

ISD 112 EASTERN CARVER COUNTY

Education Finance Analysis

School Funding vs Inflation

Ken Wolf & Bob Fallen
December 11, 2023



About The Authors

A recognized expert in education finance, **Ken Wolf** served as a state legislator in Minnesota serving on the Education and Education Finance Committees from 1995 through 2002. During that time, Wolf published several papers addressing school finance. In 1997, Wolf was appointed to serve as Chairman of the Subcommittee on Government Efficiency and Oversight. **Bob Fallen** is the Founder of *Local Elections Matter*, an organization with a mission to inform citizens about local School Board governance processes and to motivate greater public engagement and amplification of matters that impact school districts. Fallen is also a volunteer with the Hopkins Schools Alliance, a local group of parents and residents concerned about the future of ISD 270 Hopkins.

GOP lawmaker disputes claim that state 'underfunds' schools

State Rep. Ken Wolf is attempting a difficult task — to explain Minnesota's arcane education finance system to the masses and to refute the claim that state aid has not kept pace with inflation.



STEVEN DORNFELD
ASSOCIATE
EDITORIAL PAGE
EDITOR

In an eight-page newsletter to his district, the Burnsville Republican contends that unrestricted state aid to school districts has exceeded inflation by 9 percent since 1991. He says total state aid — including money earmarked for specific purposes — has exceeded inflation by 14 percent during the same eight-year period.

Wolf, who serves on the House school finance committee, says he prepared the newsletter because he got tired of hearing school officials say that "the state has underfunded education year after

year,' especially in the years Arne Carlson was governor."

"I took it kind of personally," he says.

Wolf, a former computer program and a numbers whiz, supports his assertions with a series of charts and graphs illustrating how the system works and how state support for schools has risen. He also contends that the system has been slightly more generous for the Burnsville district than for school districts statewide.

Duane Benson, president of the Minnesota Business Partnership and a former state senator, praises Wolf's newsletter as "almost revolutionary in this day and age. He's saying to his constituents: 'Stay with me now. I'm going to take a complicated issue and I'm going to try to explain it.'"

Officials of state education groups and the Burnsville school district express doubts about the accuracy of some of Wolf's numbers, but to date they have offered none of their own.

Wolf's newsletter went out over the Memorial Day weekend as Burnsville

School District 191 and a number of suburban districts like it were beginning to grapple with some difficult budget problems for the coming year.

Although the Minnesota School Boards Association has heralded the \$7.9-billion school aid package passed by the 1999 Legislature as the most generous in a decade, a number of districts are talking about the need to lay off teachers and make other "budget cuts."

Rep. Ken Wolf is attempting the impossible — to explain to constituents how Minnesota's arcane education funding system works.

In most cases, these "cuts" are not really cuts at all — but reductions in the spending increases that districts would like to make.

The main reason for the budget problems in many districts is that they have flat or declining enrollments. The bulk of state aid is distributed on a per-pupil basis.

But the Legislature did increase the amount of per-pupil aid by 4.7 percent in the first year of the biennium and 3.2 percent in the second year. It also provided a "partial cushion for districts with declining enrollments. And it approved

Wolf's report makes important distinctions

To the editor:

Rep. Ken Wolf's (R-Burnsville) recent report, "Education Finance," has received a lot of attention, as it should.

If we are going to effectively involve parents and individual teachers in improving student achievement then we must ensure they have useful information. In the world of education finance and arguments over school funding, it's easy for people to throw around enough figures and accusations to confuse a brain surgeon.

Most people agree teacher compensation takes up the majority of any school district's budget. And, as illustrated by the trade-offs made by the St. Paul School District, we often end up having to decide between educational program offerings and differing levels of teacher pay raises.

To make the most informed decisions, we need to be able to distinguish between the increases actually received by individual teachers and the increase in the overall salary schedule. Generally, compensation for individual teachers exceeds the increase in the salary schedule.

Rep. Wolf's report did a marvelous job at making that important distinction. Next time your local school board announces a salary settlement calling for yearly compensation increases of 2.8 and 2.7 percent, you can ask if that is for individual teachers or for the salary schedule. By boiling it down to the impact on individual teachers, we can more accurately discuss if it was enough.

Rep. Wolf's report, combined with other legislative changes are making it possible for parents and teachers to better understand the issues of student achievement and school funding. Ultimately, our children will be the ones who will benefit from these efforts.

Duane Benson
Executive Director of Minnesota
Business Partnership

ISD 112 Education Funding vs. Inflation (CPI)

While the state's education industry laments that *“school funding has not kept pace with inflation”*, the Combined Revenue in ISD 112 Eastern Carver County exceeded inflation by 24.35% from 2013-2023. **Over that same period, per-pupil funding in D112 increased 46.69 %, going from \$ 9,471 to \$ 13,893 , an annual increase of 4.67%, over CPI by 2.11%.**

Understandably, the public does not fully grasp the nuances of K-12 finance, and when they are told that K12 funding has lagged inflation, they assume the statement to be based in fact. However, strictly looking at the “Basic Formula” does not represent a complete picture of education funding and provides a misleading story communicated to the tax-paying public. The true measure of school funding is the Combined Revenue reported by the Minnesota Department of Education, that combines State Aid and Local Levies. This is the only way to get a complete picture of the adequacy of education funding on a district-by-district and statewide basis.

Cost structures for school districts vary, with many nuances and variables related to expenditures. However, the following information is based 100% on factual data available to the public.

ISD 112 20-Year Total Funding vs Inflation (CPI)

Description	FY 2003	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	7956	9402	1446	18.17%	Student population increased by over 18 percent from 2013-23
Consumer Price Index (CPI)	183.96	292.66	108.70	59.09%	CPI increased 2.95 percent per year
Basic Education Fund	\$ 42,763,580	\$ 70,518,698	\$ 27,755,118	64.90%	Basic increased 3.25% per year, over CPI by 0.29%
Other General Education	\$ 7,050,021	\$ 29,959,548	\$ 22,909,527	324.96%	Other increased 16.25% per year, over CPI by 13.29%
General Education Total	\$ 49,813,601	\$ 100,478,246	\$ 50,664,645	101.71%	General Education increased 5.09% per year, over CPI by 2.13%
Special Education Fund	\$ 7,070,958	\$ 15,211,252	\$ 8,140,294	115.12%	Special Education increased 5.76% per year, over CPI by 2.80%
Other Funds	\$ 2,506,549	\$ 14,934,749	\$ 12,428,200	495.83%	Other increased 24.79% per year, over CPI by 21.84%
Combined Revenue	\$ 59,391,108	\$ 130,624,247	\$ 71,233,139	119.94%	Combined Revenue increased 6.00% per year, over CPI by 3.04%
Combined Aid (State)	\$ 53,355,323	\$ 95,305,155	\$ 41,949,832	78.62%	State Aid increased 3.93% per year, over CPI by 0.98%
Combined Levies (Local)	\$ 6,035,785	\$ 35,319,092	\$ 29,283,307	485.16%	Local Levies increased 24.26% per year, over CPI by 21.30%
Combined Revenue	\$ 59,391,108	\$ 130,624,247	\$ 71,233,139	119.94%	Combined Revenue increased 6.00% per year, over CPI by 3.04%

Key Findings

- Combined Revenue for ISD 112 exceeded inflation (CPI) by 60.85% (6.00% per year) for the past 20 years (2003-23), over CPI by 3.04%
- In 2003, Combined Revenue consisted of Basic (72%), Other General Ed (12%), Special Ed (12%) and Other Funds (4%).
- In 2023, Combined Revenue consisted of Basic (54%), Other General Ed (23%), Special Ed (12%) and Other Funds (11%).

ISD 112 10-Year Total Funding vs Inflation (CPI)

Description	FY 2013	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	9196	9402	206	2.24%	Student population increased by 2.24 percent from 2013-23
Consumer Price Index (CPI)	232.95	292.66	59.70	25.63%	CPI Increased 2.56 percent per year
Basic Education Fund	\$ 55,630,742	\$ 70,518,698	\$ 14,887,956	26.76%	Basic increased 2.68% per year, over CPI by 0.11%
Other General Education	\$ 18,827,854	\$ 29,959,548	\$ 11,131,694	59.12%	Other increased 5.91% per year, over CPI by 3.35%
General Education Total	\$ 74,458,596	\$ 100,478,246	\$ 26,019,650	34.95%	General Education increased 3.49% per year, over CPI by 0.93%
Special Education Fund	\$ 7,743,773	\$ 15,211,252	\$ 7,467,479	96.43%	Special Education increased 9.64% per year, over CPI by 7.08%
Other Funds	\$ 4,889,581	\$ 14,934,749	\$ 10,045,168	205.44%	Other increased 20.54% per year, over CPI by 17.98%
Combined Revenue	\$ 87,091,950	\$ 130,624,247	\$ 43,532,297	49.98%	Combined Revenue increased 5.00% per year, over CPI by 2.44%
Combined Aid (State)	\$ 68,343,143	\$ 95,305,155	\$ 26,962,012	39.45%	State Aid increased 3.95% per year, over CPI by 1.38%
Combined Levies (Local)	\$ 18,748,807	\$ 35,319,092	\$ 16,570,285	88.38%	Local Levies increased 8.84% per year, over CPI by 6.27%
Combined Revenue	\$ 87,091,950	\$ 130,624,247	\$ 43,532,297	49.98%	Combined Revenue increased 5.00% per year, over CPI by 2.44%

Key Findings

- Combined Revenue for ISD 112 exceeded inflation by 24.35% for the past 10 years (2013-23), (2.44% per year).
- In 2013, Combined Revenue consisted of Basic (64%), Other General Ed (22%), Special Ed (9%) and Other Funds (6%).
- In 2023, Combined Revenue consisted of Basic (54%), Other General Ed (23%), Special Ed (12%) and Other Funds (11%).

ISD 112 10-Year Per-Pupil Funding vs Inflation (CPI)

Description	FY 2013	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	9196	9402	206	2.24%	Student population increased by 2.24% from 2013-23
Consumer Price Index (CPI)	232.96	292.66	59.70	25.63%	CPI Increased 2.56 percent per year
Basic Education Fund	\$ 6,049	\$ 7,500	\$ 1,451	23.99%	Basic increased 2.4% per year, under CPI by 0.16%
Other General Education	\$ 2,048	\$ 3,187	\$ 1,139	55.62%	Other increased 5.56% per year, over CPI by 3.00%
General Education Total	\$ 8,097	\$ 10,687	\$ 2,590	31.99%	General Education increased 3.20% per year, over CPI by 0.64%
Special Education Fund	\$ 842	\$ 1,618	\$ 776	92.16%	Special Education increased 9.22% per year, over CPI by 6.65%
Other Funds	\$ 532	\$ 1,588	\$ 1,056	198.50%	Other increased 19.85% per year, over CPI by 17.29%
Combined Revenue	\$ 9,471	\$ 13,893	\$ 4,422	46.69%	Combined Revenue increased 4.67% per year, over CPI by 2.11%
Combined Aid (State)	\$ 7,432	\$ 10,137	\$ 2,705	36.40%	State Aid increased 3.64% per year, over CPI by 1.08%
Combined Levies (Local)	\$ 2,039	\$ 3,756	\$ 1,717	84.21%	Local Levies increased 8.42% per year, over CPI by 5.86%
Combined Revenue	\$ 9,471	\$ 13,893	\$ 4,422	46.69%	Combined Revenue increased 4.67% per year, over CPI by 2.11

Key Findings

- Combined Per-Pupil Revenue for ISD 112 exceeded inflation (CPI) by 21% (2.11% per year) for the past 10 years, 2013-23.
- Per-Pupil Funding for ISD 112 increased \$ 4,422 over the past 10 years, from \$9,471 to \$13,893, a jump of over 46%.

Addendum 1: Education Funding Sources in Minnesota

For decades, the education community in Minnesota has stated that school funding has lagged inflation. The current version of this sentiment is that *the basic general education formula has lagged inflation* for the past 20 years. The basis of this premise is rooted in the **Estimated General Fund State Aid and Levy Revenues**, published by the Minnesota Department of Education (MDE). The “Basic” formula is one of only six commonly used categories utilized to calculate school funding from state and local sources:

- 1) **Basic Formula**
- 2) **General Education**
- 3) **Special Education**
- 4) **Combined Aid**
- 5) **Combined Levies**
- 6) **Combined Revenues**

Basic represents the foundation of school district revenue, while Combined Revenues represent the total of state and local sources that fund public education. The term “basic general education formula” does not exist in the MDE database.

Addendum 2: Commonly Used Funding Categories

Basic Formula. The base level of public school funding (state aid), representing 44% of Combined Revenues statewide in 2023.

Basic General Education. The same as Basic.

General Education. Combination of funds for the operations of the school district (state aid), representing 68% of Combined Revenue statewide in 2023.

Combined Revenue. The sum of all school funding from state aid and local levies, representing 100% of funding. The true measure of school funding.

Combined Aid. Revenue provided by State government sources (State Aid), representing 59% of Combined Revenue statewide in 2023.

Combined Levies. Revenue provided by Local government sources (Local Levies), representing 41% of Combined Revenue statewide in 2023.

Addendum 3: Data Sources

REVENUES

<https://public.education.mn.gov/MDEAnalytics/DataTopic.jsp?TOPICID=43>

Estimated General Fund State Aid and Levy Revenues, FY 2003 to FY 2025; End of Session Forecast

Financing Education in Minnesota (2022-23)

A Publication of the Minnesota House of Representatives, Fiscal Analysis Department, Solveig Beckel, Fiscal Analyst

Minnesota School Finance: A Guide for Legislators (2022), MN House Research, Tim Strom, Legislative Analyst