

# OTHER RELEVANT STUDIES

**Commissioner's Working Group on School Funding  
April 6, 2011**

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# Types of Studies

- **General School Finance Options**
  - **Property Tax Burdens**
  - **Regional Cost of Living Differences**
  - **Integration Revenue**
  - **Other?**
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# General School Finance Options

***Choices for Change***, MDE, May 2001

As part of Governor Ventura's Big Plan, identified several issues and options for ensuring equity and accountability in the use of public resources for E-12 education:

- 1) Increase accountability for education funding by clarifying state and local roles
  - Recommendation: eliminate general education levy and fully fund the basic formula with state aid
  
- 2) Reduce district reliance on referendum levies
  - Options Identified:
    - Roll a portion of referendum revenue into the formula and reduce referendum cap by a like amount
    - Improve referendum equalization to level the playing field for low tax base districts

# General School Finance Options

*Choices for Change*, MDE, May 2001

- 3) Equalize facilities levies among districts
  - Options Identified:
    - Enhance debt service equalization
    - Consolidate multiple state facilities funding programs to provide a simpler, more consistent, more equitable partnership between the state and school districts
  
- 4) Reform special education funding
  - Options Identified:
    - Move to a census-based funding approach
    - Move to a weighted pupil funding approach
    - Keep the current expenditure reimbursement approach but provide more training to districts regarding excess cost aid and improve the uniform tuition billing system
    - Target more special education resources to the youngest learners through improved early screening

# Residential Homestead Property Tax Burden Report

- Published by MN Department of Revenue, January 2011
- Analyzes Overall Property Tax Burdens for Taxes Payable in 2008 (Including School district, city, county, etc)

# Residential Homestead Property Tax Burden Report - DOR



## Payable 2008 Median Values by Region Burden Expressed as Percent of Income

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Region	Est Market Value (EMV)	Net Tax	Effective Tax Rate	Homestead Income	EMV/ Income	Burden After PTR
Metro	\$ 240,200	\$ 2,387	1.01%	\$ 75,723	3.23	3.19%
Greater Mn	\$ 144,800	\$ 1,259	0.91%	\$ 55,898	2.55	2.30%
State	\$ 205,500	\$ 1,902	0.98%	\$ 66,026	2.95	2.82%

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## 2.5: Payable 2008 Median Values By Region

Region	Count	Estimated		Net Tax	Effective Tax Rate	Homestead Income	EMV / Income	Burden Before PTR	Burden After PTR
		Market Value	Market Value Credit						
Arrowhead	93,445	\$128,300	\$236	\$902	0.73%	\$51,798	2.51	1.87%	1.81%
Central	96,163	\$191,700	\$200	\$1,784	0.95%	\$65,793	2.96	2.97%	2.79%
East Central	26,137	\$169,600	\$218	\$1,406	0.81%	\$50,781	3.33	2.97%	2.72%
Minnesota Valley	40,800	\$117,300	\$239	\$1,132	1.00%	\$53,521	2.18	2.34%	2.21%
North Central	42,187	\$153,800	\$224	\$976	0.61%	\$47,805	3.25	2.23%	2.08%
Northwest/Headwaters	37,029	\$100,800	\$237	\$950	0.99%	\$48,884	2.06	2.12%	2.01%
South Central	43,000	\$123,200	\$239	\$1,175	1.00%	\$54,069	2.27	2.35%	2.25%
Southeast	114,039	\$151,300	\$231	\$1,484	1.02%	\$62,168	2.46	2.57%	2.46%
Southwest	27,816	\$76,600	\$240	\$809	1.19%	\$48,925	1.58	1.89%	1.79%
West Central	50,035	\$137,700	\$234	\$1,107	0.78%	\$54,298	2.59	2.18%	2.08%
Greater Minnesota	570,651	\$144,800	\$226	\$1,259	0.91%	\$55,898	2.55	2.41%	2.30%
Anoka	89,996	\$219,000	\$175	\$2,110	0.99%	\$71,388	3.20	3.28%	3.08%
Carver/Scott	59,113	\$262,700	\$137	\$2,732	1.06%	\$85,080	3.14	3.45%	3.28%
Dakota	109,497	\$247,800	\$149	\$2,398	0.98%	\$79,914	3.10	3.16%	3.04%
Minneapolis	73,605	\$221,000	\$178	\$2,350	1.14%	\$61,637	3.51	4.15%	3.61%
North Hennepin	75,201	\$224,800	\$170	\$2,468	1.12%	\$72,512	3.21	3.72%	3.42%
Saint Paul	56,505	\$203,500	\$195	\$1,899	0.98%	\$59,068	3.56	3.64%	3.19%
Southeast Hennepin	71,060	\$247,000	\$150	\$2,476	1.02%	\$75,661	3.28	3.48%	3.26%
Southwest Hennepin	70,248	\$325,600	\$80	\$3,279	1.04%	\$100,348	3.17	3.31%	3.19%
Suburban Ramsey	62,759	\$239,100	\$158	\$2,310	0.99%	\$75,308	3.22	3.33%	3.14%
Washington	67,864	\$257,900	\$141	\$2,321	0.89%	\$83,114	3.17	2.96%	2.88%
Metro	735,848	\$240,200	\$157	\$2,387	1.01%	\$75,723	3.23	3.41%	3.19%
Statewide	1,306,499	\$205,500	\$183	\$1,902	0.98%	\$66,025	2.95	2.98%	2.82%

# Residential Homestead Property Tax Burden Report – DOR



## Metro vs Greater MN:

- Metro has significantly higher avg home values and avg tax per home
- Metro as slightly high avg tax rates as % of home value
- Metro has higher avg home value as % of income
- Metro has higher average tax burden as % of income

## Within Greater MN:

- Property tax burdens lowest in Arrowhead & Southwest MN
- Property tax burdens highest in Central & East Central regions

## Within Metro:

- Property tax burdens highest in Minneapolis & north Hennepin
- Property tax burdens lowest in Washington, Dakota & Anoka counties

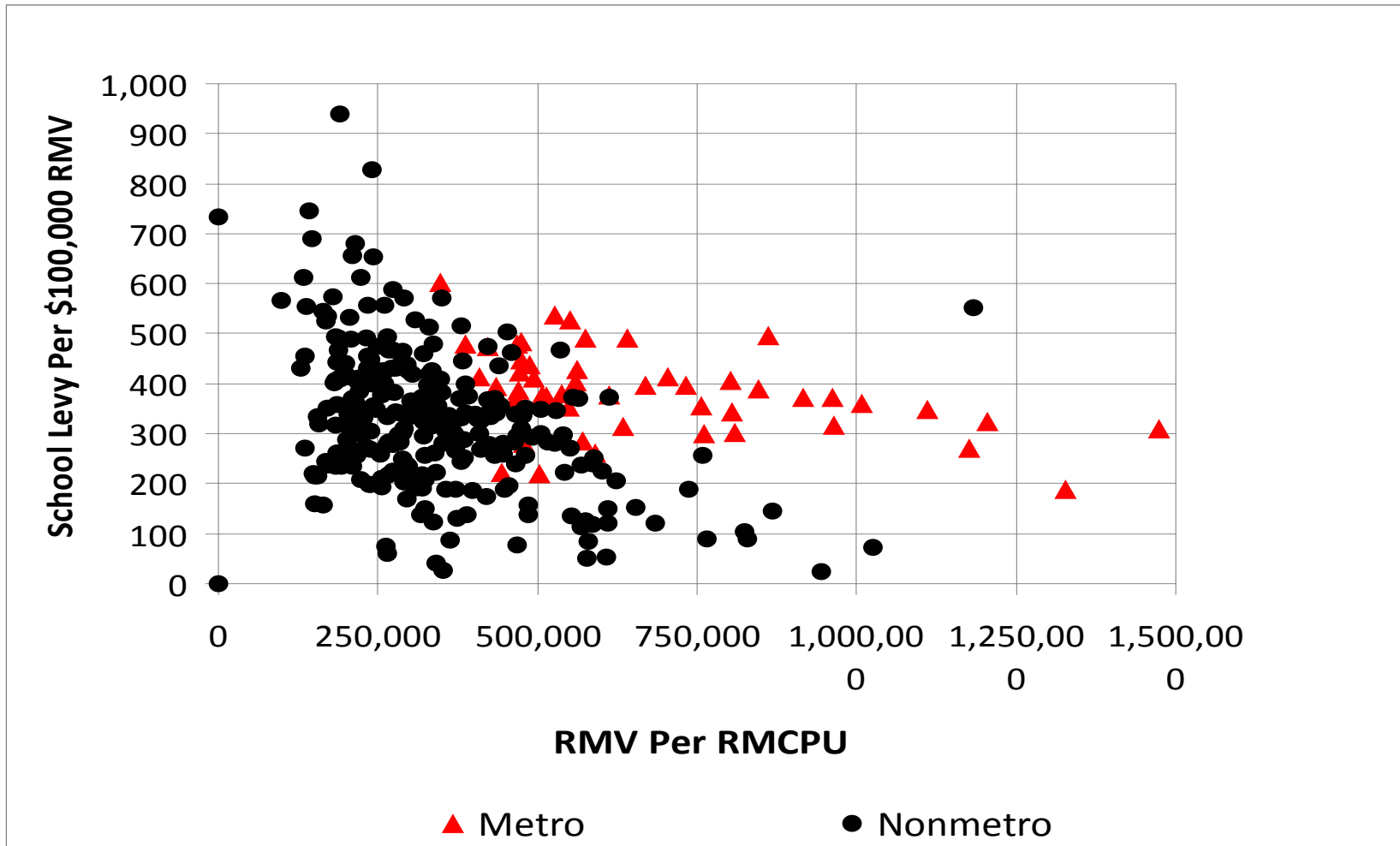


# School Property Tax By Strata: Pay 2002 vs Pay 2009 – MDE Data



	Mpls & St Paul	Other Metro Inner Ring	Other Metro Outer Ring	Nonmetro ≥2K	Nonmetro 1K-2K	Nonmetro < 1K
<b>Pay 2009</b>						
Avg RMV / homestead	236,544	267,933	292,484	187,244	164,060	131,559
Avg net levy / homestead	913	1,021	1,129	593	419	347
Avg Net Levy / \$100,000 of Hmstd Value	386	381	386	317	255	264
<b>Pay 2002</b>						
Avg RMV / homestead	117,178	157,966	171,498	108,395	87,690	69,637
Avg net levy / homestead	390	556	553	275	174	133
Avg Net Levy / \$100,000 of Hmstd Value	333	352	322	254	198	191
<b>Changes for avg homesteads</b>						
Levy change, pay 2002 to pay 2009	523	465	577	318	245	214
Percent change	134%	84%	104%	116%	141%	161%
<b>Changes per \$100,000 of RMV</b>						
Levy change, pay 2002 to pay 2009	53	29	64	63	57	73
Percent change	16%	8%	20%	25%	29%	38%

# Average School Levy per \$100,000 of Referendum Market Value (RMV) , Pay 2009 Taxes – MDE Data



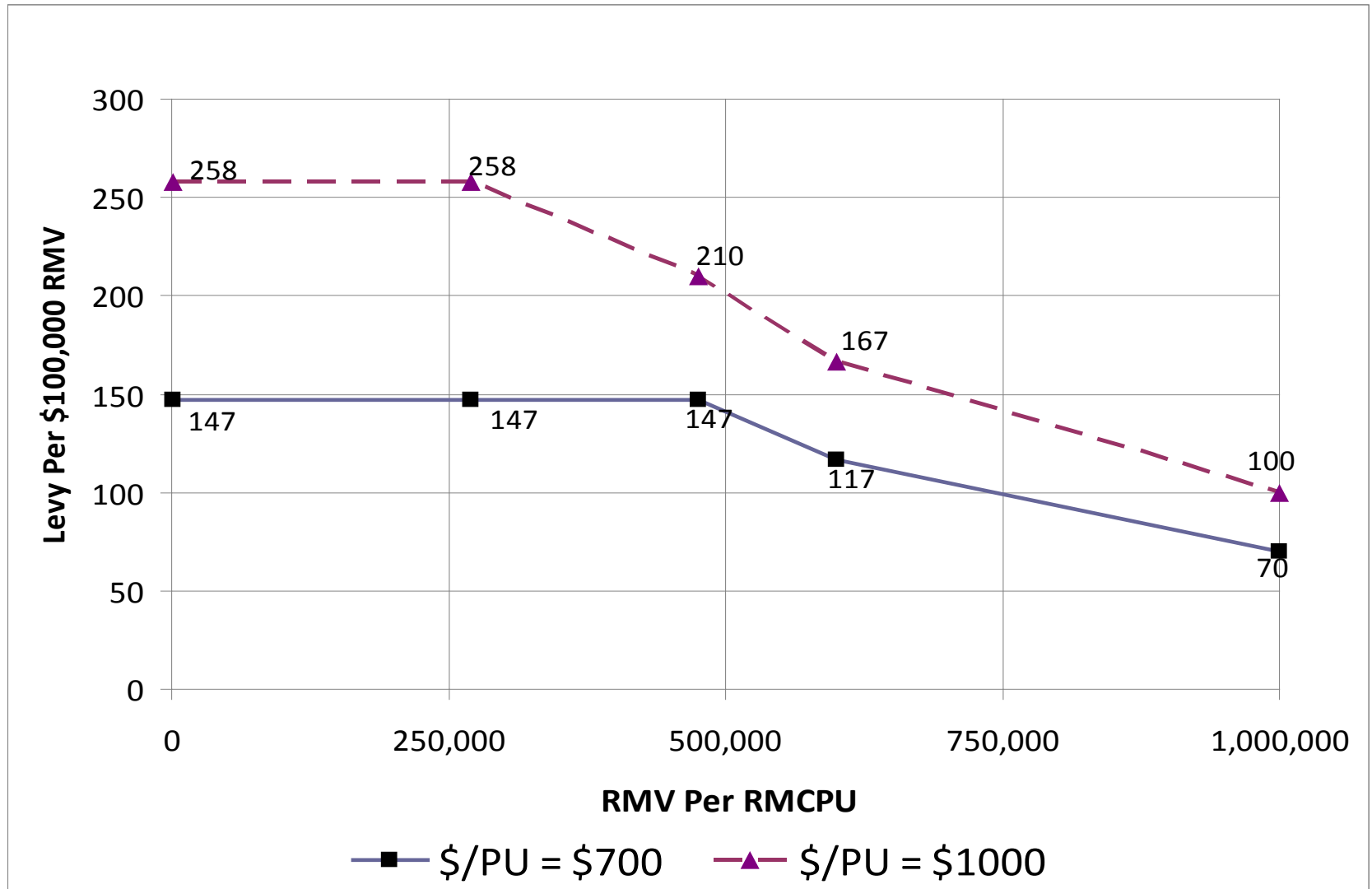
# Average School Levy per \$100,000 of Referendum Market Value (RMV) by RMV/ADM Quintiles, Pay 2009 Taxes

RMV/ADM Quintile		Metro	Nonmetro
Low	High		
-	345,715	n/a	314
345,715	452,797	409	345
452,797	514,012	406	280
514,012	641,591	419	234
641,591	1,474,310	357	105
State Total		385	286

## Average Referendum Revenue / ADM by RMV/ ADM Quintile, FY 2011 – MDE Data

RMV/ADM Quintile		Metro	Nonmetro	Total
Low	High			
-	345,715	n/a	724	724
345,715	452,797	1,145	577	797
452,797	514,012	950	585	856
514,012	641,591	1,393	593	1,069
641,591	1,474,310	1,688	273	1,631
State Total		1,338	639	1,013

# Tax Burden per \$100,000 of RMV for \$700/PU and \$1,000/PU Referendum by Tax Base (RMV/PU) Level



# Regional Cost of Living Differences

## *Regional Cost of Living Differences and Education Spending – An Exploratory Analysis*

- Published by Hamline School of Business, April 2009
- Uses Comparable Wage Index, (CWI), which was developed by the National Center for Education Statistics (NCES).
- According to NCES, “The CWI is a measure of the systematic, regional variations in the salaries of college graduates who are not educators. It can be used by researchers to adjust district-level finance data at different levels in order to make better comparisons across geographic areas.”

# Regional Cost of Living Differences

## *Regional Cost of Living Differences and Education Spending – An Exploratory Analysis (Hamline Business School)*

- Two metropolitan statistical areas are above state average:
  - Twin Cities 11 county metro area (106.8% of state average)
  - Rochester area (105.5% of state average)
- Divided the referendum allowances for districts in areas with above average CWI between (1) the portion needed to adjust for cost in excess of state average, and (2) real resources available for programming.
  - \$344 /pu identified as cost differential portion of referendum for metro area districts ( 6.8% of \$5,074 formula allowance for FY 2008)
  - \$281 used for Rochester area districts
- For districts in lower cost areas, calculated additional buying power available due to lower costs

# Regional Cost of Living Differences

*Regional Cost of Living Differences and Education Spending – An Exploratory Analysis (Hamline Business School)*

Conclusions section notes caveats:

“This application is not meant to suggest any changes in funding policy on the part of the state legislature. It is meant to spur real conversations about real cost differences faced by school districts across the state.”

“It is important to note that cost of living may reflect only one of many cost differences faced by school districts or reflected in education funding formulas...”

“The state has never undertaken a rigorous analysis of real cost differences school districts must deal with on a daily basis...”

“The data in this report suggest that the state undertake serious analysis of these differences and that they be reflected in revenue made available for students.”



# Integration Studies

These studies will be reviewed at a future meeting when integration revenue is examined in depth:

- Office of the Legislative Auditor Report, November 2005
- U of MN – Institute on Race & Poverty -- Reforming the Integration Revenue Program -- Handout from legislative testimony (2009)
- Statewide Task Force on School Integration, January 2011
- MDE report, February 2011

## Other Studies

- What other studies should the working group review?