Financing Education In Minnesota 2024-2025

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Introduction

"The stability of a republican form of government depending mainly upon the intelligence of the people, it is the duty of the legislature to establish a general and uniform system of public schools. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state."

- Minnesota Constitution, Article XIII, Section 1

The financing of elementary and secondary education in Minnesota comes through a combination of state-collected taxes (primarily income and sales) and locally collected property taxes. Revenue to school districts is received in three major categories, all of which are described in greater detail in this booklet. In summary, the three categories are:

(1) State Education Finance Appropriations (funded with state-collected taxes)

a) General Education Aid - The largest share of the education finance appropriation, general education aid, is intended to provide the basic financial support for the education program.

b) Categorical Aids - Categorical revenue formulas are generally used to meet costs that vary significantly among districts (i.e., special education) or promote certain types of programs (i.e., literacy incentive aid, adult basic education aid).

(2) State Paid Property Tax Credits (funded with state-collected taxes)

Property tax credits reduce the amount of property taxes paid. To make up for this reduction, the state pays the difference between what was levied in property taxes and what is actually received in property taxes to school districts and other taxing districts.

(3) Property Tax Levies

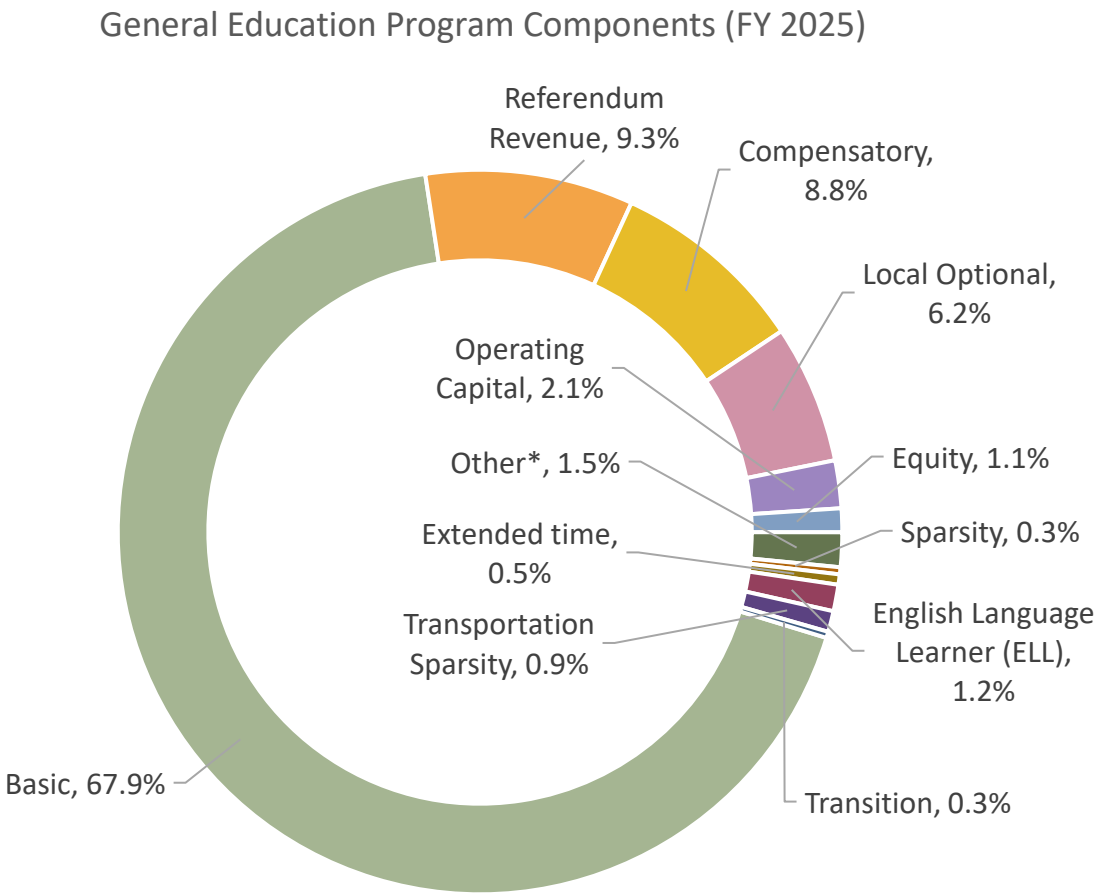
Property tax levies are made with voter approval, or at the discretion of individual school boards, usually up to limits or for expenditures in categories authorized in law by the Legislature. The largest share of the property tax levies made by school districts is from voter-approved levies: the excess operating referendum and debt service levies.

Minnesota Education Finance Terms

Part 1: The General Education Program

The general education program is the method by which school districts receive the majority of their financial support. There are several components to the general education program. The chart below illustrates the various categories of general education funding and the narrative that follows explains each category in detail.

Note: FY 2025 is the 2024-2025 school year.



*Other includes Declining Enrollment, Small Schools, Gifted & Talented, PSEO, and various other Adjustments.

1. Basic General Education Formula Revenue

The basic general education formula establishes the minimum level of funding for school districts. Basic general education aid is determined by multiplying the formula allowance by adjusted pupil units. The basic formula allowance is set for each year in legislation. For FY 2025, the basic formula allowance is $7,281. School districts and charter schools will receive roughly $6.8 billion in basic formula allowance revenue in FY 2025.

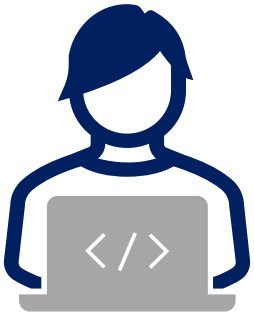
The following chart shows recent annual formula allowances and tax rates:

School Year	Basic Formula Allowance	Tax Rate
2011-12	$5,174	0.00%
2012-13	$5,224	0.00%
2013-14	$5,302	0.00%
2014-15	$5,831	0.35%
2015-16	$5,948	0.33%
2016-17	$6,067	0.30%
2017-18	$6,188	0.14%
2018-19	$6,312	0.00%
2019-20	$6,438	0.00%
2020-21	$6,567	0.00%
2021-22	$6,728	0.00%
2022-23	$6,863	0.00%
2023-24	$7,138	0.00%
2024-25	$7,281	0.00%

Of a district's basic general education revenue, a fixed dollar amount per average daily membership ($299 for kindergarten pupils and $459 for first through sixth grade pupils) must be reserved for the purpose of reducing or maintaining the district's average class size for kindergarten through third grade classrooms. The goal for these grade levels is to have an average class size of 17 students to 1 full-time classroom teacher.

2. Extended Time Revenue

Extended time allows students to generate up to an additional 0.2 (for a total of 1.2 maximum) ADM (average daily membership), which is then used to calculate the district's weighted pupil count. The weighted pupil count is multiplied by the extended time allowance, currently set at $5,117, to calculate extended time revenue. The revenue can be used for extended day, week, or year programs, as well as vacation break academies and summer term academies. The 2023 Legislature expanded the use of extended time revenue to also include education services for pupils in day treatment programs and/or children's residential facilities. Charter schools operating an extended day, extended week, or summer program are eligible for extended time revenue equal to 25 percent of the statewide average extended time revenue per adjusted pupil unit. For FY 2025, charter schools that receive extended time revenue will receive $13 per adjusted pupil unit. 144 districts and 13 charter schools qualify for a total of $46.3 million in extended time revenue.



3. Gifted and Talented Revenue

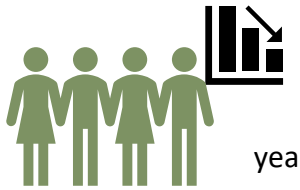
Districts qualify for $13 per pupil for gifted and talented revenue. Gifted and talented revenue must be used to identify gifted and talented students, to provide programming for those students, and to provide staff development for teachers of those students. All districts and charter schools qualify for a total of $12.1 million in gifted and talented revenue in FY 2025.

4. Small Schools Revenue

School districts (excluding charter schools) with fewer than 960 pupil units qualify for small schools revenue, with the revenue amount per pupil increasing as the enrollment of the district decreases. The small schools revenue program includes small high schools in districts with more than one high school in geographically isolated areas. The maximum amount a district could theoretically qualify for under the formula is $544 per pupil. 164 school districts qualify for $16.5 million in aid.

5. Declining Enrollment Revenue

Districts that experience declining enrollment from year to year are eligible for declining enrollment revenue. Previously, declining enrollment revenue was captured as part of "marginal cost pupil unit" calculations in many funding formulas. With pupil weighting simplification effective for fiscal year 2015, however, a separate declining enrollment category was established.



Declining enrollment revenue acknowledges that lost per pupil funding due to fewer students does not always align neatly with the district's ability to cut its personnel and other operating costs. The declining enrollment formula is 28 percent ($2,039 for FY 2025) of the current year formula allowance times the difference between the current year and previous year weighted pupil count. 202 districts and 54 charter schools qualify for a total of $23.9 million in declining enrollment revenue.

6. Local Optional Revenue

Local optional revenue allows school districts to access up to $724 per adjusted pupil unit in board-approved revenue.

Local optional revenue is an equalized levy formula – that is, the state pays in aid the difference between what is raised by a local levy and a guaranteed revenue amount. It is certified on referendum market value and comprises two tiers. The first tier consists of $300 per adjusted pupil unit equalized at $880,000 of RMV per pupil, and the second tier, any amount between $300 and $724 per adjusted pupil unit, is equalized at $626,450 of RMV per pupil for fiscal year 2025. For fiscal years 2026 and 2027, the second tier equalizing factor is $642,038 and $671,345 of referendum market value per pupil, respectively. An estimated 329 districts chose to access local optional revenue in FY 2025. Total local optional revenue is projected to be $618.9 million: $556.7 million coming from local levy and $62.2 million coming from state aid.

7. Basic Skills Revenue

Basic skills revenue includes compensatory, English learner (EL), and EL concentration revenues. The funding for basic skills revenue is based on separate formulas for the individual components. The components are:

- **Compensatory Education revenue.** School sites attended by pupils who are eligible for free and reduced-price lunches generate compensatory education revenue based on the number of eligible pupils at each site. Compensatory revenue per pupil increases as the percentage of free and reduced-price pupils at an individual school site increases (though the percentage is limited in statute). School boards may allocate up to 20 percent of compensatory revenue on a district-wide basis, with at least 80 percent remaining at the site that generates the revenue. To adjust for anticipated changes to free and reduced-price lunch reporting, for FY 2025 only, compensatory revenue will be set at the greater of FY 2024 revenue or FY 2025 revenue for each building in a district. Starting in FY 2027, the compensatory allowance will be linked to increases in the general education formula allowance.

- **English Learner (EL) revenue**. Districts receive EL revenue based on the number and concentration of English Learners enrolled. Students are eligible for EL revenue for up to seven years but may receive services as long as necessary. Per-pupil funding increases as the concentration of EL students increases, though the concentration percentage is capped in statute. Starting in FY 2027, districts will receive additional **English learner cross subsidy aid,** which recognizes that schools spend more on EL services than they receive in EL revenue. The English learner cross subsidy aid provides 25 percent of the gap in funding between what districts spent on EL funding the second previous year and what the State provided for EL funding the second previous year.

All operating∗ school districts receive a portion of $993.2 million in basic skills revenue for FY 2025, which includes roughly $875.1 million in compensatory revenue and $118.2 million in EL revenue.

8. Sparsity Revenue (Elementary and Secondary)

Sparsity revenue provides additional revenue for small and isolated schools. This revenue acknowledges the higher cost of necessarily small education programs, where options to increase the number of students in a school would require students to travel an unacceptable amount of time. There are two parts to the sparsity formula, one for secondary schools and one for elementary schools. The secondary school sparsity formula takes into account a secondary school's enrollment, distance from the secondary school to the next nearest secondary school, and the geographic area of the secondary school attendance area. The elementary sparsity formula provides additional funding for elementary schools that average 20 or fewer pupils per grade and that are 19 miles or more from the nearest elementary school. Districts that are

∗ Franconia and Prinsburg are nonoperating common school districts that do not serve students directly and so do not receive basic skills revenue.

relatively small in enrollment and large in geographic area tend to have the largest sparsity allowances. Charter schools are eligible for sparsity revenue based on the state average sparsity revenue per pupil. 102 districts and all charter schools receive a total of $31.5 million in sparsity revenue.

9. Operating Capital Revenue

The operating capital formula has a component representing the former equipment and technology formulas ($79 per pupil unit) and a component representing the former facilities formula ($109 times the district's maintenance cost index). In 2023, the Legislature added a third component of $2 per pupil unit to fund the supply of menstrual products and opiate antagonists in schools. Operating capital revenue is also an equalized formula. The equalizing factor is $23,138 for fiscal year 2025 and $22,912 for fiscal year 2026 and beyond. Operating capital revenue ranges from $190 to $245 per adjusted pupil unit per district and totals $213.4 million statewide for FY 2025.

10. Transportation Sparsity Revenue

Transportation sparsity revenue provides districts with additional funding based on the number of pupils per square mile in a school district. In fiscal year 2025, $93.5 million of transportation sparsity revenue is divided among 317 districts and 97 charter schools.

11. Equity Revenue

Equity revenue is intended to reduce the per pupil disparity between the highest and lowest revenue districts on a regional basis. For the purposes of equity revenue, there are two regions in the state: the seven-county metropolitan area and the balance of the state. In each region, districts are ranked according to their basic and referendum revenue. There are three components to the equity formula: regular, low-referendum, and supplemental. The regular component is based on a district's ranking in their region (rural or metro), the low-referendum component provides additional revenue for districts with referendum amounts below 10 percent of the state average referendum amount, and the supplemental component is a fixed amount ($50 per pupil) for all districts. Only districts below the 95th percentile of revenue in basic revenue, transition revenue, first tier local optional revenue, and referendum revenue are eligible for the regular and low-referendum equity revenue, except districts in cities of the first class as of July 1, 1999 (Minneapolis, St. Paul, and Duluth), which are automatically excluded. Equity revenue is an equalized formula, equalized at $510,000 of referendum market value per resident pupil unit.

For the regular equity component, a district without an excess levy referendum is eligible for $14 per pupil unit. A district with an excess levy referendum is eligible for $14 per pupil unit, plus an additional amount based on its percentile ranking. To determine how much regular equity revenue a district receives, the district's equity index is calculated by dividing the difference between a district's basic revenue, transition revenue, first tier local optional revenue, and referendum revenue by the regional 95th percentile of basic and referendum revenue. The result

is multiplied by $80. The product of that calculation is added to the basic $14 to generate the district's equity revenue.

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

The revenue amount resulting from both the regular and low-referendum equity calculations is then multiplied by 1.25 for all districts. This 1.25 factor is the result of recent policy changes, as previously these calculations were multiplied by different factors depending upon region.

Finally, all districts are eligible for additional equity revenue of $50 per pupil.

Statewide, all districts qualify for equity revenue, sharing a total of $106.1 million, with revenue amounts ranging from $50 to $169 per pupil per district.

12. Transition Revenue

Transition revenue guarantees that a district that changes to updated state funding formulas will not receive less money in the current year than it received in fiscal year 2015. It is in essence a "hold harmless" provision. For example, the 2013 Legislature made changes to the special education revenue program. A district that received special education revenue under the pre-2013 funding formulas would be able to continue funding its program at the same level as fiscal year 2015, regardless of changes to the formula that would otherwise indicate that the district is eligible for less revenue. Transition revenue is undesignated revenue that may be used for any general fund purpose. Transition revenue is a mix of aid and levy, levied against referendum market value using $510,000 per pupil as the equalizing factor. For FY 2025, $27.7 million of transition revenue is divided among 198 school districts and 35 charter schools.

13. Pension Adjustment Revenue

Pension adjustment revenue was established to fund legislative adjustments to teacher and support staff pensions. The formula is the greater of zero or the product of an adjusted number from fiscal year 2014 times a district's APU for a given fiscal year plus the product of prior year retirement association members' salaries times the district's pension adjustment rate for a given fiscal year. For fiscal year 2025, state total pension adjustment revenue must be prorated to not exceed the total amount for fiscal year 2024, but in fiscal years 2026 and 2027, the total state pension adjustment revenue must not be prorated. In fiscal year 2028, the revenue must once again be prorated to not exceed fiscal year 2027. All districts and charter schools are eligible to receive roughly $83.5 million in pension adjustment revenue in FY 2025.

14. Referendum Revenue

Referendum revenue allows districts to increase their general fund revenue with the approval of the voters in the district, and in limited cases, by board approval. A referendum to obtain voter

approval for an increase in general fund revenue may be held on the first Tuesday following the first Monday in November (Election Day). Elections may be held at a different time if the election is held by mail ballot. If a district is in statutory operating debt and receives the commissioner's approval, the district may hold an additional election on a different day. A referendum election may be held in the calendar year before it is levied or one year earlier.

Like local optional revenue, the referendum revenue formula is an equalized formula with two tiers. The referendum equalization revenue formula is as follows:

- First tier revenue (up to $460 per pupil) is equalized at $567,000.
- Second tier revenue (revenue from $460 to 25 percent of the basic formula allowance, which is $1,820 for FY 2025) is equalized at $290,000. Districts that qualify for sparsity revenue are not subject to the second tier revenue limit of $1,820 for equalization. All revenue above $460 is eligible for equalization at the $290,000 level for sparsity districts.

Equalization is used to apply a similar property tax burden to districts that have similar per pupil referendum revenues, but varying tax bases. The relationship of a district's referendum market value per pupil unit to the equalizing factor ($567,000 in the case of the first $460 of referendum revenue) indicates how much referendum revenue the district will receive from property taxes. If a district's property valuation per pupil unit were $283,500 (50 percent of $567,000), for example, the district would receive 50 percent of its revenue from its referendum levy and 50 percent from state equalization aid. If a district's referendum market value per pupil unit were greater than $567,000, that district would receive all of its referendum revenue from the local levy. The closer a district's referendum market value per pupil is to $0, the higher the percentage of state aid the district receives for referendum levies below $460 per pupil. The same district with $283,500 per pupil in market value would levy 98 percent ($283,500 / $290,000 = 0.98) of the revenue for a referendum amount between $460 and $1,820 per pupil.

Referendum **revenue** is calculated based on an adjusted pupil unit (APU) basis, which factors in open enrollment. Referendum equalization **aid** is computed on a resident pupil unit basis. The maximum amount per pupil that districts can generate in referendum revenue is capped by statute. For fiscal year 2025, the standard cap is estimated to be $2,205. The standard cap is adjusted annually based on changes in the Consumer Price Index. Districts eligible for sparsity revenue are not subject to the standard referendum cap.

For fiscal year 2025, 236 school districts have referendum authority totaling $930.2 million in revenue, with amounts up to $5,200 per pupil unit. Some districts with referendum revenue receive referendum equalization aid, which is roughly $17.6 million statewide (and is included in the $930.2 million).

Referendum levies must be certified on referendum market value (RMV) rather than adjusted net tax capacity (ANTC). ANTC provides tax advantages for residential and agricultural property compared to commercial and industrial property; RMV treats most residential and commercial property the same. Agricultural land and seasonal recreational cabin properties are excluded from referendum market value.

Part 2: Other Education Finance Terms

Categorical Revenues – Additional types of funding outside of the General Education Program for specific school programs. Examples of categorical revenues include:

- Special Education Revenue
- Free School Meals Program
- Debt Service Equalization Aid

Pupil Weighting – A weighted count of pupils used to determine revenue in many funding formulas. The weights are as follows:

Grade Level	**Pupil Weight**
Voluntary Pre-Kindergarten Pupil	0.6 pupil units
One Kindergarten Pupil	1.0 pupil units (full) / 0.55 (half)
One Elementary Pupil (grade 1-3)	1.0 pupil units
One Elementary Pupil (grade 4-6)	1.0 pupil units
One Secondary Pupil (grade 7-12)	1.2 pupil units

A preschool pupil with disabilities is counted as 1.0 pupil unit for the ratio of hours of service to 825, with a minimum of 0.28 ADM and a maximum of 1.0 pupil unit.

Adjusted Pupil Units (APU) – Each student is weighted by grade level according to the weights listed above. For example, if a district has 1,000 students in grades seven through twelve, its adjusted pupil count for these secondary students is 1,200 (*calculation:* 1,000 × 1.2 pupil units).

- Weighted Average Daily Membership (WADM) is another term for Adjusted Pupil Units (APU). It is the total of the above weighted pupil unit categories for a school district.

- Pupils in Average Daily Membership (ADM) is the total headcount of students in a school district. Each student may not count for more than 1.0 ADM.

Note: In the examples presented in this booklet, "pupil units" means adjusted pupil units, unless otherwise noted.

Market Value – The value assigned to property by an assessor.

> Referendum market value (RMV) – Allows certain types of property that have classification rates below one to have a lower market value than the value assigned by the assessor and excludes cabins and agricultural land.

Property Tax Classification Rates – Percentages applied to the market value of property to arrive at the adjusted net tax capacity. For example, residential homestead property under $500,000 has a class rate of 1 percent; the amount over $500,000 has a class rate of 1.25 percent.

Adjusted Net Tax Capacity (ANTC) – The property value used for calculating most school taxes. ANTC is determined by equalizing differences in tax capacities by property type in different counties. This equalization process compares market values to actual sales and is intended to

neutralize the effect of differing assessment practices. Also, the ANTC reflects the application of the classification rates to the market value of property.

Tax Capacity Rate – The rate of taxation for a specific program. Tax capacity rates are expressed as a percent of the adjusted net tax capacity. Many tax capacity rates are set in law.

Equalizing Factor – The dollar amount used to calculate the state and local shares for formulas that are equalized. Most equalizing factors are fixed in statute, such as the one for operating capital revenue, which is set at $23,138 for FY 2025. A fixed equalizing factor is a guarantee by the state that a certain tax rate will generate a certain amount of revenue for a school district, regardless of the district's property value. In the case of operating capital revenue, the state guarantees that a 1 percent tax rate will generate $231 (*calculation:* 0.01 × $23,138) in revenue for the district, whether it is raised via the local property tax, or provided by the state. The percentage of revenue in a given formula that will be raised through local levies is equal to the district's property value (in adjusted net tax capacity (ANTC) or referendum market value (RMV)) divided by the equalizing factor. Using operating capital revenue as an example, a district with $7,870 in ANTC per pupil unit will raise 34 percent of its revenue locally ($7,870 / $23,138 = 0.34), with the balance provided through state aid.

Districts Off the Formula – In districts with high property values per pupil unit, the levy rate for particular programs may generate revenue that is equal to or greater than the total revenue the district is entitled to for the program. These districts are referred to as being "off the formula" for that program, because all of the revenue is paid by local property taxes.

Uniform Financial Accounting and Reporting Standards (UFARS) – A statewide accounting procedure that must be used by school districts to record financial transactions and report financial information to the Minnesota Department of Education.

School Funds – A set of financial accounts to manage school operations.

(1) Operating Funds
    a) General Fund – general operations of the school district including salaries and benefits, instructional materials, supplies and custodial operations, transportation, ongoing capital expenditures and equipment
    b) Food Service Fund – school lunch and breakfast programs
    c) Community Service Fund – community service, early childhood family education, adult and recreation programs

(2) Non-Operating Funds
    a) Building Construction Fund – bond proceeds used to pay for building construction
    b) Debt Service Fund – used to pay principal and interest on building project bonds
    c) Trust Fund
    d) Agency Fund

General Education Program Revenue

General education revenue is a combination of several revenue categories that provide the major share of funding for school districts. Most of the general education revenue is for the general operation of the school district and is not designated by the state for a specific purpose. General education revenue is part aid and part levy; the levies for general education include local portions of equity, transition, operating capital, referendum, and local optional revenue. These local portions of general education revenue are equalized.

The basic general education formula for FY 2025 is $7,281 per pupil unit. Basic general education revenue plus several additional components (extended time, gifted and talented, declining enrollment, small schools, basic skills, secondary sparsity, elementary sparsity, transportation sparsity, operating capital, equity, pension adjustment, transition, referendum, and local optional) make up total general education revenue.

<u>Example – Gopherville School District</u>
($ per pupil unit)

Number of Pupil Units*	=	900
Basic Revenue	=	$7,281
Extended Time Revenue	=	$30
Gifted & Talented Revenue	=	$13
Declining Enrollment Revenue	=	$85
Small Schools Revenue	=	$144
Basic Skills Revenue	=	$50
Secondary Sparsity Revenue	=	$10
Elementary Sparsity Revenue	=	$0
Operating Capital Revenue	=	$200
Transportation Sparsity Revenue	=	$62
Equity Revenue	=	$100
Transition Revenue	=	$16
Referendum Revenue (voter-approved)	=	$460
Local Optional Revenue	=	$724

General Education Revenue = (Basic Revenue + Extended Time Revenue + Gifted & Talented Revenue + Declining Enrollment Revenue + Small Schools Revenue + Basic Skills Revenue + Secondary Sparsity Revenue + Elementary Sparsity Revenue + Operating Capital Revenue + Transportation Sparsity Revenue + Equity Revenue + Transition Revenue + Referendum Revenue (voter-approved) + Local Optional Revenue) x Pupil Units

= ($7,281 + $30 + $13 + $85 + $144 + $50 + $10 + $0 + $200 + $62 + $100 + $16 + $460 + $724) × 900

= $9,175 × 900

= **$8,257,500**

* As noted earlier, all references to "pupil units" are references to adjusted pupil units (APU).

Basic Aid

Basic aid is calculated as the basic formula allowance ($7,281 for fiscal year 2025) times the district's adjusted pupil units (APU). Basic aid is also referred to as basic formula aid, or formula revenue. Beginning in fiscal year 2026, the basic formula allowance will be tied to inflation, with a minimum increase of two percent and a maximum increase of three percent per fiscal year. This inflationary amount will be factored into the state economic forecasts and become part of the base funding for the general education program. [126C.10, Subd. 2]

Example – Gopherville School District

FY 2025 Adjusted Pupil Units (APU)	1,000
General Education Formula Allowance	$7,281

Basic Aid	=	Adjusted Pupil Units	×	General Education Formula Allowance
	=	1,000	×	$7,281
	=	**$7,281,000**		

Extended Time Revenue

Extended time revenue replaces the former learning year pupil program. This revenue stream allows districts to generate additional funding for students who are enrolled for more than a standard school year equivalent. Extended time revenue allows students to count as up to an additional 0.2 (for a total of 1.2 maximum) ADM, which is then used to generate an APU based on the student's grade level. The APU total for extended time ADM is then multiplied by the extended time allowance to calculate total extended time revenue. The extended time allowance is currently set at $5,117 for FY 2025 and later. Extended time revenue can be used for extended day, week, or year programs, as well as vacation break academies and summer term academies. Extended time revenue can also be used to include education services for pupils in day treatment programs and/or children's residential facilities.

Extended time revenue for charter schools operating an extended day, extended week, or summer program is equal to 25 percent of the statewide average extended time revenue per adjusted pupil unit (rounded to the nearest whole dollar). [124E.20; 126C.05, subd. 15; 126C.10, subd. 2a]

Example – Gopherville School District

ADM between 1.0 and 1.2	=	10
APU for ADM between 1.0 and 1.2∗	=	10
Formula Allowance for Extended Time	=	$5,117

Extended Time Revenue

= APU for ADM between 1.0 and 1.2 × Extended Time Formula Allowance
= 10 × $5,117
= **$51,170**

Example – Gopherville Charter School

Adjusted Pupil Units	=	200
Statewide Average Extended Time Revenue per APU	=	$51.02

Extended Time Revenue

= APU × 25% of Statewide Average Extended Time Revenue per APU
= 200 × (0.25 × $51.02)
= 200 × ($12.76 (Rounds up to $13.00))
= 200 × $13
= **$2,600**

∗ Assumes all extended time students in this example are in grades 1 through 6.

Gifted and Talented Revenue

Gifted and talented revenue is equal to $13 per adjusted pupil unit. A district's gifted and talented revenue must be used to identify gifted and talented students, to provide programs for those students, and to train teachers for working with gifted and talented students. [126C.10, subd. 2b]

Example – Gopherville School District

Adjusted Pupil Units	= 1,000
Gifted & Talented Revenue Formula Amount	= $13

Gifted and Talented Revenue

= APU × Gifted & Talented Formula Allowance

= 1,000 × $13

= **$13,000**

Small Schools Revenue

Small Schools revenue is allocated to school districts (excluding charter schools) based on their enrollment. Districts with less than 960 adjusted pupil units qualify for the revenue. The formula for the revenue is $544 times the district's adjusted pupil units, multiplied by a factor that allocates more revenue per pupil to smaller school districts on a sliding scale. The definition of a "district" for small schools revenue purposes includes a high school that is eligible for sparsity aid in a district with at least two high schools. [126C.10, subd. 2c]

Example – Gopherville School District

Adjusted Pupil Units (APU)	=	200
Small Schools Formula Allowance	=	$544

Small Schools Revenue = (Small Schools Allowance x APU) × $\frac{960-\text{APU}}{960}$

= ($544 x 200) × $\frac{960-200}{960}$

= $108,800 × 0.79

= **$85,952**

Example – Gopher City School District

Number of Pupil Units	=	750
Small Schools Formula Allowance	=	$544

Small Schools Revenue = (Small Schools Allowance x APU) × $\frac{960-\text{APU}}{960}$

= ($544 x 750) × $\frac{960-750}{960}$

= $408,000 × 0.22

= **$89,760**

Note: Since the Gopher City school district has more pupils, its total revenue is greater than Gopherville, but the smaller district (Gopherville) has more revenue per pupil ($430 versus $120).

Declining Enrollment Revenue

Districts that experience declining enrollment from year to year are eligible for declining enrollment revenue. Previously, declining enrollment revenue was captured as part of "marginal cost pupil unit" calculations in many funding formulas. Declining enrollment revenue acknowledges that lost per pupil funding due to fewer students does not always align neatly with the district's ability to scale back its personnel and other operating costs. The declining enrollment formula is 28 percent of the current year formula allowance ($2,039 for the fiscal year 2025) times the difference between the current year and previous year weighted pupil count. [126C.10, subd. 2d]

Example – Gopherville School District

Adjusted Pupil Units - Current Year (2023-24)	=	950
Adjusted Pupil Units - Previous Year (2022-23)	=	1,000
General Education Formula Allowance	=	$7,281

Declining Enrollment Revenue

= (28% of Formula Allowance) × the greater of (a) Zero or
(b) APU Previous Year – APU Current Year

= (0.28 x $7,281) × (1,000 – 950)

= $2,039 × 50

= **$101,950**

Local Optional Revenue

In FY 2025, districts are eligible for up to $724 per pupil in local optional revenue. Local optional revenue is a mix of local property tax levy and state aid. [126C.10, subd. 2e]

Example – Gopherville School District

Adjusted Pupil Units (APU)	=	2,500
Local Optional Revenue per Pupil Unit	=	$724
Referendum Market Value (RMV) per APU	=	$475,000
First Tier Equalization Factor	=	$880,000
Second Tier Equalization Factor	=	$626,450

This calculation is similar to the referendum levy calculation – first, calculate local optional revenue in each tier (if the district's local optional revenue per pupil is less than $300, the $300 in the first tier calculation is replaced with the actual amount, and the second tier calculation is unnecessary):

First Tier Local Optional Revenue	=	$300 × Pupil Units
	=	$300 × 2,500
	=	$750,000
Second Tier Local Optional Revenue	=	(Local Optional per Pupil Unit - $300) × Pupil Units
	=	($724 - $300) × 2,500
	=	$424 × 2,500
	=	$1,060,000

Next, calculate the amount of levy for each tier of local optional revenue:

First Tier Levy	=	First Tier Revenue × (RMV per APU/First Tier Equalization Factor)
	=	$750,000 × ($475,000/$880,000)
	=	$750,000 × 0.54
	=	$405,000
Second Tier Levy	=	Second Tier Revenue × (RMV per APU/Second Tier Eq. Factor)
	=	$1,060,000 × ($475,000/$626,450)
	=	$1,060,000 × 0.76
	=	$805,600
Total Levy	=	First Tier Levy + Second Tier Levy
	=	$405,000 + $805,600
	=	**$1,210,600**

Finally, calculate the aid portion of local optional revenue:

Total Aid	=	Local Optional Revenue - Local Optional Levy
	=	$1,810,000 - $1,210,600
	=	**$599,400**

Basic Skills Revenue

Basic skills revenue includes compensatory education revenue, English learner (EL) revenue and EL concentration revenue. While these revenues are combined into a single category, the total revenue is based on separate formulas for the individual components. [126C.10, subd. 4; 126C.15; 124D.65]

Compensatory education revenue

Districts receive additional funding based on counts of students eligible to receive free and reduced price lunches, based on the October 1 count of the previous year. Districts, with board approval, may allocate up to 20 percent of the compensatory education revenue on a district-wide basis; the other 80 percent must be allocated to the school site in which the pupils who generated the revenue receive instruction. The revenue must be used to meet the educational needs of pupils whose progress (based on state or local content/performance standards) is below their appropriate age level. Each school site's decision-making team or instruction and curriculum advisory committee must make recommendations on how the revenue is to be spent. Districts that receive compensatory education revenue must maintain separate accounts for the revenue and report on their expenditures.

For FY 2025, compensatory education revenue for each building in a district is calculated by multiplying compensation revenue pupil units by the total of the general education formula allowance minus $839 ($6,442 for FY 2025). Compensation revenue pupil units equal 0.6 × (the sum of the number of students receiving free lunch and one-half the number of students receiving reduced price lunch) × the lesser of (a) 1, or (b) the quotient of the following calculation divided by 80: the number of free lunch pupils plus half the number of reduced price lunch pupils divided by the total number of pupils times 100. A district's compensatory education revenue is the sum of the compensatory education revenue calculations for each building and the amounts designated under Laws 2015, 1st Special Session chapter 3, article 2, section 70, subd. 8, if applicable.

If revenue calculations for fiscal year 2025 are less than that of fiscal year 2024, the building's fiscal year 2025 revenue will be the same as fiscal year 2024. For FY 2026, if total statewide revenue is less than $838,947,000, the commissioner of education must increase building revenue until that level of statewide revenue is reached. FY 2027 follows the same structure as FY 2026, with a minimum statewide revenue of $857,152,000. The 2023 Legislature put these provisions in place with the aim to effectively "hold harmless" schools that may have otherwise seen reductions in compensatory revenue due to a smaller percentage of families filling out the Applications for Educational Benefits, or "paper forms" because of 2023 Laws, Chapter 18, which established free school meals for all school children in Minnesota attending a school participating in the National School Lunch Program.

English Learner programs revenue

School districts with English learning (EL) (formerly "limited English proficient") students receive aid to recognize the additional cost of educating these students. For funding purposes, an EL student is defined as one whose primary language is not English, whose English language skills do not allow full classroom participation, whose prior year score on an emerging academic English test is below the cutoff score, and who is enrolled in an EL educational program but has not been counted as an English Learner for seven or more years. A student who has passed the emerging academic English test but has not yet received seven years of EL services is eligible to continue to be counted as eligible for EL funding if the student's classroom teacher determines that the student has not demonstrated academic language proficiency in English.

EL regular revenue is equal to $1,228 times the greater of 20 or the number of current year eligible EL pupil units. Districts also receive EL concentration revenue (126C.05, subd. 17), which provides additional revenue when a district has a higher concentration of EL pupils. EL concentration revenue is computed by taking the lesser of 1, or the result of dividing the concentration percentage (which is 100 times the ratio of current year EL pupil ADM to total pupil ADM) by 11.5 and multiplying that number by the number of current year EL students and the concentration revenue formula amount of $436.

Starting in FY 2027, the formula will include not only count and concentration components, but also the addition of 25 percent of the gap in funding between what districts spent on EL funding the second previous year and what the State provided for EL funding the second previous year.

Example – Compensatory Component of Basic Skills

Gopherville School District, Central School

Number of Pupils (October 1st Enrollment)	=	800
Number of Pupils Receiving Free Lunches	=	95
Number of Pupils Receiving Reduced Price Lunches	=	195
General Education Formula Allowance	=	$7,281
FY2024 Central School Compensatory Revenue	=	$236,842

Compensatory Pupil Units

= [(95 + (195/2)) × 0.6] × the lesser of either (a) 1 or (b) $\dfrac{\left(100 \times \left(\frac{\left(95+\left({}^{195}/_{2}\right)\right)}{800}\right)\right)}{80}$

= 115.5 × the lesser of either (a) 1 or (b) 24.0625 ÷ 80

= 115.5 × the lesser of either (a) 1 or (b) 0.301

= 115.5 × 0.301 = 34.766

Maximum Compensatory Revenue

=	Compensatory Pupil Units	×	(General Ed Formula Allowance - $839)
=	34.766	×	($7,281 - $839)
=	34.766	×	$6,442
=	$223,963		

The FY2024 Compensatory Revenue calculation exceeds that of the FY2025 Compensatory Revenue calculation ($236,842 > $223,963), so under the "hold harmless" provision, Central School will receive the FY2024 amount of **$236,842** in Compensatory Revenue.

Gopherville School District, Country School

Number of Pupils (October 1st Enrollment)	=	200
Number of Pupils Receiving Free Lunches	=	9
Number of Pupils Receiving Reduced Price Lunches	=	20
General Education Formula Allowance	=	$7,281
FY2024 Country School Compensatory Revenue	=	$9,449

Compensatory Pupil Units

= (9 + (20/2)) × 0.6 × the lesser of either (a) 1 or (b) $\frac{\left(100 \times \left(\frac{\left(9+\left({}^{20}/_{2}\right)\right)}{200}\right)\right)}{80}$

= 11.4 × the lesser of either (a) 1 or (b) 9.5 ÷ 80

= 11.4 × the lesser of either (a) 1 or (b) 0.119

= 11.4 × 0.119 = 1.357

Maximum Compensatory Revenue

= Compensatory Pupil Units × (General Ed. Formula Allowance - $839)

= 1.357 × ($7,281 - $839)

= 1.357 × $6,442

= **$8,742**

The FY2024 Compensatory Revenue calculation exceeds that of the FY2025 Compensatory Revenue calculation ($9,449 > $8,742), so under the "hold harmless" provision, Country School will receive the FY2024 amount of **$9,449** in Compensatory Revenue.

Example – English Learner Component of Basic Skills

Gopherville School District

Number of Pupils	=	1,000
Number of Current Year Eligible EL Students	=	68
Concentration Revenue Formula Amount	=	$436

EL Revenue = Regular Revenue + EL Concentration Revenue

EL Regular Revenue

= $1,228 × the greater of either (a) 20 or (b) Eligible EL Pupil Units

= $1,228 × the greater of either (a) 20 or (b) 68

= $1,228 × 68

= $83,504

EL Concentration Revenue

= Current Year EL Students × Concentration Formula × Concentration Pupil Units

= 68 × $436 × the lesser of either (a) 1 or (b) $\frac{100 \times \left(\frac{68}{1{,}000}\right)}{11.5}$

= 68 × $436 × the lesser of either (a) 1 or (b) 0.59

= 68 × $436 × 0.59

= $17,531

EL Total Revenue = EL Regular Revenue + EL Concentration Revenue

= $83,504 + $17,531

= **$101,035**

Gopherville School District Total Basic Skills Revenue

Compensatory Revenue (Central School Site)	=	$236,842
Compensatory Revenue (Country School Site	=	$9,449
EL Revenue	=	$101,035

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

= ($236,842 + $9,449) + $101,035

= $347,326

Secondary Sparsity Revenue

Districts with one or more sparsely populated high school attendance areas may be eligible for additional revenue to meet the higher cost of operating a secondary program with a small number of students. To be eligible, a high school must meet two requirements: 1) an isolation index greater than 23 and 2) fewer than 400 pupils in average daily membership. If a district has more than one high school, the district's sparsity revenue is the sum of the calculation for each high school. Districts with certain reforested lands have an additional factor in the formula that increases sparsity revenue. A district that certifies that it would not close a school building unless it continues to qualify for secondary sparsity revenue at the previous amount (with the building remaining open) may close a school building and not have its secondary sparsity revenue reduced. [126C.10, subd. 6, 7, & 8a]

Example – Gopherville School District

Adjusted Pupil Units	=	700
Secondary Average Daily Membership (ADM)	=	300
General Education Formula Allowance for Sparsity	=	$6,751 (*calc.:* $7,281 - $530)
High School Attendance Area	=	356 Square Miles
Distance from High School to Nearest High School	=	22 Miles

Isolation Index (ii) = $\sqrt{(.55) \times \text{Attendance Area}}$ + Miles to Nearest High School

= $\sqrt{(.55) \times 356}$ + 22

= $\sqrt{196}$ + 22

= 14 + 22

= 36

Secondary Sparsity Revenue

= Formula Allowance × Sec. ADM × $\frac{400-\text{Sec ADM}}{400+\text{Sec ADM}}$ × the lesser of (a) 1.5 or (b) $\frac{\text{ii}-23}{10}$

= $6,751 × 300 × $\frac{400-300}{400+300}$ × the lesser of (a) 1.5 or (b) $\frac{36-23}{10}$

= $6,751 × 300 × (100/700) × the lesser of (a) 1.5 or (b) (13/10)

= $6,751 × 300 × 0.14 × the lesser of (a) 1.5 or (b) 1.3

= $6,751 × 300 × 0.14 × 1.3

= $368,605

Secondary Sparsity Revenue per Pupil Unit

= $368,605 / 70

= **$526.58**

Elementary Sparsity Revenue

Districts with a sparsely populated elementary school attendance area may be eligible for additional revenue to operate the elementary school. To be eligible, an elementary school must have an average of 20 or fewer pupils per grade level and be located 19 miles or more from the nearest elementary school. A district that certifies that it would not close a school building unless it continues to qualify for elementary sparsity revenue at the previous amount (with the building remaining open) may close a school building and not have its elementary sparsity revenue reduced. [126C.10, subd. 8]

Example – Gopherville School District
ABC Elementary School

Grades K-6 Pupil (ADM)	=	100
General Education Formula Allowance for Sparsity	=	$6,751 (*calc.:* $7,281 - $530)
Distance to Nearest Elementary School	=	23 miles

Elementary Sparsity Revenue

= Elementary ADM × (Formula Allowance × ($\frac{140-\text{Elem ADM}}{140+\text{Elem ADM}}$))

= 100 × ($6,751 × ($\frac{140-100}{140+100}$))

= 100 × ($6,751 × ($\frac{40}{240}$))

= 100 × ($6,751 × 0.167)

= 100 × $1,128

= **$112,800**

Note: The 140 used in the formula assumes 20 pupils in each of grades K-6. If this elementary school had fewer than seven grades, the formula would be adjusted for the actual number of grades.

Operating Capital Revenue

Operating capital revenue is available for repair and betterment of facilities, acquisition of land, purchase or lease of equipment, and purchase of books. Schools place this revenue in the operating capital account in the general fund. Operating capital revenue is based on the two former components of a capital expenditure funding formula: facilities revenue and equipment revenue. The facilities component of the formula generates revenue of $109 per pupil unit plus a weighting for the average age of the district's buildings. The equipment revenue component is $79 per pupil unit. In 2023, the Legislature added a third component: a $2 per pupil unit adjustment to fund the supply of menstrual products and opiate antagonists in schools. A district with a learning year program receives an additional $31 per pupil unit at the site a program is in place. Operating capital revenue is an equalized formula, with an equalizing factor of $23,138 of ANTC per pupil for FY 2025 and an equalizing factor of $22,912 for FY 2026 and later. [126C.10, subd. 13]

Example – Gopherville School District

Number of Pupil Units	=	1,000
ANTC per Pupil Unit	=	$6,000
Average Age of District Buildings	=	25 years
Maintenance Cost Index	=	1.25 (1 + Ratio of Average Age to 100)
Operating Capital (Facilities Component)	=	$109 per Pupil Unit
Operating Capital (Equipment Component)	=	$79 per Pupil Unit
Menstrual Products/Opiate Antagonist Adjustment	=	$2 per Pupil Unit

Operating Capital Revenue per Pupil

= Equipment Component + (Facilities Component × Maint. Cost Index) + (Menstrual Products/Opiate Antagonist Adjustment)

= $79 + ($109 × 1.25) + $2

= $79 + $136 + $2

= $217

Revenue = Pupil Units × Operating Capital per Pupil Revenue

= 1,000 × $217

= **$217,000**

Levy = Revenue × (ANTC per Pupil / Operating Capital Equalizing Factor)

= $217,000 × ($6,000 / $22,912)

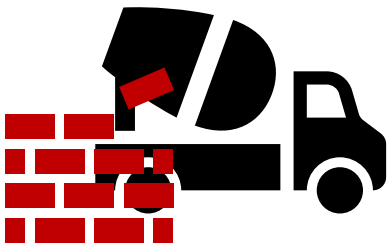
= $217,000 × 0.262

= **$56,854**

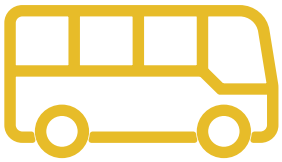
Aid = Revenue – Levy

= $217,000 – $56,854

= **$160,146**



Transportation Sparsity Revenue



In 1996-97, a major portion of the funding for transporting students, equal to $170 per pupil, was rolled into the basic general education formula. To recognize the additional costs of transporting students in those districts with fewer students per square mile, the transportation sparsity formula provides additional funding based on the number of students per square mile. The actual formula uses logarithms to calculate a revenue amount. The final part of the formula subtracts 4.66 percent of the basic formula amount, which in 1997 was the $170 by which the general education formula was increased due to the "roll-in" of transportation revenue, adjusted for the changes in the basic formula since 1996-97. [126C.10, subd. 18]

For this formula, "sparsity index" means the greater of 0.2 or the number of square miles in the district divided by the number of adjusted pupil units. "Density index" means the number of square miles divided by the number of adjusted pupil units; however, the density index may not be greater than 0.2 or less than 0.005.

Example – Gopherville School District

Adjusted Pupil Units (APU)	=	1,000
Number of Square Miles	=	90
General Education Formula Allowance	=	$7,281
District Sparsity Index	=	0.20
District Density Index	=	0.09

Transportation Sparsity Revenue per Pupil Unit =

[(Formula Allowance × 0.141) × $(\text{District Sparsity Index})^{0.26}$ × $(\text{District Density Index})^{0.13}$] - (Formula Allowance × 0.0466)

= [($7,281 × 0.141) × $0.20^{0.26}$ × $0.09^{0.13}$] - ($7,281 × 0.0466)

= [$1,027 × 0.658 × 0.731] - $339

= $494 - $339

= $155

Total Transportation Sparsity Revenue = Revenue per APU × APU

= $155 × 1,000

= **$155,000**

The 2017 Legislature amended the Transportation Sparsity Revenue allowance by adding the Pupil Transportation Adjustment to the calculation. The formula takes a percentage of the difference between a district's transportation costs and the sum of 1) a portion (4.66 percent) of its basic revenue; 2) its previous transportation sparsity revenue; and 3) its charter school transportation adjustment. The 2023 Legislature increased the Transportation Adjustment formula percent from 18.2 percent to 35 percent. For this formula, transportation costs include regular and excess public transportation costs and costs associated with depreciation of the bus fleet. The 2024 Legislature added area learning center (ALC) transportation costs to the formula as well. The formula does *not* include special education transportation or transportation among buildings (outside of ALC program transportation). [126C.10, subd. 18a; 123B.92]

Example – Pupil Transportation Adjustment

Gopherville School District

Transportation Costs (2023-24)	=	$2,740,000
Transportation Costs (2022-23)	=	$2,700,000
General Ed. Basic Revenue (2023-24)	=	$10,000,000
Transportation Sparsity Revenue (2023-24)	=	$500,000
Charter School Transportation Adjustment (2023-24)	=	$0
Area Learning Center Transportation Aid	=	$2,000

Pupil Transportation Adjustment = 0.35 × [(the lesser of (a) Previous Year Transportation Costs or (b) 1.05 × Second Previous Year Transportation Costs) – ((Previous Year Basic Revenue × 0.0466) + Previous Year Transportation Sparsity Revenue + Previous Year Charter School Transportation Adjustment + Previous Year Area Learning Center Transportation Aid)]

= 0.35 × [(the lesser of (a) $2,740,000 or (b) (1.05 × $2,740,000) – (($10,000,000 × 0.0466) + $500,000 + 0 + $2,000)]

= 0.35 × [(the lesser of (a)$2,740,000 or (b) $2,835,000 – ($466,000 + $502,000)]

= 0.35 × [$2,740,000 – $968,000]

= 0.35 × [$1,772,000]

= **$620,200**

Equity Revenue

Equity revenue is intended to reduce the disparity in revenue per pupil unit between the highest and lowest revenue districts on a regional basis, with the regions defined as the seven-county metropolitan area and the balance of the state, using a set of three formulas: one for regular equity, one for low-referendum equity, and one for supplemental equity.

Regular equity revenue is calculated by ranking all districts in each region according to their total basic-, first tier local optional-, transition-, and referendum revenue. Districts below the 95th percentile of revenue in these components combined are eligible for regular and low-referendum equity revenue, except school districts located in cities of the first class on July 1, 1999 (Duluth, Minneapolis, and St. Paul), which are automatically excluded. All eligible districts receive $14 per pupil unit, but districts with an operating referendum receive additional revenue based on their percentile ranking compared to the rest of the region the district is in. To determine how much extra revenue a district receives, the district's equity index is calculated by dividing the difference between the district's revenue in the above four categories by the 95th percentile of revenue in those categories. The result is multiplied by $80.

Low-referendum equity revenue was created to provide additional aid for districts with referendum revenue per pupil below ten percent of the state average referendum revenue (the state average referendum revenue per pupil is $1,086 for FY 2025). Low-referendum equity revenue is equal to the difference between a district's referendum revenue per pupil and 10 percent of the state average referendum revenue amount, with total low-referendum equity revenue not to exceed $100,000 for any one district.

Once the regular equity revenue and low-referendum equity revenue components are both calculated, they are then multiplied by 1.25. Prior to FY 2017, only the metro area districts received this adjustment, which now applies to all districts.

Finally, **supplemental equity revenue** provides $50 per pupil of revenue for all districts (including Duluth, Minneapolis, and St. Paul).

Equity revenue is equalized at $510,000 of referendum market value (RMV) per pupil. This means a district may levy up to the amount of its equity revenue for the fiscal year times the lesser of one or the ratio of its referendum market value per resident pupil unit to $510,000. Then, a district's equity aid is calculated by subtracting its equity levy from its equity revenue. If a district does not levy the full permitted amount, the aid must be proportionally reduced. [126C.10, subd. 24-30]

Example – Gopherville School District (Rural)

Number of Pupil Units	=	1,000
Basic Revenue	=	$7,281
Gopherville 1st Tier Local Optional Revenue per Pupil	=	$300
Gopherville Transition Revenue per Pupil	=	$30
Gopherville Referendum Revenue per Pupil	=	$460
7-County Metro Area	=	no
Rural 95th Percentile	=	$9,715
Rural 5th Percentile	=	$7,581
Metro 95th Percentile	=	$9,893
Metro 5th Percentile	=	$7,592
State Average Referendum Revenue per Pupil (rounded)	=	$1,086
Gopherville Referendum Market Value (RMV) per Pupil	=	$300,000

Regular Equity Revenue

Regional Equity Gap = 95th Percentile - 5th Percentile
= $9,715 - $7,581
= 2,134

District Equity Gap = 95th Percentile - (Basic Rev + 1st Tier Local Opt + Transition + Ref)
= $9,715 - ($7,281 + $300 + $30 + $460)
= $9,715 - $8,071
= $1,644

Equity Index = [District Equity Gap / Regional Equity Gap]
= $1,644 / $2,134
= 0.770

Regular Equity Rev. = Pupil Units × [$14 + ($80 × Equity Index)]
= 1,000 × [$14 + ($80 × 0.770)]
= 1,000 × [$14 + $61.63]
= 1,000 × $75.63
= **$75,630**

Low-Referendum Equity Revenue

Low-Referendum Equity Revenue
= Pupils × [($1,086 × 10%) – District Ref. Rev. per Pupil]

First, calculate 10 percent of state average referendum revenue per pupil.
= $1,086 × 10%
= $108.60

Is the district's referendum revenue per pupil less than 10% of statewide average?

= No. $460 > $108.60, so Gopherville is not eligible for low referendum revenue.

Subtotal – Equity Revenue (Regular and Low-Referendum)

Subtotal Equity Revenue = Regular Equity Revenue + Low-Referendum Equity Revenue
= $75,360 + $0
= $75,360

25% Equity Revenue Adjustment

25% Adjustment = Equity Revenue (Parts 1 & 2) × 0.25
= $75,360 × 0.25
= $18,908

Supplemental Equity Revenue

Supplemental Equity Rev. = Pupils × Supplemental Equity Formula Amount
= 1,000 × $50
= $50,000

Grand Total Equity Revenue

Grand Total Equity Rev = Regular Equity Revenue + Low-Referendum Equity Revenue + 25% Equity Revenue Adjustment + Supplemental Equity Revenue
= $75,630 + $0 + $18,908 + $50,000
= **$144,538**

Equity Revenue – Aid and Levy Calculation

Equity Levy = Grand Total Equity Rev. × the lesser of 1 or $\left(\frac{\text{RMV/PupilUnit}}{\$510{,}000}\right)$

= $144,538 × $\left(\frac{\$300{,}000}{\$510{,}000}\right)$

= $144,538 × 0.588

= **$85,022**

Equity Aid = Total Equity Revenue - Equity Levy

= $144,538 $85,022

= **$59,516**

Transition Revenue

Transition revenue provides districts with a guarantee that changes to various funding formulas will not result in less revenue in the current fiscal year than they received in fiscal year 2015. It is, in essence, a "hold harmless" provision. Transition revenue was originally a revenue guarantee for 2003-2004 revenue, fixed at the 2004-2005 amount per pupil. Since then, it has been expanded to include the following components: 1) achievement and integration revenue transition, 2) pension adjustment transition, 3) special education transition, and 4) excess cost aid transition.

Transition revenue is a fixed amount that is undesignated and may be used for any general fund purpose. Transition revenue is a mix of aid and levy, levied against referendum market value (RMV), using $510,000 as the equalizing factor. [126C.10, subd. 31-33]

Example – Gopherville School District

FY 2015 Pupil Units	=	1,000
FY 2025 Pupil Units	=	950
FY 2015 Old Law Transition Revenue	=	$20,000
FY 2015 Old Law Revenue (includes the sum of what the district would have received for general education revenue; integration revenue for FY 2013; pension adjustments; special education aid; and excess cost aid under 2012 Statutes)	=	$6,750,000
FY 2015 New Law Revenue (includes the sum of general education revenue – excluding transition revenue; achievement and integration revenue; special education aid; and alternative teacher compensation revenue)	=	$6,740,000
Referendum Market Value Per Pupil Unit	=	$400,000

FY 2025 Transition Allowance = [FY 2015 Old Law Transition Revenue + the greater of (a) $0 or (b) the difference between FY 2015 Old Law Revenue and FY 2015 New Law Revenue] / FY 2015 Adjusted Pupil Units

= [$20,000 + the greater of (a) $0 or (b) the difference between $6,750,000 and $6,740,000] / 1,000

= [$20,000 + $10,000] / 1,000

= $30,000 / 1,000

= $30

Total Transition Revenue = Transition Allowance × FY2025 Adjusted Pupil Units

= $30 × $950

= **$28,500**

Transition Levy = Transition Revenue × $\frac{\text{RMV per pupil}}{\$510{,}000}$

= $28,500 × $\frac{\$400{,}000}{\$510{,}000}$

= $28,500 × 0.784

= **$22,344**

Transition Aid = Transition Revenue – Transition Levy

= $28,500 – $22,344

= **$6,156**

Pension Adjustment Revenue

School districts receive general education revenue pension adjustment revenue to compensate for past legislative changes to employer contribution rates to the public employee retirement systems. The pension adjustment rate for Independent School District No. 625, St. Paul, equals 2.5 percent for fiscal years 2024 and 2025 and 3.25 percent for fiscal year 2026 and later. The pension adjustment rate for all other districts equals 1.25 percent for fiscal years 2024 and 2025 and 2.0 percent for fiscal year 2026 and later.

For fiscal year 2025, the statewide total pension adjustment revenue is capped at the fiscal year 2024 amount and the commissioner must prorate the pension adjustment rate to not exceed this cap; with current estimates, the fiscal year 2025 revenue is prorated at roughly 95.58 percent. Fiscal years 2026 and 2027, however, must not be prorated. In fiscal year 2028, total pension adjustment revenue is once again capped at the total amount of revenue for fiscal year 2027, and the commissioner must prorate the revenue so as not to exceed the maximum. Cooperative units also qualify for pension adjustment revenue as if they were districts. [126C.10, subd. 37; 127A.50]

Example – Gopherville School District

Note: This example assumes that the Gopherville School District is not the St. Paul School District.

FY 2025 Adjusted Pupil Units (APU)	=	1,000
FY 2025 District Pension Adjustment Rate	=	1.25%
FY 2014 Gopherville Pension Adjustment per APU Allowance	=	$7.00
FY 2024 District TRA Member Payroll	=	$6,020,000
FY 2025 Proration Percent	=	95.58%

Pension Adjustment Revenue =

(1) The greater of zero or

(2) ((FY 2014 Gopherville Pension Adjustment per APU Allowance) × (FY 2025 APU)) + (Prior Year (FY24) TRA Member Payroll × Current Year (FY25) District Pension Adjustment Rate)

= ($7.00 × 1,000) + ($6,020,000 × .0125)

= $7,000 + 75,250

= $82,250

Fiscal year 2025 statewide total pension adjustment revenue did exceed that of fiscal year 2024, so Gopherville School District's revenue must be prorated.

= $82,250 × .09558

= **$78,614.55**

Referendum Revenue

Referendum revenue allows districts to increase the revenue available in the district's general fund with the approval of the voters in the district. Referendum revenue up to $460 per pupil unit is equalized at $567,000 of market value; revenue above $460, up to 25 percent of the basic formula allowance ($1,820 for FY 2025), is equalized at $290,000. Districts that qualify for sparsity revenue are eligible for equalization of $290,000 on the entire amount of referendum authority above $460. In FY 2021, the first $300 in referendum revenue was moved to local optional revenue, changing referendum equalization revenue from three tiers to two and deducting $300 per pupil unit from a district's referendum equalization allowance.

Referendum revenue is subject to an annual cap, or allowance limit. For fiscal year 2025, the standard cap is estimated to be $2,205 per adjusted pupil unit. The cap is adjusted annually for inflation based on the Consumer Price Index. District referendum revenue, except in districts eligible for sparsity revenue, may not exceed this cap. [126C.17]

Example – Gopherville School District

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

Adjusted Pupil Units	=	1,000
Referendum Market Value	=	$285,000,000
Referendum Market Value per Pupil	=	$285,000
Referendum Equalization Revenue per Pupil Unit	=	$800
First Tier Equalization Factor	=	$567,000
Second Tier Equalization Factor	=	$290,000

To calculate a district's total referendum equalization levy, and the amount that will be paid to the district from the state in the form of referendum equalization aid, first calculate referendum equalization revenue in each tier (remembering that if the district's referendum equalization revenue per pupil is less than $460, the $460 in the first tier calculation would be replaced with the actual approved amount, and the second tier calculation would be unnecessary):

First Tier Ref. Equal. Revenue	=	$460 × Pupil Units
	=	$460 × 1,000
	=	$460,000
Second Tier Ref. Equal. Revenue	=	(Ref Allowance per Pupil Unit - $460) × Pupil Units
	=	($800 - $460) × 1,000
	=	$340 × 1,000
	=	$340,000

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

First Tier Levy

$$= \text{First Tier Revenue} \times \frac{\text{Referendum Market Value per Resident Pupil}}{\text{First Tier Equalizing Factor}}$$

$$= \$460{,}000 \times \frac{\$285{,}000}{\$567{,}000}$$

$$= \$460{,}000 \times 0.503$$

$$= \$231{,}380$$

Second Tier Levy

$$= \text{Second Tier Revenue} \times \frac{\text{Referendum Market Value per Resident Pupil}}{\text{Second Tier Equalizing Factor}}$$

$$= \$340{,}000 \times \frac{\$285{,}000}{\$290{,}000}$$

$$= \$340{,}000 \times 0.983$$

$$= \$334{,}220$$

Total Levy = First Tier Levy + Second Tier Levy

= $231,380 + $334,220

= **$565,600**

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

Aid = Referendum Revenue - Referendum Levy

= $800,000 - $565,600

= **$234,400**

This aid amount may be reduced by the amount of referendum tax base replacement aid that the district receives. (See page 79 for a discussion of referendum tax base replacement aid.)

Referendum Equalization Examples

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

Calculating the tax rate for the total levy in each school district shows how equalization changes tax outcomes. The tax rate is calculated by dividing total levy by total tax base. For both the low value and medium value district, the tax rate is reduced after the equalization process, as the state is providing referendum equalization aid. The high value district's tax rate remains unchanged, because with the high tax base, the district exceeds both the first and second tier equalizing factors and is "off the formula," meaning all of this district's revenue will be in levy form. The high value district will pay the most in levies but maintains the lowest tax rate. The low value district will pay significantly less in levies, but even with the state equalizing nearly 1/3 of their referendum equalization aid, this district will still have the highest tax rate. Overall, the equalization made the tax rates of the varying property value districts more similar.

School District Referendum Market Values & Levies

	Low	Medium	High
Referendum Market Value per APU	$250,000	$500,000	$750,000
Referendum Equalization Rev. per APU	$900	$900	$900
Referendum Pupil units	750	2,000	10,000
Total Revenue	$675,000	$1,800,000	$9,000,000
Tax Base (RMV per APU × Pupil Units)	$187,500,000	$1,000,000,000	$7,500,000,000
First Tier Revenue	$345,000	$920,000	$4,600,000
Second Tier Revenue	$330,000	$880,000	$4,400,000
First Tier Levy	$151,800	$809,600	$4,600,000
Second Tier Levy	$283,800	$880,000	$4,400,000
First Tier Aid	$193,200	$110,400	$0
Second Tier Aid	$46,200	$0	$0
Total Levy	$435,600	$1,689,600	$9,000,000
Total Aid	$239,400	$110,400	$0
Percent Levy	64.5%	93.9%	100.0%
Percent Aid	35.5%	6.1%	0.0%
Tax Rate without Equalization	0.36%	0.18%	0.12%
Tax Rate with Equalization	0.232%	0.169%	0.12%

Reserved Revenue and Reductions

Learning and Development Revenue

Of a district's basic general education revenue, a fixed dollar amount per average daily membership ($299 for kindergarten pupils and $459 for first through sixth grade pupils) must be reserved for the purpose of reducing or maintaining the district's average class size for kindergarten through third grade classrooms. The goal is to have an average class size be 17 students to 1 full-time classroom teacher for these grade levels. [126C.12]

Revenue for Staff Development

An amount equal to two percent of the basic formula amount ($145.62 per pupil unit for FY 2025) must be spent on staff development. Staff development revenue may be used for teacher evaluation activities. Each year, if a district's licensed teachers and school board agree via a vote, this reserve may be waived. In addition, a district in statutory operating debt is exempt from this reserve requirement. [122A.61]

K-12 Categorical Programs

Special Education

Districts receive funding to recognize a portion of the additional costs of providing required services to students with disabilities. All operating districts receive some special education aid, but the amount can vary greatly among districts. The total aid entitlement for FY 2025 is $2.51 billion.

Special education aid was historically allocated on a partial cost reimbursement basis – districts received special education aid for the current year based on a portion of their certified special education related expenditures from the previous year. In FY 2015, the state moved to a "census-based" model, one that accounts for a wider range of cost factors like overall district average daily membership served, poverty concentration, district size, and the average costs of educating students with different primary disabilities. [125A.76, subd. 2a]

Initial Aid includes the *least* of:

(1) 62 percent of the district's old formula special education expenditures for the prior fiscal year, excluding pupil transportation expenditures;
(2) 50 percent of the district's nonfederal special education expenditures for the prior year, excluding pupil transportation expenditures;
(3) or 56 percent of the product of the sum of the following amounts, computed using prior fiscal year data, and the program growth factor:

a) The product of the district's average daily membership served and the sum of these factors, also referred to as the census-based allocation:
   1. $460;
   2. $405 times the ratio of the sum of the number of pupils enrolled on October 1 who are eligible to receive free lunch plus one-half of the pupils enrolled on October 1 who are eligible to receive reduced-price lunch to the total October 1 enrollment;
   3. .008 times the district's average daily membership served;

b) Plus, the sum of the average cost categories for serving different primary disabilities in FY 2025:
   1. $13,300 times the December 1 child count for the primary disability areas of: autism spectrum disorders, developmental delay, and severely multiply impaired (*Category 1*);
   2. $19,200 times the December 1 child count for primary disability areas of deaf and hard-of-hearing and emotional behavioral disorders, (*Category 2*); and
   3. $25,200 times the December 1 child count for primary disability areas of developmentally cognitive mild-moderate, developmentally cognitive severe-profound, physically impaired, visually impaired, and deafblind (*Category 3*);

Plus, the cost of providing transportation services for children with disabilities, homeless students, and students in foster care.

Example – Special Education Initial Aid

Gopherville School District

District ADM Served	= 1,000
Total "Old Formula" Special Education Expenditures	= $1,900,000
Total Nonfederal Special Education Expenditures	= $2,300,000
Free Lunch Eligible Students	= 300
Reduced Lunch Eligible Students	= 60
Ratio of Free and Reduced/Enrollment	= 0.33
Category 1 Students	= 35
Category 2 Students	= 12
Category 3 Students	= 5
Transportation Services for Children w/ Disabilities	= $200,000

First, find the least of a), b), or c) below:

a) 62% × Total "Old Formula" Special Education Expenditures
= 0.62 × $1,900,000
= **$1,178,000**

b) 50% × Total Nonfederal Special Education Expenditures (Prior Year)
= 0.50 × $2,300,000
= **$1,150,000**

c) 56% × (Census-Based Allocation* + Category 1 + Category 2 + Category 3)

Category 1 Students × $13,300	Category 2 Students × $19,200	Category 3 Students × $25,200
= 35 × $13,300	= 12 × $19,200	= 5 × $25,200
= $465,500	= $230,400	= $126,000

*Census-Based Allocation = Basic Allowance + Poverty Allowance + District Size Allowance

= 1,000 ADM served × [$460 + ($405 × 0.33) + (1,000 × 0.008)]
= 1,000 ADM served × [$460 + $134 + 8]
= 1,000 × $602
= $602,000

= 56% × ($602,000 + $465,500 + $230,400 + $126,000)
= 0.56 × $1,423,900
= **$797,384**

The least of: (a) $1,178,000
(b) $1,150,000 or
(c) **$797,384**

Second, add 100% of the cost of transportation for children with disabilities.

$797,384 + $200,000 = $997,384

Total Special Education Initial Aid = **$997,384**

Special Education – Excess Cost Aid

Excess cost aid is intended to compensate districts that have large unreimbursed special education costs relative to the district's general education revenue. [125A.79]

Excess cost aid is calculated as the greatest of:

(1) 56 percent of the difference between the district's unreimbursed nonfederal special education costs and 7 percent of the product of the ratio of $5,831 to the formula allowance for the prior year and the district's general revenue, OR

(2) 62 percent of the difference between the district's unreimbursed "old formula" special education costs and 2.5 percent of the product of the ratio of $5,831 to the formula allowance for the prior year and the district's general revenue, OR

(3) Zero

Example – Gopherville School District

Unreimbursed Nonfederal Special Education Expenditures	=	$2,300,000
Unreimbursed "Old Formula" Special Ed. Expenditures	=	$1,900,000
Prior Year General Education Revenue	=	$7,300,000
Prior Year (FY 2024) Formula Allowance	=	$7,138

Excess Cost Aid, the greatest of:

(1) = 56% × [Unreimbursed Nonfederal Expend. - (7% × (($5,831 / Prior Year FA) × General Ed. Revenue))]
= 0.56 × [$2,300,000 - (0.07 × (($5,831 / $7,138) × $7,300,000))]
= 0.56 × [$2,300,000 - $417,434]
= 0.56 × $1,882,566
= $1,054,237

(2) = 62% × [Unreimbursed Old Formula Expend. - (2.5% × (($5,831 / Prior Year FA) × General Ed. Revenue))]
= 0.62 × [$1,900,000 - (0.025 × (($5,831 / $7,138) × $7,300,000))]
= 0.62 × [$1,900,000 - $149,083]
= 0.62 × $1,750,917
= $1,085,569

(3) = Zero

Excess Cost Aid for Gopherville = **$1,085,569**

Special Education – Cross Subsidy Reduction Aid

The "special education cross subsidy" is the difference between a district's actual expenditures for qualifying special education services and the sum of the amount a district receives in federal and state special education aid and the general education revenue (excluding local optional revenue, plus local optional aid, and plus referendum equalization aid) generated by special education students served primarily outside of the regular classroom for that year. The 2019 Legislature first enacted the cross subsidy reduction aid to help limit the amount of funds that districts needed to redirect in order to cover mandatory special education costs. Charter schools are not eligible for cross subsidy aid, as they bill special education costs back to resident districts. Calculations for cross subsidy aid are based on aid dollars from the previous fiscal year. While the cross subsidy aid factor was initially set at 2.6 percent for FY 2020 and 6.43 percent for FY 2021 and later, the 2023 Legislature increased the aid factors to 44 percent for fiscal years 2024, 2025, and 2026 and 50 percent for fiscal year 2027 and later. [125A.76, Subd. 2e]

Example – Gopherville School District

FY 2024 Nonfederal Special Education Expenditures	=	$5,000,000
FY 2024 Transportation for Students with Disabilities	=	$650,000
FY 2024 State Special Education Aid	=	$3,300,000
FY 2024 General Education Revenue for Special Ed.*	=	$350,000

**This revenue reflects the services outside of the regular classroom for students who receive special education services for more than 60 percent of the school day.*

The special education cross subsidy is calculated as the greater of:

(1) (FY24 Special Ed. Expenditures + FY24 Transportation for Students with Disabilities) – FY24 State Special Education Aid – FY24 General Ed. Revenue for Special Education, OR

(2) Zero

Gopherville Cross Subsidy

= ($5,000,000 + $650,000) - $3,300,000 - $350,000

= $2,000,000

Cross Subsidy Aid = Special Education Cross Subsidy × FY25 Cross Subsidy Aid Factor

= $2,000,000 × 0.44

= **$880,000**

Home Based Travel Aid
Aid is provided to reimburse 50 percent of the travel costs of personnel providing home-based travel services to children under age five with a disability. [125A.75, Subd. 1]

Special Pupil Aid
Districts are fully reimbursed for the special education costs not covered by other special education funding or the general education formula for students with a disability residing in public or private residential facilities in the district and for whom there is no school district of residence because parental rights have been terminated or the parents cannot be located. [125A.75, Subd. 3]

Special Education Separate Sites and Programs Aid
Separate Sites and Programs Aid was established by the 2023 Legislature to provide additional special education funding for education cooperatives, education districts, service cooperatives, and intermediate school districts attended by students with disabilities for 50 percent or more of their school day. For FY 2025 and later, separate sites and programs funding equals $1,689 times the K-12 adjusted pupil units served in special education separate sites and programs facilities for 50 percent or more of their school day. [125A.81]

American Indian Education Aid

Districts, charters, cooperative units, and American Indian-controlled tribal contract or grant schools with at least 20 American Indian students, and operating an American Indian education program, are eligible for American Indian Education Formula Aid. Districts must submit a plan for approval by the American Indian Education Director that outlines uses of the funds and program outcomes. The formula guarantees a base funding level of $40,000 for districts with at least 20 American Indian students. In addition, districts receive $500 per American Indian pupil above the qualifying 20 student threshold. [124D.81]

Example – Gopherville School District

American Indian Students Served on Oct 1 of Previous Year	= 250
Formula Amount per American Indian Student	= $500

American Indian Education Aid = $40,000 + ($500 × Eligible Students Greater than 20)

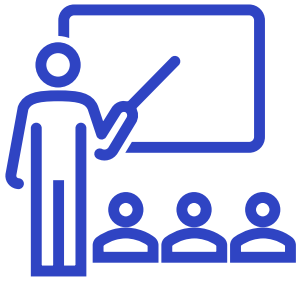
= $40,000 + [$500 × (250 – 20)]

= $40,000 + [$500 × 230]

= $40,000 + $115,000

= **$155,000**

Alternative Teacher Compensation Revenue (Q-Comp)



Alternative teacher compensation (also commonly called "Q-Comp Revenue") was created to encourage districts to adopt alternative pay structures for teachers. Q-Comp revenue of $260 per prior year unweighted pupils is available to school districts, intermediate school districts, and charter schools that develop and implement an alternative teacher pay system by October 1st of that school year. In order to qualify for the revenue, a district must, one full school year prior to the year of implementation, notify the Commissioner of Education of the district's intent to implement an alternative pay system. Individual school sites may also qualify for alternative teacher compensation revenue, even if the school district in which the site is located does not qualify. Not all eligible schools currently participate in Q-Comp; the state allocates a capped amount for the program for each year. The legislature set the statewide Q-Comp cap for FY 2025 at $88.461 million and $89.486 million for FY 2026 and beyond. FY 2025 revenue is projected to go to 109 school districts, 70 charter schools, and two cooperative units.

Intermediate districts and cooperative units were eligible to participate in the Q-Comp revenue program beginning in FY 2017. Revenue for qualifying intermediates or cooperatives equals $3,000 times the number of licensed teachers employed by the intermediate district or cooperative.

The $260 per pupil of revenue is a mix of aid and levy, with 65 percent of the per pupil amount, $169, coming in the form of state aid and the balance, $91 per pupil, in the form of equalized levy revenue. The levy revenue is equalized using an equalizing factor of $6,100 of adjusted net tax capacity per pupil. Qualifying districts may choose to receive only the basic aid portion of the revenue (the $169 per pupil) or at the district's discretion, may opt to also access the additional equalized levy (the $91 per pupil). In addition, charter schools (which do not have levy authority) receive a prorated aid amount based on the percentage of $260 per pupil that all districts receive. [122A.414-417]

Example – Gopherville School District

Prior Year October 1st Enrollment	= 1,000
Qualifies for Revenue?	= Yes
Alternative Compensation Revenue Formula Amount per Pupil	= $260
ANTC per Pupil Unit	= $4,000

Alternative Compensation Revenue

= Alternative Compensation Formula × Prior Year October 1st Enrollment

= $260 × 1,000

= **$260,000**

Alternative Compensation Basic Aid

= $169 × Prior Year October 1st Enrollment

= $169 × 1,000

= **$169,000**

Alternative Compensation Equalized Levy Revenue

= $91 × Prior Year October 1st Enrollment

= $91 × 1,000

= **$91,000**

The Alternative Compensation Levy Revenue is itself a mix of aid and levy, so:

Alternative Compensation Equalized Levy Revenue

= Alternative Compensation Levy + Alternative Compensation Equalization Aid

Alternative Compensation Levy

= Alternative Compensation Equalized Levy Revenue × $\frac{\text{ANTC per Pupil Unit}}{\$6{,}100}$

= $91,000 × $\frac{\$4{,}000}{\$6{,}100}$

= $91,000 × 0.656

= **$59,696**

Alternative Compensation Equalization Aid

= Alternative Compensation Equalized Levy Revenue - Alternative Compensation Levy

= $91,000 - $59,696

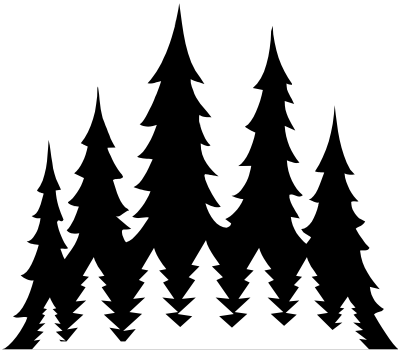
= **$31,304**

Alternative Compensation Revenue = Alternative Compensation Basic Aid + Alternative Compensation Levy + Alternative Compensation Equalization Aid

= $169,000 + $59,696 + $31,304

= **$260,000**

Permanent School Fund Revenue



School districts and charter schools receive revenue from the state's Permanent School Fund, which is established in the state constitution [Article XI, section 8]. The constitution makes provisions for the proceeds from school trust fund lands that were placed in trust after being granted from the federal government to the state in 1857, 1860, and 1866 for that purpose. The constitution requires that trust fund lands be managed to generate income for the Permanent School Fund. Initially, much of the land was sold, and the money deposited in the school trust fund. In addition to sale proceeds, income generated by the land (primarily through logging and mining activities) is deposited into the fund. At the end of FY 2023, the Minnesota State Board of Investment estimated the fund's market value to be $1.9 billion [2023 MN State Board of Investment Annual Report], while Minnesota Management and Budget (MMB) recorded the budgetary balance for that year as $1.06 billion [MMB 2024 End of Session Consolidated Fund Statement]. The constitution requires that the principal remain in the fund "perpetual and inviolate forever." Any interest generated by the investment of the principal in the fund is allocated based on the number of students in the district.

Permanent School Fund revenue is paid twice during the school year, with one payment in September and one in March. Permanent School Fund revenue is paid based on the number of students in average daily membership served by the district or charter school during the previous year. Permanent school fund revenue received by school districts and charter schools is undesignated general fund revenue, and thus available for any purpose. [M.S. 127A.33]

For the 2024-25 school year (fiscal year 2025), Minnesota Management and Budget's estimated allocation to school districts is $51.99 million, with districts receiving approximately $55.82 per student served in average daily membership.

Example – Gopherville School District

2023-2024 Adjusted (Served) ADM	=	1,000
2024-2025 Permanent School Fund Formula	=	$55.82

Permanent School Fund Revenue:

= Prior Year Adjusted (Served) ADM × Current Permanent School Fund Formula

= 1,000 × $55.82

= **$55,820**

Long-Term Facilities Maintenance Revenue

The Long-Term Facilities Maintenance Revenue Program was introduced in FY 2017, and all districts, charter schools, intermediate districts, cooperative units, and joint powers districts are eligible for funding. This program "folds in" the previous Health and Safety, Alternative Facilities, and Deferred Maintenance revenue programs.

Allowed uses of the long-term facilities maintenance revenue include:

(1) Deferred capital expenditure and maintenance necessary to prevent further erosion of facilities;
(2) Approved Health and Safety Capital Projects;
(3) Increased accessibility to school facilities;
(4) Transfers from the LTFM reserve in the general fund to the debt redemption fund (by board resolution);
(5) Approved expenditures associated with remodeling instructional space for Voluntary Pre-K programs; and
(6) For Charter schools only, any purpose related to the school.

Long-term facilities maintenance revenue *must not* be used for construction of new facilities, remodeling of existing facilities (except for voluntary pre-kindergarten and costs associated with constructing or remodeling to create a gender-neutral single-user restroom), purchase of portable classrooms, financing a lease purchase agreement, energy efficiency projects, facilities used for post-secondary instruction, violence prevention, security, ergonomics, or emergency communication devices.

All participants in the LTFM program must have a 10-year facilities plan. The plan must include provisions for implementing health and safety compliance efforts as well as plans to provide a gender-neutral single-user restroom at each school site. The plan must be updated annually and approved by both the school's governing board and the Commissioner of Education.

Districts must indicate if they plan to issue general obligation bonds or use an annual levy to finance project costs (referred to as "pay as you go"). Districts that issue bonds must additionally provide a debt service schedule ensuring that debt service revenue for the principal and interest on the bonds will not exceed projected LTFM revenue for the year. Intermediate districts may also issue bonds, by resolution of all member school districts and approval of the Commissioner.

Voter-approval is <u>not</u> required for issuance of general obligation bonds for LTFM projects. However, notice must be posted at least 20 days prior to the earliest solicitation of bids, sale of bonds, or final certification of levies. The published notice must outline the scope of the projects, the amount of the bond issue and the total district indebtedness.

Long-term facilities maintenance revenue is an equalized levy (consisting of local property tax levy and state aid, depending on property value per pupil relative to the state average). **For the purposes of the LTFM equalized levy only, the district's adjusted net tax capacity (ANTC) value is reduced by 50 percent of the value of class 2a agricultural land in the district.** (The house, garage and one acre (HGA) of the farm is not included in the agricultural value). This has the

effect of making districts with a large amount of agricultural land value eligible for increased LTFM equalization aid, which lowers the local property tax impact. The equalizing factor is 123 percent of statewide average adjusted net tax capacity (ANTC) per adjusted pupil unit. [123B.595]

Example – Gopherville School District

Adjusted Pupil Units	=	1,000
District Average Building Age	=	20 years
Average Building Age Index	=	35 years
Building Age Ratio	=	20/35
Old Law Deferred Maintenance Revenue	=	$34,000
Old Law Alternative Facilities Revenue	=	$0
Old Law Health & Safety Revenue	=	$0
FY 2025 Approved Health & Safety Projects∗	=	$125,000
Adj. Net Tax Capacity (ANTC) Value	=	$5,000,000
Class 2a Agricultural Land Value	=	$2,000,000
LTFM Adjusted Net Tax Capacity	=	$4,000,000
Adjusted Net Tax Capacity per Pupil	=	$4,000
State Average ANTC per Pupil	=	$12,183
123% of State Average ANTC	=	$14,985
Member of an Intermediate District?	=	No
Pre-K Program Approved Remodeling Cost	=	$40,000

For FY 2025, the LTFM Revenue for a district equals the greater of:

(1) ($380 × Adjusted Pupil Units × (the lesser of i) 1 or ii) Building Age Ratio) + Approved Health & Safety Capital Projects + Approved Voluntary Pre-K Allowed Remodeling Cost

or

(2) The sum of the amount the district would have qualified for under M.S. 2014 Alternative Facilities, Deferred Maintenance, and Health and Safety Revenue programs

∗ Eligible projects include: indoor air quality, fire alarm and suppression, or asbestos abatement with an estimated cost per site of $100,000 or more.

(1) = ($380 × $1,000 × (the lesser of i) 1 or ii) 20/35)) + $125,000 + $40,000

= ($380 × $1,000 × 0.571) + $165,000

= ($380,000 × 0.571) + $165,000

= $216,980 + $165,000

= $381,980

(2) = $0 + $34,000 + $0

= $34,000

The greater of (1) $381,980 or (2) $34,000 = **$381,980**

Next, calculate the district's LTFM Equalization Revenue:

LTFM Equalization Revenue = the lesser of a) $380 × APU or b) LTFM Revenue

a) = $380,000
b) = $381,980

The lesser of a) $380,000 or b) $381,980 = **$380,000**

Next, calculate the levy and aid share of the LTFM Equalization Revenue:

The first step is to determine the LTFM Equalized Levy amount.

LTFM Equalized Levy = LTFM Equalized Revenue - the greater of (1) or (2)

(1) = the lesser of i) LTFM Equalization Revenue or ii) Old Law Alternative Facilities Aid

(2) = LTFM Equalization Revenue × $\left(1 - \frac{\text{Prior Year District ANTC per Pupil}}{123\% \text{ of Prior Year Statewide Average ANTC per pupil}}\right)$

(1) = the lesser of i) $380,000 or ii) $0 = $0

(2) = $380,000 × (1 - $4,000/$14,985)

= $380,000 × 0.733

= $278,540

The greater of (1) $0 or (2) $278,540 = 278,540

LTFM Equalized Levy = $380,000 - $278,540 = **$101,460**

The second step is to determine the LTFM Equalized Aid amount:

LTFM Equalized Aid = LTFM Equalized Revenue – LTFM Equalized Levy

= $380,000 - $101,460

= **$278,540**

Next, determine total LTFM Unequalized Levy:

LTFM Unequalized Levy = LTFM Revenue – LTFM Equalization Revenue

= $381,980 - $380,000

= **$1,980**

Next, calculate the total LTFM Levy.

LTFM Total Levy = LTFM Equalized Levy + LTFM Unequalized Levy

= $101,460 + $1,980

= **$103,440**

In summary:		
	LTFM Total Levy	= $103,440
	LTFM Aid	= $278,540
	LTFM Revenue	**= $381,980**

Debt Service Revenue

School districts may issue general obligation bonds to finance capital improvements. Generally, the issuance of the bonds for new construction must be approved by a majority of the voters in a referendum. The district must then each year levy an amount necessary to meet its debt obligation. The amount of debt service revenue needed each year is equalized at varying rates in relation to the ratio of the amount of debt service revenue to the district's total adjusted net tax capacity (ANTC).

Districts are allowed to issue general obligation bonds for Long-Term Facilities Maintenance Revenue projects without an election. Debt service calculations for traditional general obligation bonds, as noted in the example below, are different from debt service calculations for Long-Term Facilities Maintenance Revenue general obligation bonds. See the previous section for further explanation of Long-Term Facilities Maintenance Revenue calculations.

Debt service levies for FY 2025 and later are equalized at the greater of: (1) $4,430 or (2) 55.33 percent of the initial equalizing factor for the first tier; and the greater of: (1) $8,000 or (2) 100 percent of the initial equalizing factor for the second tier. The initial equalizing factor equals the state average adjusted net tax capacity (ANTC) per adjusted pupil unit for the year before the year the levy is certified. [123B.53]

Example – Gopherville School District

FY 2022 Number of Pupil Units	=	1,000
FY 2022 ANTC	=	$4,000,000
FY 2022 ANTC per Pupil Unit	=	$4,000*
Debt Service Revenue for 2024-2025	=	$1,200,000
First Tier Equalization Factor	=	$6,741 ($12,183 × 0.5533)
Second Tier Equalization Factor	=	$12,183

** This example does not show a "typical" Minnesota school district. $4,000 of ANTC per pupil unit would be a very low property value district and is used to show the entire debt service equalization aid calculation. The FY 2022 statewide average ANTC per pupil enrolled in a school district is $12,183.*

To calculate a district's total debt service levy, and the amount that will be paid to the district from the state in the form of debt service equalization aid, first calculate the revenue amounts in the first and second tier that are eligible for equalization. Start with the second tier:

Second Tier Debt Service Revenue
= Debt Service Revenue - 26.24% of District ANTC
= $1,200,000 - [0.2624 × $4,000,000]
= $1,200,000 - $1,049,600
= **$150,400**

Use the result from the second tier debt service revenue calculation in the first tier calculation:

First Tier Debt Service Revenue

= Debt Service Revenue - 15.74% of District ANTC - Second Tier Debt Service Revenue

= $1,200,000 - [0.1574 × $4,000,000] - $150,400

= $1,200,000 - $629,600 - $150,400

= **$420,000**

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

Unequalized Debt Service Levy

= 15.74% × ANTC

= 0.1574 × $4,000,000

= **$629,600**

First Tier Debt Service Levy

$$= \text{1st Tier Debt Service Revenue} \times \frac{\text{District ANTC per APU}}{\text{greater of (a)\$4,430 or (b)55.33\% of ANTC per APU}}$$

= $420,000 × ($4,000/$6,741)

= $420,000 × 0.5934

= **$249,228**

Second Tier Debt Service Levy

$$= \text{2nd Tier Debt Service Revenue} \times \frac{\text{District ANTC per APU}}{\text{greater of (a)\$8,000 or (b)100\% of ANTC per APU}}$$

= $150,400 × ($4,000/$12,183)

= $150,400 × 0.3283

= **$49,376**

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

Total Debt Service Levy

= Unequalized Levy + First Tier Levy + Second Tier Levy

= $629,600 + $249,228 + $49,376

= **$928,204**

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

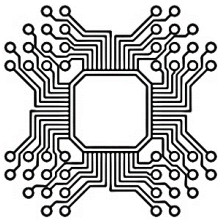
Debt Service Aid

= Debt Service Revenue - Total Debt Service Levy

= $1,200,000 - $928,204

= **$271,796**

Telecommunications/Internet Access Equity Aid



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

Telecommunications/internet access equity aid for a district is equal to the district's eligible costs for the prior year that exceed $16 per pupil, minus any e-rate funding received. If a district is a member of a telecommunications access cluster, the district's aid is not reduced by $16 per pupil, and the revenue is distributed directly to the cluster. District aid is prorated so that total state aid payments do not exceed the appropriation for the fiscal year, regardless of how high eligible costs are. [125B.26]

Example – Gopherville School District

Number of Pupil Units	=	1,000
Eligible Telecommunications Costs	=	$37,000
Federal E-Rate Funding	=	$1,000
Cluster Member?	=	No
Statewide Initial Revenue (Est.)	=	$7,237,000
Available State Appropriation	=	$3,750,000

Initial Telecommunications/Internet Access Equity Aid

= Eligible Costs - E-Rate Reimbursement - ($16 × Pupil Units)
= $37,000 - $1,000 - ($16 × 1,000)
= $37,000 - $1,000 - $16,000
= $20,000

Telecommunications/Internet Access Equity Aid Proration Rate

= Available State Appropriation / Initial Statewide Revenue
= $3,750,000 / $7,237,000
= 51.8%

Net Telecommunications/Internet Access Equity Aid

= Initial Revenue × Proration Rate
= $20,000 × 0.518
= **$10,360**

Career and Technical Revenue

School districts that have career and technical education (CTE) programs are eligible for career and technical revenue equal to 35 percent of approved estimated program expenditures, which include salaries (or payment to another school district) for essential, licensed personnel; contracted services provided by a non-school public or private agency; necessary travel for licensed CTE personnel between instructional sites, for in-state vocational student organization activities, and professional development; certain curriculum development activities; and specialized vocational instructional supplies.

The career and technical levy is an equalized formula. A district may levy up to the product of its career and technical revenue times the lesser of one or the ratio of its adjusted net tax capacity per adjusted pupil unit in the fiscal year in which the levy is certified to the career and technical revenue equalizing factor of $7,612. Districts must recognize the full amount of this levy as revenue for the fiscal year in which it is certified. A district's career and technical aid equals the career and technical revenue minus the career and technical levy.

Districts are guaranteed a minimum of either (1) the districts career and technical revenue from the previous fiscal year or (2) 100 percent of the approved expenditures for career and technical programs included in subdivision 1, paragraph (a), for the fiscal year in which the levy is certified. [124D.4531]

Example – Gopherville School District

FY25 CTE Program Expenditures	=	$200,000
FY25 Career & Tech Revenue (35% of Expenditures)	=	$70,000
FY25 District ANTC per APU	=	$4,000
Career & Technical Equalization Factor	=	$7,612

**Again, this example does not show a "typical" Minnesota school district. $4,000 of ANTC per pupil unit would be a very low property value district and is used to show the entire career and technical aid calculation. The FY 2025 statewide average ANTC per pupil enrolled in a school district is estimated to be $14,849.*

Career and Technical Levy

= Eligible Expenditures × the lesser of 1 or $\frac{\text{District ANTC per APU}}{\text{Career \& Tech Equalization Factor}}$

= $200,000 × the lesser of 1 or ($4,000/$7,612)

= $200,000 × 0.525

= **$36,750**

Career and Technical Aid

= $70,000 - $36,750

= **$33,250**

Charter School Revenue

Charter schools in Minnesota are public schools and are defined as being part of the state's system of public education. They are not school sites of the school district within which they are located, although they may have been sponsored by the school district within which they are located. Although they are public schools, charter schools are exempt in law from many, but not all, of the requirements governing public schools and school districts. In regard to revenue, charter schools are eligible for general education revenue, special education aid, building lease aid, long-term facilities maintenance revenue, start-up grants, and other revenue school districts receive.

Charter school revenue sources include:

General Education Revenue – Charter schools receive general education revenue per pupil similarly to how school districts do, with a number of exceptions. First, if the charter school does not provide transportation services, the charter school's general education revenue is reduced by:

(1) 4.66 percent of the basic formula ($339 for FY 2025) plus the transportation sparsity allowance for the district within which the charter is located, times
(2) the charter's APU, plus the product of $223 and the charter's extended time pupil units.

If transportation services are not provided by the charter school, the district in which the charter school is located must provide transportation to charter school students in the same way it provides transportation to students residing in or attending school in the public school district, and the school district must receive the amount of aid by which the charter school's funding was reduced. [124E.15;124E.20]

Charter schools receive the following general education revenues as if they were districts:

(1) Declining enrollment,
(2) Basic skills,
(3) Transportation sparsity,
(4) Transition, and
(5) Pension adjustment revenue.

Charter schools receive the state average for the following components of general education revenue:

(1) General Education basic aid,
(2) Gifted and talented,
(3) Sparsity,
(4) Operating capital, and
(5) Equity revenue.

Unlike districts, charter schools are not governed by M.S. 126C.10 Subd. 14 and may use the operating capital component of general education revenue for any lawful purpose.

Charter schools receive the per pupil allowance of the pupil's district of residence for:

(1) First tier local optional aid, and
(2) Referendum equalization aid.

Charter schools do not receive:

(1) Full referendum revenue,
(2) Full local optional revenue, or
(3) Small schools revenue.

Finally, charter schools receive 25 percent of the statewide average per pupil, rounded to the nearest whole number, of extended time revenue, if they operate a program.

Special Education Aid – Charter schools receive special education aid as school districts do, but they are allowed to bill a special education student's resident school district for any eligible special education costs for 80 percent reimbursement. The state will reimburse charter schools for an additional 10 percent of their total costs, meaning that charter schools (except those that primarily serve a special education population) are required to cover 10 percent of unfunded special education costs with other funds.

Those charter schools that primarily serve a special education population – specifically, charter schools "where the percent of students eligible for special education services is at least 70 percent of the charter school's total enrollment," – are reimbursed for 100 percent of their special education costs. [124E.21;127A.47, subd. 7]

Charter School Building Lease Aid – Charter schools with building leases qualify for aid equal to 90 percent of the approved cost of the lease, or $1,314 per pupil, whichever is less. [124E.22]

Transportation Revenue – Charter schools that do provide transportation services in compliance with transportation requirements established in M.S. 123B.88 are eligible for transportation revenue equal to the general education revenue reduction for charters that do not provide transportation services. A charter school providing transportation services receives transportation revenue in the form of general education aid equal to:

(1) 4.66 percent of the basic formula ($339 for FY 2025) plus the transportation sparsity allowance for the district within which the charter is located, times
(2) the charter's APU, plus the product of $223 and the charter's extended time pupil units. [124E.15;124E.23]

Long-Term Facilities Maintenance Revenue – Charter schools are eligible for Long-Term Facilities Maintenance Revenue. Charter schools may use this revenue for any purpose related to the school. For fiscal year 2025 and later, the revenue per adjusted pupil unit is $132. [123B.595]

Other Aid, Grants, and Revenue – A charter school is eligible to receive other aids, grants, and revenue as though it were a school district, unless a property tax levy is required to obtain the money. Further, a charter school may receive money from any source for capital facilities needs. [124E.24]

Achievement and Integration Revenue

Achievement and Integration Revenue is intended to improve racial and economic integration, increase student achievement, and reduce academic disparities in Minnesota public schools. An eligible district's initial achievement and integration revenue equals the lesser of (A) 100.3 percent of the district's expenditures under the commissioner-approved plan, excluding expenditures used to generate incentive revenue -or- (B) the sum of (1) $350 times the district's pupil units for the current year times the ratio of the district's enrollment of protected students for the previous school year to total enrollment for the previous school year and (2) the greater of zero or 66 percent of the difference between the district's integration revenue for FY 2013 and the district's integration revenue for FY 2014.

A district implementing a voluntary plan to reduce racial and economic enrollment disparities as part of its achievement and integration plan are also eligible for "incentive" revenue. A district's incentive revenue equals either $10 per adjusted pupil unit or its actual total voluntary plan expenditures, whichever is less. Each year, 0.3 percent of a district's achievement and integration revenue is transferred to the Minnesota Department of Education for oversight and accountability activities.

In order to receive this revenue, districts must:

(1) Develop a three year achievement and integration plan, which must be incorporated into the district's comprehensive strategic plan;
(2) Have the school board approve the plan and corresponding budget; both must be submitted to the department for review by March 15 of the year prior to implementation;
(3) Hold at least one formal annual hearing to publicly report its progress in realizing its goals; and
(4) Limit the amount of revenue spent on administrative services to no more than 10 percent.

If the district is not meeting the goals outlined in its plan, the commissioner has the authority to withhold up to 20 percent of the district's achievement and integration revenue and use it to help the district implement an improvement plan.

Achievement and integration revenue is split as follows: 70 percent from state aid and 30 percent from local levy. For FY 2025, 180 districts qualify for $121.59 million in achievement and integration revenue. [124D.861-124D.862]

Example – Gopherville School District*

FY 2024 (Prior Year) APU	=	1,000
FY 2025 (Current Year) APU	=	950
FY 2025 District Expenditures	=	$70,000
FY 2024 Enrollment of Protected Students	=	200
FY 2013 Integration Revenue	=	$60,000
FY 2014 Integration Revenue	=	$57,000

**This example assumes that Gopherville is not the Minneapolis, St. Paul, or Duluth school districts, which operate under a different levy structure for Achievement and Integration revenue.*

Achievement & Integration Aid

= the lesser of:

(1) 100.3% of district's current plan expenditures

= $70,000 × 1.003
= $70,210

-or-

(2) The Sum of

a) ($350 × Current Year APU) × $\frac{\text{Prior Year Protected Student Enrollment}}{\text{Prior Year Total Enrollment}}$

= ($350 × 950) × (200/1,000)
= $332,500 × 0.2
= $66,500

-and-

b) The greater of 0 -or- .66 × (FY 2013 Integration Revenue – FY 2014 Integration Revenue)

= 0.66 × ($60,000-$57,000)
= 0.66 × $3,000
= $1,980

The greater of 0 and $1,980 = $1,980, so $66,500 + $1,980 = $68,480

The lesser of $70,210 and $68,480 = **$68,480**

Achievement and Integration Aid = $68,480 × 0.70
= **$47,936**

Achievement and Integration Levy = $68,480 × 0.30
= **$20,544**

Literacy Incentive Aid

Schools are eligible for additional aid based on how well students in the third grade read (called "Proficiency Aid"), and how much progress is being made between the third and fourth grades in reading skills (called "Growth Aid"). Proficiency aid is calculated by multiplying $530 times the average percentage of students in a school that meet or exceed proficiency over the current year and previous two years on the third grade reading portion of the Minnesota Comprehensive Assessment, multiplied by the number of students enrolled in the third grade at the school in the previous year. Similarly, Growth Aid is calculated by multiplying $530 times the percentage of students that make medium or high growth on the fourth grade reading Minnesota Comprehensive Assessment multiplied by the previous year's fourth grade student count. [124D.98]

Nutrition Programs

Free School Meals Program Aid – The Free School Meals Program was established by the 2023 Legislature with the aim of providing one free breakfast and one free lunch per school day to every pre-kindergarten-12th grade student attending a school in Minnesota that participates in the USDA National School Lunch Program (NSLP). The free school meals program aid equals the difference between the federal reimbursement rate for a free meal (determined annually by USDA; $4.43 for lunch and $2.37 for breakfast for FY 2025) and the actual federal reimbursement the participating school receives for the meal served.

If a school participating in the NSLP has an Identified Student Percentage (ISP – a measure of poverty) greater than or equal to 40 percent, the school must participate in the Community Eligibility Program (CEP), a federal program that provides additional school breakfast and lunch assistance on a sliding scale, in order to participate in the Free School Meals Program. With an ISP at or above 40 percent, a school's entire student body is eligible for breakfast and lunch at no cost through the federal government, reducing the state's cost. If a school has an ISP below 40 percent, the school is not required to participate in CEP, but the school then *is* required to participate in the Free School Meals Program.

School Breakfast Aid – If the school participates in the Free School Meals Program, then they are only eligible for the Free School Meals breakfast aid discussed above. Otherwise, school districts are eligible to receive 55 cents for each fully paid breakfast and 30 cents for each reduced-price breakfast served to students in grades 1 through 12. Voluntary pre-kindergarten and kindergarten students who are in the fully paid category generate $1.30 for each breakfast served. Districts that receive school breakfast aid must provide breakfast without charge to those students eligible for free and reduced-price meals. All voluntary pre-kindergarten pupils and kindergarten pupils are eligible for school breakfast without charge, regardless of family income. [124D.1158]

School Lunch Aid – If the school participates in the Free School Meals Program, districts receive the sum of a) 12.5 cents for each fully paid, reduced-price, and free student lunch; and b) the free school meals aid amount discussed above. Otherwise, school districts are eligible to receive 12.5 cents of state funding for each fully paid and free student lunch served. Districts receive 52.5 cents per reduced price lunch meal served. [124D.111]

Library Programs

Basic Regional Library System

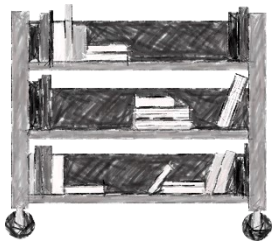
Library Basic Support Aid – Aid to regional public libraries for operations, interlibrary programs and services. FY 2026 and later, basic system support aid will be tied to increases in the general education formula allowance. [134.355]

Regional Library Telecommunications Aid – Aid for regional public library systems to cover data and video access, maintenance, equipment, installation of telecommunications lines, and/or improve internet access. [134.355, subd. 9]

Multi-county, Multi-type Library System Development Aid – Multi-county or multi-type libraries are eligible to receive aid for development or operations. Costs for sparsely populated or large geographic areas must be considered when awarding aid. [134.353]

School Library Aid – School Library Aid was created by the 2023 Legislature to reserve funds exclusively for school libraries. Specifically within school libraries, eligible uses for this aid include:

(1) the salaries and benefits of a school library media specialist;
(2) electronic, computer, and audiovisual equipment;
(3) information technology infrastructure and digital tools;
(4) electronic and material resources; or
(5) furniture, equipment, or supplies.



For FY 2025 and later, school library aid for a district equals either $16.11 times the district's adjusted pupil units for the school year or $40,000, whichever is greater. For charters, school library aid is either $16.11 times the charter school's adjusted pupil units for the school year or $20,000, whichever is greater. For FY 2025, statewide school library aid is estimated to be $23.9 million. [124D.992]

Nonpublic Pupil Programs

Nonpublic Pupil Aid – Public school districts receive aid to fund services and textbooks for the benefit of nonpublic school students. This funding can be used for secular textbooks and other instructional materials or services including health services and secondary guidance and counseling services. The textbook funding level is set at the average amount expended in public schools per pupil for similar materials in the second prior year, multiplied by a factor equal to the growth in the basic formula amount between the second prior year and the current year. Similarly, health services are reimbursed on a per pupil basis to the public school district at the rate of the lesser of their actual cost or the average cost of providing those services to public school students in the second prior year, and guidance and counseling services are reimbursed on a per secondary pupil basis at the rate of the lesser of their actual cost or the average cost of providing those services to public school secondary students in the second prior year. [123B.40-123B.48]

Nonpublic Pupil Transportation Aid – Nonpublic pupil transportation aid is equal to the school district cost per pupil of providing transportation services in the second preceding school year, and then adjusted for the change in the general education formula allowance between the current year and the second preceding school year. [123B.92, subd. 9]

Personnel Programs

Student Support Personnel Aid – The 2023 Legislature created the student support personnel aid to address the shortages of student support services personnel within Minnesota schools; decrease caseloads for existing support personnel; integrate learning supports, data-based decision making, and family and community engagement; and improve student health, school safety, and school climate. Student support personnel aid must be used to hire new positions, increase part-time positions to full-time equivalents, or maintain positions that may otherwise be eliminated. If a school district is not able to hire additional staff, the aid may be used to contract for services. [124D.901]

The formula has two main components, initial aid and cooperative aid. Only school districts that are part of an intermediate district or cooperative unit that serves students are eligible for cooperative aid. If a district is a member of more than one cooperative unit that serves students, the revenue must be allocated among the cooperative units.

(1) Initial student support personnel aid equals the greater of:
   a) (The Student Support Personnel Allowance) × (Current Year APU)
   -or-
   b) For school districts, intermediate districts, and cooperative units: $40,000. For charter schools: $20,000.

(2) Cooperative student support personnel aid equals the greater of:
   a) (The Student Support Personnel Allowance) × (Current Year APU)
   -or-
   b) $40,000.

The Student Support Personnel Allowance is set at different amounts for c) school districts and charter schools and d) intermediate districts and cooperative units.

   c) The Student Support Personnel Allowance is $17.08 for FY 2025, and $48.73 for FY 2026 and later.
   d) The Cooperative Student Support Allowance is $0.85 for FY 2025, and $2.44 for FY 2026 and later.

Example – Gopherville School District

FY 2025 Adjusted Pupil Units	=	2,000
FY 2025 Student Support Personnel Allowance	=	$17.08
FY 2025 Cooperative Student Support Allowance	=	$0.85
Member of a Coop/Intermediate District?	=	Yes

Student Support Personnel Aid

First, calculate initial aid for a district:

= the greater of (FY 2025 Adjusted Pupil Units × FY 2025 Student Support Personnel Allowance) or $40,000

= (2,000 × $17.08) or $40,000

= $34,160 or $40,000

= **$40,000**

Next, calculate cooperative aid for a district that is a member of a service cooperative that serves students or an intermediate district:

= the greater of (FY 2025 Adjusted Pupil Units × FY 2025 Cooperative Student Support Allowance) or $40,000

= (2,000 × $0.85) or $40,000

= $1,700 or $40,000

= **$40,000**

Finally, add the cooperative aid amount to the initial aid amount.

= $40,000 + $40,000

= **$80,000**

Paraprofessional Training Reimbursement - Beginning in fiscal year 2025, school districts, charter schools, and intermediate school districts and other cooperative units are eligible to be reimbursed for the expenses associated with paraprofessional training. The reimbursement equals 100 percent of the prior year's compensation expenses associated with providing up to eight hours of paid orientation and/or professional development for each paraprofessional.

For the 2024-2025 school year only, a school may reduce the required minimum hours to six and instead pay for paraprofessional test materials and testing fees for any previously employed paraprofessional who has not yet successfully completed the paraprofessional assessment or met the requirements of the paraprofessional competency grid. [121A.642]

Miscellaneous Revenue Programs

Abatement Revenue – Abatement revenue is a replacement for anticipated property tax receipts due to a reduction in property valuation after the levies are certified. The aid applies to equalized levies only; districts may make an adjustment levy the next year for the remaining revenue loss. Districts may also levy for the shortfall in abatement aid. [126C.46;127A.49]

Advanced Placement and International Baccalaureate Programs – The state pays all Advanced Placement and International Baccalaureate exam fees for low-income students, and a portion of those exam fees on a sliding scale based on income for all other students. The state also subsidizes a portion of the training costs for teachers in advanced placement or international baccalaureate courses. [120B.13]

Consolidation Transition Revenue – Districts that consolidate are eligible for state aid of $200 per pupil unit in the first year of the consolidation and $100 per pupil unit in the second year. The number of pupil units used to calculate this aid may not exceed 1,500. This funding is intended to cover early retirement costs of employees, operating debt of the districts, enhanced learning opportunities for students in the reorganized district, and other costs resulting from the reorganization. If this aid is not adequate to cover the early retirement costs, the district may levy for the additional amount. [123A.485]

Safe Schools Levy – A district may levy up to $36 per pupil unit for the costs of peace officers employed in school liaison services, drug prevention programs, gang resistance education programs, voluntary opt-in suicide prevention tools, facility security enhancements, efforts to improve school climate, costs associated with mental health services, and security costs in the district's schools and on school property. The levy may also be used for school counselors, nurses, social workers, psychologists, and alcohol and chemical dependency counselors. Districts that are members of an intermediate school district may levy an additional $15 for these same purposes. [126C.44]

In addition to the Safe Schools Levy, $30 million in one-time funding for Safe Schools supplemental aid was approved by the 2019 Legislature to be used for the activities outlined under the Safe Schools Levy, and $24.332 million was approved by the 2023 Legislature for building security and cyber security.

Family and Early Childhood Categorical Programs

Adult Basic Education

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

ABE aid has four components, which are connected to the needs of ABE students: 1) basic population aid, 2) contact hour aid, 3) English Learner (EL) aid and 4) aid for adults over age 25 with no diploma. Basic population aid is equal to the greater of $3,844 or $1.73 times the population of the district. After separating out basic population aid from the state appropriation for ABE, the balance is distributed as follows:

(1) 84 percent for contact hour aid, distributed to ABE providers based on the total number of contact hours provided during the prior program year. Money is distributed based on the number of contact hours provided in the prior year multiplied by a variable dollar rate which is based on the total number of contact hours and the available funds. Contact hour aid cannot exceed $30 per prior year contact hour or exceed aid from the previous year by more than the greater of 11 percent of the prior year or $10,000.

(2) 8 percent for EL aid, distributed based on the proportion of the state's K-12 EL student enrollment in the ABE program.

(3) 8 percent for high school diploma aid based on the school district's population of adults over age 25 who do not have a high school diploma.

On a statewide basis, total adult basic education aid is annually capped at a set amount that may only be adjusted by allowed carryforward (ABE providers may carry forward a maximum of 20 percent of their ABE revenue into the next fiscal year) or changes in session law.

The cap for FY 2025 and later is the adjusted prior fiscal year cap times cap times the lesser of:

(1) 1.03 -or-
(2) the greater of
    a) one plus the percent change in the formula allowance from the previous fiscal year
    b) the average growth in state total contact hours over the prior ten program years.

The Minnesota Department of Education determines this cap each year and then uses it to calculate the component rates for school districts and consortia. For FY 2025 the rates are as follows: $45.72 for EL aid and $8.97 for the over-25-with-no-diploma aid. As mentioned above, the contact hour rate is based on a number of factors and is variable among districts and

consortia; the average contact hour rate statewide after being prorated by the Minnesota Department of Education due to the statutorily capped amount of available funds is $9.15.

Example – Gopherville School District

District Population	=	50,000
Contact Hours	=	40,000
Contact Hour Rate	=	$9.15
Prior Year Contact Hour Aid	=	$350,000
EL Enrollment	=	500
EL Rate	=	$45.72
Over 25, No Diploma Count	=	1,000
Over 25, No Diploma Rate	=	$8.97

Basic Population Aid = the greater of $3,844 -or- $1.73 × District Population
= $1.73 × 50,000
= $86,500 ($86,500 > $3,844)

Contact Hour Aid = Contact Hour Rate × Contact Hours
= $9.15 × 40,000
= $366,000

Does $366,000 exceed the greater of 11% of the prior year contact hour aid or $10,000?
= $350,000 × 0.11 = $38,500;
$38,500 > $10,000
Does $366,000 exceed ($350,000 + $38,500)?
No.

EL Aid = EL Rate × EL Enrollment
= $45.72 × 500
= $22,860

Over 25, No Diploma = Over 25, No Diploma Rate × Over 25, No Diploma Count
= $8.97 × 1,000
= $8,970

ABE Aid Total = Basic Population Aid + Contact Hour Aid + EL Aid + Over 25, No Diploma Aid

= $86,500 + $366,000 + $22,860 + $8,970
= **$484,330**

Adults with Disabilities

As a part of the Community Education program, districts may offer programs for adults with disabilities. The adults with disabilities program supports activities such as increasing public awareness of the roles of people with disabilities, classes for adults with disabilities, outreach and marketing strategies to identify and encourage adults needing service, and services that meet consumer needs and enhance the role and contribution of people with disabilities in communities. Districts receive revenue equal to the lesser of 1) the actual program expenditures or 2) the greater of (a) $0.34 times the population of the school district or (b) the district's FY 2023 adults with disabilities revenue. Districts may receive additional revenue from public or private sources, which does not change the aid amount received from the state. [124D.19, subd. 7 & 8, 124D.56]

Adults with Disabilities Revenue equals the lesser of:

(1) The actual expenditures for approved programs and budgets (the previous $60,000 cap has been removed); or

(2) The greater of:

a) $0.34 times the population of the school district; or

b) the district's adults with disabilities revenue for fiscal year 2023.

Adults with Disabilities Levy

A district may levy for an adults with disabilities program in an amount up to:

(1) The lesser of:

a) the district's total adults with disabilities revenue; or

b) the product of a tax rate up to 0.006 percent in fiscal year 2025, 0.0053 percent in fiscal year 2026, and 0.005 percent in fiscal year 2027 and later, times the district's adjusted net tax capacity for the year prior to the year the levy is certified.

Adults with Disabilities Aid

Program aid for adults with disabilities equals the difference between the district's adults with disabilities revenue and the district's adults with disabilities levy.

Example – Gopherville School District

FY 2025 Adults with Disabilities Actual Expenditures	=	$53,000
FY 2023 Adults with Disabilities Revenue	=	$50,000
Gopherville Population	=	150,000
FY 2022 District ANTC	=	$700,000,000

Adults with Disabilities Revenue:

The lesser of:

(1) Actual expenditures

= $53,000

-or-

(2) The greater of

a) = $0.34 times the population of the school district

= $0.34 × 150,000

= $51,000

-or-

b) = the district's adults with disabilities revenue for fiscal year 2023.

= $50,000

$51,000 > $50,000; $51,000 < $53,000

= **$51,000**

Adults with Disabilities Levy:

(1) The lesser of:

a) the district's total adults with disabilities revenue

= $51,000

-or-

b) the product of a tax rate up to 0.006 percent in fiscal year 2025 times the district's adjusted net tax capacity for the year prior to the year the levy is certified.

= (0.00006) × $700,000,000

= $42,000

Adults with Disabilities Aid:

= Revenue - Levy

= $51,000 - $42,000

= **$9,000**

Early Learning Scholarships

The Early Learning Scholarships Program provides scholarships to high need children under the age of five to expand access to high quality pre-school programs. The Department of Education's Office of Early Learning reports that in FY 2023, the most recent year for which data is available, 12,282 scholarships were awarded from the $82.8 million in available funding. In order to qualify for a scholarship, a child's family must have income equal to or less than 47 percent of the state median income or be able to demonstrate participation in other state or federal need-based programs like nutrition assistance, child care assistance, protective services, and/or Head Start.

For FY 2025, $196.738 million is available for scholarships. Each eligible child may be awarded a scholarship worth up to $12,000 for licensed family child care or $15,000 for center-based care. A student awarded a scholarship must continue to receive a scholarship until she/he enters kindergarten. Siblings of a student awarded a scholarship are eligible for scholarships as well, provided the siblings attend the same program. Children ages birth through the day they are age-eligible for kindergarten (age 5 on September 1) are eligible for the early learning scholarship program.

In order to be eligible to accept early learning scholarship funds, programs or individual child care providers must participate in the Parent Aware rating system.

There are two "pathways" by which scholarships are awarded. Pathway I allows for scholarships to be directly awarded to families. The funds are paid to the qualifying provider selected by the family and "follow the child." Pathway II provides scholarships directly to four-star rated providers, like Head Start and school district based pre-school programs. These programs then fill the scholarship slots in their program with qualified children. [142D.25]

Voluntary Pre-Kindergarten Program

The 2016 Legislature enacted a voluntary pre-kindergarten program (commonly referred to as "VPK"), which began in fiscal year 2017. All school districts and charters or groups of districts and charters are eligible to apply for voluntary pre-kindergarten program funding. Districts may also choose to use a "mixed-delivery" model, by partnering with Head Start programs, childcare centers, licensed family childcare providers and community-based programs. [142D.08]

In order to be eligible for participation in a voluntary pre-kindergarten program, a child must be 4 years of age by September 1 of that academic year, must have completed a health and developmental screening assessment within 90 days of program initiation, and must have provided documentation of immunizations. No fees may be charged for participation in the voluntary pre-kindergarten program.

There are a number of program requirements outlined in statute, including: a minimum of 350 hours of annual service; alignment with state early learning and K-3 academic standards; formative and summative assessment of students growth from the beginning to the end of the year; coordination with other early learning programs and community based services; parent involvement in program and transition planning; staff-to-student ratios of 1:10, with a maximum of 20 students per classroom; salaries for pre-kindergarten instructors that are comparable to K-12 instructors; and alignment with outcomes in the district's world's best workforce [120B.11] plan.

Funding follows the per pupil unit funding model used for grades K-12, but the weighting for pre-kindergarten students is limited to a maximum of 0.60 pupil units. Priority for funding must be given to high poverty schools.

Districts or charters choosing to apply for program eligibility must submit an application to the commissioner of education that includes the anticipated hours of instruction per week, estimated number of eligible children to be served at each site and a statement of assurances from the superintendent or charter school director that the program will meet all program requirements outlined in statute. The commissioner must divide eligible applications for new or expanded programs into five groups, as follows:

(1) Minneapolis School District

(2) St. Paul School District

(3) Other school districts located in the metro equity region

(4) School districts located in the rural equity region, and

(5) Charter schools

Within each of these five groups, the schools must be ordered by rank using a sliding scale based on the following criteria:

(1) **Concentration of kindergarten students eligible for free and reduced-price lunches (a proxy for poverty level) by school site on October 1 of the previous school year.** For schools without a free and reduced-price lunch count concentration, the district-wide average concentration of kindergarten students must be used for ranking order.

and

(2) **Presence or absence of 3 or 4-star rated Parent Aware programs within the school district or in close proximity to it.** Sites with the highest concentration of kindergarten pupils eligible for free and reduced-price lunch that do not have a 3 or 4-star rated Parent Aware program within the district will receive the highest priority, while sites with the lowest concentration of kindergarten pupils eligible for free and reduced-price lunch that have 3 or 4-star rated programs nearby will receive lowest priority.

The application deadline is January 30 of the fiscal year prior to the fiscal year of anticipated program implementation. The program, in combination with School Readiness Plus, is capped at 12,360 students for FY 2025 and beyond. Once a school site is approved for voluntary pre-kindergarten aid, it remains eligible if it continues to meet program requirements, regardless of changes in free and reduced-price lunch concentration.

The voluntary pre-kindergarten program is an enrollment based program, so although the number of seats may be established in statute, the cost per seat varies based on the local educational agency serving the student and the student's individual needs and entitlements. Estimated spending for the past four years for which finalized data is available is provided in the table below.

VPK Program Spending, Fiscal Years 2020 to 2024

Fiscal Year	Seats Available	Actual/Est ADM	Formula Allowance	State Aid	Levy	Total	Average Cost/Seat
FY20	7,160	3,639.51	$6,438	$40,516,188	$6,358,774	$46,874,962	$6,547
FY21	7,160	3,425.14	$6,567	$40,051,000	$8,026,000	$48,077,000	$6,715
FY22	7,160	3,877.32	$6,728	$40,664,000	$8,582,000	$49,246,000	$6,878
FY23	7,160	3,236.97	$6,863	$36,825,257	$7,314,275	$44,139,532	$6,165

Community Education

Community education programs provide learning and involvement opportunities for people of all ages, including providing school district residents with the opportunity to utilize educational facilities and programs during non-school hours. Community education programs may also be offered to K-12 students during the summer and other non-school times, and fees may be charged for those programs. Community education revenue can also be used for educational programming, including adults with disabilities, school age care, ABE, School Readiness, and ECFE. Community education revenue received by a district must be maintained in a reserve account within the community service fund.

For FY 2025, general community education revenue is equal to $6.35 times either a) 1,335 or b) the population of the district, whichever is greater. A district that implements a youth service program is also eligible for an additional $1.00 on this same formula. Districts with a youth after-school enrichment program also receive $1.85 times the greater of a) 1,335 or b) the population of the district, capped at 10,000. Districts with populations over 10,000 offering a youth after-school enrichment program also receive $0.43 times the population greater than 10,000 in the district. To obtain full community education revenue, a district may levy a maximum tax rate of 0.375 percent of its adjusted net tax capacity, with the rate limited so that the levy may not exceed total annual community education revenue. The maximum tax rate is limited to 0.3298 percent in FY 2026, and 0.3128 percent in FY 2027 and later. If a district does not levy the entire amount permitted, their aid is reduced proportionally. [124D.20]

For a district WITHOUT an after-school youth enrichment program:

Example – Gopherville School District

District Population	=	12,000
Adjusted Net Tax Capacity (ANTC)	=	$10,000,000
Youth Service Program?	=	Yes
After School Enrichment Program?	=	No

Community Education Rate
= Community Education Rate + Youth Service Rate
= $6.35 + $1.00
= $7.35

Community Education Revenue
= Community Education Rate × the greater of (a) 1,335 or (b) District Population
= $7.35 × the greater of (a) 1,335 or (b) 12,000
= $7.35 × 12,000
= **$88,200**

Community Education Levy
= 0.375 percent × District ANTC
= 0.00375 × $10,000,000
= **$37,500**

Community Education Aid

= Community Education Revenue – Community Education Levy
= $88,200 - $37,500
= **$50,700**

Now, the calculation for community education revenue for a district WITH an after-school youth enrichment program:

Example – Loon Lake School District

District Population	=	14,000
Adjusted Net Tax Capacity (ANTC)	=	$12,000,000
Youth Service Program?	=	Yes
After School Enrichment Program?	=	Yes

Community Education Rate

= Community Education Rate + Youth Service Rate
= $6.35 + $1.00 = $7.35

Regular Community Education Revenue

= Community Education Rate × the greater of (a) 1,335 or (b) District Population
= $7.35 × the greater of (a) 1,335 or (b) 14,000
= $7.35 × 14,000
= $102,900

Youth After School Enrichment Program Revenue

= ($1.85 × the lesser of (a) District Population or (b) 10,000) + ($0.43 × District Population over 10,000)
= ($1.85 × 10,000) + (0.43 × 4,000)
= $18,500 + $1,720
= $20,220

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

= $102,900 + $20,220
= **$123,120**

Community Education Levy

= 0.375 percent × District ANTC
= .00375 × $12,000,000
= **$45,000**

Community Education Aid

= Community Education Revenue – Community Education Levy
= $123,120 - $45,000
= **$78,120**

Early Childhood Family Education

As a part of the Community Education program, districts may offer an Early Childhood and Family Education (ECFE) program providing educational services to expectant parents and the parents and other relatives of children between birth and kindergarten. To the extent that funds are insufficient to serve all eligible children, the program must focus on children from birth to age three. School districts must also establish a reasonable sliding fee for ECFE classes and must waive fees for any participant unable to pay. ECFE program revenue is equal to the formula allowance for the year ($7,281 for FY 2025) times 0.023, times the greater of either a) 150 or b) the number of people under five years of age residing in the district on October 1 of the previous school year. For FY 2025, districts must certify a levy at a tax rate of 0.200272 percent to be eligible for the full ECFE revenue (but the total levy cannot exceed a district's total revenue for the year). The tax rate is based on a statutory requirement that in total, districts must levy $22.135 million statewide for ECFE revenue.

The home visiting program is a component of ECFE and was designed to reach isolated or "at-risk" families. Licensed parenting educators, certified family life educators, or similar professionals who reflect the community visit families in their homes to support healthy growth and development of children, provide programming and services, and encourage families to transition from home visits to site based programs. A district receives an additional $3 per child under age 5 for a home visiting program. The home visiting program is equalized at $17,250 of adjusted net tax capacity (ANTC) per pupil. [142D.10-142D.11]

Example – Gopherville School District

Number of Children under Age 5	=	1,000
Formula Allowance for FY 2025	=	$7,281
Adjusted Net Tax Capacity (ANTC)	=	$5,000,000
District Adjusted Pupil Units	=	2,500
District ANTC per Pupil Unit	=	$2,000

ECFE Revenue = Formula Allowance × 0.023 × Children Under Age 5
= $7,281 × 0.023 × 1,000
= $167.46 × 1,000
= **$167,460**

ECFE Levy = 0.200272 percent × ANTC
= 0.00200272 × $5,000,000
= **$10,014**

ECFE Aid = ECFE Revenue – ECFE Levy
= $167,460 - $10,014
= **$157,446**

Home Visiting Revenue

= Children Under Age 5 × $3.00
= 1,000 × $3.00
= **$3,000**

Home Visiting Levy

$$= \text{Home Visit Rev} \times \text{the lesser of 1 or } \frac{\text{ANTC per Pupil Unit}}{\text{Home Visit Equ. Factor}}$$

= $3,000 × the lesser of 1 or ($2,000/$17,250)
= $3,000 × 0.116
= **$348**

Home Visiting Aid

= Home Visiting Revenue – Home Visiting Levy
= $3,000 - $348
= **$2,652**

School Readiness

The School Readiness program has a current annual appropriation of $33.683 million and prepares children ages three to five to enter kindergarten. A School Readiness program must assess each child at program entrance and exit, and provide a comprehensive program based on early childhood research and professional practice.

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

Districts must use state aid to serve children with at least one of the following risk factors: qualifying for free or reduced-price lunch; being an English language learner; being homeless; having an individualized education plan (IEP) or standardized written plan; being identified, through early childhood health and developmental screening, as having a potential risk factor that may influence learning; or, being defined as at risk by the school district. Children who do not meet these eligibility criteria may still participate in School Readiness, but only on a fee-for-service basis. [142D.05- 142D.06]

Example – Gopherville School District

Four-Year-Old Children in the District	=	500
Four-Year-Old Children in the State	=	70,000
District Students - Free or Reduced Lunch Families	=	1,500
State Students - Free or Reduced Lunch Families	=	300,000
FY 2025 State School Readiness Aid	=	$33,683,000

School Readiness Aid

= (District Four Year Olds / State Four Year Olds) × (50% of State School Readiness Aid) + (District Free-Reduced Students / State Free-Reduced Students) × (50% of State School Readiness Aid)

= ((500/70,000) × (0.5 × $33,683,000)) + ((1,500/300,000) × (0.5 × $33,683,000))

= (0.007 × $16,841,500) + (0.005 × $16,841,500)

= $117,891 + $84,208

= **$202,098**

School Readiness Plus

The 2017 Legislature enacted the School Readiness Plus (SRP) program, which provides early education services to four and five-year old children who are not yet in kindergarten. Interested school sites apply under the same selection criteria used for the voluntary prekindergarten (VPK) program. This program, combined with VPK, is capped at 12,360 students in FY 2025.

To be eligible, children must be at least four years old on September 1 of the academic year, must have completed a health and developmental screening assessment within 90 days of program initiation, and must have provided documentation of immunizations. If a child has a specified risk factor, the child can attend the program at no cost, and a child who does not have a risk factor may participate on a fee for service basis. The specified risk factors are:

- qualifies for free or reduced-price lunch;
- is an English language learner;
- is homeless;
- has an individualized education program (IEP);
- is identified through health & developmental screening; or
- is in foster care.

In order to qualify for School Readiness Plus, a school must follow these requirements:

- staff teachers who are knowledgable in early childhood learning;
- maintain a child to staff ratio that does not exceed 10 children per staff person and 20 children per licensed teacher;
- provide a minimum of 350 instructional hours each year;
- assess children as they enter and exit the program;
- provide content and activities that are aligned with state guidelines;
- encourage parental involvement;
- coordinate with relevant community-based services; and
- prepare children for kindergarten transition.

Currently, schools that qualify and are selected may choose between funding for School Readiness Plus or funding for VPK. On July 1, 2025, (the first day of FY 2026) the SRP program will be sunset, and these similar programs will merge into one program under VPK. Of the 368 qualifying school sites in FY 2025, about 44 chose SRP and the remaining sites chose VPK. [2017 Laws, Chapter 5, Art. 8, Sec. 9]

School-Age Care / Disabled

Districts with a community education program may offer a school-age care program for children in kindergarten through grade 6 for the purposes of expanding learning opportunities when school is not in session. Districts may charge participants a sliding fee based on family income and may receive money from private or other public sources for school age care programs. Districts are eligible for school-age care revenue for the additional cost of providing services to children with disabilities or to children experiencing family or related problems of a temporary nature that participate in the school age care program. Revenue is equal to the approved additional cost of providing services to children in these categories who participate in a school age care program. School-age care revenue is an equalized aid and levy, with an equalizing factor of $2,318. Because of the relatively low equalizing factor, nearly all revenue is in the form of local levy. If a district does not levy the entire amount permitted, school-age care aid must be reduced in proportion to the actual amount levied. [124D.19, subd. 11; 124D.22]

Example – Gopherville School District

Pupil Units	=	1,000
Adjusted Net Tax Capacity (ANTC)	=	$2,300,000
District ANTC per Pupil Unit	=	$2,300
Equalizing Factor for School Age Care	=	$2,318
Approved School Age Care Revenue	=	$100,000

Revenue = Amount Approved as Additional Cost

= **$100,000**

Levy = Revenue × the lesser of (a) 1 or (b) (District ANTC per Pupil Unit/$2,318)

= Revenue × the lesser of (a) 1 or (b) ($2,300/$2,318)

= Revenue × the lesser of (a) 1 or (b) 0.992

= $100,000 × 0.992

= **$99,200**

Aid = Revenue – Levy

= $100,000 - $99,200

= **$800**

Other Categorical Family and Early Childhood Revenues

Commissioner-Selected High School Equivalency Test Fees – In fiscal years 2020 and 2021, statute directed the commissioner to reimburse 100 percent of the fee charged for the full battery of commissioner-selected high school equivalency tests (formerly general education development test). In Fiscal year 2022, the reimbursement rate was returned to 60 percent of the fee charged, but not more than $40 per eligible individual. For fiscal years 2023-2027 only, subject to the availability of funds, the 100 percent reimbursement was reinstated by the 2023 Legislature. [124D.55]

Head Start – Head Start is a federal program that receives additional state funding and is provided to low-income children ages birth to five and their families. The program is designed to meet emotional, social, health, nutritional, and psychological needs of the children, and promote the economic self-sufficiency of the parents. As of July 2024, there are 34 Head Start grantees, including 25 community action agencies/opportunity councils or organizations and 9 tribal governments. State funds are allocated based on: (1) grantees' share of federal Head Start funds, and (2) grantees' proportion of eligible children in the grantee service area who are not currently being served. Federal Head Start Funding for FY 2025 is estimated to be $170.224 million and FY 2025 state funding is set at $35.1 million. [142D.12;142D.121;142D.122]

Health and Development Screening Aid – School districts receive state aid for health and developmental screening services provided to children ages 3 through 6, prior to or within 30 days of enrollment in a public school kindergarten. The reimbursement rates are $98 for each three-year-old screened, $65 for each four-year-old screened and $52 for each five-year-old or six-year-old screened prior to kindergarten enrollment; and $39 for children who have not previously been screened and are screened within 30 days after first enrolling in kindergarten. Screening is required for public school enrollment. A child need not submit to developmental screening provided by a school district if the child's health records indicate they have received comparable developmental screening from a public or private health care organization or individual health care provider, or if the child's parent or guardian submits to the school a signed statement that the child has not been screened because of conscientiously held beliefs of the parent or guardian. [142D.09-142D.093]

Deaf, Deafblind, and Hard-of-Hearing Adults – Support services, including interpreter and notetaker services, are available for adults who are deaf, deafblind, and hard-of-hearing who wish to continue their education on a part-time basis. Grantees include local school district adult education programs, adult technical college programs, and vocational education programs sponsored by public/private community agencies. [124D.57]

Property Taxes

Property Tax Relief Aids

Property tax aids are state payments to local taxing jurisdictions that are intended to replace property tax levy revenues. ***Property tax credits*** are state payments that reduce property taxes for individual taxpayers. In both cases, the effect is that property taxpayers pay less than what the taxes would be otherwise, and the state makes up the difference by providing payments to the taxing district. The major tax relief programs are the homestead market value exclusion; the agricultural homestead credit and school building bond credit; referendum tax base replacement aid; local government (city) aid; county program aid; and township aid. Most school districts receive some level of aid under all of these programs except those specifically designated for only cities, counties, and townships.

Two other major property tax relief programs are the **Homestead Credit Refund** and the **Rental Property Tax Refund**. These programs do not reduce individual property tax amounts, but rather provide refunds to eligible property taxpayers based on the relationship between their income and property tax liability. Property taxpayers with low income relative to their property tax bills have a portion of their tax refunded. Similarly, renters may be eligible to receive a property tax refund based on the assumption that a portion of their rent is property taxes. [290A.04]

Market Value Exclusion

The homestead market value exclusion reduces a homeowner's overall property tax burden, particularly for lower-value homes. The exclusion reduces the taxable market value of all residential homesteads, including the house, garage, and one-acre of farm homesteads, as well as community land trust properties, and equals 40 percent multiplied by the market value of the property up to a maximum exclusion of $38,000, with the exclusion being phased out for home values over $95,000. The rate of phase-out equals nine percent times the market value above $95,000, resulting in the credit being fully phased-out for homes valued above $517,200. [273.13, subd. 35]

Agricultural Credits

The **Agricultural Homestead Market Value Credit** reduces the overall property tax burdens for farmers, particularly for low-valued agricultural homesteads. The credit applies to all agricultural homesteads, but does not apply to the house, garage, and surrounding one acre of farmland, since that portion of the property benefits from the homestead market value exclusion. The credit equals 0.3 percent for the first $115,000 of value and 0.1 percent for market value above $115,000. The maximum credit is $490 for a full agricultural homestead. The total state aid cost for the agricultural homestead market value credit for taxes payable in 2024 is roughly $7.46 million. [273.1384]

A related credit, the **School Building Bond Agricultural Credit**, was designed to limit the tax burden of school building projects on agricultural property. It applies to all property classified as

agricultural, but does not apply to the house, garage, and surrounding one acre of farmland. The credit equals 70 percent of the property's eligible net tax capacity times the school debt tax rate. The state aid entitlement cost of this credit for taxes payable in 2024 is approximately $108.334 million. [273.1387]

Referendum Tax Base Replacement Aid

Operating referendum levies are not assessed on agricultural land or non-commercial seasonal recreational property (cabins, for example). In order to prevent the shift of tax burden for referendum levies from these types of properties to other classes of property, districts are paid referendum tax base replacement aid. Payments to school districts equal the amount of taxes cabins and farms would have otherwise paid for existing levies had they not been exempted, based on referendum amounts in existence in 2003. [126C.17, subd. 7a; 273.13]

Property Tax Calculation – Residential Property

Tax Calculation for Homestead Property in a City
(For Property Taxes Payable in 2024 for FY 2025)

Estimated Market Value
= $185,000

Class Rate
= 1%

Taxable Market Value = Estimated Market Value – Exclusion*
= $185,000 - $29,900
= $155,100

Tax Capacity = Taxable Market Value × Class Rate
= (155,100 × 0.01)
= $1,551

Tax Capacity Net Tax (See Table) = Tax Rate × Tax Capacity
= Tax Rate × $1,551

Market Value Net Tax (See Table) = Tax Rate × Estimated Market Value
= Tax Rate × $185,000

Calculation of Tax	Tax Capacity		Market Value	
	Tax Rate	× $1,551	Tax Rate	× $185,000
County Rate	51.7%	$802	0.0%	$0
City Rate	38.3%	$594	0.0%	$0
School Rate	25.4%	$394	0.2%	$370
Special Rate	5.0%	$78	0.0%	$0
Gross Tax	120.4%	$1,867	0.2%	$370

Net Tax = Tax Capacity Net Tax + Market Value Net Tax
= $1,867 + $370
= **$2,237**

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*Calculation of the Homestead Market Value Exclusion

Maximum Exclusion = $38,000
Phase-Out Portion = ($185,000 – 95,000) × 0.09
= $90,000 × 0.09
= $8,100
Exclusion = $38,000 - $8,100
= **$29,900**

Property Tax Calculation – Agricultural Homestead Property

Tax Calculation for Agricultural Homestead
(For Property Taxes Payable in 2024 for FY 2025)

Estimated Market Value	=	$360,000
Home, Garage, & 1 Acre Est. Market Value	=	$100,000
Farmland Estimated Market Value	=	$260,000
Class Rate for Home, Garage, & 1 Acre:	=	1.0%
Class Rate for Agricultural land:	=	0.5%

Taxable Market Value = Est. Market Value (House, Garage & 1 Acre) - Exclusion*
= $100,000 - $37,550
= $62,450

Tax Capacity = Taxable Market Value x Class Rate

Tax Capacity, Home = ($62,450 × 0.01)
= $625

Tax Capacity, Land = (260,000 × 0.005)
= $1,300

Tax Capacity, Home and Farmland
= $625 + $1,300
= $1,925

Tax Capacity Gross Tax = Tax Rate × Tax Capacity
= Tax Rate × $1,925

Market Value Net Tax = Tax Rate × Market Value
= Tax Rate × $100,000**

*See next page for exclusion and credit calculations.

Calculation of Tax	Tax Capacity		Market Value	
	Tax Rate	× $1,925	Tax Rate	× $100,000
County Rate	51.7%	$995	0.0%	$0
Township Rate	8.3%	$160	0.0%	$0
School Rate	25.4%	$489	0.2%	$200
Special Rate	5.0%	$96	0.0%	$0
Tax Capacity Gross Tax	90.4%	$1,740		
Agriculture Credit*		($490)		
Market Value Net Tax				$200
Total Net Tax		$1,250	+	$200
			=	**$1,450**

***Calculation of Homestead Market Value Exclusion and Agricultural Homestead Market Value Credit**

Homestead Market Value Exclusion

(For house, garage, and 1 acre of an Agricultural Homestead)

Maximum Exclusion	= $38,000
Phase-out portion	= ($100,000 – 95,000) × 0.09
	= $5,000 × 0.09
	= $450
Exclusion	= $38,000 – 450
	= **$37,550**

Agricultural Homestead Market Value Credit

Maximum Credit	= $490
Part I	= $115,000 × 0.003
	= $345
Part II	= ($260,000 - $115,000) × 0.001
	= $145,000 × 0.001
	= $145
	= $345 + $145
Total Credit	= **$490**

*** Farmland is excluded from Market Value for most school levies that are levied against Market Value, so this example excludes the farmland from the Market Value used to calculate the Market Value Net Tax.*

Effect of Tax Relief Aids on School District Revenue

Gopherville School District

Total Property Tax Levies Certified by the School Board	= $1,670,000
Total Direct State Education Aid Payments	= $2,435,000
Sum of the portion of the Agricultural Homestead Market Value Credit allocated to school levy, summed for all agriculture homesteads in the school district=	= $100,000

Levy	-	Agricultural Homestead Credit	=	Net School Property Tax
$1,670,000		$100,000		$1,570,000

This is the amount of school property tax that will actually be received from property owners in the school district after reductions for the agriculture homestead market value credit.

The district receives the amount of the agricultural homestead market value credit as state aid in addition to other state aid paid on education funding formulas.

Direct State Aid Payments	+	Agricultural Homestead MV Credit	=	Total State Aid Payments
$2,435,000		$100,000		$2,535,000

Finances

Education Finance Appropriations

Fiscal Years 2024 and 2025, General Fund
($ in thousands, from End of Session 2024 Forecast)

	FY 2024	FY 2025	Biennium
General Education	$8,290,705	$8,397,963	$16,688,668
Education Excellence	301,371	314,636	$616,007
The Read Act	74,400	37,475	$111,875
American Indian Education	29,248	29,943	$59,191
Teachers	199,437	193,398	$392,835
Special Education	2,293,963	2,493,295	4,787,258
Facilities & Technology	161,431	132,948	$294,379
Nutrition Programs	263,557	289,011	552,568
Libraries	45,356	46,673	$92,029
Early Childhood Education	320,352	319,804	640,156
Community Ed. & Prevention	34,871	13,448	$48,319
Lifelong Learning	53,181	53,809	106,990
Education Department	47,495	41,044	$88,539
Prof. Ed. Licensing & Standards Board	4,489	7,453	$11,942
Minnesota State Academies	17,766	17,189	$34,955
Perpich Center for Arts Education	9,243	8,435	$17,678
	$12,146,865	$12,396,524	$24,543,389

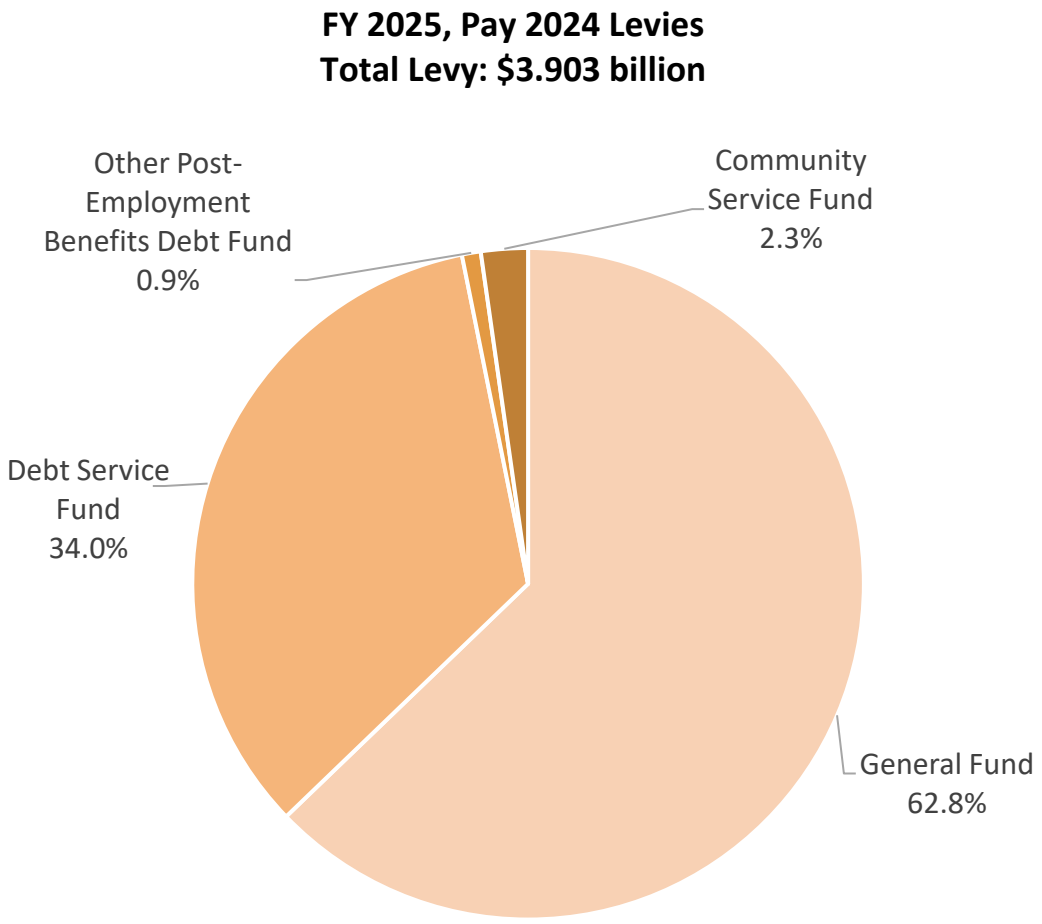
Statutorily, the state must pay the majority of education aid payments over a two year period. Statute requires a majority percentage of the current year's entitlement to be paid in the current year, plus the balance of the previous year's entitlement, which is adjusted for changes in formula variables (pupil counts, for example). For FY 2025, this percentage "shift" for those appropriations specified in statute as shifted is predominantly 90 percent of the current year entitlement, plus the final 10 percent payment of the prior year (FY 2024) entitlement. [127A.45]

When the aid payment percentages are changed, there are significant changes in the education finance appropriations, mostly on a one-time basis. For example, in 2012-13, the increase in the majority percentage appropriation from 64.3 percent to 86.4 percent increased the state aid appropriation for that year by over $1.5 billion.

School District Property Tax Levies

	FY 2024 Payable 2023	FY 2025 Payable 2024
General Fund	$ 2,388,546,900	$ 2,451,197,900
Debt Service Fund	$ 1,200,905,100	$ 1,328,049,300
Other Post-Employment Benefits Debt Fund	$ 46,531,300	$ 35,459,600
Community Service Fund	$ 91,209,100	$ 88,028,700
Total Levies	$ 3,727,192,400	$ 3,902,735,500

These are the levies certified (before applying the tax relief aids) for a specific year. Levy figures for payable 2024 are the amounts that are certified for 2024 in the fall of 2023 and levy figures for payable 2025 are the amounts certified for 2025 in the fall of 2024. Levies certified in the fall of 2023 are paid by taxpayers in May and October of 2024, but recognized by school districts in FY 2025 (which begins July 1, 2024). Levies certified in the fall of 2024 are paid by taxpayers in May and October of 2025 and recognized by school districts in FY 2026.

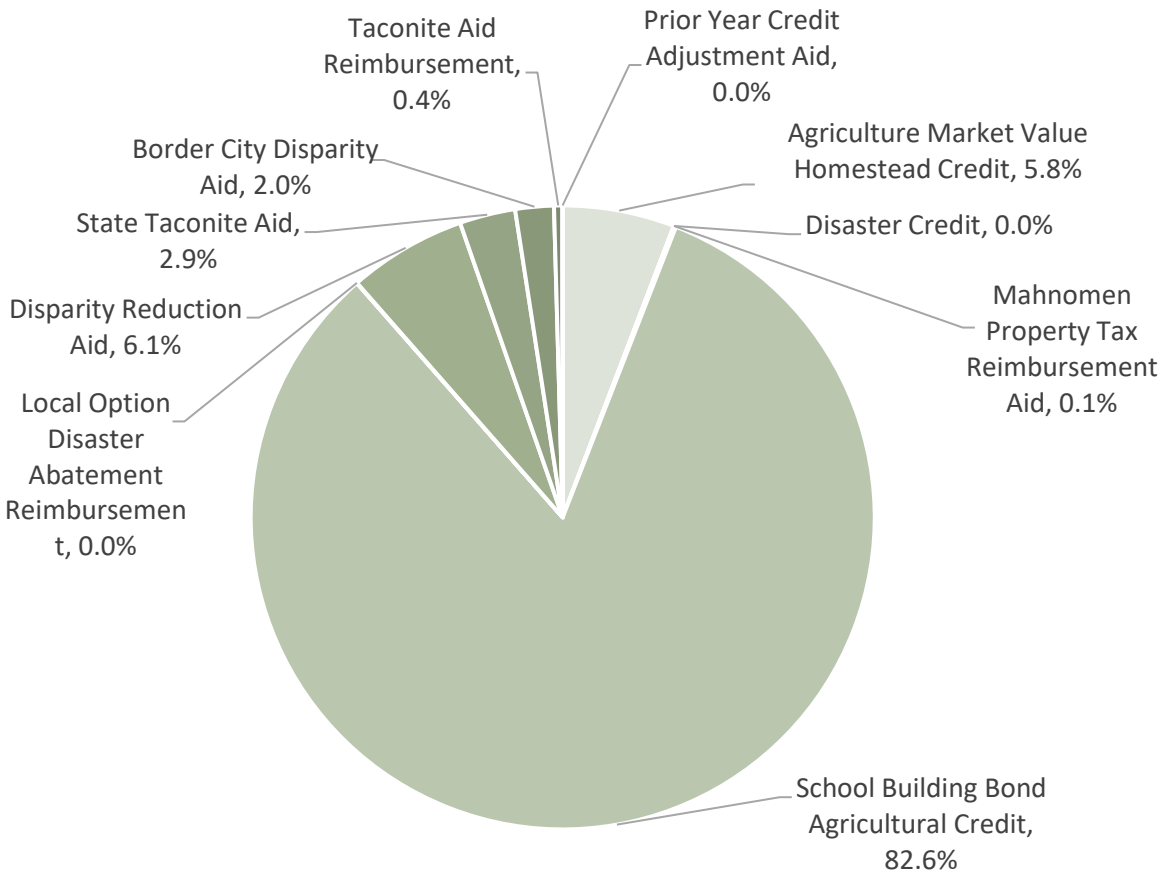


Property Tax Aids & Credits Payments to School Districts

		FY 2024		FY 2025
Agriculture Market Value Homestead Credit	$	7,337,000	$	7,459,000
School Building Bond Agricultural Credit	$	85,921,000	$	106,260,000
Disparity Reduction Aid	$	7,891,000	$	7,875,000
State Taconite Aid	$	3,807,000	$	3,721,000
Border City Disparity Aid	$	2,775,000	$	2,569,000
Taconite Aid Reimbursement	$	561,000	$	561,000
Mahnomen Property Tax Reimbursement Aid	$	140,000	$	140,000
Local Option Disaster Abatement Reimbursement	$	5,000	$	23,000
Prior Year Credit Adjustment Aid	$	109,000	$	12,000
Disaster Credit	$	94,000	$	11,000
	$	108,640,000	$	128,631,000

Tax relief aids are appropriated based on a percentage of the current year's entitlement plus the balance of the previous year's entitlement adjusted for changes in formula variables. Under current law for FY 2025, state appropriations equal 90 percent of the current year entitlement and the final 10 percent from FY 2024. [127A.45]

FY 2025 Property Tax Aids & Credits Payments



Education Revenue Sources

This chart shows the revenue available for education from state and local sources. All state education finance appropriations – as well as funding for the Department of Education, Minnesota State Academies, the Perpich Center for Arts Education, tax relief aid payments to districts, various dedicated revenues, and net education property tax levies – are included. The net levy calculation starts with the certified levy total (page 90) and reduces that tax amount by the credit and aid total (page 91). Federal revenues and fees charged by districts are *not* included. These are total revenue figures, not revenue per pupil unit.

State & Local School District Revenue

	FY 2024	FY 2025
Appropriations (1)	$ 12,146,865,000	$ 12,396,524,000
Tax Credits (2)	$ 108,640,000	$ 128,631,000
Net Levy (3)	$ 3,618,552,400	$ 3,774,104,500
Dedicated Funds (4)	$ 70,123,936	$ 71,419,614
Total	$ 15,944,181,336	$ 16,370,679,114
Percent from State Sources	77.2%	76.8%
Percent from Local Sources	22.8%	23.2%

(1) The state appropriation includes K-12 education appropriations (including state agencies), early childhood and family education appropriations, special TRA contributions for first class cities, and maximum effort debt service. A note: appropriations for programs are different than the formula-based revenue calculated for those programs, due to the statutory requirement that the state pay most education aids over a two-year period, with a majority percentage of the current year's entitlement paid in the current year, plus the balance of the previous year's entitlement, which is adjusted for changes in formula variables (pupil counts, for example). Under current law for FY 2025, most state appropriations equal 90 percent of the current year entitlement and the final 10 percent payment from FY 2024.

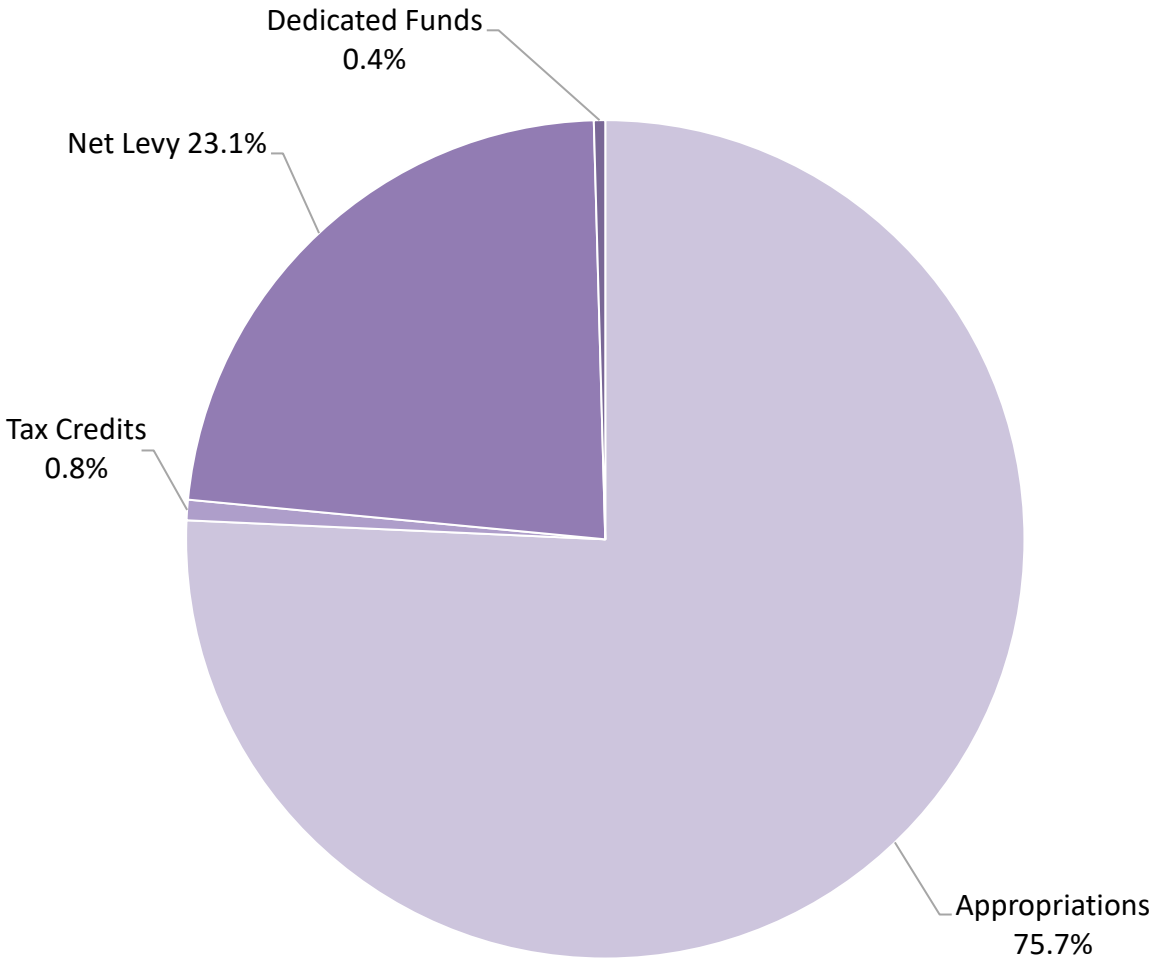
(2) Tax credits include border city disparity credits, disparity reduction aid credits, disaster credits, agricultural homestead market value credits, agricultural school building bond credits, local option disaster abatement reimbursement, replacement taconite production tax credits and taconite reimbursement aid credits.

(3) The property tax figure is the amount levied or estimated to be levied for the school year.

(4) Dedicated funds include the permanent school fund and taconite revenues distributed to schools.

State and Local School District Revenue

FY 2025 Total State & Local Revenue: $16,370,679,114



Additional Resources

Additional information on Minnesota's school finance system is available online:

Minnesota House of Representatives – Minnesota School Finance: A Guide for Legislators
https://www.house.mn.gov/hrd/pubs/mnschfin.pdf (House Research Department)

Minnesota Department of Education – School Finance Website
http://education.state.mn.us/MDE/dse/schfin/

Minnesota Management & Budget – Current Operating Budget and Forecast Documents
https://mn.gov/mmb/budget/current-budget/current/