

Gaining Ground:

Minnesota's Largest School Aid Increase in a Generation

By Jeff Van Wychen, Fiscal Consultant



NorthStar
POLICY ACTION

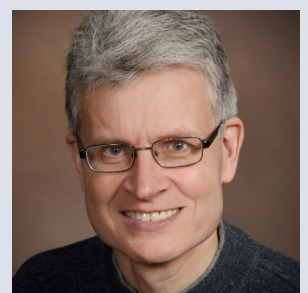
ABOUT NORTHSTAR

North Star Policy Action is an independent research and communications institute that is dedicated to improving the lives of everyday Minnesotans by advancing bold ideas that change the conversation and bring communities together. We develop and promote data-driven solutions to persistent problems that allow working people to thrive, no matter who they are or where they live.



ABOUT THE AUTHOR

Jeff Van Wychen has over 35 years of experience in researching, analyzing, and writing on state and local tax and fiscal issues. His past work has included serving as senior policy adviser in the Office of Governor Mark Dayton, Director of Tax Policy & Analysis at Minnesota 2020, and contract work for several government and non-profit organizations, including the Coalition of Greater Minnesota Cities, Metro Cities, the Minnesota Rural Education Association, Minnesota Lakes & Rivers Advocates, and the Minnesota Department of Revenue.



2023 Legislature Provides Largest School Aid Increase in a Generation

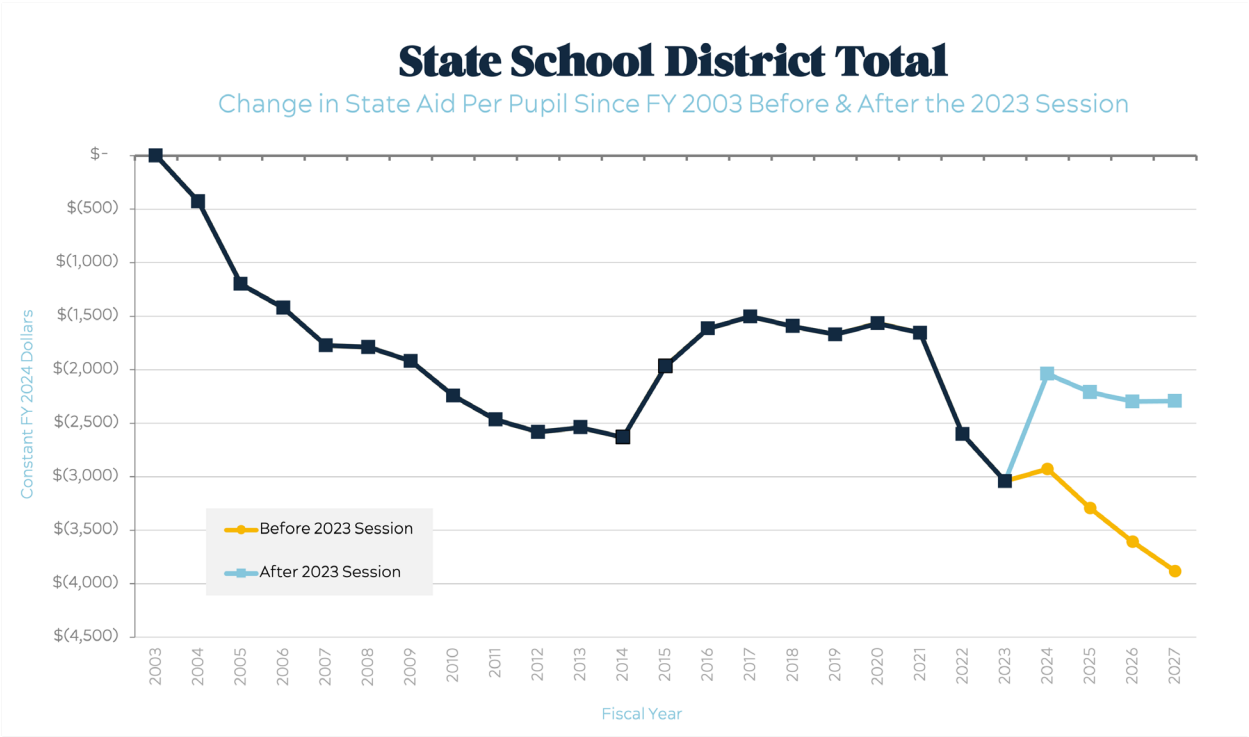
School finance measures approved by the 2023 legislature and signed into law by Governor Walz provided the largest one year increase in state aid to Minnesota school districts in twenty years. According to data from the Minnesota Department of Education (MDE), total state aid for E-12 public education in the state increased by \$1.17 billion or 11.9% from fiscal year (FY) 2023 to 2024.

Meanwhile, aid to school districts (i.e., excluding charter schools) increased by \$1.00 billion or 11.6%. This increase in state funding was sufficient to replace a significant portion of the real (i.e., inflation-adjusted) decline that occurred over the preceding two decades.

These findings are from a new North Star Policy Action report based on MDE financial trend data, which extend back to FY 2003—the year the state made substantial changes to the property tax and state aid system, including the virtual elimination of the general education property tax levy—with projections to FY 2027. (Amounts for FY 2023 to 2027 are estimates.)

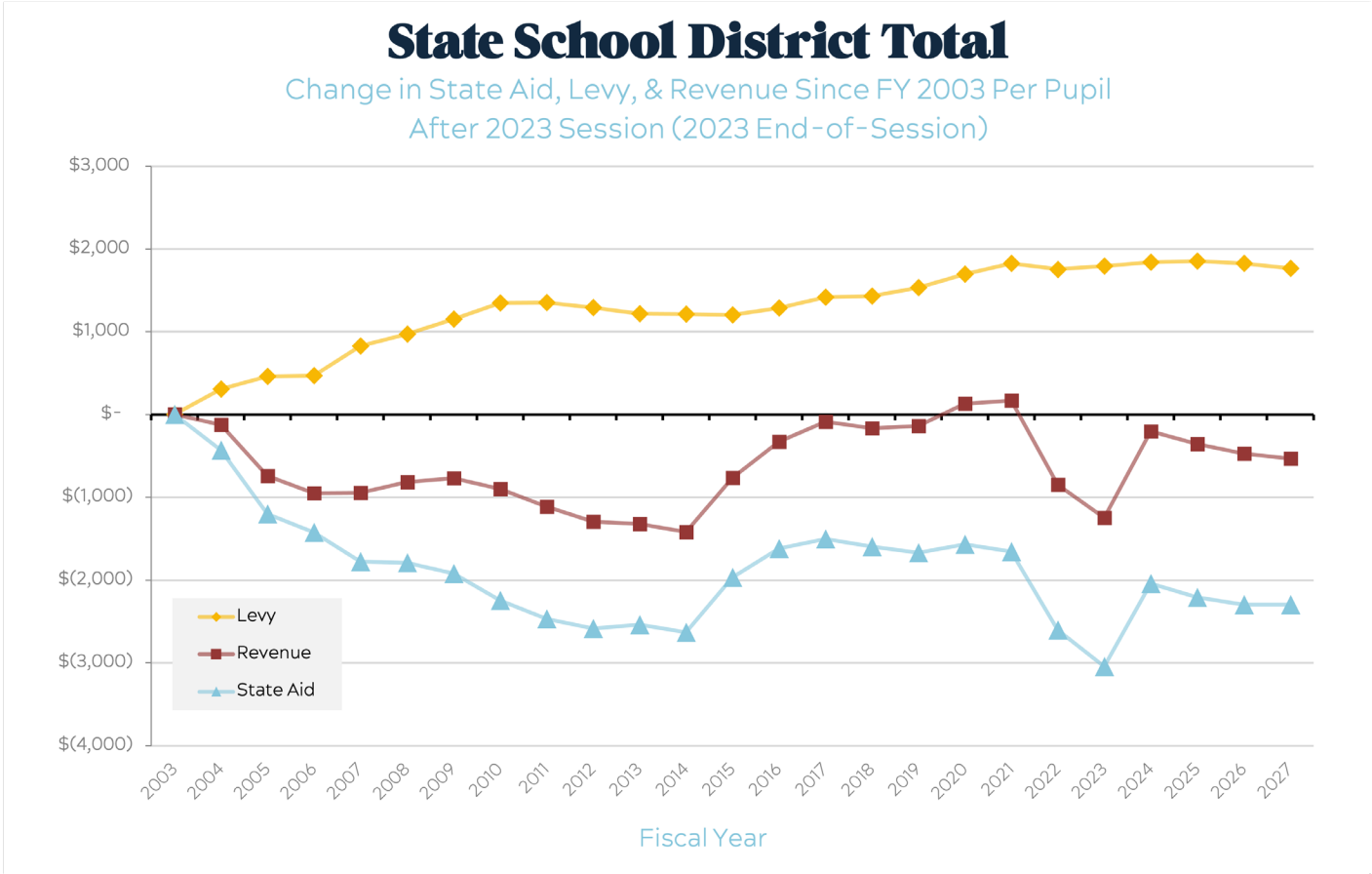
To highlight the impact of 2023 school finance legislation, this report compares funding information from the FY 2023 February forecast (prior to passage of 2023 legislation) to information from MDE’s 2023 end-of-session update. To adjust for erosion in the purchasing power of the dollar over time, amounts are adjusted for inflation using the Implicit Price Deflator for State and Local Government Purchases—as published by MDE—and expressed in constant current year (fiscal year 2024) dollars per pupil.

Real per pupil state aid to Minnesota school districts peaked in FY 2003 at \$14,374, while levy per pupil was \$1,290. Total revenue per pupil (equal to levies plus state aid) was \$15,664. Since FY 2003, real per pupil state aid has trended downward. The graph below shows the change in aid per pupil since FY 2003. The diverging lines after FY 2023 compare per pupil aid levels before (the gold line) and after (the blue line) passage of 2023 school finance legislation.



Real per pupil state aid to school districts declined steadily from FY 2003 to 2014, before rebounding in FY 2015 and 2016. Aid plummeted in the years leading up to the 2023 session, reaching a nadir in FY 2023. Real per pupil state aid in that year was just over \$3,000 (21.2%) less than in FY 2003. The approximately \$1,000 real per pupil state aid increase from FY 2023 to 2024 was sufficient to replace a third of the real per pupil state aid decline over the preceding twenty years.

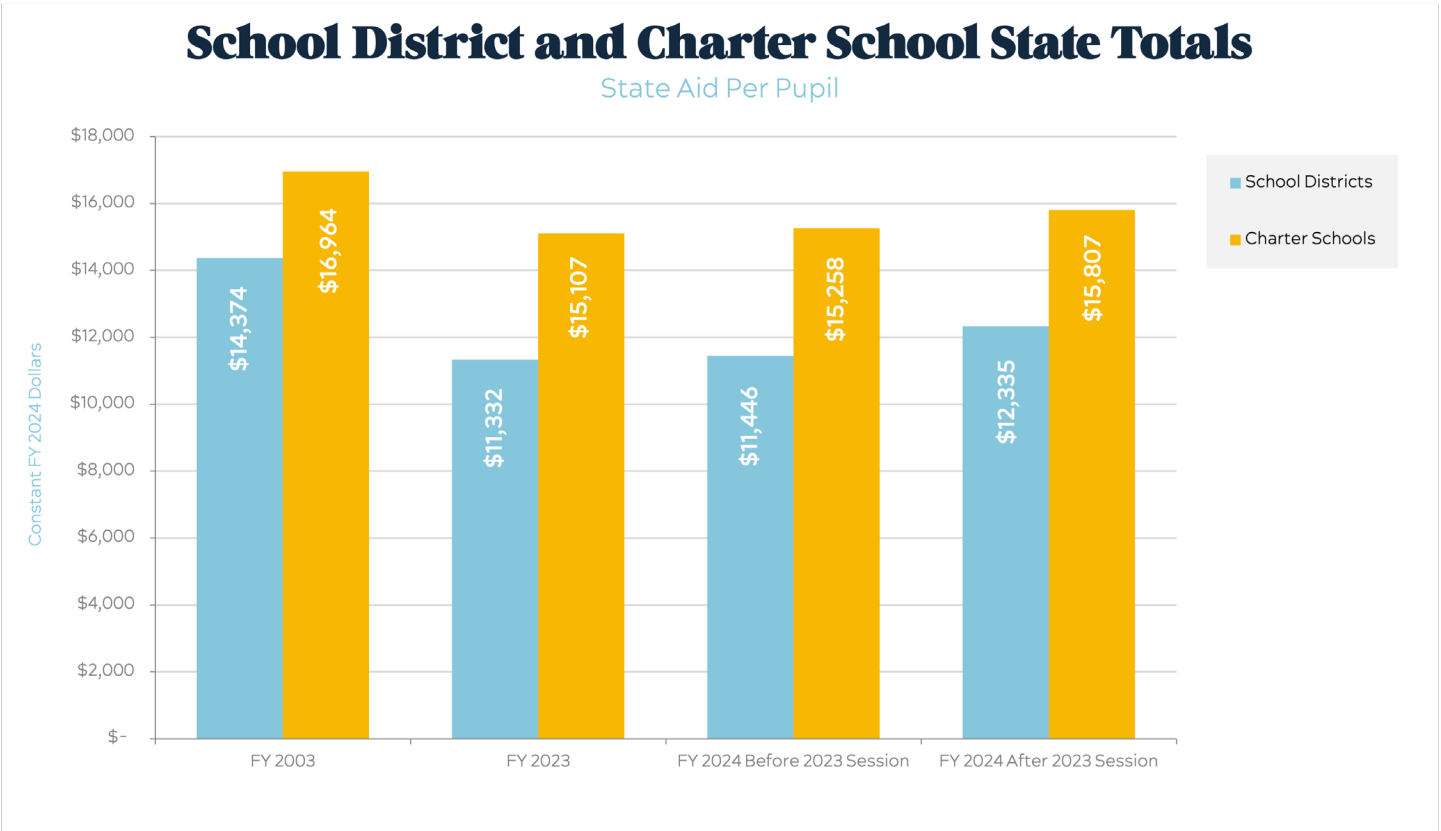
The following graph shows school district total real per pupil state aid, levy, and revenue based on MDE’s 2023 end-of-session update. While state aid remains well below the FY 2003 level—even after the aid increases enacted during the 2023 session—total real per pupil revenue in FY 2024 is only about \$200 below the FY 2003 level, thanks to substantial school property tax increases since FY 2003. From FY 2003 to 2023, real per pupil school levies increased by nearly \$1,800 per pupil or 139%, as property tax dollars backfilled the reduction in state aid.



In the absence of further state action, real per pupil state aid and total revenue are projected to decline modestly from FY 2024 to the end of the current state forecast horizon in FY 2027.

Because charter schools receive no local property tax dollars, they typically receive more state aid per pupil than school districts. While real per pupil charter school aid has fallen since FY 2003, the decline has not been as dramatic as that experienced by school districts. The graph below compares total real per pupil state aid for school districts and charters.

After the passage of 2023 school finance legislation, real per pupil school district aid in FY 2024 was \$2,039 or 14.2% less than in FY 2003; over the same period, real per pupil aid to charters declined by \$1,157 or 6.8%. Unlike school districts, charter schools were not able to offset their aid reduction through property tax increases. Even so, total per pupil charter school revenue in FY 2024 is still \$344 per pupil or 2.2% greater than that of school districts.



The findings presented above focus on statewide data. Of course, there is significant variation among school districts. However, some common trends can be seen. Of Minnesota's 329 school districts:

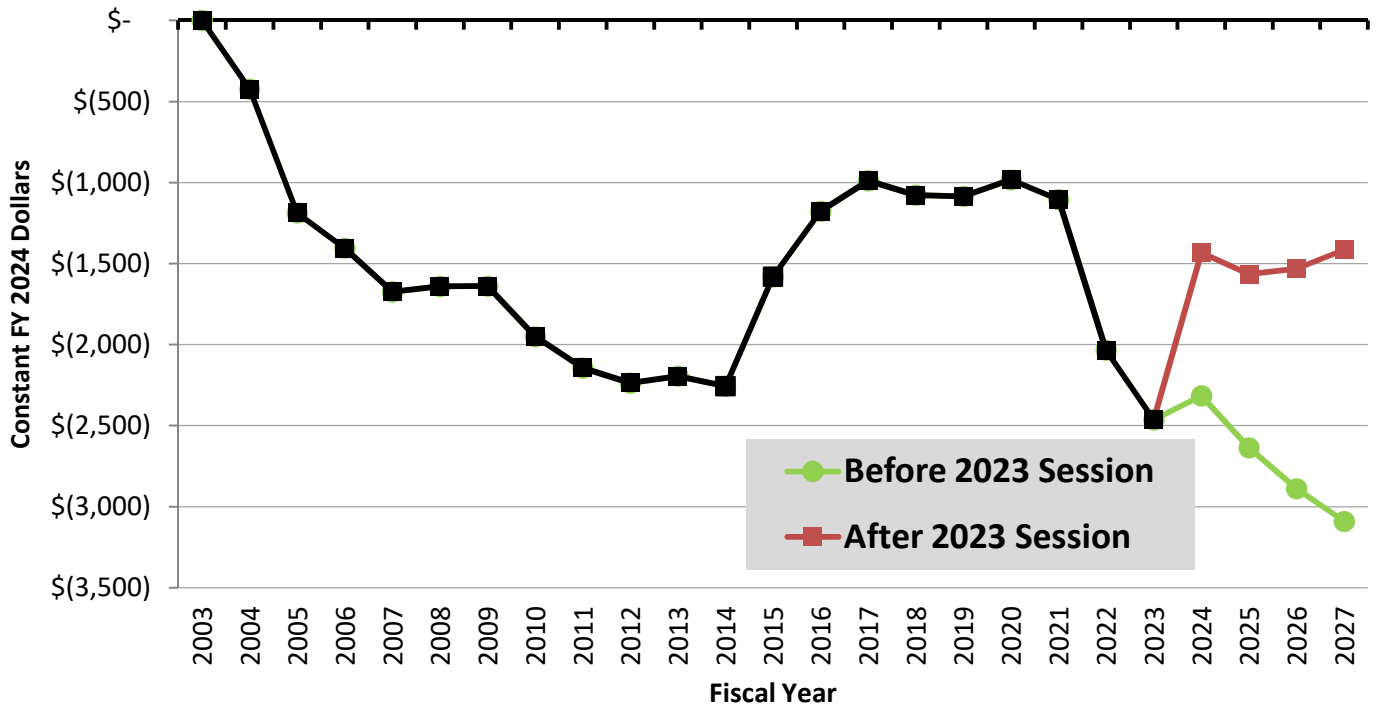
- ★ 327 (99%) experienced a reduction in real per pupil state aid from FY 2003 to 2023. The median decline among all school districts was \$2,789 per pupil.
- ★ All experienced an aid increase from FY 2023 to 2024. The median increase was \$1,019 per pupil.
- ★ 309 districts (94%) experienced a real per pupil aid reduction from FY 2003 to 2024, even after the FY 2024 aid increase. The median decline was \$1,767 per pupil.

- ★ 320 (97%) experienced real per pupil school property tax increases from FY 2003 to 2024. The median increase was \$1,402 per pupil.
- ★ 196 (60%) experienced a decline in real per pupil revenue from FY 2003 to 2024. The median decline was \$263 per pupil.
- ★ In the absence of future legislative action, 319 (97%) are projected to undergo a modest reduction in both real per pupil state aid and revenue from FY 2024 to 2027.

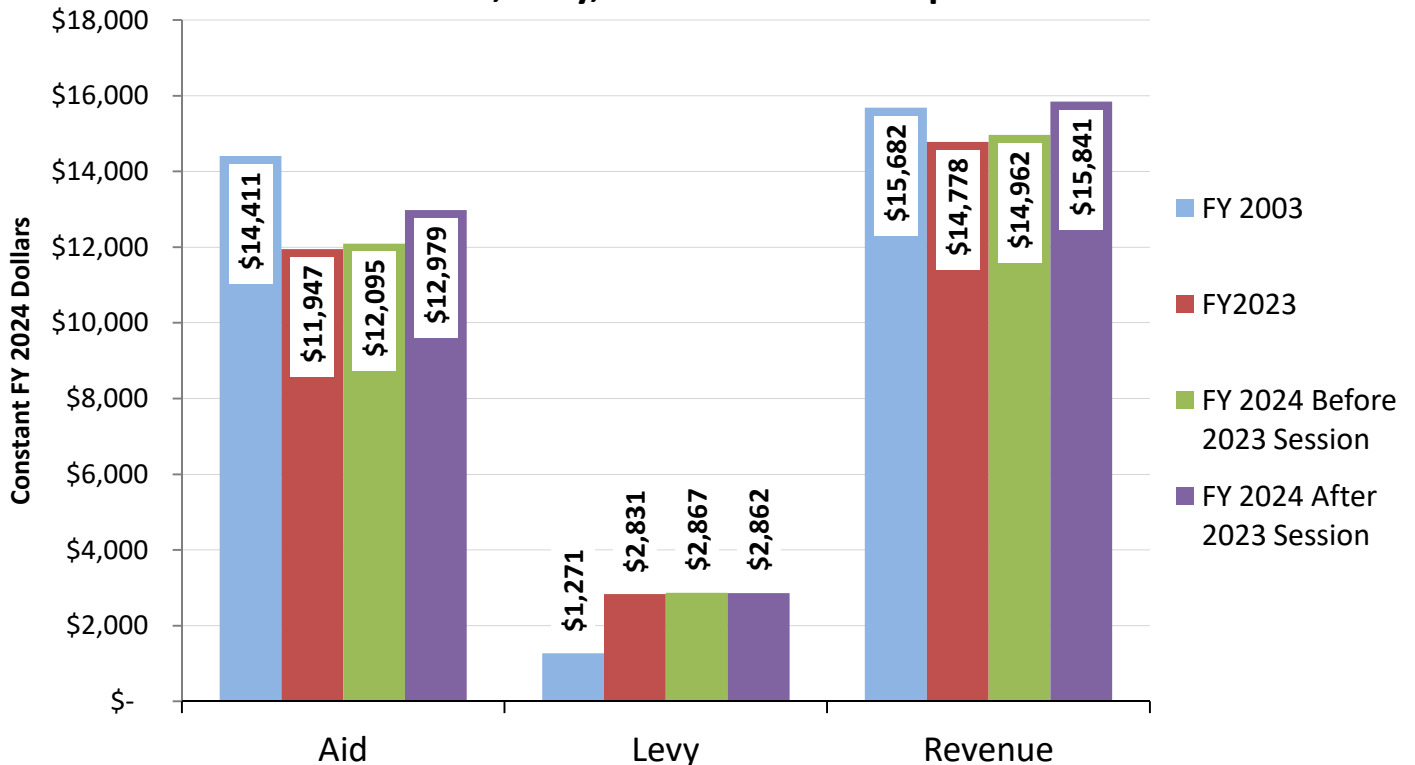
The 2023 legislature made significant progress in restoring the real school funding cuts imposed on school districts over the last twenty years. However, more needs to be done to prevent the erosion of these funding increases and to restore school funding to FY 2003 levels.

State Total

**Change in State Aid Per Pupil Since FY 2003
Before & After the 2023 Session**

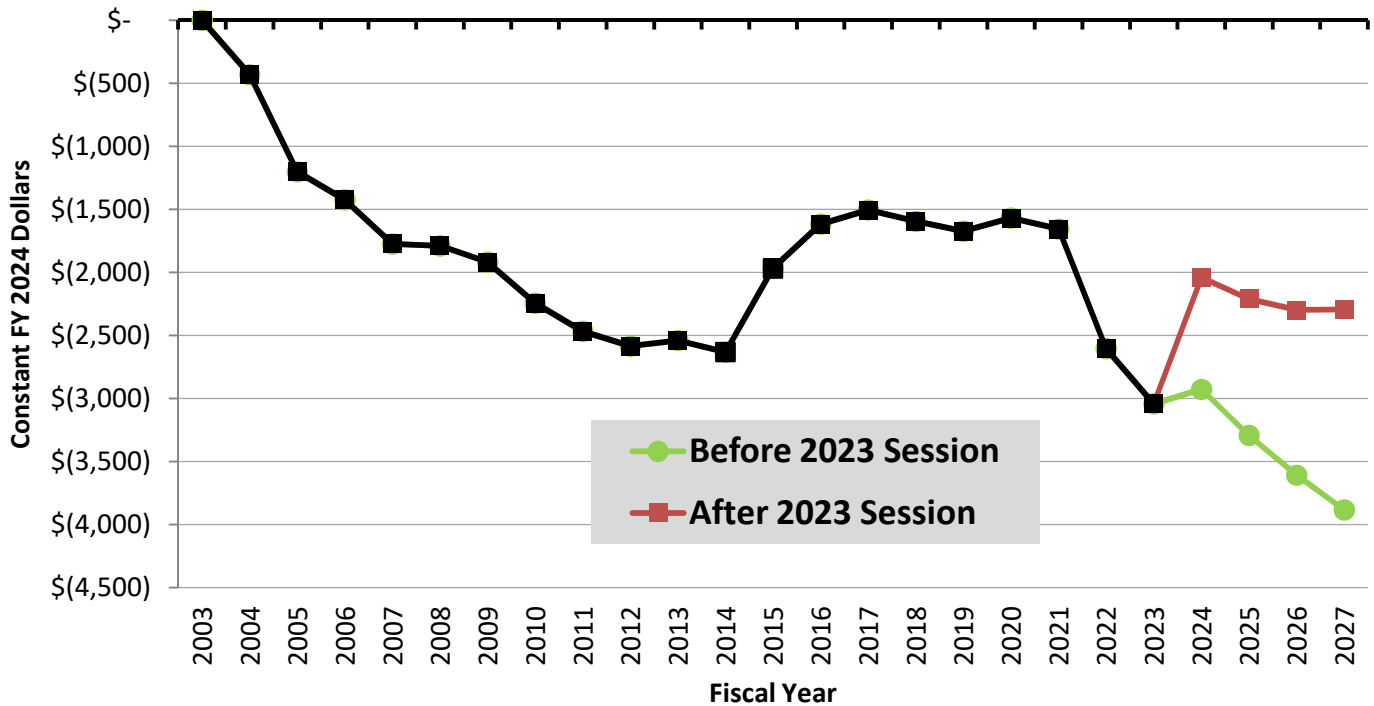


State Aid, Levy, & Revenue Per Pupil

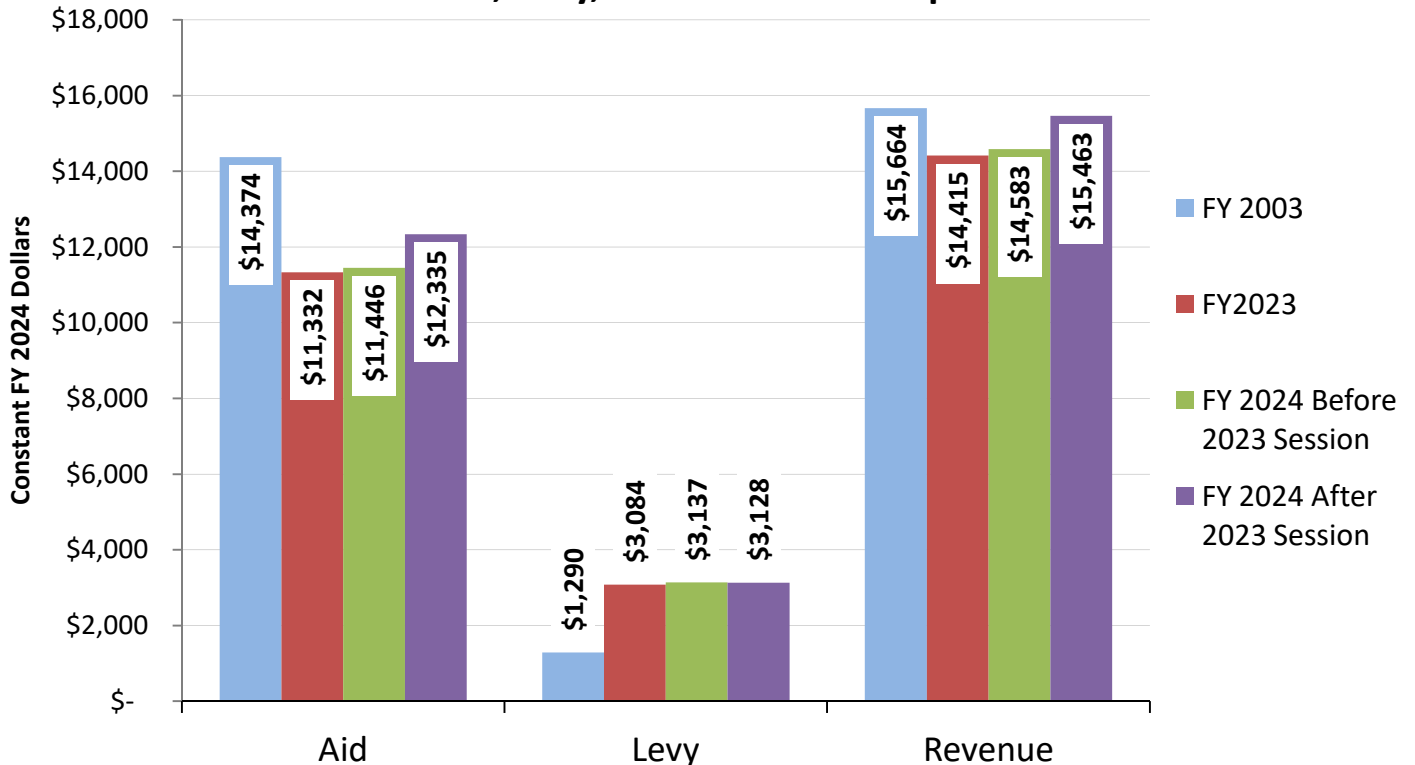


Statewide School District Total

Change in State Aid Per Pupil Since FY 2003 Before & After the 2023 Session

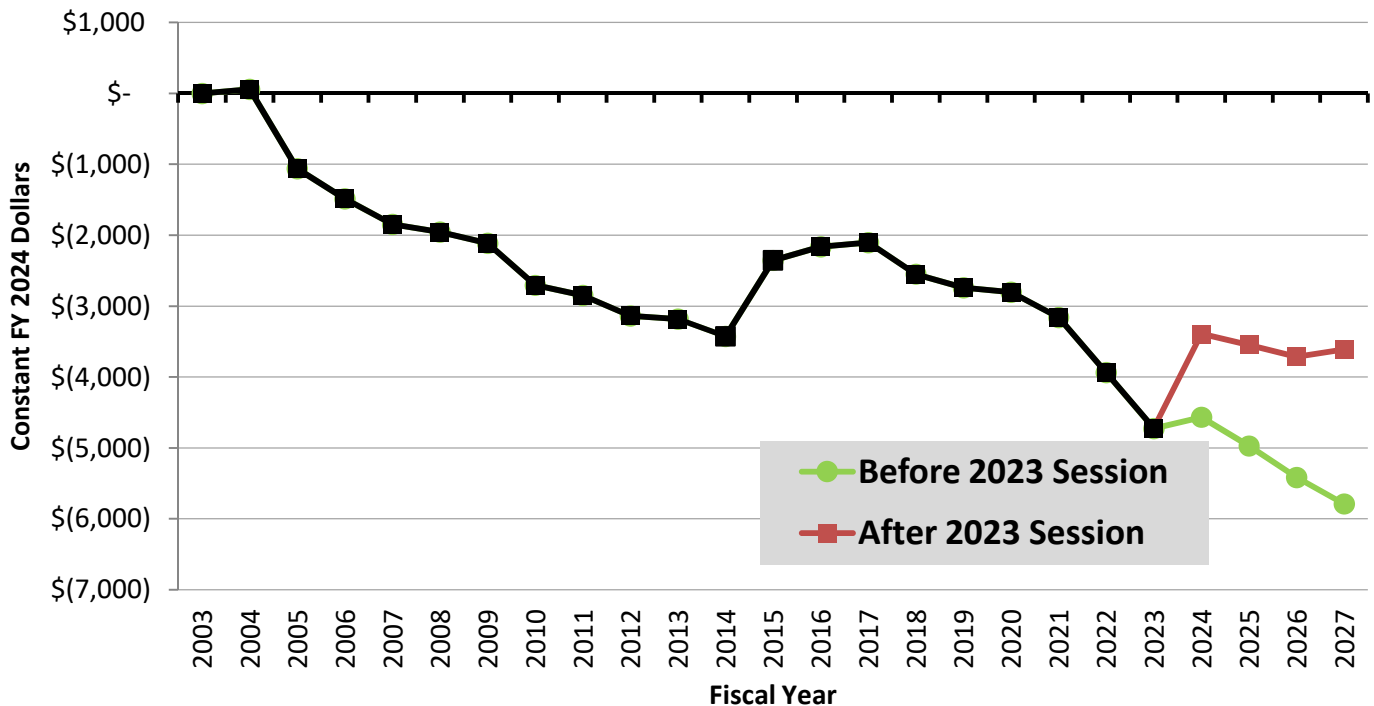


State Aid, Levy, & Revenue Per Pupil



Saint Paul School District (#625)

Change in State Aid Per Pupil Since FY 2003 Before & After the 2023 Session



State Aid, Levy, & Revenue Per Pupil

