

D279 Osseo Education Finance Analysis

School Funding, Inflation & Student Performance

Ken Wolf & Bob Fallen
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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 the Hopkins School District.

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
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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

D279 Osseo Education Funding vs. Inflation (CPI)

While it is true that per-pupil Basic revenue in D279 Osseo lagged inflation by 1.23% over the past 10 years (average of 0.12% per year), Combined Revenue exceeded inflation by 18.5% over the same time period (an average of 1.85% per year.) **Over that same period, per-pupil funding in D279 Osseo went from \$ 10,861 to \$ 15,697, an increase of 44.53%**

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 that the funding of public schools has not kept up with inflation. In fact, most school board members and local elected officials do not fully understand the nuances of K-12 finance either, which contributes to their inability to clarify the facts for the tax-paying public. Strictly looking at the Basic formula does not represent a complete picture of education funding and provides a misleading story that school funding lags behind inflation. Total Combined Revenue is the only way to get a complete picture of the adequacy of education funding.

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.

D279 Osseo 20-Year Total Funding vs Inflation (CPI)

Description	FY 2003	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	21,922	20,489	(1,433)	- 6.5%	Student population decreased by 6.5% from 2003-2023.
Consumer Price Index (CPI)	183.96	292.66	108.70	59.09%	CPI increased 2.95 percent per year
Basic Education Fund	117,373,718	153,784,731	36,411,013	31.02%	Basic increased 1.55% per year, under CPI by 1.40%
Other General Education	19,521,838	82,875,122	63,353,284	324.53%	Other General increased 16.23% per year, over CPI by 13.27%
General Education Total	136,895,556	236,659,853	99,764,297	72.88%	General Education increased 3.64% per year, over CPI by 0.69%
Special Education Fund	20,289,476	34,623,201	14,333,725	70.65%	Special Ed increased 3.53% per year, over CPI by 0.58%
Other Funds	10,295,084	50,340,802	40,045,718	388.98%	Other increased 19.45% per year, over CPI by 16.50%
Combined Revenue	167,480,116	321,623,856	154,143,740	92.04%	Combined Revenue increased 4.60% per year, over CPI by 1.65%
Combined Aid (State)	154,705,338	225,853,004	71,147,666	45.99%	State Aid increased 2.30% per year, under CPI by 0.65%
Combined Levies (Local)	12,774,778	95,770,852	82,996,074	649.69%	Local Levies increased 32.48% per year, over CPI by 29.53%
Combined Revenue	167,480,116	321,623,856	154,143,740	92.04%	Combined increased 4.60% per year, over CPI by 1.65%

Key Findings

- Combined Revenue for D279 exceeded inflation (CPI) by 32.95% (1.65% per year) for the past 20 years (2003-23).
- In 2003, Combined Revenue consisted of Basic (70%), Other General Ed (12%), Special Ed (12%) and Other Funds (6%).
- In 2023, Combined Revenue consisted of Basic (48%), Other General Ed (26%), Special Ed (11%) and Other Funds (16%).

D279 Osseo 10-Year Total Funding vs Inflation (CPI)

Description	FY 2013	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	20,549	20,489	(60)	(0.29%)	Student population decreased by less than one percent
Consumer Price Index (CPI)	232.95	292.66	59.70	25.63%	CPI Increased 2.56 percent per year
Basic Education Fund	123,619,482	153,784,731	30,165,249	24.40%	Basic increased 2.44% per year, under CPI by 0.12%
Other General Education	56,052,536	82,875,122	26,822,586	47.85%	Other increased 4.79% per year, over CPI by 2.22%
General Education Total	179,672,018	236,659,853	56,987,835	31.72%	General Education increased 3.17% per year, over CPI by 0.61%
Special Education Fund	23,722,429	34,623,201	10,900,772	45.96%	Special Ed increased 4.60% per year, over CPI by 2.03%
Other Funds	19,798,272	50,340,802	30,542,530	154.27%	Other increased 15.43% per year, over CPI by 12.86%
Combined Revenue	223,192,719	321,623,856	98,431,137	44.10%	Combined Revenue increased 4.41% per year, over CPI by 1.85%
Combined Aid (State)	176,015,147	225,853,004	49,837,857	28.31%	State Aid increased 2.83% per year, over CPI by 0.27%
Combined Levies (Local)	47,177,572	95,770,852	48,593,280	103.00%	Local Levies increased 10.30% per year, over CPI by 7.74%
Combined Revenue	223,192,719	321,623,856	98,431,137	44.10%	Combined Revenue increased 4.41% per year, over CPI by 1.85%

Key Findings

- Combined Revenue for D279 Osseo exceeded inflation by 18.5% (1.85% per year) for the past 10 years, (2013-23).
- In 2013, Combined Revenue consisted of Basic (55%), Other General Ed (25%), Special Ed (11%) and Other Funds (0%).
- In 2023, Combined Revenue consisted of Basic (48%), Other General Ed (26%), Special Ed (11%) and Other Funds (16%).

D279 Osseo 10-Year Per-Pupil Funding vs Inflation (CPI)

Description	FY 2013	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	20,549	20,489	(60)	(0.29%)	Student population decreased by less than 1%
Consumer Price Index (CPI)	232.96	292.66	59.70	25.63%	CPI Increased 2.56 percent per year
Basic Education Fund	6,016	7,506	1,490	24.77	Basic increased 2.48% per year, under CPI by 0.09%
Other General Education	2,728	4,045	1,317	48.28%	Other increased 4.83% per year, over CPI by 2.26%
General Education Total	8,744	11,551	2,807	32.10%	General Education increased 3.21% per year, over CPI by 0.65%
Special Education Fund	1,154	1,690	536	46.45%	Special Ed increased 4.64% per year, over CPI by 2.08%
Other Funds	963	2,456	1,493	155.04%	Other increased 15.50% per year, over CPI by 12.94%
Combined Revenue	10,861	15,697	4,836	44.53%	Combined Revenue increased 4.45% per year, over CPI by 1.89%
Combined Aid (State)	8,566	11,023	2,457	28.68%	State Aid increased 2.87% per year, over CPI by 0.31%
Combined Levies (Local)	2,295	4,674	2,379	103.66%	Local Levies increased 10.37% per year, over CPI by 7.80%
Combined Revenue	10,861	15,697	4,836	44.53%	Combined Revenue increased 4.45% per year, over CPI by 1.89%

Key Findings

- Combined Per-Pupil Revenue for D279 Osseo exceeded inflation (CPI) by 18.9% (1.89% per year) for the past 10 years, 2013-23.
- Average Per-Pupil Funding for D279 Osseo increased \$ 4,836 over the past 10 years, from \$ 10,861 to \$ 15,697, an increase of 44.5%.

D279 Osseo School Funding vs. Academic Performance

Since 2013, D279 Osseo per-pupil funding increased 18.9% while scores of K-12 students on the Minnesota Comprehensive Assessment (MCA) tests declined by:
Math (- 29%), Reading (- 13%) and Science (- 31%)

	2013	2014	2015	2016	2017	2018	2019	2021	2022	2023	
MATH	59.3	59.2	57.0	54.2	54.1	52.6	49.3	41.9	41.7	41.9	- 29.4%
READING	56.1	56.6	56.7	57.2	56.2	56.2	55.0	50.7	49.5	48.6	- 13.3%
SCIENCE	45.7	45.5	43.4	46.9	44.7	43.1	40.9	38.8	34.5	31.3	- 31.3%

Note: MCA Testing Cancelled in 2020



SOURCE: Minnesota Department of Education "Report Card"

D279 Osseo School Funding vs. College Testing

Since 2013, D279 Osseo per-pupil funding increased 18.9 % while K-12 student test scores on the American College Test (ACT) declined by: - 12.7 %

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
ENGLISH	21.4	21.4	21.5	19.3	19.2	18.9	18.6	18.6	18.4	18.3	- 14.5%
MATH	22.7	22.5	22.4	20.5	20.3	20.0	20.0	19.9	19.5	19.2	- 15.4%
READING	22.3	22.3	22.6	20.6	20.8	20.2	20.3	20.4	20.6	20.0	- 10.3%
SCIENCE	22.4	22.3	22.4	20.5	20.5	19.9	20.2	20.3	20.1	20.0	- 10.7%
COMPOSITION	22.3	22.3	22.3	20.3	20.3	19.9	19.9	20.0	19.8	19.5	- 12.6%
AVERAGE	22.3	22.2	22.2	20.2	20.2	19.8	19.8	19.8	19.7	19.4	- 12.7%



SOURCE: Minnesota Department of Education

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**
- 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.

Commonly Used Funding Formulas (Categories)

Basic. The base level of public school funding, representing 44% of Combined Revenues in 2023.

Basic General Education. The same as Basic.

General Education. Combination of funds for the operations of the school district, representing 68% of Combined Revenue in 2023.

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

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

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

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; NOV22 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

ACT SCORES

<https://public.education.mn.gov/MDEAnalytics/DataTopic.jsp?TOPICID=87>

MCA TESTING

Minnesota Department of Education

[Public.education.mn.gov/MDEAnalytics/DataTopic.jsp?TOPICID=1](https://public.education.mn.gov/MDEAnalytics/DataTopic.jsp?TOPICID=1)

[Minnesota Report Card \(MDE\)](#)