

Governor's Recommendations E-12 Education Finance

January 23, 2013

Investing in Minnesota Students

- \$344 Million Investment in PreK-12
 - FY14 \$72/student average increase
 - FY 15 \$339/student average increase
- \$44 Million in Early Childhood Scholarships
 - Up to 10,000 scholarships
- \$40 Million for All Day Kindergarten
 - Increase access from 54% to 85%

Investing in Minnesota Students

- \$10 Million for Teacher Evaluation
 - Helps implement new teacher evaluation model
- \$8.9 Million for English Learners
 - Extends EL Funding from 5 to 7 years
- \$4.5 Million for Regional Centers of Excellence
 - Expands regional centers by 6 throughout state
- \$1 Million for School Bullying Prevention
 - Provide Guidance, training, support

Appropriations Summary: FY 14 – FY 15

State General Fund (\$ in Millions)

	<u>FY 14</u>	<u>FY 15</u>	<u>BIENNIUM</u>
Current Law Base	7,515.6	7,663.8	15,179.3
Governor	7,591.5	7,932.1	15,523.6
<u>Proposed Increase</u>	<u>75.9</u>	<u>268.3</u>	<u>344.2</u>
Percent Increase	1.0%	3.5%	2.3%

Appropriations Summary: FY 16 – FY 17

State General Fund (\$ in Millions)

	<u>FY 16</u>	<u>FY 17</u>	<u>BIENNIUM</u>
Current Law Base	7,801.0	7,926.5	15,727.6
Gov Excl Shift Payback	8,118.9	8,256.1	16,375.0
<u>Proposed Increase</u>	<u>317.8</u>	<u>329.6</u>	<u>647.4</u>
<u>Percent Increase</u>	<u>4.1%</u>	<u>4.2%</u>	<u>4.1%</u>
<u>Shift Payback</u>	<u>481.0</u>	<u>770.7</u>	<u>1,251.7</u>
Current Aid Pay %	88.5%	90.0%	
Tax Shift %	48.6%	0.0%	

Appropriations Summary: FY 14 – FY 15

Breakdown of Increases by Major Category (\$ in Millions)

	<u>FY 14</u>	<u>FY 15</u>	<u>BIENNIUM</u>
General Educ Formula	\$48.9	\$69.5	\$118.4
Optional All Day K	---	40.2	40.2
Special Educ Funding	---	124.8	124.8
Early Learning Scholarships	22.0	22.0	44.0
Teacher Growth /Evaluation	1.4	8.6	10.0
EL (LEP) from 5 yrs to 7 yrs	4.0	4.9	8.9
Other	<u>(0.4)</u>	<u>(1.7)</u>	<u>(2.1)</u>
Total	\$75.9	\$268.3	\$344.2

General Education Funding FY 2014

1. Increase Basic Formula by \$52 from \$5,224 to \$5,276 (1 Percent increase)
2. Extend funding eligibility for English Learners (EL) from 5 years to 7 years
3. Clarify kindergarten early entrance requirements for students under 5 years of age

General Education Funding FY 2015

1. Maintain Funding at FY 2014 level (1% above current law) with simplified formula:
 - a. Simplify Pupil Unit Weights:
 - i. Kindergarten (if not all day) = .55
 - ii. Grades 1 – 6 = 1.00
 - iii. Grades 7-12 = 1.20
 - b. Eliminate Marginal Cost pupil units and establish separate Declining Enrollment Revenue
 - i. 28% x Formula Allowance x decline in Adjusted Pupil Units from previous year

General Education Funding FY 2015

- c. Eliminate Aid Reduction for Pension Contribution Rate changes, with positive hold harmless adjustment for districts with below average reduction

- d. Roll Gifted & Talented Revenue (\$12 / PU) into Basic Formula

General Education Funding FY 2015

- e. Set Formula Allowance at \$5,700 (Equivalent to FY 2014 proposed formula allowance):

FY 2014 Formula Allowance	\$ 5,276
Pension Adjust/Old pupil unit	(32)
Gifted & Talented Revenue	12
Old Formula Net (average)	5,256
PU change ratio no all day K	92%
Formula Adjusted for PU wt chg	5,720
Less new pension adj/new pu (avg)	(8)
Less new Decline Revenue	(12)
New Basic Formula	\$ 5,700

General Education Funding FY 2015

2. Calculate Operating Referendum Revenue using new adjusted pupil units (APU) instead of old resident marginal cost pupil units
 - a. New referendum allowance = current referendum revenue after alternative attendance adjustments divided by new APU (no change in revenue)
 - b. Equalizing factors adjusted for new pupil units; levy ratios based on referendum market value per resident pupil unit
 - c. New referendum aid is guaranteed to at least equal old referendum aid including alternative attendance adjustment

General Education Funding FY 2015

3. Equity Revenue simplified and targeted more fairly to districts with low referendum revenue per student:
 - a. Sliding scale revenue per adjusted pupil unit =
 $\$100 \times \text{Greater of zero or } (\$2,000 - \text{Referendum allowance})$
 - b. Additional allowance = \$56 per Adjusted PU
 - c. Applies uniformly to all districts

General Education Funding FY 2015

4. Basic Skills Revenue reallocated based on student need with increased local flexibility to close achievement gap:
 - a. Roll Extended Time revenue into Compensatory Revenue formula (current compensatory allocations increased 15%)
 - b. Allow local flexibility with 15% of compensatory revenue, instead of 5%
 - c. (No change in compensatory pilot program)

General Education Funding FY 2015

5. Make Safe Schools Revenue a component of General Education Revenue
 - a. School district levy converted from \$30 to \$32 per pupil unit to adjust for weighting change
 - b. Charter schools receive new state aid allowance of \$32 per pupil unit
 - c. Intermediate district levy allowance converted from \$10 to \$11 per pupil unit to adjust for weighting change

General Education Funding FY 2015

6. Teacher Growth and Evaluation Aid

- a. \$22 per student enrolled on October 1 of the prior year provided to districts / schools not participating in Q Comp for support of teacher growth and evaluation systems.

General Education Funding FY 2015

7. Other allowances and equalizing factors adjusted for new pupil unit weightings, for example:
 - a. Operating capital allowances from \$73 for equipment, \$100 for facilities and \$30 for year round pupil units to \$ 79 for equipment, \$108 for facilities and zero for year round pupil units
 - b. Small schools maximum allowance converted to \$540 from \$522.40; maximum size to qualify converted from 1,000 APU to 960 APU

General Education Funding FY 2015

8. Transition revenue adjusted to guarantee that every district receives at least as much revenue under Governor's recommendations as under current law.
9. Alternative facilities aid adjusted to minimize impact of general education formula simplification on property taxes.

Optional All Day Kindergarten: FY 2015

- Pupil unit weight increased from .55 to .70 for students enrolled in a free all day every day kindergarten program available to all kindergarten students at the student's school.
- Increases basic revenue by \$855 and other revenue by an average of \$53 for students in all-day K, for a total of \$908 per student.
- Participation in free all-day kindergarten is estimated to increase from 54% in FY 2013 to 85% in FY 2015 with this change. Participation is projected to further increase to 90% in FY 2016 and to 95% in FY 2017.
- When districts implement all day K, it is assumed that kindergarten students with disabilities who currently attend school less than full time will attend more hours to match the schedules of their peers in regular K – this increases aid since funding for these students is based on hours of instruction.

Special Education Funding FY 2015

- Increases special education aid appropriation by \$124.8 million, reducing average cross subsidy by \$180 per student, from \$645 to \$465
- Funding allocations based partly on student counts and partly on an improved excess cost formula that recognizes all special education costs including fringe benefits
- requires serving school district or charter school to cover 10% of **unreimbursed** special education costs for open-enrolled students; resident district share reduced from 100% to 90%

Integration Revenue

FY 2014

- New formula allocates revenue to eligible districts based on students of color concentration and local district progress in closing achievement gap
- Revenue = Greater of 90% of FY 2013 Integration revenue or $\$315 \times \text{Pupil Units} \times \text{prior year \% students of color} + \$100 \times \text{Pupil Units} \times \text{prior year \% students of color} \times \text{focus rating}$
- Levy = levy limitation for taxes payable in 2013
(30% of old formula revenue –avoids making adjustment to levy already certified))
- Aid = Revenue - Levy

Integration Revenue FY 2015

- Under current law, an ongoing base is established for integration aid replacement, but the integration levy (30% of revenue) was extended only one year (FY 2014). Because there was no action during the 2012 legislative session to extend the levy beyond FY 2014, there is no integration levy in the budget base for FY 2015 and later.
- The Governor recommends a change to integration aid for FY 2015 and later that ensures districts continue to receive at least 90% of their current state aid.

Literacy Incentive Aid

FY 2015

- New formula would allocate aid based on growth in reading and high school graduation rate, rather than growth in reading and proficiency in reading.
- The reading grow formula would be the same as in current law, with a 34% in the maximum allowance, from \$530 to \$710 per fourth grade student.
- The high school graduation formula would be \$70 times prior year enrollment in grades 9 – 12 times the ratio of the district's actual four year graduation rate to the rate predicted for the district based on the district's demographics and the state average graduation rate by demographic subgroup.

Change in FY 2015 Revenue/ADM by Strata, Governor vs Current Law

	Revenue per ADM			
	Current	Governor	Change	Percent Change
STATE	11,254	11,593	339	3.0%
MPLS & ST PAUL	13,930	14,344	414	3.0%
OTHER METRO, INNER	11,491	11,891	400	3.5%
OTHER METRO, OUTER	11,071	11,387	316	2.9%
NONMET >=2K	10,222	10,573	352	3.4%
NONMET 1K-2K	9,996	10,323	326	3.3%
NONMET < 1K	10,715	11,038	323	3.0%
CHARTER	10,370	10,678	308	3.0%

Change in FY 2015 Property Tax Levies by Strata, Governor vs Current Law

	Property Tax Levies (in Thousands)			
	Current	Governor	Change	Percent Change
STATE	1,996,094	1,991,288	(4,807)	-0.2%
MPLS & ST PAUL	222,345	222,175	(170)	-0.1%
OTHER METRO, INNER	282,322	281,672	(650)	-0.2%
OTHER METRO, OUTER	774,432	770,682	(3,750)	-0.5%
NONMET ≥ 2K	346,377	347,447	1,070	0.3%
NONMET 1K-2K	166,036	165,435	(601)	-0.4%
NONMET < 1K	167,105	166,413	(691)	-0.4%

Early Childhood Scholarships

- Up to 11,000 new scholarships serving young children with high needs
- Scholarships continue to be linked to high quality providers
- Improves and supports transition to Kindergarten to help sustain learning through early years and beyond
- \$22M/year to increase access to high quality early childhood education

Regional Centers of Excellence

- Expands number of centers from 3 to 9
- Currently there are three centers providing assistance to Priority and Focus Schools
- Expansion help disseminate evidence-based best practices
- Provide support for implementation of Teacher and Principal evaluations

School Climate Center

- Center would promote best practices and provide training to improve school climate and safety
 - Establishment of standards for prevention of bullying
 - Advancement of best practices in school safety
 - Increase awareness and training for schools/communities
- \$500,000/year for Climate Center

Other Agency Initiatives

- **DPS:** Minnesota School Safety Center - \$1.060M/Biennium
 - MnSSC will work to provide schools with training, emergency plans, and procedures
- **DHS:** Increase Access to Quality Care for Children with High Needs - \$20,215M/Biennium
 - simplify the current rates structure and setting updated rates for some providers
 - it funds a quality add-on to rates for providers with three and four-star ratings through Parent Aware and guarantees child care for eligible teen parents to ensure they receive services

Other Agency Initiatives

- **DHS:** Expansion of School-linked Grants - \$7.434M/Biennium
 - expanding access to mental health services for children with complex, high-cost conditions through increased funding to schools
- **Housing Finance:** Rental Assistance for Highly Mobile Students Initiative - \$2M/Biennium
 - allow for children to attend the same school without interruption through the school year

Questions?

For general questions, please contact:

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For further details on the Governor's E-12 Education Budget Recommendations, see Minnesota Management and Budget web site at: <http://www.mmb.state.mn.us/>