



# Minnesota Report

## A Detailed Look at Minnesota's Funding Policies

## Minnesota



### Funding Basics

#### Formula Type

Minnesota has a primarily student-based funding formula. It assigns a cost to the education of a student with no special needs or services, called a base amount. The categories of students considered in Minnesota's funding policy are students in certain grade levels, English-language learners, students with disabilities, students identified as gifted, students in high-poverty schools, students enrolled in career and technical education (CTE) programs, and students enrolled in small districts and sparsely populated districts.

Minnesota expects school districts to contribute to the funding of their public schools, with the amount of the local share based on districts' property values. Districts in Minnesota are permitted to raise and keep additional local property tax revenues for regular district operations.

Supplemental funding for students in certain grade levels is generated through the application of multipliers to the base amount, while supplemental funding for English-language learners and students identified as gifted is provided as a flat dollar amount in addition to the base amount. Supplemental funding for students in high-poverty schools and students in small districts is allocated in amounts that vary depending on the concentration of such students in the school or district, respectively. Services for students with disabilities, students enrolled in CTE programs, and students in sparsely populated districts are partially funded through program-specific allocations.

#### Base Amount

Minnesota has a fixed base funding amount per student. For FY2022, the per-student base amount was \$6,728.

This means that an average student with no special needs or disadvantages would be funded at that level.

### Local Revenue

## Expected Local Share

Minnesota expects districts to contribute property tax revenue to the funding of their public schools. The state expects school districts to fund a large majority of their facilities and equipment costs through their local property tax.

The state calculates the amount of funding necessary for general education in each district and provides that amount as state aid, less the amount of revenue that counties contribute from fees and fines, such as power line taxes and alcohol licenses. In addition, districts are expected to impose taxes sufficient to raise funding for facilities and equipment costs in amounts that vary depending on their enrollment numbers and the square footage and age of their facilities.

School districts are also permitted to impose taxes to generate supplemental revenue for specific purposes. The state provides partial matching funds to districts that raise this supplemental local revenue through a variety of optional local levies (see “Property Tax Floors and Ceilings” for more information about these levies). The state also provides support for districts whose property values have declined since the most recent valuation.

## Property Tax Floors and Ceilings

Minnesota sets a floor and a ceiling for local property tax rates, as well as a level above which voter approval is required. These limitations vary by the purpose of the specific tax and by district.

School districts are expected to impose property taxes for facilities expenses. School districts may also impose about 50 types of other property taxes, including those for various costs, like declining enrollment, English-language learners, and pensions. These taxes are limited to different levels, depending on the purpose of the tax. For many of these taxes, the state determines a maximum levy amount and a defined state contribution, based on a district’s property values. If a district does not levy the maximum amount, the state will reduce its contribution to the district by the same percentage by which the district’s levy falls short of that maximum. Separately, and with voter approval, school districts may impose additional property taxes for general education costs. This revenue was capped at \$1,780 per pupil unit for FY2021 and is adjusted annually for inflation; however, districts that are eligible for increased funding for sparse school districts are not subject to this cap.

In addition, voters may approve a bond issue for facilities needs that is not subject to these limitations.

## Other Local Taxes for Education

School districts in Minnesota receive local revenue from property taxes and from certain county taxes and fees.

School districts in Minnesota may impose only property taxes. However, counties are required to allocate a share of funds from fees and fines collected by the county, such as power line taxes and alcohol licenses, for various purposes, including school funding. Each school district’s allocation is determined in proportion to its share of total property values in the county.

## Student Characteristics

## Grade Level

Minnesota provides different levels of funding for students in different grade levels. It does so by inflating the student count to generate extra funding for students in grades 7-12.

The student count in grades 7-12 is multiplied by 1.2, and the state provides the base per-pupil amount in accordance with this inflated count. Students in full-day kindergarten and grades 1-6 are funded at the base amount.

Separate from the state's provision of funding, Minnesota requires school districts to direct a portion of their general education revenue to reduce elementary class sizes to no more than 17 students per classroom teacher, beginning with kindergarten and grades 1-3. Once the district achieves a student-to-teacher ratio of 17 to 1 in kindergarten and grades 1-3, the district may use the remaining reserved revenue to reduce class sizes in each subsequent elementary grade.

## English-Language Learner

Minnesota provides increased funding for English-language learners. It does so in two forms: a flat allocation in the amount of \$704 for each English-language learner student and a second allocation that varies based on the concentrations of these students in the district.

English Learner Concentration Revenue is allocated in accordance with the following formula: Districts receive \$250 times their number of English-language learners. Funding is adjusted downward for school districts where fewer than 11.5% of students are English-language learners. For the purposes of the above calculations, a school district with at least one student eligible for English-language learner services has a statutorily assigned minimum English-language learner pupil count of 20. The maximum term over which a student can qualify for this supplemental funding is seven years.

Additionally, districts providing state-funded English learning programs are required to offer English-language learners in nonpublic schools access to the same programs on the same terms as public school pupils. Such pupils may also be counted by the district that serves them for the purposes of calculating state aid.

## Poverty

Minnesota does not provide increased funding for individual students from low-income households. However, the state does provide increased funding for districts based on the concentrations of students from low-income households enrolled at each site within the district (for more information, see "Concentrated Poverty").

## Special Education

Minnesota funds special education using a hybrid system incorporating multiple student weights, a census-based funding allocation, and partial reimbursement. Minnesota provides partial reimbursement of special education expenses at a level that is calculated by a formula that assigns students to three different categories and also provides an amount for every pupil in the district to support special education services.

Districts receive Initial Special Education Aid, which is a partial reimbursement equivalent to the sum of special education-related transportation services and the lesser of 50% of the district's nonfederal special education expenditures for the prior year (including fringe benefits), 62% of the district's special education expenditures from the prior year based on an old allocation formula (that excludes fringe benefits, as defined in Minnesota Statutes, section 125A.76, subdivision 2, (repealed in 2013)), or 56% of the result of a pupil-based formula that includes an adjusted count of all students and counts of students with special needs at three different cost levels. Students with special needs are assigned to the three cost levels based on their diagnoses. Beginning with FY2021, to provide additional funding to support special education, the state also allocated an amount per student equal to the sum of \$460, \$405 multiplied by the percentage of students from low-income households that the district serves, and \$0.008 multiplied by the district's total student count.

The state also provides a second partial reimbursement for nonfederal costs not previously reimbursed and adjusts its aid to meet a hold-harmless guarantee related to changes to the special education funding system that went into effect in FY2016.

## Gifted

Minnesota provides increased funding for gifted and talented students. It does so through a flat allocation based on the size of a district's enrollment.

The state provides districts with \$13 per student to support gifted and talented education. This money is allocated in accordance with the adjusted enrollment of the district, which is computed through the application of multipliers to the student count to adjust for the numbers of students in half-day kindergarten and grades 7-12 (see "Grade Level" for a description of this adjustment).

This funding may be spent only on the identification of gifted and talented students, education programs for such students, and professional development for teachers of such students.

## Career and Technical Education

Minnesota provides increased funding for career and technical education (CTE) programs. It does so through a system in which districts offering CTE programs impose special property taxes to fund these programs and receive partial matching funds from the state. State support amounts vary depending on a district's CTE expenditures and its level of property wealth.

The state calculates a set amount of CTE revenue for each district by multiplying its approved CTE program expenditures by 0.35. This amount of revenue is multiplied by an amount equal to the district's per-pupil level of property wealth divided by \$7,612 to produce the dollar amount to be raised by the special CTE tax. State aid for CTE is the calculated amount of CTE revenue for the district minus the amount to be raised by the local tax.

CTE revenue (the sum of state aid and the special CTE local tax) cannot be less than revenue for the prior year, unless that amount would exceed the current year's expenditures.

## District Characteristics

## Concentrated Poverty

Minnesota provides increased funding for districts based on the concentrations of students from low-income households that they serve. It does so in the form of additional funding that must be used for specified purposes related to disadvantaged students' educational needs.

This funding is calculated by first adding the full count of students eligible for free lunch to half the count of students eligible for reduced-price lunch; adjusting that number using a formula that reduces the count of such students in schools with a concentration that is less than 80%; and then multiplying that number by a dollar amount, which was equal to \$3,533 in FY2022. This funding is calculated by first adding the full count of students eligible for free lunch to half the count of students eligible for reduced-price lunch; then adjusting that number using a formula for the concentration of such students in the building in such a way that the state aid amount is limited in the case of very needy districts; and then multiplying that number by a dollar amount, which was equal to \$3,137 in FY2017.

The dollar amount used in the formula varies depending on the per-student base amount in use in the state for the year. It is equal to 60% of the difference between that year's base amount (\$6,728 in FY2022) and \$839.

## Sparsity and/or Small Size

Minnesota provides increased funding for sparse school districts and small schools. It does so through three multistep formulas for sparse districts and a supplemental per-student allocation for small schools.

For secondary sparsity, funding amounts are calculated such that schools serving fewer than 400 students receive additional funding. Secondary sparsity funding amounts are affected by the total district secondary enrollment, the distance to the nearest high school, and the district's total geographic area. Elementary sparsity funding amounts are affected by the total district elementary enrollment, the average elementary class size in the district, and the distance to the nearest elementary school. Transportation sparsity funding is calculated based on a ratio of the number of students in the district and the total square miles of the school district. It also includes 18.2% of a district's unreimbursed transportation costs.

For districts serving fewer than 960 students, the state provides an allocation in the amount of \$544 per pupil multiplied by 960 minus the district's student count, divided by 960.

## Charter Funding

Funding for charter schools in Minnesota is calculated based on a formula similar to the one used to calculate funding for traditional public schools.

Like traditional public schools, charter schools are funded through a student-based funding formula that considers the characteristics of students they educate. For each student, charter schools receive state funding that reflects any additional funding generated by students in certain need categories. Charter schools do not have access to all funding programs but do receive the per-student state average level of funding for some special programs, such as for gifted and talented programs and for schools in sparsely populated areas.

Charter schools in Minnesota do not receive a share of local tax revenue.