

# FundEd: 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. It then accounts for the additional cost of educating specific categories of students through program-specific allocations, by applying multipliers to the base amount to generate supplemental funding for certain students, and by adding supplemental, flat dollar amounts to the base amount for other students.

The categories of students generating supplemental funding in Minnesota are students in certain grade levels, English-language learners, low-income students. Services for students with disabilities, students identified as gifted, students enrolled in career and technical education programs, and students in sparsely populated districts are funded through program-specific allocations.

#### Base Amount

Minnesota has a fixed base funding amount per student. For FY2018, the per-student base amount was \$6,188.

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 school districts to contribute revenue to the funding of public schools. The amount each district is expected to raise for its education costs is based on its property values. Each district is expected to impose two property taxes: one designated for education costs and one designated for facilities costs.

The primary local education tax is set currently set at \$3.00 for every \$1,000 of assessed local property wealth, which is the rate required to raise \$20 million statewide. Districts must also impose taxes sufficient to raise funding for facilities costs in amounts that vary depending on their enrollment numbers and the square footage of their facilities. The state also expects districts to contribute the revenue received from a number of county funds. Once the state calculates the total amount of funding necessary to educate students within a district, it subtracts the expected local contribution and provides the difference in the form of state education aid.

The state provides partial matching funds to districts raising supplemental local revenue. 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 district.

School districts are required to impose property taxes for general education and for facilities expenses. School districts are also limited in the tax rates they may impose in each of about fifty types, including those for various costs, like declining enrollment, English-language learners, and pensions. These levies are used to generate a limitation for each district. School districts may impose additional property taxes with voter approval. Additional revenue generated from a voter-approved operating levy tax is capped at \$1,891 per pupil unit for FY2017 and adjusted annually for inflation. 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 that exceeds these limitations.

## Other Local Taxes for Education

School districts in Minnesota receive local revenue only from property taxes.

## District 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. Minnesota provides decreased funding for students in half-day kindergarten by deflating the student count: the student count in half-day kindergarten is multiplied by 0.55.

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 the kindergarten and first grade classes. Once the district achieves a student-to-teacher ratio of 17 to 1 in grades kindergarten and first, 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 (ELLs). It does so in two forms: a flat allocation in the amount of \$704 for each ELL 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 ELLs. Funding adjusted downwards for school districts where the fewer than 11.5% of students are ELLs. For the purposes of the above calculations, a school district with at least one student eligible for ELL services has a statutorily assigned minimum ELL pupil count of twenty. 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 ELLs 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 provides increased funding for districts based on the concentrations of low-income students they serve. It does so in the form of additional funding that must be used for specified purposes related to disadvantaged students' educational needs. In allocating this funding, Minnesota accounts for concentration of poverty through a calculation that limits how much districts with very high concentrations of low-income students may receive.

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. In FY2017, it is equal to 60% of the difference between that base amount and \$839.

## Special Education

Minnesota funds special education using a hybrid system incorporating multiple student weights and partial reimbursement. Minnesota provides partial reimbursement of special education expenses at a level that is calculated by formula that assigns students to three different categories.

Once students with disabilities are funded at the same base level as other students, districts receive Initial Special Education Aid, a partial reimbursement equivalent to the lesser of 50% of the district's nonfederal special education expenditures for the prior year, or 56% of the result of a pupil-based formula that includes counts of special-needs students at three different cost levels. Students are assigned to the three cost levels based on their diagnoses.

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 teaching 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 the 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.

In FY2017, the total state aid for CTE was \$4,262,000, while local revenues made up \$22,387,000.

## Sparsity and/or Small Size

Minnesota provides increased funding for sparse school districts and small schools. It does so through three multi-step 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 between high schools in the district, 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 between elementary schools in the district. Transportation sparsity funding is calculated based on a ratio of the number of students transported and the total square miles of the school district.

For schools serving fewer than 960 students, the state provides an allocation in the amount of \$544 per pupil times the ratio of 960 less the district's adjusted pupil units to 960. For sparse school districts, the state provides funding using different indices for elementary sparsity, secondary sparsity, and transportation in sparse districts.

For a complete list of primary sources, please see the appropriate state page at [funded.edbuild.org](http://funded.edbuild.org)

