special education revenue is the sum of its special education-related pupil transportation services, and the least of:

1) 50 percent of the district's nonfederal expenditures for the previous year, including fringe benefits;
2) 62 percent of the district's special education expenditures under the old special education formulas, which excluded fringe benefits; or
3) 56 percent of the sum of:
   a) the district's average daily membership times the sum of:
      i. $460;
      ii. $405 times the district's percent eligible for free and reduced-price meals; and
      iii. .008 times the district's average daily membership;
   b) $13,300 times the count of students with autism spectrum disorder, developmental delay, or severely multiply impaired;

c) $19,100 times the count of students who are deaf/hard of hearing or have an emotional behavioral disorder; and
d) $25,200 times the count of students who are developmentally cognitive mild-moderate, developmentally cognitive severe-profound, physically impaired, visually impaired, or deafblind.

Excess Cost Aid. Excess cost aid provides additional special education funding for districts that have extremely high levels of unreimbursed special education expenses. A district's special education excess cost aid equals the greater of: (1) 56 percent of the difference between the district's unreimbursed nonfederal special education expenditures and 7.0 percent of the district's general revenue; or (2) 62 percent of the difference between the district's unreimbursed "old formula" special education expenditures and 2.5 percent of the district's general revenue.

Tuition adjustments. State and federal special education revenue amounts are insufficient to cover school district special education costs. Under Minnesota's special education formulas, charter schools and school districts charge back to the student's resident school district a portion of the unreimbursed special education costs. This amount is called the "tuition adjustment." For fiscal year 2021 and later, 80 percent of the unreimbursed special education costs are billed back to the resident district. For charter schools only, for fiscal years 2021 and later, the state will pay 10 percent of the charter school's unreimbursed costs.

Cross Subsidy Aid. A school district's special education cross subsidy is the difference between the amount the district spends on qualifying special education services and the sum of the state and federal special education revenue and the general education revenue generated by special education students served primarily outside of the regular classroom for that year. For fiscal year 2021 and later, a school district's special education cross subsidy aid equals 6.43 percent of its cross subsidy for the previous fiscal year.

Special Education Aid. A district's special education aid is the sum of its initial aid, excess cost aid, and tuition adjustments all constrained by the special education limits. This amount is then increased by the amount of the district's cross subsidy aid.

Special Education Aid Limits. A district's initial special education aid, excess cost aid, and tuition adjustments are subject to several caps and floors. First, for fiscal year 2021, the special education aid cannot exceed the greater of: (1) 56 percent of the district's nonfederal special education expenditures plus 100 percent of its special education transportation costs plus its current year tuition adjustment; or (2) the sum of its 2016 special education revenue adjusted for changes in enrollment and adjusted by 4.6 percent per year since 2016, plus $220 times its average daily membership. Further, the district's special education aid cannot be less than the lesser of: (1) 90 percent of its nonfederal special education expenditures, plus 100 percent of its special education transportation costs, plus its current year tuition adjustment; or (2) its 2016 special education revenue adjusted for changes in enrollment and adjusted by 4.6 percent per year since 2016. In subsequent fiscal years, the maximum and minimum caps are narrowed. This has the effect of pulling school districts more consistently toward 56 percent of each district's nonfederal special education expenditures (plus the special education transportation costs).

(Minn. Stat. §§ 125A.76-125A.79)

Home-based Travel Aid

The state pays 50 percent of the expenditures on necessary travel of essential personnel to provide home-based services to children with a disability who are under five years old.

Aid for Children with Disabilities (Special Pupil Aid)

Some disabled children don't have a resident district because their parents' rights have been terminated, or their custodial parent or guardian lives outside Minnesota or is an inmate or resident of a state correctional facility. In these cases, the state pays to the serving school district 100 percent of the costs of instruction and services, less the general education basic revenue allowance and any other aid earned on their behalf.

Court-placed Special Education Revenue

When a school district serves a child from another state who was placed by a court in Minnesota and when the school district responsible for providing services for that student is unable to collect tuition from the resident state or school district, the school district may request reimbursement from the state for the unreimbursed special education costs.

Out-of-State Tuition for Special Education Students

When a court places a Minnesota child in a care and treatment facility in another state and when the resident school district receives a bill for services from the out-of-state provider, the Minnesota district may seek reimbursement for the unfunded services.

Table 30: Special Education Appropriations

Fiscal Year	Regular Special Education Aid	Home-based Services Travel Aid	Special Pupil Aid	Court-placed Aid	Out-of-State Tuition
2021	$1,747,701,000	$467,000	$1,267,000	$23,000	$250,000
2020	1,600,033,000	448,000	1,109,000	0	250,000
2019	1,513,013,000	404,000	1,217,000	30,000	250,000
2018	1,342,297,000	382,000	1,118,000	0	250,000
2017	1,247,107,000	435,000	1,516,000	48,000	250,000
2016	1,183,807,000	422,000	1,307,000	47,000	250,000

House Research Department

American Indian Programs

Minnesota has a variety of programs in place to provide funds for American Indian education programs.

American Indian Education Aid

The 2015 Legislature changed the American Indian education grants program into an aid program directed to all school districts, charter schools, and tribal contract schools operating an American Indian education program and serving more than 20 American Indian students. This aid replaces the Success for the Future program, increasing the funding from $2.1 million to more than $9 million per year.

To qualify for aid, the qualifying school must develop and submit a plan to the Indian education director at the Minnesota Department of Education. American Indian education aid equals the greater of the district's previous grant amount under the American Indian education grant program or the sum of $20,000 plus $358 for the 21st and each subsequent enrolled American Indian student. For fiscal year 2021, 143 school districts, four tribal schools, and 15 charter schools qualify for aid.

(Minn. Stat. § 124D.81)

American Indian Teacher Preparation Grants

The Commissioner of Education makes joint grants to pairs of school districts and postsecondary institutions to assist American Indian people in becoming teachers. Grants are statutorily prescribed to: University of Minnesota at Duluth and the Duluth school district; Bemidji State University and the Red Lake school district; Moorhead State University and a school district within the White Earth Reservation; and Augsburg College and the Minneapolis and St. Paul school districts. Grant money may be used for programs, student scholarships, and student loans.

(Minn. Stat. § 122A.63)

Tribal Contract School Aid

The Bureau of Indian Education (BIE) oversees tribal contract K-12 schools and tribal colleges and universities and is part of the federal Department of the Interior. The BIE provides federal funding for Minnesota's four K-12 tribal contract schools including: Bug-O-Nay-Ge-Shig School in Bena (Leech Lake Tribe); Circle of Life School in White Earth (White Earth Tribe); Fond du Lac Ojibwe School in Cloquet (Fond du Lac Tribe); and Nay-Ah-Shing School in Onamia (Mille Lacs Tribe). These schools are located on reservations, operated by the tribes, and are designed to provide Indian students with educational services that are responsive to the needs and desires of the Indian communities.

Minnesota pays a supplementary state school aid, called Tribal Contract School Aid, to the four tribal contract schools. The tribal contract schools must comply with Minnesota's education statutes, and state aid must supplement, not replace, funds provided by the federal government. The state aid is for operating purposes.

The Tribal Contract School Aid provides education aid based on the district's pupil count, after offsetting the federal aid received by the school. Tribal Contract School Aid is calculated as follows:

1) Add the sum of: (i) the product of the general education formula allowance and the school's weighted average daily membership (WADM); and (ii) the school's compensatory revenue;
2) Subtract from (1) the amount of federal money allocated through the Indian School Equalization Program
3) Divide the result in (2) by the school's Weighted Average Daily Membership (WADM);
4) Multiply the school's combined weighted pupil count (pupils plus free or reduced lunch eligible pupil units) by the lesser of (3) 51.17% of the basic formula allowance ($3,360 for fiscal year 2021).

Tribal contract schools that receive state aid are also eligible for early childhood family education revenue. The revenue equals 1.5 times the statewide average expenditure per ECFE participant times the number of tribal contract school participants (children and adults).

(Minn. Stat. § 124D.83)

Table 31: Tribal Contract School Estimated Enrollment and Initial Estimated Aid Entitlement for FY 21

School Name/#	Bug-O-Nay-Ge-Shig School (#1115)	Fond Du Lac Ojibwe School (#1094)*	Circle of Life Survival School (#1435)	Nay Ah Shing School (#1480)	Statewide Totals
Avg. Daily Membership (ADM)	181	183	212	192	768
Grade-weighted ADM	198	197	233	202	830
Free/Reduced Lunch pupil units	76	100	87	0	263
Total funding pupil units	273	297	320	202	1,093
Est. Federal Funds Indian School	$728,820	$836,825	$1,162,820	$935,510	$3,662,735

School Name/#	Bug-O-Nay-Ge-Shig School (#1115)	Fond Du Lac Ojibwe School (#1094)*	Circle of Life Survival School (#1435)	Nay Ah Shing School (#1480)	Statewide Totals
Equalization Program)					
Est. State Aid	$918,154	$997,853	$872,730	$356,619	$3,145,356
State Aid per ADM pupil	$5,073	$5,455	$4,122	$1,853	$4,095

* In some years, Fond Du Lac chooses to have their students counted by the Cloquet school district and enters into a tuition agreement to transfer the funds from Cloquet to the Fond Du Lac school.

House Research Department

Table 32: Appropriations for American Indian Programs

Fiscal Year	American Indian Education Aid	Tribal Contract School Aid	American Indian Teacher Preparation Grants	Early Childhood at Tribal Contract Schools
2021	$10,696,000	$3,106,000	$460,000	$68,000
2020	10,020,000	2,634,000	460,000	68,000
2019	9,501,000	2,948,000	460,000	68,000
2018	9,004,000	2,954,000	460,000	68,000
2017	8,878,000	3,715,000	460,000	68,000
2016	7,740,000	3,458,000	190,000	68,000

House Research Department

Community, Early Childhood, and Adult Education

Community Education

Community education programs are intended to maximize the community's use of public schools and to expand the involvement of community members who have skills and knowledge to share. Districts establishing a community education program must provide for a citizens' advisory council to advise the school administration on how best to use school facilities and community resources. Fees may be charged for community education programs.

Districts with a community education program may also prepare a youth development plan to improve coordination of agencies that address the needs and develop the resources of youth in the community. A participating district may also offer a youth service program to provide meaningful opportunities for community involvement and citizenship.

(Minn. Stat. §§ 124D.18-124D.21)

Community Education Revenue. Community education programs are funded through a partially equalized aid and levy. Districts that prepare a youth service program and a youth development plan are eligible for additional revenue. Districts that establish youth after-school enrichment programs are authorized to levy an additional amount.

The basic community education revenue allowance is $5.42. Community education revenue, aid, and levy for fiscal year 2021 are computed as follows:

Total Community Education Revenue	=	General Community Education Revenue	+	Youth Service Revenue	+	Youth After-School Enrichment Revenue
General Community Education Revenue	=	$5.42, times the greater of: (a) 1,335; or (b) population of the district				
Youth Service Revenue	=	$1.00, times the greater of (a) 1,335; or (b) population of the district				
Youth After-School Enrichment Revenue	=	(1) $1.85, times the greater of: (a) 1,335; or (b) population of the district not to exceed 10,000; plus (2) $0.43, times the population of the district in excess of 10,000				
Community Education Levy	=	0.0094 times ANTC				
Community Education Aid	=	Total Community Education Revenue	−	Community Education Levy		

The amount of community education aid a district receives is reduced for any district that levies less than the maximum for community education, in proportion to the amount of the underlevy.

Table 33: Community Education Revenue

School Year	Tax Rate	Basic Community Education Revenue per Capita	Youth Service Revenue per Capita	After-School Enrichment Revenue per Capita*	Minimum Revenue per District	Appropriations	Levy	Number of Participating Districts
2020-21	.940%	$5.42	$1.00	$1.85 + 0.43	$11,040	$249,000	$40,380,000	329/331
2019-20	.940	5.42	1.00	1.85 + 0.43	11.040	325,000	39,989,000	329/331
2018-19	.940	5.42	1.00	1.85 + 0.43	11,040	410,000	39,749,000	329/331
2017-18	.940	5.42	1.00	1.85 + 0.43	11,040	477,000	39,523,000	329/331
2016-17	.900	5.42	1.00	1.85 + 0.43	11,040	553,000	39,276,000	330/332
2015-16	.900	5.42	1.00	1.85 + 0.43	11,040	790,000	38,420,000	330/332

* After-school enrichment revenue per capita equals $1.85 times the district's first 10,000 residents, plus 43 cents per capita for each resident in excess of 10,000.

House Research Department

Programs for Adults with Disabilities. Districts with an approved program may offer programs for adults with disabilities as part of their community education programs. These programs may include outreach activities to identify adults needing service, classes specifically for adults with disabilities, services enabling the adults to participate in community education, and activities to increase public awareness and enhance the role of people with disabilities in the community.

State aid is provided to districts with approval for educational programs for adults with disabilities. State aid is equal to the lesser of $30,000 or one-half of the actual program expenditures. The remainder of a district's program revenue is composed of funds from other public or private sources, or an optional levy not to exceed $30,000 or one-half of the approved program budget.

(Minn. Stat. §§ 124D.19, subds. 7, 8; 124D.56)

Table 34: Programs for Adults with Disabilities

Fiscal Year	Appropriations	Levy	Number of Programs
2021	$710,000	$670,000	77
2020	710,000	670,000	77
2019	710,000	670,000	77

Fiscal Year	Appropriations	Levy	Number of Programs
2018	706,000	670,000	77
2017	710,000	670,000	77
2016	710,000	670,000	77

House Research Department

Early Childhood Family Education

Districts that provide community education programs may also establish early childhood family education programs (ECFE) for children from birth to kindergarten, for their parents, and for expectant parents. These programs include parent education to promote children's learning and development. All ECFE programming must require substantial parental involvement.

Districts must appoint an advisory council to assist in planning and implementing ECFE programs. Districts are encouraged to coordinate ECFE programs with their special education and vocational education programs, as well as with other public or nonprofit agencies providing similar services.

(Minn. Stat. §§ 124D.13; 124D.135)

Early Childhood Family Education Revenue. ECFE programs are funded through state aid, local levy, and participant fees. The formula for calculating ECFE revenue is based on the district's population of young children (under the age of five), not the number of children actually served.

The ECFE allowance equals 2.3 percent of the general education basic formula allowance ($151.04 for fiscal year 2021). ECFE revenue is calculated as follows:

ECFE Revenue	=	$151.04, times the greater of: (a) 150; or (b) number of district residents under 5 years old
ECFE Levy	=	the commissioner must establish a tax rate for ECFE revenue that, when multiplied by each district's adjusted net tax capacity, raises $22,135,000 statewide (.00276411 for 2021)
ECFE Aid	=	ECFE Revenue – ECFE Levy
Home-visiting Revenue	=	$3.00 times the number of district residents under 5 years old

The amount of ECFE aid is reduced for any district that levies less than the maximum early childhood levy allowed to the district, in proportion to the amount of the underlevy.

Since fiscal year 2000, districts are required to charge fees for ECFE programs, but may waive fees for participants who are unable to pay. Districts may also obtain funds from other sources to support early childhood programs. Districts must maintain ECFE funds in a separate account.

Table 35: Early Childhood Family Education Revenue

School Year	ECFE Tax Rate	ECFE Formula Allowance	Appropriations	Levy	Number of Participating Districts
2020-21	.276411%	$151.04	$33,540,000	$22,115,000	329/331
2019-20	.291619	148.07	32,147,000	21,924,000	329/331
2018-19	.312018	145.18	30,870,000	22,170,000	329/331
2017-18	.327606	142.33	29,759,000	22,115,000	329/331
2016-17	.339930	139.54	29,336,000	22,107,000	329/332
2015-16	.376865	136.80	27,948,000	22,115,000	329/332

House Research Department

Early Childhood Home-visiting Program. A school district participating in a collaborative agreement to provide education services and social services through a home-visiting program is eligible for revenue equal to $3.00 times the number of district residents under the age of five. The revenue is provided through an equalized aid and levy with the equalizing factor set at $17,250.

(Minn. Stat. § 124D.13)

Table 36: Early Childhood Home-visiting Program

School Year	Allowance per Child Age 4 or Younger	Appropriation	Levy	Number of Participating Districts
2021	$3.00	$528,000	$577,000	278
2020	3.00	521,000	539,000	278
2019	3.00	571,000	511,000	281
2018	3.00	527,000	488,000	289
2017	1.60	—	567,000	287
2016	1.60	—	568,000	288

House Research Department

Voluntary Prekindergarten Program

Beginning in fiscal year 2017, about $25 million per year is appropriated through the regular school aid formulas to Minnesota’s school districts and charter schools to fund voluntary prekindergarten programs providing at least 350 hours of annual service to four-year-old children. The Voluntary Prekindergarten (VPK) Program divides the state into four regions: (1) Minneapolis and St. Paul school districts; (2) suburban school districts; (3) greater Minnesota school districts; and (4) charter schools. Within each region, each school site is prioritized based on its percent of free and reduced lunch eligible kindergarten students at that site. Sites in greater Minnesota are also prioritized by the distance from qualifying early learning scholarship sites. The statewide appropriation is split among the four regions based on each region's proportionate share of kindergarten pupils, and the program serves about 3,160 four-year-old students per year.

School district and charter school VPK programs are funded by including the prekindergarten pupils in the regular pupil weighting system and incorporating that count in all parts of Minnesota's school finance system. For fiscal year 2017 and later, a prekindergarten pupil who attends a VPK program at a qualifying site generates a pupil weight of 0.6 if that student receives at least 510 hours of instruction during the year. This is the maximum weight allowed to any individual prekindergarten pupil without a disability. A qualifying site must offer at least 350 hours of instruction during the year. A prekindergarten pupil receiving 350 hours of annual instruction generates a pupil weight of 0.412. For programs offering between 350 and 510 hours of instruction, the voluntary prekindergarten weight equals the ratio of the actual hours of instruction to 850. On average, a VPK program student generates about $7,500 for the student's school.

VPK programs may be offered in conjunction with other early learning programs; however, students in a VPK program do not qualify for other early learning program funding during the period of time that the student is enrolled in a voluntary prekindergarten program. A school must separately apply for voluntary prekindergarten funding for each qualifying school site. The program must employ qualified instructors, but the instructors need not be licensed teachers. Class sizes must be no larger than ten students to each adult, and no more than 20 students for each qualified instructor.

(Minn. Stat. § 124D.151)

School Readiness

A school district or group of school districts may establish a school readiness program to enable children to enter school with the necessary skills and behavior to succeed. A child may participate in a school readiness program if the child is at least three years old and has had a developmental screening. Children under the age of three-and-one-half can be enrolled if the district determines that serving young children makes the program more effective.

Districts may establish a sliding fee for school readiness programs. Fees must be waived for participants who are unable to pay. The state also provides state school readiness aid. School readiness aid is calculated as follows:

(1) the number of eligible 4-year-olds in the district on October 1 of the previous school year	x	the ratio of 50% of the total aid to the total number of eligible 4-year-olds in the state on October 1 of the previous school year; plus
(2) the number of students enrolled in the district from families eligible for free and reduced lunch for the second previous school year	x	the ratio of 50% of the total aid to the total number of students in the state eligible for free and reduced lunch for the second previous school year

Districts must place school readiness aid in a reserve account within the community service fund.

(Minn. Stat. §§ 124D.15; 124D.16)

Table 37: School Readiness Aid

Fiscal Year	Appropriations
2021	$33,683,000
2020	33,683,000
2019	33,683,000
2018	33,683,000
2017	32,670,000
2016	22,420,000

House Research Department

School Readiness Plus

School Readiness Plus is a hybrid funding program providing early education services to four- and five-year-old children not yet enrolled in kindergarten. The program began as a two-year program in fiscal year 2018 and was extended for two more years (through fiscal year 2021) by the 2019 Legislature. Schools apply to the commissioner to participate in the program, and the commissioner chooses qualifying school sites based on the same criteria as for VPK programs (concentration of poverty and lack of proximity to three- or four-star Parent Aware early learning sites). Funding for the 2017-18 school year allowed the commissioner to select 95 school sites serving 3,160 children, and the funding for fiscal years 2019, 2020, and 2021, serves 4,000 children per year. The program allows qualifying schools to choose between additional funding for VPK programs or for enhanced school readiness programs. About a dozen school sites chose to participate in the school readiness plus program and all of the remaining sites are participating in the VPK program.

Student Eligibility

A child who is at least four years of age on September 1 and meets at least one of the at-risk factors for the program may apply to enroll in a school readiness plus program. The at-risk factors for the child include:

- eligibility for free or reduced-price meals;
- English language learning needs;
- homelessness or placement in a foster care family; and
- an early education special education designation.

Program Requirements

The school readiness plus program requires participating schools to:

- employ teachers knowledgeable in early childhood learning;
- ensure a child-to-staff ratio of not more than ten children for each staff person and not more than 20 children for each licensed teacher working with the program;
- provide at least 350 instructional hours per year;
- assess each child at program entry and exit;
- provide instruction aligned with state guidelines;
- include kindergarten transition planning in the program;
- encourage parental involvement; and
- cooperate and coordinate with community services including ABE and adult literacy programs.

Funding

School readiness plus (similar to voluntary prekindergarten) is funded through the regular school aid formulas at a cost of roughly $25 million per year. No funding exists for this program for fiscal year 2022 and later.

(Laws 2017, 1st Spec. Sess. ch. 5, art. 8, § 9)

Early Learning Scholarship Program

Minnesota children age 4 and younger may qualify for an Early Learning Scholarship. The maximum annual scholarship amount is $7,500 per child and may be used at an eligible public or private early learning program. For fiscal year 2021, roughly $70 million is expected to be awarded in scholarships to about 15,000 participants (not all children receive the maximum scholarship amount). An Early Learning Scholarship may be used in combination with other publicly funded programs (e.g., child care assistance payments, school readiness programs, voluntary prekindergarten programs, etc.).

Child Eligibility. A child who is three or four years old on September 1 of the current year and not yet enrolled in kindergarten is eligible for an Early Learning Scholarship if the child's family income is equal to or less than 185 percent of the federal poverty level income for that year. Any younger siblings of a child who qualifies for a scholarship are also eligible for a scholarship, as are the younger children of any parent who is 21 or younger if the parent is finishing high school or pursuing a GED. For fiscal year 2019, about 22 percent of scholarship recipients were less than three years old.

Scholarship Amounts. A child's maximum scholarship amount depends on the provider's rating under the Parent Aware quality rating improvement system and the child's need. A child attending a four-star rated program may receive a maximum annual scholarship of $7,500. A child attending a three-star rated program may receive a maximum annual scholarship of up to $5,000.

Pathway I and Pathway II Options. MDE has developed two pathways for scholarships. Pathway I scholarships are awarded directly to eligible recipients and beginning July 1, 2024, must be used only to attend a three- or four-star rated programs. For fiscal year 2019, 7,830 Pathway I scholarships were awarded to qualifying families. Pathway II scholarships are awarded to qualifying four-star rated programs on behalf of qualifying children. For fiscal year 2019, 7,221 Pathway II scholarship spaces were awarded directly to eligible providers. For fiscal year 2019, about 52 percent of the scholarship money was awarded directly to parents through the Pathway I option and the other 48 percent was awarded indirectly through the Pathway II option. MDE further divides the annual appropriation among economic development regions based on the region's levels of poverty, number of schools identified as "priority schools" under the state's accountability system, and number of current scholarship recipients.

Program Provider Eligibility. A Minnesota public or private early learning program may qualify as an Early Learning Scholarship program provider. These providers include public programs such as school district early education programs and Head Start centers, and private programs such as child care centers and licensed family child care locations that have received a three- or four-star Parent Aware rating.

Program Administration. The MDE contracts with organizations to administer the scholarship program in each economic development region of the state (several of the grant administrators are community action programs). A family that wishes to receive a Pathway I Early Learning Scholarship may apply through the regional administering agency.

(Minn. Stat. §§ 124D.142 and 124D.165)

Table 38: Early Learning Scholarship Appropriations

Fiscal Year	Appropriation
2021	$70,709,000
2020	75,209,000
2019	65,709,000
2018	70,209,000
2017	59,884,000
2016	44,134,000

House Research Department

(Minn. Stat. §§ 124D.**142** and 124D.165)

Health and Developmental Screening

School districts are required to provide developmental screening for children before they start school, targeting children who are between three and five years old. A screening program must include:

- a developmental assessment;
- a hearing and vision screening or referral;
- an immunization review and referral;
- child's height and weight; and
- an identification of risk factors that may influence learning and referral.

Optional screening components include:

- nutritional, physical, and dental assessments;
- review of family circumstances that affect development; and
- laboratory tests, blood tests, and health history.

All students must be screened prior to enrollment in a public school unless the child's parent provides a signed statement of conscientiously held beliefs against screening. A student may be screened by a school district, or by a public or private health care provider.

A district receives $75 for each three-year-old screened, $50 for each four-year-old screened, $40 for each five- or six-year-old screened before enrolling in kindergarten, and $30 for all other students screened within the first 30 days of kindergarten enrollment. The district may transfer money from the general fund to make up the difference between state aid and the cost of the program.

Note: For fiscal years 2020 and 2021, because of COVID-19 restrictions, a school district's screening revenue is equal to its fiscal year 2019 screening revenue.

(Minn. Stat. §§ 121A.16-121A.19)

Table 39: Developmental Screening Aid

Fiscal Year	Appropriations
2021	$3,607,000
2020	3,618,000
2019	3,629,000
2018	3,606,000
2017	3,488,000
2016	3,477,000

House Research Department

Head Start

Head Start is primarily a federally funded program designed to provide a comprehensive family-oriented program that improves school readiness and social competence of children from low-income families. State funds were first appropriated for Head Start programs in fiscal year 1989.

Head Start funds do not flow to school districts but instead to the 35 community organizations that are Minnesota's Head Start grantees. In Minnesota, the most common type of grantee is a community action program.

(Minn. Stat. §§ 119A.50-119A.53)

Table 40: Head Start Revenue

Fiscal Year	State Aid	Federal Funds for Head Start (including Early Head Start)
2021	$25,100,000	NA
2020	25,100,000	$149,436,000*
2019	25,100,000	134,206,000
2018	25,100,000	113,498,000
2017	25,100,000	105,425,000
2016	25,100,000	104,563,000

* Does not include $10.39 million of CARES Act funding for expenses related to COVID-19.

House Research Department

School-age Care

A school district may offer a school-age care program for children in kindergarten through grade six. The program must provide supervised activities during nonschool hours. Programs are primarily funded through participant fees on a sliding-fee scale based on family income. This program was formerly called the extended day program. About one-half of the Minnesota's school districts participate in the school-age care program.

Districts with school-age care programs receive school-age care revenue for the additional costs of providing services to children with disabilities or children experiencing temporary family or related problems. School-age care aid and levy are calculated as follows:

School-age Care Revenue = Program costs approved by the Department of Education

School-age Care Levy = School-age Care Revenue x the lesser of:
(1) one; or
(2) $\frac{\text{ANTC/pupil units}}{\$2{,}318}$

School-age Care Aid = School-age Care Revenue − School-age Care Levy

Table 41: School-age Care Program

Fiscal Year	Aid	Levy
2021	$1,000	$19,759,000
2020	1,000	18,578,000
2019	1,000	17,147,000
2018	0	15,661,000
2017	1,000	14,686,000
2016	1,000	14,090,000

House Research Department

(Minn. Stat. §§ 124D.13; 124D.22)

Adult Basic Education

Adult basic education (ABE) programs provide academic instruction for persons who are not subject to the state's compulsory instruction law and do not otherwise attend school. The purpose of the instruction is to enable students to obtain high school diplomas or equivalency certificates.

The Commissioner of Education must approve a district's ABE program. The commissioner may also contract with private nonprofit organizations to provide these programs.

A district or an organization offering an ABE program may charge a sliding fee to program participants.

School districts may use funds from the community education levy and state community education aid for ABE programs. In addition, ABE programs are funded with state aid and federal funds. The total amount from all sources cannot exceed the actual cost of providing adult education programs.

Minnesota High School Equivalency Tests. Reimburses testing centers for the costs of administering general education development (GED) and other high school equivalency tests. For fiscal years 2017, 2020, and 2021 only, the state reimburses testing centers for 100 percent of the costs for one full battery of tests. For fiscal year 2022 and later, the reimbursement falls to not more than the lesser of $40 per person or 60 percent of the test costs. GED tests, which qualify students for a high school equivalency certificate, are available to Minnesota residents over age 19 whether or not they have taken a refresher course.

(Minn. Stat. §§ 124D.52; 124D.53; 124D.531; 124D.55)

Adult Basic Education Revenue. Minnesota's ABE funding formula is based on contact hours, population, the enrollment of English learner students, and the number of adults age 25 or older with no diploma residing in a district. The formula caps the growth of state total ABE aid by setting in statute an overall statewide revenue limit.

For fiscal years 2009 through 2011, the statewide aid cap grew by 3 percent. For fiscal years 2012 to 2014, the statewide aid cap grew by 2 percent. For fiscal year 2015 and later, the cap growth is the lesser of 3 percent or the average growth in contact hours over the previous ten years ($49,786,000 for fiscal year 2021).

The program also caps an individual program's growth. For years prior to fiscal year 2008, the individual program growth was capped at 8 percent per year. For fiscal year 2008 only, an individual program's growth was entirely uncapped. For fiscal year 2009 and later, an annual cap of 11 percent is imposed on an individual program's growth. For each individual program, the total adult basic aid must not exceed $22 per prior year contact hour.

For fiscal year 2021, state aid to ABE programs is equal to:

Initial State Total ABE Aid	=	$49,786,000
ABE Basic Population Aid	=	the greater of: (1) $3,844; or (2) $1.73 times the population of the district
Remaining ABE Revenue	=	State Total ABE Aid – ABE Basic Population Aid
ABE Program Revenue	=	(1) ABE Basic Population Aid; plus (2) 84% times Remaining ABE Revenue, times the ratio of contact hours for students participating in the program during the first prior program year to the state total contact hours during the first prior program year; plus (3) 8% times Remaining ABE Revenue, times the ratio of the enrollment of students with limited English proficiency during the second prior program year to the state total enrollment of students with limited English proficiency during the second prior program year; plus (4) 8% times Remaining ABE Revenue, times the ratio of the latest federal census count of the number of adults age 25 or older with no diploma residing in the district during the current program year to the state total number of adults age 25 or older with no diploma residing in all participating districts

Three percent of state total ABE aid must be set aside for ABE supplemental service grants.

Each recipient's ABE aid must be proportionately reduced if the appropriation is insufficient to meet the formula amounts.

Table 42: Adult Basic Education Programs

Fiscal Year	Appropriations
2021	$51,613,000
2020	50,052,000
2019	48,686,000
2018	48,604,000
2017	49,683,000
2016	48,231,000

House Research Department

Cooperative Programs

Minnesota's school districts and students participate in a variety of cooperative programs. The programs are of two general types: programs that are provided by groups of school districts and programs that allow student movement.

School District Cooperative Programs

School districts belong to a variety of group organizations in order to both provide expanded educational opportunities for students and to provide support of administrative functions. Membership in most group structures is voluntary. From fiscal year 1995 to fiscal year 2000, nearly all of these cooperative activities were funded through district cooperation revenue and membership dues paid by the member districts to the cooperative organizations. Prior to fiscal year 1995, most of these organizations were funded directly for special education and vocational education programs.

School District Cooperation Revenue. Up until fiscal year 2001, school districts were eligible for district cooperation revenue in the amount of $67 per pupil unit or $25,000, whichever is greater. For fiscal year 2001 and later, there is no separate appropriation for cooperation revenue. Instead, $67 per pupil unit was added to the general education formula allowance for fiscal year 2001 and later.

Consolidation Transition Revenue. School districts that have reorganized after June 30, 1994, are eligible for consolidation transition revenue. (Consolidation transition revenue replaced cooperation and combination revenue.) Consolidation transition aid is equal to $200 per pupil in the first year of consolidation and $100 per pupil in the year after consolidation. Aid is based on a maximum of 1,500 pupils. The revenue must be used to offer early retirement incentives, reduce operating debt, enhance learning opportunities, and for other costs of reorganization. If the aid is insufficient to cover early retirement costs, the district may levy for the additional amount over a three-year period. For consolidations that include one or more districts that have received consolidation transition revenue or cooperation and combination revenue within the previous six years, the basis for calculating aid is the number of pupils in only those districts that have not previously reorganized. If all of the reorganizing districts have received aid within six years, consolidation transition revenue is based on one-fourth of the pupils in the newly created district.

From 1990 until July 1, 2001, more than 150 school districts consolidated using this program or its predecessor, the Cooperation and Combination Program. Since July 1, 2001, only 19 school districts have consolidated.

(Minn. Stat. § 123A.485)

Table 43: Consolidation Transition Revenue

Fiscal Year	Appropriation
2021	$270,000
2020	0
2019	0
2018	0
2017	0
2016	22,000

House Research Department

Student Movement Programs

Students in Minnesota schools can choose from a variety of programs that offer alternative or expanded educational opportunities. Often these programs are referred to as "choice" programs. These programs include Open Enrollment, the Postsecondary Enrollment Options (PSEO) Program, Area Learning Center Programs, the Graduation Incentives Program, and Charter School programs. Funding for these programs is as follows (charter schools and PSEO are discussed in separate sections).

Open Enrollment Funding. Minnesota's Open Enrollment program allows students to attend school in districts other than the student's resident district. A resident district may not prevent a student from leaving the student's home district, but the potential serving school district is not required to accept a student once the serving district has accepted students equal to 1 percent of its total enrollment. General education revenue follows the pupil from the resident district to the district providing instruction (the serving school district) because the general education program is based on students served, not resident students.

Transportation of an open enrollment pupil is the responsibility of the nonresident (serving) district from the nonresident district's border to the school attended (the resident district has no transportation responsibilities for an open enrollment pupil).

(Minn. Stat. § 127A.47, subd. 7)

Graduation Incentives Program Funding. The Graduation Incentives Program (previously the High School Graduation Incentives Program and renamed the Education Options Program for one year only) allows certain eligible pupils to receive instruction in a variety of alternative settings. A pupil may attend:

- a program approved by the Commissioner of Education or an area learning center;
- a postsecondary institution under the PSEO program;
- any public elementary or secondary education program;
- a nonprofit, nonpublic, and nonsectarian school that has contracted with the district of residence to provide educational services; or

- an adult basic education program operated under the community education program (for pupils ages 17 to 21).

A district may contract with any nonprofit, nonpublic school to provide nonsectarian educational services for certain students who are eligible for the Graduation Incentives Program.

The method of funding students participating in the Graduation Incentive Program depends on the type of program providing educational services. Revenue distribution for students in an area learning center, a public school, an adult basic education course, or in a board-approved program is the same as the funding for open enrollment students. Funding for education option students in PSEO is the same as for other PSEO students. For Graduation Incentives Program students who receive educational services from a private organization under a contract with a school district, the basic revenue is allocated to both the contracting district and the private organization. The Department of Education pays 90 percent of the revenue generated by an education options student to the private provider and 10 percent to the contracting district. The share of basic revenue is reduced proportionately for part-time students who receive services from a private organization under contract. During the term of the contract, state aid is placed into an account that is reserved for the site providing the alternative education.

(Minn. Stat. §§ 124D.68; 127A.47, subd. 7)

Area Learning Center Program Funding. An area learning center may be established by a school district by itself or in cooperation with a cooperative organization, or other public and private organizations. Area learning centers often operate alternative high schools, summer school programs, and other cooperative activities and serve both resident and nonresident pupils. All area learning centers outside first-class cities must serve at least two school districts. Revenue for nonresident students is transferred from the student's resident district to the district operating the area learning center in the same way revenue is transferred for open enrollment students. An area learning center operated by a cooperative organization may elect to charge tuition rather than calculate aid adjustments.

(Minn. Stat. § 123A.08)

Early Graduation Incentives Programs. For fiscal years 2012 and 2013 only, the early graduation incentives program allowed an 11th or 12th grade student who graduated early to apply to the state for an early graduation achievement scholarship. The scholarship equaled $2,500 if the student graduated one semester early, $5,000 if the student graduated two semesters early, and $7,500 if the student graduated three semesters early. The qualifying student could use the scholarship at any accredited postsecondary institution located anywhere in the United States. The same incentive was awarded as cash to a qualifying early-graduating student who enters the military. This program was repealed by the 2013 Legislature.

(Minn. Stat. §§ 120B.08; 120B.09)

Dual Enrollment Programs

Minnesota's extensive dual enrollment programs[5] (programs that allow a student to receive high school and college course credit for the same class) have evolved over the last 35 years since the postsecondary enrollment options (PSEO) program was first passed by the legislature in 1985. While there is not universal agreement on the terminology, it may be easiest to classify dual enrollment programs as one of three different types: traditional PSEO; courses according to an agreement; and early middle college programs. The following is a brief description of each type of program, a list of student eligibility, and a summary of how the state funding for the program works.

Traditional PSEO

Under the traditional PSEO program, an eligible student leaves the high school and takes a college course taught by a member of the college faculty on the campus of a qualifying postsecondary institution (PSI). In some cases, the student may take the college course online directly from the PSI.

Student Eligibility. All 11th and 12th grade Minnesota pupils (public, nonpublic, and homeschool students), and some Minnesota pupils in 10th grade who have achieved proficiency on the 8th grade Minnesota Comprehensive Assessments (MCAs) and first enroll in a career and technical course at the PSI, may apply to a PSI in order to participate in the traditional PSEO program. A student may participate part-time or full-time in the traditional PSEO program. A public high school may not prohibit a student from participating in the traditional PSEO program.

Qualifying PSI. A qualifying PSI means: a Minnesota public postsecondary institution (University of Minnesota or Minnesota State (formerly MnSCU) institution); a private, residential, two- or four-year, liberal arts, degree-granting college or university with a physical presence in Minnesota (e.g., Bethel University); a nonprofit two-year trade and technical school granting an associate degree (e.g., Dunwoody); or an accredited opportunities industrial center (e.g., Summit Academy OIC). A qualifying PSI sets its own admission requirements for high school students, may choose to limit the number of PSEO students who may enroll in its programs, and may limit the course offerings available to the high school students.

PSEO Funding. Under the traditional PSEO program, for a full-time student, 88 percent of the basic general education revenue is paid by the Minnesota Department of Education (MDE) directly from the state to the PSI. The public school district in turn counts the student as 0.12 pupils in average daily membership across all school funding formulas. The remaining money

[5] For a more detailed description of dual enrollment programs, see the MDE document "Postsecondary Enrollment Options (PSEO) Reference Guide" updated August 2019, on MDE's website: https://education.mn.gov/mdeprod/idcplg?IdcService=GET_FILE&dDocName=MDE058445&RevisionSelectionMethod=latestReleased&Rendition=primary.

that would otherwise follow the student (88 percent of all school funding formulas other than the basic general education revenue) is “saved” by the state. For nonpublic pupils, there is no residual payment to the school district of residence—the state simply pays 88 percent of the basic general education revenue directly to the PSI. For each part-time PSEO pupil, the district receives a proportionate share of the total school revenue attributable to that pupil, based on the amount of time that the PSEO pupil attends the high school. The state basic formula payment to the PSI is converted from the general education basic formula allowance to a standard rate per credit hour. For fiscal year 2021, this equals $144.13 for each quarter credit hour ([88% x ($6,567 – $425) x 1.2]/45) and $216.20 for each semester hour ([88% x ($6,567 – $425) x 1.2]/30). The payment to the PSI may not exceed the lesser of the actual tuition at the college or the standard rate per credit hour.

Program Participation. For fiscal year 2018, 7,164 public school pupils, 982 nonpublic pupils, and 1,855 homeschool pupils attended classes at a PSI taking a total of 161,508 credits, and the state aid payments directly to the PSIs through the traditional PSEO funding formula amounted to $32.8 million.

Courses According to Agreement

An alternative form of PSEO occurs when the school district and the PSI enter into a contract for services for a dual enrollment course. In 1992, the legislature specifically authorized school districts and PSIs to provide PSEO courses taught in the high school. These programs are sometimes referred to as concurrent enrollment programs or by the program name of the institution offering the course (e.g., College in the Schools–University of Minnesota; Seniors to Sophomores (S2S)–St. Cloud State; Program for Advanced College Credit–St. Mary’s University, etc.). Instructors in these programs are most often high school teachers specially trained by the sponsoring postsecondary institution to teach the course using curriculum developed by faculty at the PSI. A contract for a course according to an agreement may be for a concurrent enrollment course offered at the high school or for a course the student attends on the college campus (this option has become more prevalent in the last few years because more funding is generated by the student as a concurrent enrollment student than under the traditional PSEO program).

Student Eligibility. In addition to 11th and 12th grade students and 10th grade students who have taken a career and technical course, public school 9th and 10th grade pupils may participate in a qualifying world language course or another concurrent enrollment course subject to space limitations and the agreement with the partnering PSI.

Funding. Under a concurrent enrollment course or other PSEO course offered through an agreement with a partnering institution, the funding for a participating student is the same as for any other high school student at the school and is paid by MDE directly from the state to the school district. Additionally, if the course qualifies as a concurrent enrollment course, the public school will receive additional aid under the concurrent enrollment aid formula. The contract with the PSI determines how much revenue the school district pays to the PSI for the teacher training, curriculum, and support, and the contract also specifies whether the course will be taught by a college instructor or a high school teacher.

Program Participation. For fiscal year 2019, 32,403 students participated in the concurrent enrollment program taking a total of 76,296 college credit-bearing courses.

Early Middle College Program

The 2014 Legislature established the early middle college program as an option under PSEO. Across the states, early middle college programs may have one of several different forms but they are most often targeted to students who are in the academic "middle" and may not otherwise view college as a viable option. Minnesota's explicit addition of early middle college programs to the PSEO program is intended to increase participation in PSEO for underserved students. Unlike Minnesota's traditional PSEO and concurrent enrollment programs, under some circumstances, an early middle college program may allow a student to take developmental coursework as part of the dual enrollment curriculum.

Student Eligibility. An 11th or 12th grade student who qualifies for the graduation incentives program and who is enrolled in a state-approved alternative program, including an alternative learning center (ALC), alternative learning program (ALP), or contract alternative program may participate in PSEO through an early middle college program.

Funding. Some early middle college programs are funded through the traditional PSEO model while other early middle college programs are provided under contract and are funded as courses according to an agreement.

(Minn. Stat. §§ 124D.09; 124D.091)

Table 44: Concurrent Enrollment Aid

Fiscal Year	Concurrent Enrollment Aid	Statutory Aid Per Pupil	Proration Factor	Participating Pupils	# of Participating School Districts and Charters
2021	$4,000,000	$150	NA	NA	NA
2020	4,000,000	150	NA	NA	NA
2019	4,000,000	150	35.00%	32,403	330
2018	4,000,000	150	34.99	32,608	325
2017	4,000,000	150	54.00	31,971	317
2016	4,000,000	150	37.50	30,247	314

House Research Department

Charter Schools

As of August 15, 2020, there were 170 charter schools operating in Minnesota serving an estimated 66,149 pupils. Charter schools are eligible for general education revenue, special education revenue, building lease revenue, start-up grants, and certain other school district revenue.

General Education Revenue. A charter school earns general education revenue on a per pupil unit basis just as though it were a school district except for approximately $306 per pupil unit (4.66 percent of the basic formula allowance) for transportation expenses, which the charter school receives only if it provides transportation services. The general education revenue paid to a charter school is paid entirely through state aid. Operating capital revenue received by the charter school may be used for any purpose.

Referendum Revenue. A charter school receives the aid portion of each enrolling student's referendum revenue based on the student's resident district referendum amount.

Special Education Revenue. A charter school receives special education revenue as though it were a school district. In addition, a charter school bills back to a disabled student's resident school district certain eligible unreimbursed special education costs.

For years prior to 2015, the charter school billed back to the resident school district 100 percent of eligible unreimbursed costs. For fiscal years 2015 through 2019, for most charter schools, the charter school billed back to the resident school district 90 percent of the eligible unreimbursed costs. For fiscal year 2020, the charter school billed back to the resident school district 85 percent of the eligible unreimbursed costs, and the state directly paid 5 percent of the eligible unreimbursed costs to the charter school. For fiscal year 2021 and later, the charter school bills back to the resident school district 80 percent of the eligible unreimbursed costs, and the state directly pays 10 percent of the eligible unreimbursed costs to the charter school.

However, if at least 70 percent of the charter school's student population qualifies for special education services, the full 100 percent of the eligible unreimbursed costs are billed back to the resident district.

Transportation Revenue. A charter school is eligible for an additional amount of general education revenue of approximately $306 per pupil unit if it elects to provide transportation services. In the alternative, a charter school may choose to have the school district in which it is located provide transportation services. In this case, the charter school does not receive any transportation funding, and the school district must provide transportation services to the charter school attendees in the same manner as it provides transportation to its resident students and students entering the school district under the enrollment options (open enrollment) program.

Building Lease Aid. A charter school is eligible for building lease aid equal to the lesser of $1,314 per pupil or 90 percent of the charter school's lease costs.

Integration Revenue. Prior to fiscal year 2004, a charter school was eligible for the aid portion of integration revenue for enrolled students who are residents of a district that is eligible for integration revenue if the enrollment of the pupil in the charter school contributes to integration or desegregation purposes. This aid was separately appropriated and was prorated if the appropriation was insufficient. This revenue was eliminated for fiscal year 2004 and later.

Long-Term Facilities Maintenance Revenue. A charter school is eligible for long-term facilities maintenance aid equal to $132 per pupil.

Other Aid, Grants, Revenue. A charter school is eligible to receive other aids, grants, and revenue according to the school funding formulas as though it were a school district, unless the receipt of the revenue would require a local property tax levy. A charter school may receive money from any source for capital facilities needs. Any unexpended capital facilities revenue must be reserved and must be expended only for future capital facilities purposes.

Federal Aid. A charter school is eligible for any federal aid received by the state as if the charter school were a school district. A new charter school may apply for federal start-up grants.

Use of State Money. A charter school may not use state aid to purchase land or buildings.

Property Tax Status of Charter Schools. The 2010 Legislature clarified the property tax status of charter schools. Property that is leased to a charter school is exempt from taxation if: (1) the lease is for at least one year; (2) the property is owned by a school, political subdivision, church, or nonprofit; (3) the property is used for instructional and administrative purposes; and (4) the charter school has exclusive use of the facility or has a shared use agreement with a school, church, or political subdivision.

Table 45: Charter School General Education, Special Education, and Building Lease Aid

Fiscal Year	General Education Aid Entitlement*	Special Education Direct Aid*	Building Lease Aid Appropriation	Start-up Aid Appropriation
2021	$609,128,000	$230,302,000	$88,454,000	$0
2020	569,002,000	198,810,000	83,090,000	0
2019	533,621,000	172,662,000	79,646,000	0
2018	491,784,000	140,396,000	73,205,000	0
2017	459,072,000	122,273,000	68,500,000	0
2016	438,130,000	100,080,000	63,474,000	0
2015	410,026,000	84,486,000	60,327,000	0
2014	346,109,000	79,310,000	52,704,000	0
2013	323,015,000	63,395,000	49,124,000	22,000
2012	297,639,000	56,703,000	46,869,000	161,000

Fiscal Year	General Education Aid Entitlement*	Special Education Direct Aid*	Building Lease Aid Appropriation	Start-up Aid Appropriation
2011	279,960,000	47,963,000	43,176,000	743,000
2010	264,342,000	39,377,000	41,015,000	1,218,000
2009	247,483,000	34,070,000	37,376,000	1,987,000
2008	213,448,000	26,225,000	32,602,000	1,801,000
2007	172,401,000	21,520,000	27,803,000	2,347,000
2006	142,488,000	8,735,000	24,253,000	1,291,000
2005	116,385,000	7,459,000	20,634,000	156,000
2004	93,689,000	6,416,000	17,542,000	829,000
2003	79,661,000	5,287,000	15,625,000	1,215,000
2002	61,850,000	3,739,000	12,272,000	2,026,000
2001	52,741,000	4,278,000	10,667,000	2,664,000

* General education aid and special education aid paid to charter schools are subsumed within the regular appropriations for general education and special education aid.

House Research Department

(Minn. Stat. §§ 124E.01-124E.26; 272.02, subd. 42)

School Desegregation and Integration

Minnesota funds a variety of programs designed to promote integration within and among its school districts.

Integration Revenue

The 2011 Legislature set in motion a process to repeal and replace Minnesota's integration funding program. A task force formed, convened meetings, and developed and submitted a report to the 2012 Legislature. The 2013 Legislature responded to the report by creating a new funding program called Achievement and Integration for Minnesota (AIM), first effective for the 2013-14 school year. The new program's language declares the purposes of the law to "pursue racial and economic integration and increase student academic achievement, create equitable educational opportunities, and reduce academic disparities based on students' diverse racial, ethnic, and economic backgrounds in Minnesota public schools."

School districts that file integration plans with the Department of Education are eligible for AIM revenue. During the 2020-21 school year, 172 school districts are implementing integration plans and are receiving AIM revenue. AIM revenue is provided through a mix of aid and levy, with 70 percent of the revenue provided in state aid and the remaining 30 percent provided through the local levy or other local resources.

Each qualifying district's AIM revenue equals the sum of: (1) $350 times the district's adjusted pupil units times the ratio of the district's number of students of color to its total enrollment, and (2) the greater of zero or 0.66 times the difference between the district's integration revenue for fiscal year 2013 and its AIM revenue under clause (1). Additionally, a district may qualify for incentive revenue equal to an additional $10 per pupil unit.

Table 46: Achievement and Integration Maximum Revenue for Fiscal Year 2021

Selected District Characteristics

District #	District Name	FY 21 Adjusted Pupil Units	Percent Students of Color	Estimated FY 21 AIM Revenue	AIM Revenue Per Pupil	AIM Aid Per Pupil	AIM Levy Per Pupil
13	Columbia Heights	3,682	82.1%	$1,097,000	298	209	89
625	St. Paul	38,113	78.7	15,983,000	419	294	126
518	Worthington	4,370	67.9	1,086,000	248	174	75
1	Minneapolis	34,718	63.1	14,503,000	418	292	125
535	Rochester	19,641	42.2	3,242,000	165	116	50
284	Wayzata	13,898	38.4	2,329,000	168	117	50
11	Anoka	42,309	36.4	7,289,000	172	121	52
709	Duluth	8,871	24.4	1,765,000	199	139	60
276	Minnetonka	12,098	18.6	912,000	75	53	23
State Total (Districts Only)		**886,129**	**35.2%**	**$123,286,000**	**$139**	**$97**	**$42**

House Research Department

For fiscal years 2001 to 2013, formula amounts for different types of districts were specified in statute by type of district.

Table 47: Integration Revenue Allowances Per Pupil Fiscal Years 2001 to 2013

Fiscal Year	Minneapolis	St. Paul	Duluth	Eligible District with More than 15% Students of Color	Other Eligible Districts	% of Revenue Paid in State Aid
2004 – 2013	$445 + $35 levy	$445	$206	$129	$92	77%
2003	446 + 35 levy	446	207	130	93	63
2002	446	446	207	130	93	78
2001	536	446	207	130	93	78

House Research Department

(Minn. Stat. § 124D.86)

Table 48: Estimated Appropriations and Levies for Integration Activities Based on 100% Aid Entitlement; Amounts for Aid Fiscal Year

Fiscal Year/ Payable Year	Minneapolis		St. Paul		Duluth		Other Districts		Total	
	Aid	Levy	Aid	Levy	Aid	Levy	Aid	Levy	Aid	Levy
2021/2020	$10,152,000	$4,351,000	$11,188,000	$4,795,000	$1,236,000	$530,000	$63,795,000	$27,310,000	$86,301,000	$36,986,000
2020/2019	10,441,000	4,475,000	11,321,000	4,852,000	1,214,000	520,000	58,197,000	24,941,000	81,173,000	34,788,000
2019/2018	10,732,000	4,600,000	11,417,000	4,893,000	1,178,000	505,000	50,494,000	21,640,000	73,822,000	31,638,000
2018/2017	10,964,000	4,699,000	11,462,000	4,912,000	1,171,000	502,000	48,589,000	20,824,000	72,185,000	30,936,000
2017/2016	10,680,000	4,577,000	11,351,000	4,759,000	1,159,000	494,000	43,573,000	18,900,000	66,763,000	28,730,000
2016/2015	10,877,000	4,662,000	11,751,000	5,036,000	1,140,000	488,000	44,189,000	18,936,000	67,952,000	29,122,000

House Research Department

Other Integration Funding Programs

Magnet School Grants. Metropolitan magnet schools have been eligible for grants to help operate the magnet programs. Grants could be used for teachers, aides, instructional services, equipment, field trips, and other programs designed to enhance metropolitan integration. Beginning in fiscal year 2001, start-up grants were also available to a metropolitan magnet school program for its first two years of operation. Start-up cost aid equaled $500 times the magnet school's pupil units served for that year. Capital funding has also been provided to help construct metropolitan magnet school facilities. This program was repealed for the 2011-12 school year and later years.

(Minn. Stat. § 124D.88)

Interdistrict Desegregation or Integration Transportation Grants. Grant money is available to provide pupil transportation services to students who participate in interdistrict desegregation, such as The Choice is Yours Program, or other integration programs.

(Minn. Stat. § 124D.87)

Other Integration Programs. Integration programs funded under the "other" category include minority fellowship grants, the minority teacher incentives program, teachers of color program grants, and cultural exchange grants. These programs have not been funded since fiscal year 2003.

(Minn. Stat. §§ 122A.64; 122A.65; 124D.89; Laws 1994, ch. 647, art. 8, § 29)

Table 49: Appropriations for Other Integration Funding Programs

Fiscal Year	Magnet School Operating Grants	Magnet School Capital Grants*	Magnet School Start-up Aid	Interdistrict Integration Transportation	Other Integration Programs
2021	$0	$0	$0	$14,962,000	$0
2020	0	0	0	14,231,000	0
2019	0	0	0	13,193,000	0
2018	0	0	0	14,328,000	0
2017	0	0	0	15,193,000	0
2016	0	0	0	14,423,000	0

* Appropriations are from state bond proceeds.

House Research Department

Career and Technical Education

Career and Technical Revenue

Career and technical education services include courses that were formerly called vocational programs and include agricultural, business, technology, and health occupations courses. A district that offers career and technical programming is eligible for revenue under this program.

Career and technical revenue is an equalized aid and levy. Each school district's career and technical revenue equals 35 percent of the district's approved expenditures on career and technical programming. The revenue cannot be less than the revenue authority for the previous year, provided that the revenue does not exceed 100 percent of the district's career and technical expenditures for that year. The career and technical levy is 100 percent forward-shifted, meaning that the levy for taxes payable in 2021 is recognized as revenue in fiscal year 2021.

$$\text{Career and Technical Revenue} = .35 \times \text{Approved Program Expenditures}$$

$$\text{Career and Technical Levy} = \text{Career and Technical Revenue} \times \frac{\text{District's ANTC per pupil unit}}{\$7{,}612}$$

$$\text{Career and Technical Aid} = \text{Career and Technical Revenue} - \text{Career and Technical Levy}$$

Table 50: Funding Formulas for Career and Technical Revenue

Fiscal Year	Revenue Formula	Aid	Levy
2015 and later	35% of approved expenditures but not less than previous years' revenue	Equalized	Levy equalized and uncapped
2014	35% of approved expenditures but not less than previous years' revenue	Equalized	Levy equalized but capped at $20.65 million
2012 through 2013	Previous year's revenue adjusted to match statewide levy cap	No aid	All levy; capped at $17.85 million for FY 12 and $15.52 million for FY 13
2008 through 2011	Lesser of (1) $80 per pupil in grades 10 to 12, (2) 25% of approved career and tech expenditures, (3) $10,000, or (4) previous years' levy	No aid	All levy
2001 through 2007		No aid	All levy
Prior to 2001	Formula driven-based on previous years' program spending	All aid	No levy

House Research Department

Table 51: Career and Technical Revenue

Fiscal Year	Payable Year	Aid	Levy
2021*	2021	$3,433,000	$32,166,000
2020	2020	3,835,000	30,347,000
2019	2019	4,247,000	28,272,000
2018	2018	4,505,000	25,876,000
2017	2017	4,262,000	23,526,000
2016	2016	5,852,000	20,797,000
* Estimated. Levy 100% forward shifted.			

House Research Department

(Minn. Stat. § 124D.4531)

ServeMinnesota Aid

ServeMinnesota is the name of a state grant program designed to work in concert with federal youth service programs. Prior to 2011, this program was called "Youth Works." In Minnesota, ServeMinnesota is the statutorily designated recipient of federal Americorps funds. Youth service programs are generally designed to provide the participant with skills and training while creating an opportunity for the participant to perform tasks that benefit the community. The ServeMinnesota program awards grants to program providers on a competitive-grant basis. The program provider combines the state grant money with federal money and provides the participants with living expenses or a stipend, health insurance, child care if needed, and a postservice educational award of $6,195 for the 2019-20 school year, which may be used for higher education costs or to repay student loans.

ServeMinnesota programs are encouraged to channel participants into tutoring and other children's literacy and numeracy programs. Other program activities include working on affordable housing projects, family stability programs, environmental restoration projects, and disaster relief programs.

Early Childhood Literacy and Numeracy Programs

State aid is appropriated for grants for early childhood literacy and numeracy programs. These grants may be awarded to the Minnesota Reading Corps and Minnesota Math Corps, which are programs operated by ServeMinnesota.

Table 52: Appropriations for ServeMinnesota and the Minnesota Reading and Math Corps

Fiscal Year	ServeMinnesota Aid	Early Childhood Literacy Program Grants	Minnesota Math Corps	Federal Operating Funds for Reading Corps*	Federal Funds Scholarship*
2021	$900,000	$7,950,000	$500,000	$14,343,000	$6,677,000
2020	900,000	7,950,000	500,000	14,684,000	6,500,000
2019	900,000	6,950,000	500,000	13,516,000	6,306,000
2018	900,000	6,950,000	500,000	13,512,000	6,519,000
2017	900,000	7,125,000	250,000	13,678,000	6,670,000
2016	900,000	6,125,000	250,000	14,335,000	6,756,000

* Amounts leveraged by state appropriation for ServeMinnesota Americorps programs

House Research Department

(Minn. Stat. §§ 124D.37-124D.45)

State Academies

Minnesota State Academies for the Deaf and Blind

Minnesota operates two residential academies for deaf and blind students in Faribault. The academies are both public schools and state institutions and annually serve more than 403 students through residential programs, summer school, preschool programs, and outreach efforts. In fiscal year 2020, the Minnesota State Academy for the Blind enrolled 54 full-time pupils, and the Minnesota State Academy for the Deaf enrolled 103 full-time pupils.

The budget for the Minnesota State Academy for the Deaf and Blind (MSA) is primarily funded through direct state appropriations, but also includes funding from some other school finance formulas as well. The MSA counts its students for purposes of compensatory revenue and this amount is paid directly from MDE to the MSA. The MSA also receives funding for the costs of one-to-one instructional staff (aides or licensed staff) from the state special education formula and uses the tuition bill-back formula to charge any unreimbursed costs for the one-to-one staff back to the resident district. If the MSA's student enrollment exceeds 175 students, the MSA receives the general education basic formula allowance for each student in excess of 175 students. For fiscal year 2020, the MSA received about $168,000 in federal funding, $232,000 in compensatory revenue, and $3.19 million from the state special education formulas for one-to-one staff (including the tuition bill-back amount from the resident districts).

The resident school district of a student attending the MSA counts the student in its pupil count and receives revenue for that student as if the student were attending the resident district, except for the general education basic revenue attributable to that student, which is subtracted from the amount paid to the resident district and the compensatory revenue for that student, which is calculated at the site the student actually attends (MSA). The resident school district is responsible for the cost of transporting academy students to and from the academies on weekends during the school year and includes these costs in the resident district's special education funding requests. The resident district's special education funding is reduced by the amount of any unreimbursed special education costs for the one-to-one staff processed through the tuition bill-back formula.

Table 53: Direct Appropriations for the Minnesota State Academies for the Deaf and Blind

Fiscal Year	Appropriation
2021	$13,787,000
2020	13,746,000
2019	14,572,000
2018	13,796,000
2017	12,819,000
2016	12,853,000

House Research Department

(Minn. Stat. §§ 125A.61-125A.72)

Perpich Center for Arts Education

The 1985 Legislature established the Minnesota School of the Arts and Resource Center. In 1987, the legislature explicitly expanded the center's mission to include operating an 11th and 12th grade arts high school. In the mid-1990s, the center was renamed the Lola and Rudy Perpich Center for Arts Education, and in 1999, the name was shortened to the Perpich Center for Arts Education. The center's mission includes arts outreach activities, professional development opportunities, and operating the arts high school. The center is located in Golden Valley on the former campus of Golden Valley Lutheran College and is funded through direct state appropriations. Students enrolled in the center's arts high school do not generate general education aid for either the arts high school or for their home school districts.

Governance and management. The center is governed by an independent board appointed by the governor. The 16-member board includes the Commissioner of Education as an ex officio member. The board manages and controls the center. The board appoints the center's director who must hold a superintendent's license.

Students served. The arts high school is limited by statute to serving not more than 310 students in grades 11 and 12. The arts high school enrolled 116 11th and 12th grade students during the 2019-20 school year. The majority of the students are from the metropolitan area, but the arts high school enrolls a significant number of students from districts located in greater Minnesota. The center may provide room and board to students and may charge a reasonable fee for the room and board. Approximately 52 percent of the arts high school students live in the dorms on campus.

Funding. The center, including the arts high school, is funded through a direct state appropriation. Students enrolled in the center's arts high school do not generate general education aid for either the arts high school or for their home school districts.

Crosswinds school. The Crosswinds school was initially established as a magnet program by the East Metro Integration District (EMID), and state bond proceeds were used to build the facility. After EMID decided to close the school, parents of Crosswinds students convinced the Perpich Center to operate the school. In July 2013, the board of the Perpich Center for Arts Education entered into a one-year agreement with EMID to operate the Crosswinds school. The 2014 Legislature acted to convey the school building to the Perpich Center and explicitly granted the center authority to operate the Crosswinds school. After operating the Crosswinds school under an agreement for the 2013-14 school year, the center owned the building, employed the staff, and operated the Crosswinds program outright for the 2014-15, 2015-16, and 2016-17 school years. During this time period, the Crosswinds school was funded on the per pupil formulas in a similar manner to charter schools, based on the number of pupils actually served by the Crosswinds school. The 2017 Legislature enacted legislation closing the Crosswinds school at the end of the 2016-17 school year and instructed the Department of Administration to sell the facility. In February 2018, the state solicited bids for the facility, and receiving only one bid, sold the Crosswinds school building to the St. Paul school district for the appraised price of $15.3 million. In September 2019, the St. Paul school district opened an environmental magnet middle school on the site called the E-STEM school.

(Minn. Stat. § 129C.10)

Table 54: Minnesota Center for Arts Education

Fiscal Year	Total Direct Appropriation
2021	$7,283,000
2020	7,292,000
2019	8,195,000**
2018	6,949,000**
2017*	6,973,000
2016*	6,872,000

* Does not include per pupil revenue for Crosswinds school, which was separately funded on a per pupil basis similar to how charter schools are funded.
** Includes onetime money related to the costs of closing the Crosswinds school.

House Research Department

Residential Academies

In fiscal year 1999, $12 million was appropriated to fund capital and start-up costs for residential academies. Two grants for residential academies were awarded. One grant was to Catholic Charities in an amount of $5,840,810. The Catholic Charities facility was located in Faribault, Minnesota. The second grant was to Synergy (which was located in Minneapolis) in an amount of $6,159,190.

Enrollment at a residential academy was voluntary and was available to students in grades four through 12 who were either performing below suitable performance levels or who experienced homelessness or an unstable family environment. A parent, county worker, health care provider, school employee, or judicial employee recommended a student for admission to a residential academy. Educational and social service funding for a student attending the academy was deemed to follow the student from the student's school district or county of residence to the residential academy, as provided by law.

Each residential academy determined that the most effective way to provide educational services to the children placed at the residential facility would be to affiliate the residential academy with a specific charter school. Harvest Preparatory Academy provided educational services for residents of Synergy Academy. Synergy Residential Academy closed in 2003 due to a lack of funding for noneducational costs. Since that time, the facility has been used for early childhood educational services by Seed Academy, a preschool affiliated with Harvest Preparatory Academy.

Covenant Academy Charter School provided educational services to residents of the Catholic Charities facility, which was named Covenant Residential Academy. On June 30, 2005, the Covenant Residential Academy suspended residential services. Covenant Academy Charter School renamed itself Discovery Public School of Faribault and is currently providing services to about 65 students from the Faribault area. The facility that initially housed Covenant Academy was sold in 2009 to Shattuck-St. Mary's School, and the net proceeds of the sale ($775,000) were returned to the state treasury.

(Laws 1998, ch. 398, art. 5, § 46)

Miscellaneous Funds for Education

Alternative Compensation (Q-Comp) Revenue

Alternative compensation revenue was added to the general education program by the 2005 Legislature as a funding mechanism for the alternative teacher professional pay system. Beginning in fiscal year 2015, Q-Comp was removed from general education revenue and became a separate categorical revenue program. The alternative teacher professional pay system, referred to as Q-comp (short for quality compensation), often requires participating school districts and their teachers to develop an educational improvement plan and an alternative teacher pay system. A school district's alternative teacher compensation plan must be approved by the Commissioner of Education before a school district can access alternative compensation revenue. As of August 15, 2020, the Commissioner of Education had approved Q-comp plans for 109 school districts and 72 charter schools. Q-comp revenue is capped; 13 school districts, ten charter schools, and two cooperative units are on the waiting list and approved for funding if the legislature increases the program's total revenue.

Alternative Compensation Revenue. A school district that has an approved alternative compensation plan is eligible for alternative compensation revenue. The statewide amount of aid for the program is capped at $88.118 million. The revenue program consists of a basic revenue amount provided entirely in state aid plus an equalized aid and levy. The basic revenue amount is $169 per enrollee and the equalized aid and levy makes up the remaining $91 per enrollee unit. An intermediate school district or other cooperative unit qualifies for aid equal to $3,000 times the number of licensed teachers employed by the cooperative.

Table 55: Q-comp Revenue

Fiscal Year	Aid Entitlement	Levy	No. of Participating Districts	No. of Participating Charters
2021	$88,851,000	$40,826,000	109	72
2020	89,166,000	39,948,000	109	72
2019	88,762,000	37,834,000	109	75
2018	89,870,000	35,190,000	108	79
2017	89,868,000	33,246,000	108	79
2016	79,426,000	31,385,000	82	68

House Research Department

Alternative Compensation Revenue = $260 x the number of enrollees at the participating site

Alternative Compensation Levy = ($91 x number of enrollees) x the lesser of:
(1) one; or
(2) (ANTC/adjusted pupil units)/$6,100

Alternative Compensation Aid	=	Alternative Compensation Revenue	–	Alternative Compensation Levy

(Minn. Stat. §§ 122A.413-122A.415)

Literacy Incentive Aid

Beginning in fiscal year 2013, school districts and charter schools qualify for literacy incentive aid. The aid consists of two parts, Proficiency Aid and Growth Aid, which are both based on 3rd and 4th grade students' performance on the state reading test called the Minnesota Comprehensive Assessment (MCA).

Proficiency Aid rewards schools based on the percentage of their 3rd grade students that meet or exceed proficiency levels on the reading MCA. Aid equals $530 times the average number of 3rd grade students meeting or exceeding proficiency levels on the MCA during the past three years.

Proficiency Aid	=	$530	x	average number of 3rd grade students at the school meeting or exceeding proficiency

Growth Aid rewards districts based on the three-year average number of 4th grade students who make medium or high growth on the 4th grade reading MCA. Aid equals $530 times the average number of 4th graders making medium or high growth on the reading MCA.

Growth Aid	=	$530	x	average number of 4th grade students at the school making growth standards

Literacy Incentive Aid	=	Proficiency Aid	+	Growth Aid

Note: For fiscal years 2020 and 2021, the literacy aid amounts are adjusted to match the program's February 2020 Forecast appropriations level because of MCA testing canceled due to COVID-19.

Table 56: Literacy Incentive Aid

Fiscal Year	Appropriation
2021	$44,658,000
2020	44,976,000
2019	45,838,000
2018	46,267,000
2017	45,970,000
2016	44,540,000

House Research Department

(Minn. Stat. § 124D.98)

Abatement Aid

Abatement adjustments occur when the tax capacity of any school district is lowered after the property taxes for the year have been spread by the county auditor. An abatement adjustment is different from the authority a school district has to levy for economic development abatement activities. If a school district is subject to an abatement adjustment, the district receives an aid payment from the state for the major equalized programs. The aid entitlement is computed as follows:

$$\text{Abatement Aid Entitlement} = \text{net revenue loss as certified by the county auditor} \times \frac{\text{district's total certified equalized levies}}{\text{district's total certified levy for that year}}$$

In essence, the purpose of the formula is to compensate school districts for the loss of tax base with additional state aid payments for the portion of the district's levy share attributable to equalized school levies.

The district is allowed to make a levy for the remainder of the revenue loss and any interest owed on abatements. A school district may levy for each year's abatement loss over a three-year period.

(Minn. Stat. §§ 126C.46; 127A.49, subd. 2)

Table 57: Abatement Aid and Levy

Fiscal Year	Appropriation	Levy
2021	$2,827,000	$10,400,000
2020	1,770,000	12,116,000
2019	2,939,000	12,369,000
2018	2,374,000	10,844,000
2017	2,620,000	11,615,000
2016	3,051,000	12,008,000

House Research Department

A district may levy for the portion of abatement aid owed but not paid by the state because of aid proration.

Excess Tax Increment Payments

Tax increment districts capture the growth in tax capacity values for property within the tax increment district. If the tax increment project generates excess tax increment, and if that excess is returned to a school district, the district's aid is reduced by the following subtraction:

$$\text{Excess Tax Increment Subtraction} = \text{the amount of the excess tax increment payment} \times \frac{\text{district's total certified equalized levies}}{\text{district's total certified levy for that year}}$$

The purpose of this calculation is to allocate excess tax increment payments between state aid and the local property tax levies that would otherwise have been larger had that portion of the property tax increment value been included in the district's property tax base.

(Minn. Stat. § 127A.49, subd. 3)

Aid for Nonpublic School Students

Minnesota's nonpublic students include 65,657 students attending traditional nonpublic schools (e.g., Cretin-Derham Hall) and 20,701 homeschool students.

Books, Materials, Tests, Health Services, Guidance, and Counseling. School districts are required to provide nonpublic school pupils with textbooks, individualized instructional materials, and standardized tests, all of which must be secular in nature and cannot be used for religious instruction or worship. In addition, a district must provide the same health services to pupils of nonpublic schools as it provides to public school pupils. Nonpublic secondary pupils must also be offered guidance and counseling services by the public secondary schools. The state reimburses districts for their costs up to the amount of the statewide average expenditure per pupil (determined as of February 1 of the preceding school year) times the number of nonpublic school pupils served, with an inflation adjustment equal to the percent of increase in the general education revenue program formula allowance from the second preceding school year. For fiscal year 2021, the reimbursement rates are set at 100 percent of the statewide average expenditures per pupil unit, which are as follows: for textbooks, $85.59; for pupil health services, $83.63; and for secondary guidance and counseling, $279.36.

(Minn. Stat. §§ 123B.40-123B.43)

Table 58: Nonpublic School Student Aid

Fiscal Year	Appropriation
2021	$18,917,000
2020	17,690,000
2019	17,816,000
2018	17,396,000
2017	17,235,000
2016	16,621,000

House Research Department

If the state appropriation for nonpublic pupil aid is insufficient to cover school districts' expenditures, the districts may correspondingly reduce their expenditures to the amount of aid actually provided by the state.

Shared Time Programs. Nonpublic school pupils may be admitted by school districts to public school programs for part of the school day. A district that admits nonpublic pupils receives general education basic revenue for these pupils in an amount proportional to the time the pupils spend in the public schools. The appropriation for shared time programs is included in the regular appropriation for general education aid.

(Minn. Stat. §§ 126C.01, subds. 6-8; 126C.19)

Table 59: Shared Time Programs

Fiscal Year	Estimated Shared Time Weighted Pupil Count	Aid Entitlement*
2021	550	$3,609,000
2020	544	3,508,000
2019	530	3,346,000
2018	565	3,380,000
2017	520	3,272,000
2016	615	3,320,000

* Appropriation included in general education appropriation.

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Shared Time Special Education. School districts are required to provide special education programs for children with disabilities. (See page 57 for description of program requirements.) These programs must be made available to disabled nonpublic school pupils, and the district receives shared time general education aid for these pupils. For the 2019-20 school year, about one-third of the total shared time average daily membership was for students with an IEP.

(Minn. Stat. § 125A.18)

Transportation. School districts are also required to provide equal transportation for nonpublic school pupils. This means that the district within which a nondisabled pupil resides must provide transportation for the pupil to a nonpublic school within the district if he or she lives at least the same distance from the nonpublic school as public school students in the district who are transported to school. Public schools are also permitted to transport nonpublic school pupils to regular shared time programs and must transport disabled nonpublic school pupils to and from the facility where special education is provided. Public schools must also provide nonpublic school pupils with transportation within the district boundaries between the nonpublic school and public school or neutral site[6] for the purpose of receiving health and guidance and counseling services. State transportation aid is available for all of these transportation services to nonpublic school pupils.

Prior to fiscal year 1998, the appropriation for the transportation of nonpublic school pupils was contained in the transportation aid appropriation. For fiscal year 1998 and later, there is a line-item appropriation for nonpublic pupil transportation.

Nonpublic pupil transportation aid equals the sum of:

1) the product of the district's actual expenditures in the second preceding year for all pupils transported in the regular and excess categories, the number of nonpublic pupils receiving those services in the current year, and the ratio of the formula allowance in the current year to the allowance for the second previous year; and
2) the district's actual expenditure for nonpublic, nonregular transportation in the second preceding year times the ratio of the formula allowance in the current year to the allowance for the second preceding year.

(Minn. Stat. §§ 123B.84-123B.87; 123B.92, subd. 9)

Table 60: Nonpublic Pupil Transportation

Fiscal Year	Appropriations
2021	$20,100,000
2020	19,079,000
2019	19,483,000
2018	17,564,000
2017	18,103,000
2016	17,577,000

House Research Department

Education for English Language Learners. The English Language Learners Act requires districts providing state-funded English learning programs to offer nonpublic school pupils access to the same programs on the same terms as public school pupils. (See page 26 for additional information on English learners programs.) In addition to counting nonpublic school pupils for purposes of English learners funding, those pupils may also be counted by the district serving them for purposes of shared time general education aid.

[6] Neutral site is defined by Minnesota Statutes, section 123B.41, subdivision 13, and means a public center, a nonsectarian, nonpublic school, a mobile unit located off the nonpublic school premises, or any other location off the nonpublic school premises that is neither physically nor educationally identified with the functions of the nonpublic school.

(Minn. Stat. §§ 124D.65, subd. 6; 124D.58-124D.64)

Nutrition Programs

School Lunch. The state pays aid to school districts for each school lunch served to a student. The state aid amount is 12.5 cents per student lunch served for each free or fully-paid meal, and 52.5 cents for each reduced price lunch served. The state aid is in addition to federal funds provided to districts for fully paid (33 cents per lunch served), reduced-price ($3.11 per lunch served), and free lunches ($3.51 per lunch served). Each lunch served in a severe need building and each lunch qualifying for a performance-based award qualifies for an extra federal payment up to 24 cents more per meal.

Beginning in fiscal year 2015, all Minnesota students qualifying for a free or reduced price lunch must receive their school lunch at no cost to the student.

School Breakfast. The state pays aid to school districts that participate in the federal school breakfast program. The state pays 55 cents for each fully paid breakfast served and 30 cents for each reduced-price breakfast served for students in first grade through grade 12. For kindergarten pupils and prekindergarten pupils participating in an approved voluntary prekindergarten program, the state pays $1.30 for each fully paid breakfast, and all qualifying prekindergarten and kindergarten students are eligible for breakfast at no cost to the student. A school district may not charge a fee to students for free or reduced-price breakfast.

The federal government provides a reimbursement for each school breakfast served ranging from 32 cents for full-paid students to $2.26 for free meal eligible students attending a "severe need" school.

Kindergarten Milk. The state pays 20 cents for each half-pint of milk that is served to kindergarten students outside of the breakfast or lunch programs.

Federal support for school nutrition programs is substantial. For fiscal year 2019 in Minnesota, this support for major food service programs included $164 million for school lunch programs, $3 million in fresh fruits and vegetables, $53 million for school breakfast programs, and $73 million for the child and adult care food program.

(Minn. Stat. §§ 124D.111-124D.119)

Table 61: State and Federal Funds for School Nutrition Programs

Fiscal Year	State Appropriations for School Lunch Aid	State Appropriations for School Breakfast Aid	State Appropriations Kindergarten Milk (not included in school breakfast amount)	Federal Funds for School Nutrition Programs
2021	$16,514,000	$11,846,000	$658,000	NA
2020	16,245,000	11,428,000	658,000	$335,490,000*
2019	15,590,000	10,660,000	691,000	301,726,000

Fiscal Year	State Appropriations for School Lunch Aid	State Appropriations for School Breakfast Aid	State Appropriations Kindergarten Milk (not included in school breakfast amount)	Federal Funds for School Nutrition Programs
2018	15,670,000	10,053,000	690,000	324,916,000
2017	16,775,000	9,576,000	788,000	305,559,000
2016	16,251,000	8,669,000	788,000	NA
* Estimated				

House Research Department

Safe Schools Levy

The safe schools levy, formerly known as the crime levy, allows school districts to levy for costs associated with student and staff safety issues. Eligible expenses include:

- police liaison services;
- drug abuse prevention programs (DARE);
- gang resistance education training;
- school security;
- the other crime prevention and student and staff safety measures; and
- counseling, social working, and chemical dependency services provided by licensed professionals.

For fiscal year 2015 and later, the safe schools levy equals $36 per pupil plus for members of an intermediate school district, up to $15 per pupil unit for safe schools activities at the intermediate school district.

Table 62: Safe Schools Levy

Fiscal Year	School District Safe Schools Per Pupil Allowance	Allowance for Member of Intermediate School Districts Per Pupil	Revenue Restrictions	Total Levy Amount	Included Intermediate School District Levy Amounts
2021	$36	$15	None	$34,604,000	$3,845,000
2020	36	15	None	35,500,000	3,845,000
2019	36	15	None	35,410,000	3,845,000
2018	36	15	None	34,680,000	3,689,000
2017	36	15	None	34,592,000	3,128,000
2016	36	15	None	33,963,000	3,149,000

House Research Department

(Minn. Stat. § 126C.44)

Miscellaneous Levies

The following is a list of miscellaneous levies that have been statutorily authorized.

Liabilities of dissolved districts. A district that has had attached to it a portion of a dissolved district may levy for any liabilities of the dissolved district. This levy has not been used in the last decade.

(Minn. Stat. §§ 123A.67; 126C.43)

Transition expenses of a district created by consolidation. A consolidated district may levy for certain reorganization operating debt levies, severance pay, and early retirement expenses.

(Minn. Stat. §§ 123A.73; 126C.43)

Judgments. A district may levy the amount necessary to pay judgments from lawsuits.

(Minn. Stat. §§ 126C.43; 126C.47)

Reemployment (unemployment) insurance costs. A district may levy the amount necessary to pay the district's unemployment insurance costs.

(Minn. Stat. §§ 126C.43, subd. 2; 268.052, subd. 1; 268.085)

Swimming pool levy. In 2001, school districts were given authority to levy for swimming pool operating costs, as long as the school district is located in a county that: borders Canada; has a population density of less than ten persons per square mile; and includes portions of more than one school district. These current eligibility restrictions limit the levy's availability to just four school districts: International Falls, Warroad, Lake of the Woods, and Roseau.

(Minn. Stat. § 126C.455)

Ice arena levy. A school district that operates and maintains an ice arena may levy for the net operational costs of the ice arena.

(Minn. Stat. § 126C.45)

Tree Growth replacement revenue. Prior to 2001, certain forested properties were exempt from the ad valorem property tax and instead made an annual payment to local governments based on the yield and stumpage of the property. In 2002, this form of taxation was eliminated and the property was included in the tax base used for calculating property taxes. Because the payments were revenue to school districts, a special levy was created to replace the loss in tree growth revenue. Since that time, a school district may levy for an amount equal to its miscellaneous revenue for tree growth revenue for taxes payable in 2001.

(Minn. Stat. § 126C.445)

Economic development abatements. A school district may participate with a county or city in abating taxes for an economic development-related project. To replace the revenue that would otherwise be lost to the economic development abatement, a school district may separately levy for this amount.[7]

Table 63: Miscellaneous Levy Amounts

Payable Year	Reorganization/ Consolidation Expenses	Judgment	Unemployment Insurance	Swimming Pool Levy	Ice Arena Levy	Tree Growth Levy	Economic Development Abatements*
2020**	$0	$75,000	$5,217,000	$682,000	$2,184,000	$694,000	$1,249,000
2019	0	1,068,000	4,867,000	633,000	2,117,000	667,000	1,510,000
2018	30,000	1,035,000	5,584,000	623,000	2,274,000	667,000	1,609,000
2017	642,000	278,000	6,358,000	597,000	2,229,000	683,000	1,248,000
2016	920,000	1,301,000	6,519,000	599,000	2,156,000	695,000	1,315,000
2015	1,310,000	330,000	7,408,000	551,000	2,209,000	694,000	1,276,000

* Note that the economic development abatement levy does not include amounts in a district's debt service fund attributable to parking lot repairs.
** Estimated

House Research Department

[7] For more information, see *Property Tax Abatements for Economic Development*, House Research Department Short Subject, September 2018.

Income Tax Deductions and Credits

Education Income Tax Credit

Minnesota enacted an education tax credit in the first special session of 1997, with the credit first available in tax year 1998. Parents may claim the credit for all education-related expenses that qualify for the dependent education expense deduction, except nonpublic school tuition. Thus, the credit is allowed for transportation, tuition for academic summer school and summer camps, tutoring, and textbooks, defined to include instructional materials and equipment, including up to $200 per family of computer hardware and educational software. The credit equals 75 percent of the amount of qualified education-related expenses.

The maximum credit is $1,000 per child and there is no family cap (prior to 2004 the family cap was $2,000). The credit is refundable. Any amount that exceeds tax liability is paid to the claimant as a refund. Claimants with incomes under $33,500 may claim the full credit. The maximum credit is phased out for claimants with household income above $33,500 depending on the number of children for whom the credit is claimed. The income measure used to determine eligibility for the credit is a broad measure that includes nontaxable interest, Social Security, and public welfare benefits; the same income measure is used under the property tax refund and the dependent care credit.

Tax credits directly offset tax liability (taxes owed), unlike deductions, which reduce taxable income. In the case of refundable credits, the benefit to the taxpayer exactly equals the amount of the credit claimed. If a refundable credit exceeds a taxpayer’s income tax liability, the excess is refunded to the taxpayer. This is accomplished by providing an open appropriation to the Commissioner of Revenue to pay refunds allowed under the credit.

A refundable credit provides the same benefit to all qualifying claimants. As a result, all filers who claim an education tax credit of $1,000 will receive a $1,000 benefit. For those with tax liability, the benefit comes in the form of reduced taxes. Filers without tax liability receive a $1,000 refund check. Taxpayers may not claim the deduction and credit for the same expenses. Parents who qualify for both the deduction and credit will receive the greatest benefit by first claiming up to the maximum allowable under the credit, and then claiming any remaining expenses under the deduction.

A qualifying taxpayer may assign all or a part of an anticipated income tax refund to a financial institution or a tax-exempt organization. This authority was initially granted only for tax years 2002 and 2003 but has now been made permanent.

(Minn. Stat. § 290.0674)

Education Income Tax Deductions

For state income tax purposes, taxpayers may deduct from federal taxable income the amounts they spend for tuition, secular textbooks, tutoring, academic summer school and camps, up to $200 of the costs of a computer or education-related software, and transportation of dependents attending public or nonpublic elementary or secondary schools in Minnesota, North Dakota, South Dakota, Iowa, or Wisconsin. The maximum deductions are $1,625 per dependent in grades kindergarten through six, and $2,500 per dependent in grades seven through 12.

A deduction reduces the amount of income subject to tax; the benefit a taxpayer receives equals the taxpayer's marginal tax rate times the amount of the deduction. Many Minnesota taxpayers take the subtraction against income in the second tier bracket which has a rate of 6.80 percent, where a $2,500 deduction decreases state income taxes by $170 (.0680 x $2,500).

The constitutionality of this tax deduction was upheld in 1983 by the U.S. Supreme Court in the case of *Mueller v. Allen*. In a 5-4 decision affirming the lower courts' decisions, the Supreme Court held that the tuition tax deduction statute did not violate the establishment clause of the First Amendment.

(Minn. Stat. § 290.01, subd. 19b)

Table 64: Estimated Cost to State in Foregone Tax Revenue

Fiscal Year	Tax Expenditure Amount for Credit	Tax Expenditure Amount for Deduction
2021	$8,600,000	$16,700,000
2020	9,000,000	16,500,000
2019	11,600,000	18,100,000
2018	11,800,000	17,900,000
2017	13,100,000	18,100,000
2016	13,300,000	17,800,000
Source: Minnesota Department of Revenue tax expenditure estimates		

House Research Department

For more detailed information about Minnesota's K-12 education tax credit and deduction, see the House Research Department publication, *Income Tax Deductions and Credits for Public and Nonpublic Education in Minnesota*, June 2017.

Taconite Revenue for School Districts

There are 15 school districts in northern Minnesota located in the taconite relief area—the part of the state where taconite ore is mined and concentrated. The finances of these school districts, along with the finances of the area's other municipalities, are affected by the state treatment of taconite because the taconite industry is generally exempt from local property taxes. As a result, Minnesota's municipal funding formulas have special aid adjustments to compensate for the loss of this potential tax base through formulas that provide both additional property tax relief and additional revenue.

What follows is a brief summary of taconite taxes and the distribution of taconite revenue to school districts. For more complete information on taconite revenues and the interrelationship between school districts and taconite revenue see the *Minnesota Mining Tax Guide*, published annually by the Department of Revenue (online at https://www.revenue.state.mn.us/minnesota-mining-tax-guides).

Taconite Taxes Affecting School Districts

The taconite industry is generally exempt from local property taxes and, instead, is subject to a series of taxes including production taxes, occupation taxes, excise taxes, and royalty taxes. The majority of mining industry revenues are received through the taconite production tax and nearly all the school district taconite revenue is provided through the production tax.

The overall taconite production tax rate is set in statute. For concentrate produced in 2018, the rate is $2.751 per ton. The production tax rate is inflated each year by multiplying the production tax rate for 2013 times the change in the implicit price deflator since that time.

Taconite Revenue Programs for Schools

The proceeds of the taconite production tax are required by statute to be deposited into a variety of funds, and state statutes also contain formulas to provide for the distribution of revenues, primarily to local units of government, including school districts. School districts located in the taconite relief area received about $20 million out of a total of $104 million raised by the production tax for production year 2018 (distributed in 2019). Minnesota Statutes require school districts to use some of the taconite revenue for property tax relief and the remainder of the taconite revenue is set aside as additional revenue for the school districts.

Taconite Revenue—Regular School Fund 24.72 Cents per Ton—$9.522 Million

Regular School Fund Added Aid. Taconite area school districts receive some taconite aid that may be used for any spending purpose. For fiscal year 2014 and later, of the 24.72 cents per ton of taconite production tax revenue in the regular school fund, 11 cents per ton is distributed to all school districts located in the taconite relief area as additional revenue and may be used for any purpose.

Regular School Fund Property Tax Relief. The remainder of the regular school fund taconite revenue is used for direct school district property tax relief. This portion is determined by calculating an index for each district equal to its pupil units, times the ratio of the average adjusted net tax capacity per pupil unit for all districts in the taconite relief area to the district's adjusted net tax capacity per pupil unit. This amount then reduces the districts' school levies.

Table 65: Estimated Taconite Revenue Used to Reduce School District Levies

Payable Year	Levy Reduction
2020	$8,995,000
2019	7,851,000
2018	8,088,000
2017	8,598,000
2016	8,664,000
2015	9,119,000

House Research Department

Taconite Referendum Fund—$6.179 Million

In 1981, the legislature acted to allow taconite revenue to be used to equalize referendum levies in taconite districts. A taconite district receives an additional $175 per pupil unit if the district has passed a referendum levy or had a referendum in place prior to the 2001 legislative session. Taconite referendum revenue essentially "equalizes" a qualifying school district's referendum levy. The lower the district's tax base, the higher the amount of taconite referendum revenue. The district receives additional taconite revenue according to the following formula:

$$\text{Taconite Referendum Revenue} = [(\$175 \times \text{Pupil Units}) - (1.8\% \times \text{ANTC})] \times \text{the lesser of: (1) one; or (2) } \frac{\text{referendum levy certified in the previous year}}{1.8\% \times \text{ANTC}}$$

For purposes of the above calculation, the number of pupil units in the district in 1983-84 is used if that number is higher than the number of pupil units in the current year, and beginning in fiscal year 2015, the adjusted net tax capacity is fixed at the amount for 2011.

Beginning in fiscal year 2015, a second set of calculations is added to this formula to distribute additional taconite aid to school districts. This formula is as follows:

$$\text{Added Taconite Referendum Revenue} = 22.5\% \times [(\$415 + \text{Referendum Allowance for FY15}) \times \text{FY12 Pupil Units}] - (1.8\% \times 2011 \text{ ANTC})$$

Table 66: Estimated Taconite Revenue Used to Equalize Referendum Levies

Fiscal Year	Equalization Revenue
2021	$6,179,000
2020	6,179,000
2019	6,179,000
2018	6,179,000
2017	6,179,000
2016	6,179,000

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(Minn. Stat. §§ 126C.48, subd. 8; 298.28, subds.3, 4; 477A.15)

Taconite Money for Facilities Purposes

A portion of the taconite production tax is used for school facilities purposes through a couple of different programs.

Building Maintenance Fund—$1.397 Million. Annually, 4.0 cents per ton of the production tax is reserved for building maintenance and repairs and is distributed to the school districts where the taconite facilities are located. For taconite facilities with more than one district listed, the 4.0 cents per ton is distributed among the school districts based on each district's share of enrollment.

Table 67: Taconite Revenue for Building Maintenance: 4.0 Cents per Ton

School District	Amount Distributed 2018 Production Year	Producer
ISD #316, Greenway	$91,640	Keewatin Taconite
ISD #319, Nashwauk-Keewatin	38,131	Keewatin Taconite
ISD #381, Lake Superior	81,983	Northshore Mining
ISD #695, Chisholm	79,500	Hibbing Taconite
ISD #701, Hibbing	225,384	Hibbing Taconite
ISD #706, Virginia	212,878	ArcelorMittal/Minntac
ISD #712, Mountain Iron-Buhl	91,638	ArcelorMittal/Minntac
ISD #2142, St. Louis County	200,655	Northshore/United Taconite
ISD #2154, Eveleth-Gilbert	219,905	ArcelorMittal/Minntac/United Taconite
ISD #2711, Mesabi East	155,653	ArcelorMittal/Minntac
Source: Mining Tax Guide 2019		

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Iron Range School Consolidation and Cooperatively Operated School Account. The 2014 Legislature charged the Iron Range Resources and Rehabilitation Board (IRRRB) with the task of administrating the newly created Iron Range school consolidation and cooperatively operated school account. Taconite tax proceeds are transferred into the account and the IRRRB is responsible for determining the application process, approving qualifying projects, and allocating the funds to qualifying school district projects. The revenue and expenditures were first available for production year 2014.

Revenue

The Iron Range school consolidation and cooperatively operated school account is funded through taconite production and occupation taxes. The proceeds into the account include:

1) 10 cents per ton of the production tax under Minnesota Statutes, section 298.24, for distributions from 2015 to 2023 and 5 cents per ton each year thereafter;
2) an amount equal to 6 cents per ton of the proceeds that would otherwise have been distributed according to the occupation tax;
3) for distribution years 2015 to 2017 only, two-thirds of the increased tax proceeds attributable to the increase in the implicit price deflator; and
4) any other amounts authorized by law (including the transfer of taconite funds that were previously used to repay other school district bonds that have been repaid).

Table 68: Iron Range School Account

	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21
Balance Forward In	$4,824,000	$12,311,000	$14,502,000	$12,662,000	$19,487,000	$24,600,000*
Taconite Revenue In	$7,487,000	$7,717,000	$7,360,000	$11,235,000	$9,583,000	$8,512,000*
School Account Aid to Districts	$0	$5,526,000	$9,200,000	$4,410,000	$4,470,000	$8,932,000*
* Estimated						

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Expenditures

Expenditures may be made from the Iron Range school consolidation and cooperatively operated school account for the reduction in school district bond payments that are being made for a qualifying school project or for other school projects as determined by the IRRRB. A qualifying school project is a school facility project that was approved by the voters after April 3, 2006, received a positive review and comment from the Commissioner of Education, and is located in the taconite assistance area. At least seven members of the IRRRB must approve any expenditure from the account.

Table 69: Iron Range School Consolidation and Cooperatively Operated School Account Distributions Awarded to School Districts

Date of Award	Recipient Name	Estimated FY 21 Annual Amount	Duration in Years	Total Amount	Purpose
Feb-16	St Louis County School District	$4,000,000	12	$24,000,000	Reduce tax impact of existing building bonds
Feb-16	Mesabi East School District	$1,000,000	10	$5,000,000	Reduce tax impact of existing building bonds
Feb-16	Mountain Iron-Buhl School District	$1,532,000	20	$35,200,000	Reduce tax impact of newly issued building bonds
Feb-16	STEM initiative; Itasca Community College and Nashwauk-Keewatin, Greenway, and Grand Rapids school districts	$0	3 Fully-distributed	$2,505,000	Three-phased Science, Technology, Engineering, and Math (STEM) initiative
Feb-16	Applied Learning Institute (ALI); Aitkin, Crosby-Ironton, and Cook County school districts	$0	Onetime FY 17	$500,000	Upgrading shop facilities in each district and accessing additional instructional and curriculum development assistance necessary to bring the classes online through ALI
Oct-17	Education Innovation Partners (EIP)	$0	Onetime FY 18	$2,000,000	Initiating and supporting regional multi-district high-quality education and training initiatives for students, teachers and communities and to assist EIP members with technology equipment infrastructure upgrades
Jan-18	Grand Rapids School District	$0	Onetime FY 19	$4,700,000	Demolition and infrastructure needs of the Grand Rapids school district on a onetime basis
Aug-18	Mt. Iron-Buhl School District	$0	1 Fully-distributed	$25,000	Expanding Chinese language instruction to include students from other Range districts
Aug-18	Chisholm School District and Deer River School District	$0	4 Fully-distributed	$700,000	4-year project to provide one-to-one devices and to connect homeschool students and poor attendance students to school
Aug-18	Virginia and Eveleth-Gilbert School Districts	$0	1 Fully-distributed	$100,000	Feasibility study for cooperative academy-style high school
Feb-19	Virginia and Eveleth-Gilbert School Districts	$4,900,000	20	$98,000,000	Reduce tax impact of newly issued building bonds
Jun-19	Hibbing, Chisholm, St. Louis County, Mt. Iron-Buhl, Mesabi East and Ely Districts	$0	1 Fully-distributed	$350,000	6-District Innovative Summer STEAM programming

Date of Award	Recipient Name	Estimated FY 21 Annual Amount	Duration in Years	Total Amount	Purpose
Dec-19	Education Innovation Partners	$350,000	1	$350,000	Distance Learning Project
March-20	Ely School District	$0	1	$7,000,000	School renovations
	Totals	**$10,203,000**		**$173,080,000**	

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(Minn. Stat. § 298.28, subd. 7a)

Taconite School Bond Payments. Over the last 40 years the legislature has occasionally authorized the use of taconite production tax revenue for the full or partial repayment of locally issued school building bonds. In most of these cases, the legislation named the school districts, specified the approved bonding authority, and set the share of the bond repayment coming from the taconite production tax.

As of August 1, 2020, payments remain on three bond issues with an outstanding balance of $1.855 million.

On two occasions, the legislature has authorized the IRRRB to issue revenue bonds backed by a portion of the production tax for school building projects. The legislature has also authorized repayment of existing bonded indebtedness to certain taconite-area school districts.

Table 70: Taconite Debt Service Assistance Provided by Enacted Laws

Year of Legislation	Amount Authorized	Type of Assistance Supported by Production Tax	Citation
2013	$38,000,000	IRRRB revenue bonds	Chapter 143, article 11, section 11
2008	15,250,000	Reduction to existing bonds	Chapter 154, article 8, section 18
2005	15,000,000	IRRRB revenue bonds	Chapter 152, article 1, section 39
2000	12,750,000	Locally issued bonds	Chapter 490, article 5, sections 24 to 26
1998	5,300,000	Locally issued bonds	Chapter 398, article 4, sections 17 and 18
1996	31,940,000	Locally issued bonds	Chapter 412, article 5, sections 20 to 24
1992	11,379,500	Locally issued bonds	Chapter 499, article 5, section 29
1990	12,500,000	Locally issued bonds	Chapter 604, article 8, section 13
1989	1,000,000	Locally issued bonds	Chapter 329, article 5, section 20
1988	9,000,000	Locally issued bonds	Chapter 718, article 2, sections 62 and 63
1982	6,000,000	Reduction to existing bonds	Chapter 523, article 30, section 4
1982	6,330,000	Locally issued bonds	Chapter 523, article 30, section 3

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Tax Relief Aids and Aids in Lieu of Taxes

Property taxes have traditionally provided the revenue necessary to operate local governments and provide services at the local (city, town, county, or school district) level. Prior to taxes payable in 2002, nearly all tax proceeds remained at the local level. The reforms instituted by the 2001 Legislature created a statewide property tax paid by commercial/industrial and cabin property owners. In addition to direct state aids for specific programs, the state also provides general property tax relief for certain classes of property through property tax aids, credits, and reimbursements.[8] State aid payments are primarily from revenue raised by income and sales and use taxes and are used to reduce the property taxes that would otherwise be necessary to fund the specified levels of local services.

For school districts, a number of state aids are paid either to provide tax relief or to compensate for the presence in the district of particular types of property—property that is not taxable or that is taxed in some way by the state. The amounts of these tax relief aids and aids in lieu of taxes are deducted from local levies so that districts receiving these aids do not have excessive funds available beyond the amount provided by the general education aid formula.

The property tax aids and credits to school districts were significantly altered for fiscal year 2003 due to the state taking over the general education revenue program. Two large credits that were applied to school district levies, the education homestead credit and the education agricultural credit, have been eliminated and replaced with two smaller credits called the homestead market value credit and the agricultural market value credit, and beginning for taxes payable in 2012, the homestead market value exemption replaces the homestead market value credit.

School Building Bond Agricultural Credit

For information about the school building bond agricultural credit, see page 48.

Agricultural Market Value Credit

The agricultural market value credit is a property tax credit first effective for taxes payable in 2002. Each property classified as an agricultural homestead will receive the credit. The credit is computed as a percentage of the property's market value; it excludes the market value of the house, garage, and surrounding one acre of land. The formula is a sliding scale that reduces credit as a property's market value is higher. The formula for determining each property's credit is 0.3 percent of the property's market value, to a maximum of $345. The maximum credit of $345 is reached at a market value of $115,000. As the market value increases above

[8] A property tax aid is a state payment to a local unit of government to help pay for services. A property tax credit is defined as a reduction in a taxpayer's property tax payment, and the taxing jurisdiction receives payment from the state to make up for the tax reduction. A property tax reimbursement is a payment in lieu of taxes from the state to the local unit of government for a piece of property that would not normally generate property tax revenue.

$115,000, the credit is reduced by .05 percent of the amount between $115,000 and $345,000 of value; until for properties in excess of $345,000, the credit's maximum is $230.

The credit is subtracted from each property's net tax capacity tax (which is determined by multiplying the property's net tax capacity by the local tax rate of each jurisdiction with taxing authority over the property). The credit subtraction is distributed across taxing jurisdictions in proportion to each jurisdiction's share of the net tax capacity tax. The state makes a payment to each taxing jurisdiction in the state to compensate for the reduction in each taxpayer's tax resulting from the credit in the calendar year in which the taxes are paid.

(Minn. Stat. § 273.1384, subd. 2)

Disparity Reduction Aid

Disparity reduction aid is designed to provide property tax relief to taxing areas that have relatively high tax rates. Disparity aid is calculated on the basis of unique taxing areas (UTAs) based on taxes payable in 1988 property tax characteristics. Disparity reduction aid serves to reduce the total tax rate of UTAs that have relatively high tax rates.

Disparity reduction aid is equal to the previous year's disparity reduction aid multiplied by the ratio of:

1) the area's tax capacity using class rates for taxes payable in the year for which aid is being computed, to
2) its tax capacity using the class rates for taxes payable in the prior year, both based upon market values for taxes payable in the prior year.

Disparity reduction aid is calculated on the basis of unique taxing areas. The amount of disparity reduction aid allocated to each local unit of government is in proportion to that unit of government's gross taxes payable to total gross taxes payable.

(Minn. Stat. § 273.1398, subd. 3)

Taconite Homestead Credit

Homeowners in a taconite property tax relief area have their property taxes reduced by the taconite homestead credit. The taconite homestead credit is subtracted from each homestead taxpayer's gross property tax. For taxes payable in 2002 and later, the definition of "taconite tax relief area" was amended to exclude a school district whose boundaries are more than 20 miles from a taconite mine or plant. This definition excludes the Aitkin, Crosby-Ironton, and Grand Rapids school districts from receiving taconite property tax relief under this program. However, taxpayers in these districts continue to receive the same amount of relief through a state-funded program called the "supplemental homestead credit."

For homestead property located in a city or town that has a taconite facility, taconite power plant, or on which more than 40 percent of its valuation in 1941 was iron ore, the taconite homestead credit is 66 percent of the tax on the property, up to a maximum credit of $315.10.

For homestead property located outside such a city or town, but located within a school district that contains a taconite city or town, the taconite homestead credit is 57 percent of the tax on the property, up to a maximum credit of $289.80.

For taxes payable in 2019, the taconite homestead and supplemental credit reduced school district property taxes by $2,030,000.

(Minn. Stat. §§ 273.134; 273.135)

Other Property Tax Aids, Credits, and Reimbursements

There are a variety of other property tax credits and reimbursements that are authorized by statute. These property tax aids and credits include county conservation credit, disaster reduction credit, disparity reduction credit, powerline credit, and agricultural preserves.

Table 71: Property Tax Credits Reducing School District Levies for Taxes Payable in 2019 (Fiscal Year 2020)

Tax Credits Affecting School Levies	State Aid and Credit Amount
Agricultural Preserves/County Conservation Credit	$141,000
Disaster Credit	0
Homestead Disaster Credit	31,000
Local Option Disaster Credit	0
Disparity Reduction Credit	2,535,000
Agricultural Homestead Market Value Credit	8,619,000
Prior Year: Other Miscellaneous Credits	21,000
Disparity Reduction Aid	7,967,000
School Building Bonding Ag Credit	38,055,000
School Share; Total All State Credits	**$57,411,000**

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(Minn. Stat. §§ 273.119 – County Conservation Credit; 273.123 – Disasters; 273.1398, subd. 4 – Disparity Reduction Credit; 473H.10 – Agricultural Preserves)

Teacher Retirement

Teachers, administrators, nurses, librarians, social workers, counselors, and other professional personnel employed in Minnesota's public schools, including charter schools, are provided retirement benefits through two teacher retirement fund associations. The largest of the funds is the statewide Teachers Retirement Association (TRA). The smaller fund is a separate retirement fund association for teachers employed by the St. Paul school district.

Prior to fiscal year 1987, the state paid all employer obligations to the teacher retirement funds and Social Security. For fiscal years 1987 and 1988, a new state aid formula for teacher retirement was instituted that required school districts to make employer contributions for amounts in excess of the state aid payments. Since fiscal year 1989, school districts have been required to make all employer contributions for teacher retirement and Social Security directly from their undesignated general fund revenue. Additionally, special state aid is paid from the state to the statewide retirement fund for teachers employed by Minneapolis and Duluth and to the St. Paul retirement fund, to reduce the unfunded liability accrued by those funds.

Minneapolis Teacher Retirement Fund

The 2006 Legislature abolished the Minneapolis teacher retirement fund and transferred its employees, retirees, assets, and liabilities to the statewide teacher retirement fund effective July 1, 2006. The Minneapolis school district continues to pay a higher employer contribution rate into the fund, but its teacher employees are now covered and will receive their retiree benefits from the statewide teacher retirement fund.

Duluth Teacher Retirement Fund

The 2014 Legislature consolidated the Duluth teacher retirement fund into the statewide teacher retirement fund effective July 1, 2015.

Employer Contributions

Prior to the 1987 changes, the employer's share of retirement contributions on behalf of all TRA members had been paid by the state since the establishment of the fund in 1915. Employer contributions for teachers employed in first-class cities had been solely the state's responsibility since 1975, although state aid for first-class city teacher retirement costs began in 1968. The state had also paid employer contributions to Social Security for all members of coordinated retirement plans (a coordinated plan is a plan that also provides Social Security benefits upon retirement).[9]

[9] Coordinated plans include Social Security coverage; employer contributions to Social Security are required. Basic plans do not include Social Security coverage and, therefore, require higher employer contribution rates to the retirement fund. Since 1959, all new members of the statewide TRA have been required to be covered under the coordinated plan. Minneapolis and St. Paul offered coordinated plans beginning in 1978.

Employer contributions to the retirement funds are calculated as a percentage of each employee's total qualifying payroll. These rates are recommended by the Legislative Commission on Pensions and Retirement and are set in statute. The following tables show the number of active members for whom employer contributions are made as of July 1, 2019, the fund assets and liabilities as of July 1, 2019, and the employer and employee contribution rates.

(Minn. Stat. §§ 354.42; 354.43; 354.435; 354.436; 355.01-355.08 (Statewide TRA); 354A.12 (St. Paul; Cities of the First Class))

Table 72: Membership Counts, Fund Assets, and Liabilities by Retirement Plan

Fund	July 1, 2019 Active Membership	July 1, 2019 Actuarial Assets	July 1, 2019 Liabilities	Ongoing Annual Special State Aid Payments
Statewide TRA		$22,467,000,000	$29,246,000,000	$15,454,000*** 14,377,000****
Coordinated Plan	82,964			
Basic Plan*	1			
St. Paul TRFA		$1,079,552,000	$1,691,721,000	$14,827,000
Coordinated Plan	3,467			
Basic Plan**	0			

Note: As of June 30, 2006, the Minneapolis teacher retirement fund was combined into the statewide TRA fund. As of July 1, 2015, the Duluth teacher retirement fund was consolidated into the statewide TRA fund.
* The "basic" active members in the statewide TRA plan are Minneapolis teachers formerly covered by the Minneapolis TRFA plan.
** As of July 1, 2019, there are no active basic members in St. Paul TRFA.
*** This amount includes $2,500,000 in matching aid for contributions by the city and school district and $12,954,000 on behalf of the former Minneapolis Teacher Retirement Fund Association.
**** This annual aid payment is on behalf of the former Duluth Teacher Retirement Fund Association.
Source: Legislative Commission on Pensions and Retirement, valuation reports

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Table 73: Employee and Employer Contribution Rates (Fiscal Years)

TRA Fund or District	Fiscal Year Contribution Rates													
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 and later
Statewide TRA														
School Employer (other than Mpls or Duluth) – Coordinated Member	5.5	6.0	6.5	7.0	7.5	7.5	7.5	7.5	7.71	7.92	8.13	8.34	8.55	8.75
Employee – Coordinated Member	5.5	6.0	6.5	7.0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.75

TRA Fund or District	Fiscal Year Contribution Rates													
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 and later
Employee – Basic Member	9.0	9.5	10.0	10.5	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.25
Minneapolis School District*														
Employer – Coordinated	9.14	9.64	10.14	10.64	11.14	11.14	11.14	11.14	11.35	11.56	11.77	11.98	12.19	12.39
Employer – Basic	13.14	13.64	14.14	14.64	15.14	15.14	15.14	15.14	15.14	15.14	15.14	15.14	15.14	15.39
Duluth School District**														
Employer – Coordinated Plan	5.79	6.29	6.79	7.29	7.5	7.5	7.5	7.5	7.71	7.92	8.13	8.34	8.55	8.75
St. Paul TRFA***														
Employer – Coordinated	8.34	8.59	8.84	9.09	9.34	9.84	10.09	10.34	11.175	12.01	12.22	12.43	12.64	12.84
Employee – Coordinated	5.5	5.75	6.0	6.25	6.5	7.0	7.5	7.5	7.5	7.5	7.5	7.5	7.75	7.75

* Beginning June 30, 2006, Minneapolis teachers are members of the statewide Teacher Retirement Association (TRA) and pay the same employee contribution rates as all other teachers in TRA.
** Beginning July 1, 2015, Duluth teachers are members of the statewide TRA and pay the same employee contribution rates as all other teachers in TRA.
*** As of July 1, 2019, there are no longer any active basic members in St. Paul TRFA.

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Social Security and Medicare

The employer's (school district's) Social Security contribution is determined by Congress. Beginning in 1991, the maximum salary base subject to the Medicare rate is greater than the maximum salary base subject to the Social Security contribution rate. Congress both establishes the rates of taxation and specifies the maximum amount of an employee's salary that is subject to the taxes. The following contribution rates apply to all employers. The school districts' Social Security contributions are made on behalf of employees in coordinated plans.

Employees pay a matching amount for Social Security and Medicare and beginning in 2013, employees with higher incomes (over $200,000 for single filers and over $250,000 for married filers) pay an additional Medicare tax of 0.9 percent (as a part of the Affordable Care Act) on the amount of income in excess of the limit.

Table 74: Social Security and Medicare Employer Contribution Rates

Calendar Year	Social Security Contribution Rate	Medicare Contribution Rate	Social Security Maximum Salary	Medicare Maximum Salary
2021*	6.2%	1.45%	$141,900	Unlimited
2020	6.2	1.45	137,700	Unlimited
2019	6.2	1.45	132,900	Unlimited
2018	6.2	1.45	128,400	Unlimited
2017	6.2	1.45	127,200	Unlimited
2016	6.2	1.45	118,500	Unlimited

* Estimated

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Postemployment Benefits

Many Minnesota school districts have offered a number of postemployment benefits to their employees. These benefits are in addition to the employee pension benefits provided by the teacher retirement systems for licensed staff (teachers and other licensed staff) and the Public Employee Retirement Association (PERA) for nonlicensed staff. The largest share of these benefits consists of promises to pay certain health costs of retired employees. OPEB is an acronym that stands for Other Postemployment Benefits, which are benefits that give rise to a liability under the Governmental Accounting Standards Board (GASB), and in Minnesota, generally refers to retiree health benefits.

Other Postemployment Benefits (OPEB)

The 2008 Legislature passed a law that authorized municipalities, including school districts, to determine their outstanding OPEB liability and then issue bonds, without voter approval, to fund a trust up to the amount of the OPEB liability. School districts may then levy to repay these bonds as a part of the annual levy needed to make bond payments (nearly all other school district bonds are for capital purposes). Since school districts are limited in their levy authority, without this law, school districts could neither sell the bonds without voter approval nor make an annual levy to pay for the OPEB costs. Specifically, the 2008 law:

- created the authority for municipalities to determine their OPEB liability and establish either an irrevocable or a revocable trust to pay the postemployment benefits (see Minn. Stat. § 471.6175);
- authorized municipalities to bond for actuarial liabilities to pay postemployment benefits to employees after their termination of service (Minn. Stat. § 475.52, subd. 6); and
- exempted the OPEB bond sales from voter approval (Minn. Stat. § 475.58, subd. 1).

The 2009 Legislature narrowed municipalities' OPEB authority. The 2009 changes kept the ability for municipalities to create trusts, but eliminated the ability to sell bonds for this purpose for municipalities other than school districts. For school districts, beginning October 1, 2009, bonding for OPEB liabilities may occur only after the school district has received voter approval.

(Minn. Stat. §§ 471.6175; 475.51, subd. 4; 475.52, subds. 1 and 6; 475.58, subd. 1)

Retired Employee Health Benefits Levy

Another part of the 2009 legislative changes was to expand the retired employee health benefits levy. Prior to the 2008 legislative session, a school district could levy for up to $600,000 per year for the retired employee health insurance costs required by a collective bargaining agreement in place prior to March 30, 1992. This was for those employees who had retired prior to July 1, 1992.

The 2008 Legislature kept the $600,000 district cap, but allowed a district to include in its levy the costs for those employees who had retired between July 1, 1992, and July 1, 1998, so long as the provisions in their collective bargaining agreements that had given rise to the employee obligation had been sunset.

The 2009 Legislature expanded the retired employee health benefits levy as a part of the package of changes to the OPEB statutes. The 2009 changes allow a school district, upon school board approval, to levy for OPEB costs that are actually incurred in the previous year as long as the district's contract has sunset certain provisions that gave rise to OPEB obligations.

(Minn. Stat. § 126C.41, subd. 2)

Added retirement. The Minneapolis and St. Paul school districts must levy for a portion of certain costs associated with higher required employer contribution rates to their respective teacher retirement funds and for additional required contributions to the funds for nonteaching employees.

(Minn. Stat. § 126C.41, subd. 3)

Severance pay obligations, St. Paul. The St. Paul school district may levy up to 0.34 percent of ANTC for payment of certain severance pay obligations.

(Minn. Stat. § 126C.41, subd. 5)

Table 75: Postemployment Benefit Levies

Payable Year	OPEB Bonded Debt Levy	OPEB Annual Levy	Retired Employee Health Benefits Levy	Added Retirement Levy	St. Paul Severance Levy
2020	$57,377,000	$43,207,000	$1,411,000	$24,222,000	$1,110,000
2019	68,795,000	40,147,000	1,515,000	25,761,000	1,110,000
2018	91,438,000	39,060,000	1,713,000	24,667,000	1,047,000
2017	92,621,000	39,205,000	1,706,000	24,425,000	941,000
2016	92,182,000	34,170,000	1,835,000	24,870,000	877,000
2015	82,409,000	34,641,000	1,707,000	22,331,000	829,000

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School District Accounting

Two aspects of school district accounting are of major significance to the legislature: the accounting system that school districts are required to use, because it provides an important view of school districts' financial status; and the accounting methods that the legislature uses to pay or meter revenue to school districts, because it provides a way to carefully manage the state's payment of funds to the local school districts.

School District Accounting System

Uniform Financial Accounting and Reporting Standards. The legislature requires school districts to adopt and use a uniform system of records and accounting for public schools. The adopted system, a modified accrual accounting system, is known as Uniform Financial Accounting and Reporting Standards (UFARS). UFARS is important because it provides a uniform basis for comparing and evaluating school district revenue and expenditures. Under UFARS, every district must maintain at least the following funds.

Table 76: School Funds

Fund Number	Operating Funds	Common Purposes
01	General	Money used to pay general operating costs, such as teacher salaries, administrative costs, and to purchase textbooks and equipment
02	Food Service	Money for nutrition programs—primarily school lunch and breakfast
04	Community Service	Money for community education programs
Fund Number	**Nonoperating Funds**	**Common Purposes**
06	Building Construction	Proceeds of bond sales used to pay contractors for building projects
07	Debt Redemption	Money necessary to repay bond holders
47	Postemployment Benefits Debt Service Fund	Money from levy proceeds to repay OPEB bonds
Fund Number	**Fiduciary Funds**	**Common Purposes**
08	Trust	Money held in trust for others
18	Custodial	Fiduciary activities not reported elsewhere for the benefit of others
45	Postemployment Benefits Irrevocable Trust Fund	Money held in an irrevocable trust for postemployment benefits
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(Minn. Stat. §§ 123B.75-123B.83)

The UFARS statute (Minn. Stat. § 123B.79) generally prohibits a district from permanently transferring money from an operating fund to a nonoperating fund, although a procedure is set forth in statute for the Commissioner of Education to approve transfers in exceptional circumstances. Also, the creation by the 1995 Legislature of operating capital revenue accounts in the general fund means that districts can spend any undesignated or unreserved general fund money for capital equipment and facilities purposes. Additionally, almost every year the legislature approves specific fund transfers for individual school districts.

In contrast to the usual limitations on fund transfers, the 1991 Legislature authorized two types of fund transfers:

- **Reorganization Fund Transfers:** A school district that has reorganized may make permanent transfers between any of the funds in the newly created or enlarged district, with the exception of the debt redemption fund. These fund transfers may be made only during the fiscal year following the effective date of the district's reorganization.
- **Nonoperating Fund Transfer:** On June 30, 1992, a school district could transfer money from its capital expenditure fund and from its debt redemption fund (to the extent the funds are not needed to make debt service payments) to the transportation fund, capital fund, or debt redemption fund.

The UFARS statute also prescribes the fiscal years when revenues and expenditures are to be recognized on district books. The legislature uses these recognition provisions to distribute state aid payments to school districts and to balance the state budget. The revenue recognition procedures established by the legislature determine a district's operating debt and expenditure limitations.

Statutory Operating Debt. Operating debt is defined as the net negative unappropriated fund balance on June 30 of any year in all of the school district's operating funds. Districts for which the operating debt is greater than 2.5 percent of the expenditures in operating funds in the most recent fiscal year are considered to be in statutory operating debt.

Statutory Operating Debt Levies. A series of levies were approved in 1977, 1983, 1985, and 1992 that allowed districts to pay off past statutory operating debt amounts. The authority under each of these levies has now expired.

Expenditure Limitations. A school district in statutory operating debt must limit its expenditures in each subsequent fiscal year such that its statutory operating debt is not increasing. A district in statutory operating debt must submit a special operating plan to reduce its deficit expenditures to the Commissioner of Education for approval. If the plan is disapproved, the district receives no state aid until a plan is approved.

(Minn. Stat. § 123B.83)

Temporary Waiver of Fund Transfer Limits. For fiscal years 2012 through 2017, a school district could transfer money from any account or fund (except the community service and food service fund) to any other account or fund as long as that transfer did not affect the school district's state aid or local levy.

For fiscal years 2020 and 2021, a school district may transfer moneys from any operating account or fund to another to adjust the district's budget in response to COVID-19.

State Accounting Measures

Aid Payment Percentage. The state aid share of school district revenue that is promised to the school district through Minnesota's school finance formulas is called the "aid entitlement." The amount paid to school districts by the state during each fiscal year is called the "appropriation." Since school districts use the accrual method of accounting, the full amount of the aid entitlement owed to the district for a fiscal year is booked as revenue for that year, regardless of when the state aid is actually received. On the other hand, for budgetary purposes, the state uses a cash-based system of accounting, not an accrual system of accounting. As a result, the "cost" to the state is only the actual appropriation for a particular school year, not the aid entitlement.

Minnesota statutorily sets the portion of state aid that is paid to a school district for a specific fiscal year. This percentage is sometimes called the "aid payment percentage." In a year in which the aid payment percentage is lowered, the state "saves" money through an accounting shift because the appropriation is smaller than the aid entitlement. For this reason, the shift tends to be used in years when desired state revenues are below desired program funding levels. For fiscal year 2014 and later, the current year aid payment percentage is set equal to 90 percent. The remaining portion, often referred to as the "cleanup payment," is paid during the subsequent fiscal year. This means that the state paid school districts 90 percent of their current year aid entitlement and 10 percent of the previous year's aid entitlement in that year.

Table 77: Aid Payment Percentage

Fiscal Year of Entitlement	Current Year Aid Payment Percentage	Previous Year Aid Payment Percentage	Appropriation Cost to State
2015 – 2021	90.0%	10.0%	100.0%
2014	90.0	13.6	103.6
2013	86.4	35.7	122.1
2012*	64.3	30.0	94.3
2011	70.0	27.0	97.0
2010	73.0	10.0	83.0
2009 - 2007	90.0	10.0	100.0
2006	90.0	15.7	105.7
2005	84.3	20.0	104.3

Fiscal Year of Entitlement	Current Year Aid Payment Percentage	Previous Year Aid Payment Percentage	Appropriation Cost to State
2004	80.0	17.0	97.0
2003	83.0	10.0	93.0
2002 - 1999	90.0	10.0	100.0
1998	90.0	15.0	105.0
1983 - 1997	85.0	15.0	100.0
* Note: During the 2011 special session, the legislature and the governor agreed to set the aid payment percentage at 60, but the allocation of the February 2012 budget surplus restored $314 million to increase the aid payment percentage to 64.3.			

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The following example shows how the aid payment percentage shift defers a portion of any state aid entitlement increase into the next fiscal year.

Table 78: Example of Appropriation Payments
(Figures are hypothetical for illustrative purposes only and expressed as $ in millions)

	State Fiscal Year								
Appropriation	2012	2013	2014	2015	2016	2017	2018	2019	2020
(a) Aid entitlement	$4,000	$4,200	$4,500	$4,800	$5,000	$5,200	$5,500	$6,000	$6,500
(b) Percent share owed for previous fiscal year	30%	35.7%	13.6%	10%	10%	10%	10%	10%	10%
(c) Share still owed for previous fiscal year	$1,140	$1,499	$571	$480	$480	$500	$520	$550	$600
(d) Percent share owed for current fiscal year	64.3%	86.4%	90%	90%	90%	90%	90%	90%	90%
(e) Share of entitlement paid during the current fiscal year	$2,572	$3,629	$4,050	$4,320	$4,500	$4,680	$4,950	$5,400	$5,850
Appropriation for the current fiscal year (c) + (e)	$3,712	$5,128	$4,621	$4,800	$4,980	$5,180	$5,470	$5,950	$6,450

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Property Tax Shift and Levy Recognition. The property tax early recognition shift alters the way school property taxes are recognized for state accounting purposes. Because the state uses a cash system of accounting when paying school districts, and school districts use an accrual system of accounting when receiving state aids, a change in the recognition of the property taxes that are paid to school districts by the county treasurer in June of each year allows the state to delay a certain portion of state aid payments to school districts until after July 1. This procedure allows the state to balance its books in a current fiscal year by postponing an aid payment to a school district until the following fiscal year, through fiscal year 2009. The 2010 Legislature statutorily reimposed the property tax recognition shift beginning in fiscal year 2010.

The property tax shift was first enacted in 1982. The property tax recognition shift percentage was increased and decreased a number of times until 1998, when it was eliminated. The 2003 Legislature reinstated the property tax recognition shift for fiscal years 2004 and 2005 and beginning in fiscal year 2006, the property tax recognition shift was again eliminated through fiscal year 2009. The 2010 Legislature statutorily implemented the property tax recognition shift beginning in fiscal year 2010.

Prior to the creation of the property tax recognition shift, the full amount of the first-half property tax payment, received by school districts in late May and early June, was revenue attributable to the following fiscal year (which begins July 1). As a result of the shift, the state delays paying a portion of the aid payments to school districts, and instead, requires the school districts to “borrow” or recognize early, the statutorily specified portion of the June property tax payment instead of receiving the state aid payments. The shift is a onetime savings to the state, unless the shift percentage is increased or the total amount of net school levy increases. The net effect for most school districts is that the state aid payments promised for the late spring (primarily April, May, and June) are delayed until the following fiscal year, and the district instead relies on the May and June property tax payments from the county to meet its financial obligations during the late spring. Because of the property tax recognition shift, many school districts engage in short-term borrowing in order to meet their cash flow needs during the late spring. Since the shift was instituted in fiscal year 1983, the shift percentage has fluctuated greatly.

The property tax recognition shift percentage was set at 48.6 percent for fiscal years 2004 and 2005 and was eliminated for fiscal years 2006 through 2010. For fiscal year 2011 and later, the governor proposed an unallotment of state aid designed to mimic the property tax recognition shift at 49.1 percent. This action never took effect because the 2010 Legislature statutorily implemented the property tax recognition shift at 48.6 percent. Sufficient state funds existed in the fund balance following the 2013 legislative session such that the property tax recognition shift was eliminated for fiscal year 2014 and later.

Table 79 shows the amount of the shift percentage for each of the years since its inception and the relationship among the years for the assessment valuation and the certification, collection, and use of levies.

Table 79: Relationship Among the Years

Assessment Year	December When Levy is Certified	Calendar Year When Levy is Collected	Fiscal Year		School Year When Levy is Used (Percent Shifted is in bold)
1980	1981	1982	FY 1983	=	1982-83 school year
1981	1982	1983	FY 1983 FY 1984	= =	1982-83 school year: **32%** of levy 1983-84 school year: 68% of levy
1982	1983	1984	FY 1984 FY 1985	= =	1983-84 school year: **32%** of levy 1984-85 school year: 68% of levy
1983	1984	1985	FY 1985 FY 1986	= =	1984-85 school year: **24%** of levy 1985-86 school year: 76% of levy
1984	1985	1986	FY 1986 FY 1987	= =	1985-86 school year: **24%** of levy 1986-87 school year: 76% of levy
1985	1986	1987	FY 1987 FY 1988	= =	1986-87 school year: **24%** of levy 1987-88 school year: 76% of levy
1986	1987	1988	FY 1988 FY 1989	= =	1987-88 school year: **27%** of levy 1988-89 school year: 73% of levy
1987	1988	1989	FY 1989 FY 1990	= =	1988-89 school year: **27%** of levy 1989-90 school year: 73% of levy
1988	1989	1990	FY 1990 FY 1991	= =	1989-90 school year: **31%** of levy 1990-91 school year: 69% of levy
1989	1990	1991	FY 1991 FY 1992	= =	1990-91 school year: **31%** of levy 1991-92 school year: 69% of levy
1990	1991	1992	FY 1992 FY 1993	= =	1991-92 school year: **37%** of levy 1992-93 school year: 63% of levy
1991	1992	1993	FY 1993 FY 1994	= =	1992-93 school year: **50%** of levy 1993-94 school year: 50% of levy
1992	1993	1994	FY 1994 FY 1995	= =	1993-94 school year: **37.4%** of levy 1994-95 school year: 63.6% of levy
1993	1994	1995	FY 1995 FY 1996	= =	1994-95 school year: **37.4%** of levy 1995-96 school year: 81% of levy
1994	1995	1996	FY 1996 FY 1997	= =	1995-96 school year: **19%** of levy 1996-97 school year: 93% of levy
1995	1996	1997	FY 1997 FY 1998	= =	1996-97 school year: **7%** of levy 1997-98 school year: 93% of levy
1996	1997	1998	FY 1998 FY 1999	= =	1997-98 school year: **7%** of levy 1998-99 school year: 100% of levy
1997	1998	1999	FY 1999 FY 2000	= =	1998-99 school year: **0%** of levy 1999-00 school year: 100% of levy
1998	1999	2000	FY 2000 FY 2001	= =	1999-00 school year: **0%** of levy 2000-01 school year: 100% of levy

Assessment Year	December When Levy is Certified	Calendar Year When Levy is Collected	Fiscal Year		School Year When Levy is Used (Percent Shifted is in bold)
1999	2000	2001	FY 2001 FY 2002	= =	2000-01 school year: **0%** of levy 2001-02 school year: 100% of levy
2000	2001	2002	FY 2002 FY 2003	= =	2001-02 school year: **0%** of levy 2002–03 school year: 100% of levy
2001	2002	2003	FY 2003 FY 2004	= =	2002-03 school year: **0%** of levy 2003-04 school year: 100% of levy
2002	2003	2004	FY 2004 FY 2005	= =	2003-04 school year: **47%** of levy 2004-05 school year: 53% of levy
2003	2004	2005	FY 2005 FY 2006	= =	2004-05 school year: **48.6%** of levy 2005-06 school year: 51.4% of levy
2004	2005	2006	FY 2006 FY 2007	= =	2005-06 school year: **0%** of levy 2006-07 school year: 100% of levy
2005	2006	2007	FY 2007 FY 2008	= =	2006-07 school year: **0%** of levy 2007-08 school year: 100% of levy
2006	2007	2008	FY 2008 FY 2009	= =	2007-08 school year: **0%** of levy 2008-09 school year: 100% of levy
2007	2008	2009	FY 2009 FY 2010	= =	2008-09 school year: **0%** of levy 2009-10 school year: 100% of levy
2008	2009	2010	FY2010 FY2011	= =	2009-10 school year: **48.6%** of levy 2010-11 school year: 51.4% of levy
2009	2010	2011	FY2011 FY2012	= =	2010-11 school year: **48.6%** of levy 2011-12 school year: 51.4% of levy
2010	2011	2012	FY2012 FY2013	= =	2011-12 school year: **48.6%** of levy 2012-13 school year: 51.4% of levy
2011	2012	2013	FY2013 FY2014	= =	2012-13 school year: **48.6%** of levy 2013-14 school year: 51.4% of levy
2012	2013	2014	FY2014 FY2015	= =	2013-14 school year: **0%** of levy 2014-15 school year: 100% of levy
2013 and later	2014 and later	2015 and later	First year Second year	= =	First year: **0%** of levy Second year: 100% of levy

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Metered Payments. State aid payments are metered to school districts on the basis of a statutory schedule. School districts receive bimonthly state aid payments from the Department of Education. The metering schedule is an accounting tool designed to help the state avoid short-term borrowing by providing school districts' state aid payments on a schedule that is supposed to reflect the average school district's cash flow needs. The same cumulative percentage is used for each district regardless of that district's particular cash flow needs. Each school district is guaranteed the cumulative percentage of its revenue.

(Minn. Stat. § 127A.45)

School districts receive state aid payments and property tax payments as shown in the following table (school district fiscal years are the same as state fiscal years and run from July 1 to June 30).

Table 80: Metered Payments

Payment Date	Cumulative Aid Percentage	Comments
July 15	5.5%	
July 30	8.0	
August 15	17.5	
August 30	20.0	
September 15	22.5	
September 30	25.0	
October 15	27.0	
October 30	30.0	District receives second half of property tax receipts from county treasurer in October and early November with a small cleanup payment in December
November 15	32.5	
November 30	36.5	
December 15	42.0	
December 30	45.0	
January 15	50.0	
January 30	54.0	
February 15	58.0	
February 28	63.0	
March 15	68.0	
March 30	74.0	
April 15	78.0	
April 30	85.0	
May 15	90.0	
May 30	95.0	Districts receive first half of property tax receipts in late May and early June with a small cleanup payment in July
June 20	100.0%	

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Metered payments distribute 90 percent of the aid entitlement to the school districts during the current fiscal year. In the following fiscal year, the remaining 10 percent is paid to school districts. These payments are often referred to as the “cleanup” payments.

There are four cleanup payments for a school district:

- August 15: for the final adjustment for state paid property tax credits
- August 30: 30 percent of the remaining aid payments for the previous fiscal year
- September 30: 40 percent of the remaining aid payments for the previous fiscal year
- October 30: 30 percent of the remaining aid payments for the previous fiscal year

Charter School Metered Payments. In an effort to speed up cash flow to charter schools, the legislature has modified the aid payment and metering schedule for charter schools in three ways:

1) In any year where the aid payment percentage is less than 90, the full amount of the current year payment to charter schools must be paid in the July through February payments (this gives charter schools the current year payments earlier, but means charter schools won’t receive any state aid payments during March, April, May, and June).
2) In any year where the aid payment percentage is less than 90, the cleanup payment for charter schools is also accelerated. Seventy-five percent of the cleanup payment is made on July 15, and the remainder (25 percent) is paid on October 30.
3) A charter school where at least 90 percent of the students are eligible for special education services has its special education payments made on a 90/10 basis regardless of the general statutory aid payment percentage.

Appendix

The appendix includes historical funding information about certain school finance programs where funding levels may not be easily found elsewhere. It includes information on the general education program, capital projects, integration programs, and school safety funding.

General Education Program

The uniform general education levy was a major part of the funding for general education revenue from 1989 to 2000. Table 81 shows the general education levy, tax rate, equalizing factor, and dollars raised statewide by the levy.

Table 81: General Education Levy

Year Certified	Year Levy Paid	Fiscal year	Adjusted Net Tax Capacity Rate	Dollars Raised Statewide	Equalizing Factor
2017 and later	2018	2019	0.00%	$0	
2016	2017	2018	0.16	10,000,000	
2015	2016	2017	0.30	20,000,000	
2014	2015	2016	0.33	20,000,000	
2013*	2014	2015	0.35	20,000,000	
2000**	2001	2002	32.38	1,330,000,000	$12,242
1999	2000	2001	35.78	1,330,000,000	10,970
1998	1999	2000	36.58	1,285,500,000	9,650
1997	1998	1999	36.9	1,292,000,000	9,704
1996	1997	1998	37.4	1,359,000,000	9,372
1995	1996	1997	40.8	1,359,000,000	8,591
1994	1995	1996	34.2	1,055,000,000	9,211
1993	1994	1995	34.9	1,044,000,000	9,025
1992	1993	1994	30.7	969,800,000	9,935
1991	1992	1993	27.9	916,000,000	11,051
1990	1991	1992	26.4	840,000,000	11,553
1989	1990	1991	26.3	792,000,000	11,228
1988	1989	1990	29.3***	1,100,580,000	

* Note: There was no general education levy for taxes payable in 2002 through taxes payable in 2013.
** The general education equalizing factor was based on the general education levy for taxes payable from 1990 to 2001. It was eliminated for subsequent years.
*** Adjusted gross tax capacity

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Capital Projects

The following six tables show historical data affecting capital projects including the debt service aid and levy over time (Table 82), health and safety revenue (now subsumed into the long term facilities maintenance revenue – LTFMR; Table 83), alternative facilities revenue (subsumed into LTFMR; Table 84), maximum effort bond sales (Table 85), cooperative facilities grants (Table 86), and building lease restrictions (Table 87).

Table 82: Total Statewide Debt Service Amounts; Regular and Enhanced Equalization Aid

School Year	Debt Service Aid Entitlement	Net Debt Service Fund Levy Certified
2020-21	$25,398,000	$1,107,409,000
2019-20	20,684,000	998,302,000
2018-19	22,920,000	916,368,000
2017-18	25,092,000	840,765,000
2016-17	23,244,000	847,542,000
2015-16	20,060,000	797,305,000
2014-15	22,950,000	801,610,000
2013-14	19,778,000	810,155,000
2012-13	17,627,000	810,779,000
2011-12	14,029,000	804,305,000
2010-11	8,679,000	773,012,000
2009-10	7,884,000	763,638,000
2008-09	9,109,000	737,982,000
2007-08	14,393,000	711,525,000
2006-07	18,410,000	665,485,000
2005-06	27,206,000	627,052,000
2004-05	37,575,000	631,000,000
2003-04	34,500,000	572,000,000
2002-03	29,960,000	510,000,000
2001-02	25,987,000	489,000,000
2000-01	29,286,000	423,000,000
1999-00	32,629,000	380,000,000
1998-99	38,193,000	335,000,000
1997-98	35,480,000	345,000,000
1996-97	37,320,000	339,000,000

School Year	Debt Service Aid Entitlement	Net Debt Service Fund Levy Certified
1995-96	30,054,000	296,000,000
1994-95	27,521,000	267,000,000
1993-94	14,000,000	241,000,000
1992-93	6,000,000	217,000,000
1991-92	0	167,000,000

House Research Department

Table 83: Health and Safety Revenue

Fiscal Year	State Aid Appropriation	Levy
2017	$57,000*	—
2016	588,000	$61,603,000
2015	651,000	57,720,000
2014	471,000	51,445,000
2013	157,000	53,731,000
2012	98,000	53,332,000
2011	135,000	58,003,000
2010	132,000	62,763,000
2009	103,000	67,759,000
2008	254,000	72,497,000
2007	352,000	73,199,000
2006	823,000	87,974,000
2005	2,099,000	89,326,000
2004	5,322,000	127,277,000
2003	5,494,000	122,776,000
2002	11,437,000	76,623,000
2001	14,920,000	75,569,000
2000	14,202,000	67,508,000
1999	14,179,000	62,242,000
1998	14,081,000	51,643,000

* Ten percent cleanup payment; future amounts in long-term facilities maintenance revenue.

House Research Department

Table 84: Alternative Facilities Revenue

Fiscal Year	State Aid	Pay-as-you-go Alternative Facilities Levy	Alternative Facilities Bonded Debt Levy	Alternate Facilities Health & Safety Levy
2017	$0	$0	$0	$0
2016	19,287,000	81,086,000	80,185,000	48,119,000
2015	19,287,000	80,816,000	77,473,000	43,214,000
2014	19,982,000	52,227,000	91,208,000	40,242,000
2013	19,287,000	50,901,000	62,117,000	36,779,000
2012	18,187,000	60,320,000	44,469,000	32,722,000
2011	18,708,000	60,957,000	45,469,000	27,016,000
2010	16,008,000	54,671,000	45,469,000	15,137,000
2009	19,287,000	51,169,000	48,187,000	15,137,000
2008	19,287,000	58,928,000	45,469,000	15,137,000
2007	19,287,000	53,636,000	42,274,000	14,976,000
2006	20,387,000	56,399,000	40,643,000	8,223,000
2005	19,287,000	44,868,000	37,080,000	4,356,000
2004	18,708,000	37,105,000	42,151,000	—
2003	17,937,000	36,853,000	35,309,000	—
2002	19,279,000	24,439,000	18,871,000	—
2001	16,303,000	22,341,000	10,874,000	—
2000	19,624,000	18,627,000	8,151,000	—
1999	17,426,000	16,978,000	0	—
1998	—	8,420,000	16,456,000	—

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Table 85: Maximum Effort Bond Sales

Year Authorized	Amount of Bonds Authorized
2018	$14,000,000
2014	5,491,000
2006	10,700,000
2005	18,000,000
2002	12,400,000
2001	19,000,000

Year Authorized	Amount of Bonds Authorized
2000	44,030,000
1995	23,670,000
1994	2,967,000
1993	5,000,000
1991	45,065,000
1990	23,300,000
1988	22,000,000
1980	20,000,000
1969	20,000,000
1967	2,800,000
1965	10,400,000
1963	16,000,000
1961	2,500,000
1959	2,500,000
Total	**$319,823,000**

House Research Department

Table 86: Cooperative Facilities Grants

High School Name	Member School Districts*	State CSF Grant Amount	Year of Grant Approval	School Year Facility Opened
ACGC High School	Atwater; Cosmos; Grove City	$6,000,000	1994	1995-96
Grant County High School	Elbow Lake; Barrett; Hoffman; Kensington	6,000,000	1993	1995-96
Blue Earth High School	Blue Earth-Winnebago; Delavan; Elmore	5,800,000	1992	1994-95
Minnewaska High School	Glenwood; Starbuck; Villard	6,000,000	1989	1990-91
Lac Qui Parle Valley High School	Madison-Marietta-Nassau; Appleton; Milan	8,000,000	1988	1989-90

* Since receiving the CSF grant, each of these groups of districts have consolidated into a single district.

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Table 87: Building Lease Levy Restrictions

Applicable School Years	Payable Year First Effective	Permitted Uses/Limitations
2015-16 and later	Pay 15 and later	Sets the maximum lease amount at the lesser of the lease's actual costs or $212 per pupil unit. Allows a district that is a member of an intermediate school district to levy an additional $65 per pupil unit for lease costs faced by the intermediate school district.
2014-2015	Pay 14	Sets the maximum lease amount at the lesser of the lease's actual costs or $162 per pupil unit. Allows a district that is a member of an intermediate school district to levy an additional $46 per pupil unit for lease costs faced by the intermediate school district.
2009-10 to 2013-14	Pay 09 to Pay 13	Sets the maximum lease amount at the lesser of the lease's actual costs or $150 per pupil unit. Allows a district that is a member of an intermediate school district to levy an additional $43 per pupil unit for lease costs faced by the intermediate school district.
2006-07	Pay 06 to 08	Sets the maximum lease amount at the lesser of the lease's actual costs or $100 per pupil unit. Allows a district that is a member of an intermediate school district to levy an additional $25 per pupil unit for lease costs faced by the intermediate school district.
2004-05 to 2005-06	Pay 04 and 05	Limits the maximum per pupil lease for a school district to the lesser of 90 percent of the actual lease costs or $90 per pupil unit. Allows a district that is a member of an intermediate school district to levy an additional $22.50 per pupil for lease expenses.
2002-03 to 2003-04	Pay 02 and 03	Sets the maximum per pupil levy for a school district that is a member of an intermediate school district at $125 per pupil unit.
1999-2000	Pay 99	Excludes expenditures for sports stadiums from the definition of "instructional space."
1998-99	Pay 98	For agreements finalized after July 1, 1997, no district may have a lease levy in excess of $100 per pupil unit and no district may use the lease levy for a "newly constructed building for regular kindergarten, elementary, or secondary space."
1992-93	Pay 92	Upon approval of commissioner when economically advantageous for instructional purposes. Broadens scope to land as well as facilities.
1991-92	Pay 91	Upon approval of commissioner when economically advantageous for instructional purposes. Future lease purchase agreements are no longer eligible.
1990-91	Pay 90	Upon approval of commissioner when economically advantageous for instructional purposes.
1989-90	Pay 89	Upon approval of commissioner when economically advantageous for secondary vocational programs only.
1988-89	Pay 88	The leased facilities levy was repealed. However, a special levy allowed a district to levy the amount that would have been authorized in 1987 if the levy had not been repealed.
1987-88	Pay 87	Upon approval of commissioner when economically advantageous for instructional purposes.

House Research Department

Integration Programs

Tables 88 and 89 show funding for integration activities over time.

Table 88: Estimated Appropriations and Levies for Integration Activities Based on 100% Aid Entitlement; Amounts for Aid Fiscal Year

Fiscal Year/ Payable Year	Minneapolis		St. Paul		Duluth		Other Districts		Total	
	Aid	Levy	Aid	Levy	Aid	Levy	Aid	Levy	Aid	Levy
2021/2020	$10,152,000	$4,351,000	$11,188,000	$4,795,000	$1,236,000	$530,000	$63,795,000	$27,310,000	$86,301,000	$36,986,000
2020/2019	10,441,000	4,475,000	11,321,000	4,852,000	1,214,000	520,000	58,197,000	24,941,000	81,173,000	34,788,000
2019/2018	10,732,000	4,600,000	11,417,000	4,893,000	1,178,000	505,000	50,494,000	21,640,000	73,822,000	31,638,000
2018/2017	10,964,000	4,699,000	11,462,000	4,912,000	1,171,000	502,000	48,589,000	20,824,000	72,185,000	30,936,000
2017/2016	10,680,000	4,577,000	11,351,000	4,759,000	1,159,000	494,000	43,573,000	18,900,000	66,763,000	28,730,000
2016/2015	10,877,000	4,662,000	11,751,000	5,036,000	1,140,000	488,000	44,189,000	18,936,000	67,952,000	29,122,000
2015/2014	11,013,000	4,720,000	11,677,000	5,005,000	1,139,000	488,000	42,713,000	18,301,000	66,532,000	28,514,000
2014/2013	8,895,000	6,300,000	10,718,000	5,763,000	931,000	614,000	38,651,000	15,836,000	59,195,000	28,513,000
2013/2012	11,218,000	7,313,000	13,890,000	5,739,000	1,414,000	606,000	37,716,000	16,164,000	63,739,000	29,822,000
2012/2011	11,385,000	6,563,000	13,526,000	5,795,000	1,461,000	627,000	39,383,000	15,196,000	65,755,000	28,181,000
2011/2010	11,422,000	6,587,000	13,154,000	5,637,000	1,450,000	621,000	38,495,000	14,807,000	64,521,000	27,652,000
2010/2009	11,524,000	6,648,000	13,616,000	5,835,000	1,516,000	649,000	34,862,000	13,233,000	61,518,000	26,365,000
2009/2008	11,686,000	6,743,000	13,708,000	5,875,000	1,555,000	666,000	33,884,000	12,787,000	60,833,000	26,071,000
2008/2007	11,875,000	6,866,000	14,081,000	6,035,000	1,629,000	698,000	31,458,000	11,705,000	59,043,000	25,304,000
2007/2006	12,405,000	7,171,000	14,393,000	6,168,000	1,662,000	712,000	30,011,000	11,008,000	58,471,000	25,059,000
2006/2005	12,956,000	7,492,000	14,652,000	6,279,000	1,692,000	725,000	29,716,000	9,511,000	56,016,000	24,007,000
2005/2004	13,599,000	7,866,000	14,688,000	6,295,000	1,748,000	749,000	24,274,000	8,365,000	54,309,000	23,275,000
2004/2003	15,780,000	6,866,000	16,580,352	4,953,000	1,997,000	596,000	25,830,000	5,563,000	60,187,000	17,978,000
2003/2002	13,522,000	10,383,000	14,576,000	8,560,000	1,715,000	1,007,000	19,045,000	8,036,000	48,858,000	28,694,000
2002/2001	23,602,000	6,428,000	18,160,000	5,183,000	2,216,000	622,000	19,127,000	4,441,000	63,105,000	16,765,000
2001/2000	23,704,000	6,520,000	18,343,000	5,223,000	2,276,000	634,000	8,842,000	196,000	53,165,000	12,583,000
2000/1999	20,015,000	9,735,000	15,587,000	7,508,000	1,993,000	966,000			37,755,000	18,527,000
1999/1998	15,751,000	13,122,000	12,325,000	10,113,000	1,605,000	1,826,000			30,161,000	24,830,000
1998/1997	9,368,300	10,176,000	8,090,700	9,627,000	1,385,000	1,537,000			18,844,000	21,340,000
1997/1996	9,368,300	10,168,000	8,090,700	9,588,000	1,385,000	1,406,000			18,844,000	21,162,000
1996/1995	9,368,300	10,041,000	8,090,700	9,461,000	1,385,000	1,344,000			18,844,000	20,967,000
1995/1994	9,638,000	9,560,000	8,090,500	8,540,000	1,385,000	1,091,000			18,844,000	19,191,000
1994/1993	9,638,300	7,308,000	8,090,500	6,620,000	1,385,000	696,000			18,844,000	14,625,000
1993/1992	7,782,300	8,439,000	6,676,500	6,899,000	1,385,200	625,000			15,844,000	15,963,000
1992/1991	7,782,300	8,071,000	6,676,500	6,599,000	1,385,200	598,000			15,844,000	15,268,000
1991/1990	7,382,300	7,772,000	6,276,000	6,312,000	1,285,200	572,000			14,944,000	14,603,000

Fiscal Year/ Payable Year	Minneapolis		St. Paul		Duluth		Other Districts		Total	
	Aid	Levy	Aid	Levy	Aid	Levy	Aid	Levy	Aid	Levy
1990/1989	7,382,300	7,012,000	6,276,000	3,943,000	1,285,200	664,000			14,944,000	11,618,000
1989/1988	5,950,300	3,177,000	5,081,400	3,837,000	981,800	—			12,013,600	7,313,000
1988/1987	5,677,700	—	4,766,500	1,958,000	1,123,100	—			11,557,300	1,958,000

House Research Department

Table 89: Appropriations for Other Integration Funding Programs

Fiscal Year	Magnet School Operating Grants	Magnet School Capital Grants*	Magnet School Start-up Aid	Interdistrict Integration Transportation	Other Integration Programs
2021	$0	$0	$0	$14,962,000	$0
2020	0	0	0	14,231,000	0
2019	0	0	0	13,193,000	0
2018	0	0	0	14,328,000	0
2017	0	0	0	15,193,000	0
2016	0	0	0	14,423,000	0
2015	0	0	0	14,248,000	0
2014	0	0	0	13,521,000	0
2013	0	0	0	13,966,000	0
2012	0	0	0	13,362,000	0
2011	750,000	0	0	13,743,000	0
2010	750,000	0	0	12,342,000	0
2009	750,000	0	0	11,881,000	0
2008	750,000	0	0	9,901,000	0
2007	750,000	0	0	10,134,000	0
2006	750,000	1,083,000	0	6,032,000	0
2005	750,000	0	454,000	8,401,000	0
2004	750,000	0	37,000	5,796,000	0
2003	1,052,000	0	230,000	3,101,000	1,076,000
2002	448,000	1,700,000	431,000	0	924,000
2001	1,750,000	16,500,000	225,000	970,000	1,000,000
2000	1,750,000	0	0	970,000	1,000,000
1999	1,750,000	0	0	970,000	1,000,000
1998	5,750,000	22,200,000**	0	800,000	1,000,000

Fiscal Year	Magnet School Operating Grants	Magnet School Capital Grants*	Magnet School Start-up Aid	Interdistrict Integration Transportation	Other Integration Programs
1997	1,500,000	0	0	630,000	1,000,000
1996	1,500,000	0	0	300,000	1,000,000
1995	1,500,000	0	0	0	752,000
1994	0	20,000,000	0	0	1,035,000

* Appropriations are from state bond proceeds.
** $1,893,000 of this appropriation was cancelled back to the general fund.

House Research Department

School Safety

Table 90 shows the safe schools revenue and the accompanying revenue restrictions over time.

Table 90: Safe Schools Levy

Fiscal Year	School District Safe Schools Per Pupil Allowance	Allowance for Member of Intermediate School Districts Per Pupil	Revenue Restrictions	Total Levy Amount	Included Intermediate School District Levy Amounts
2021	$36	$15	None	$34,604,000	$3,845,000
2020	36	15	None	35,500,000	3,845,000
2019	36	15	None	35,410,000	3,845,000
2018	36	15	None	34,680,000	3,689,000
2017	36	15	None	34,592,000	3,128,000
2016	36	15	None	33,963,000	3,149,000
2015	36	10	None	33,180,000	2,424,000
2014	30	10	None	28,730,000	2,778,000
2013	30	10	None		
2012	30	10	None	28,560,000	2,641,000
2011	30	10	Minimum maintenance of effort required for school counselors, school nurses, school social workers, and chemical dependency program staff	28,371,000	2,638,000
2010	30	10	See above	28,262,000	2,651,000

Fiscal Year	School District Safe Schools Per Pupil Allowance	Allowance for Member of Intermediate School Districts Per Pupil	Revenue Restrictions	Total Levy Amount	Included Intermediate School District Levy Amounts
2009	30	10		26,262,000	2,671,000
2008	27	10		24,148,000	2,651,000
2007	27			24,055,000	
2006	27			24,196,000	
2005	27			24,395,000	
2004	30			27,615,000	
2003	11			10,066,000	
2002	11			9,985,000	
2001	1.50 per capita			6,590,000	
2000	1.50 per capita			6,256,000	

House Research Department