

District 485 Royalton Education Finance Analysis

School Funding vs Inflation

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

ISD 485 Royalton 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 District 485 Royalton exceeded inflation by 23.2% from 2013-2023. **Over that same period, per-pupil funding in D485 increased nearly 41%, going from \$ 7,754 to \$ 10,909, an annual increase of 4.07%, over CPI by 1.51%.**

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.

D485 Royaltan 20-Year Total Funding vs Inflation (CPI)

Description	FY 2003	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	737	926	189	25.64%	Student population increased by over 25% from 2003 to 2023.
Consumer Price Index (CPI)	183.96	292.66	108.70	59.09%	CPI increased 2.95 percent per year
Basic Education Fund	3,991,137	6,997,515	3,006,378	75.33%	Basic increased 3.77% per year, over CPI by 0.81%
Other General Education	537,455	1,771,064	1,233,609	229.53%	Other increased 11.48% per year, over CPI by 8.52%
General Education Total	4,528,592	8,768,579	4,239,987	93.63%	General Education increased 4.68% per year, over CPI by 1.73%
Special Education Fund	415,411	813,425	398,014	95.81%	Special Education increased 4.79% per year, over CPI by 1.84%
Other Funds	187,966	519,960	331,994	176.62%	Other increased 8.83% per year, over CPI by 5.88%
Combined Revenue	5,131,969	10,101,964	4,969,995	96.84%	Combined Revenue increased 4.84% per year, over CPI by 1.89%
Combined Aid (State)	5,001,795	9,293,283	4,291,488	85.80%	State Aid increased 4.29% per year, over CPI by 1.34%
Combined Levies (Local)	130,174	808,681	678,507	521.23%	Local Levies increased 26.06% per year, over CPI by 23.11%
Combined Revenue	5,131,969	10,101,964	4,969,995	96.84%	Combined Revenue increased 4.84% per year, over CPI by 1.89%

Key Findings

- Combined Revenue for ISD 485 Royaltan exceeded inflation (CPI) by 37.8% (1.89% per year) for the past 20 years (2003-23).
- In 2003, Combined Revenue consisted of Basic (78%), Other General Ed (10%), Special Ed (8%) and Other Funds (4%).
- In 2023, Combined Revenue consisted of Basic (69%), Other General Ed (18%), Special Ed (8%) and Other Funds (5%).

D485 Royaltown 10-Year Total Funding vs Inflation (CPI)

Description	FY 2013	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	875	926	51	5.83%	Student population increased by 5.8% from 2013 to 2023.
Consumer Price Index (CPI)	232.95	292.66	59.70	25.63%	CPI Increased 2.56 percent per year
Basic Education Fund	5,153,580	6,997,515	1,843,935	35.78%	Basic increased 3.58% per year, over CPI by 1.02%
Other General Education	766,877	1,771,064	1,004,187	130.94%	Other increased 13.09% per year, over CPI by 10.53%
General Education Total	5,920,457	8,768,579	2,848,122	48.11%	General Education increased 4.81% per year, over CPI by 2.25%
Special Education Fund	611,450	813,425	201,975	33.03%	Special Education increased 3.30% per year, over CPI by .74%
Other Funds	255,958	519,960	264,002	103.14%	Other increased 10.31% per year, over CPI by 7.75%
Combined Revenue	6,787,865	10,101,964	3,314,099	48.82%	Combined Revenue increased 4.88% per year, over CPI by 2.32%
Combined Aid (State)	6,508,448	9,293,283	2,784,835	42.79%	State Aid increased 4.28% per year, over CPI by 1.72%
Combined Levies (Local)	279,417	808,681	529,264	189.42%	Local Levies increased 18.94% per year, over CPI by 16.38%
Combined Revenue	6,787,865	10,101,964	3,314,099	48.82%	Combined Revenue increased 4.88% per year, over CPI by 2.32%

Key Findings

- Combined Revenue for ISD 485 Royaltown exceeded inflation by 23.2% for the past 10 years (2013-23), (2.32% per year).
- In 2013, Combined Revenue consisted of Basic (76%), Other General Ed (11%), Special Ed (9%) and Other Funds (4%).
- In 2023, Combined Revenue consisted of Basic (69%), Other General Ed (18%), Special Ed (8%) and Other Funds (5%).

D485 Royalton 10-Year Per-Pupil Funding vs Inflation (CPI)

Description	FY 2013	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	875	926	51	5.83%	Student population increased 5.8% from 2013 to 2023.
Consumer Price Index (CPI)	232.96	292.66	59.70	25.63%	CPI Increased 2.56 percent per year
Basic Education Fund	5,887	7,557	1,679	28.37%	Basic increased 2.84% per year, over CPI by 0.27%
Other General Education	876	1,912	1,036	118.26%	Other increased 11.83% per year, over CPI by 9.26%
General Education Total	6,763	9,469	2,706	40.01%	General Education increased 4.00% per year, over CPI by 1.44%
Special Education Fund	698	878	180	25.79%	Special Education increased 2.58% per year, over CPI by 0.02%
Other Funds	293	562	269	91.91%	Other increased 9.18% per year, over CPI by 6.62%
Combined Revenue	7,754	10,909	3,155	40.69%	Combined Revenue increased 4.07% per year, over CPI by 1.51%
Combined Aid (State)	7,453	10,036	2,601	34.98%	State Aid increased 3.50% per year, over CPI by 0.94%
Combined Levies (Local)	319	873	554	173.67%	Local Levies increased 17.37% per year, over CPI by 14.80%
Combined Revenue	7,754	10,909	3,155	40.69%	Combined Revenue increased 4.07% per year, over CPI by 1.51%

Key Findings

- Combined Per-Pupil Revenue for D485 Royalton exceeded inflation (CPI) by 15% (1.51 % per year) for the past 10 years, 2013-23.
- Per-Pupil Funding for D485 Royalton increased \$ 3,155 over the past 10 years, from \$ 7,754 to \$ 10,909, a jump of 40.7%.

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

Consumer Price Index (CPI) Data

The CPI figures used are based on the Nov 2022 actual Consumer Price Index for All Items, All Urban Consumers as provided by the United States Bureau of Labor Statistics and estimates for 2023-2030 provided by Minnesota Management and Budget.

<https://www.bls.gov/cpi/tables/supplemental-files/>