# K-12 EDUCATION

# FINANCE

# OVERVIEW

# 2006-2007

Division of Program Finance

June 2006
Revised April 2007

## TABLE OF CONTENTS

**I. Context for School Finance**

A. Legal Context ..... 1

B. Minnesota Education Finance Terms ..... 2

C. Minnesota's Public Finance System ..... 4

D. Characteristics of School Districts ..... 9

**II. K-12 Education Revenue**

A. School Revenue Trends ..... 12

B. 2004-05 Elementary Secondary Education Revenue Summary ..... 16

C. General Education Revenue by Component ..... 17

D. General Education Revenue Formulas ..... 18

**III. State Aid and Property Tax Levy Computations**

A. K-12 Education Property Tax Levy Summary ..... 24

B. Aid and Levy Computations ..... 25

# I. .CONTEXT FOR SCHOOL FINANCE

## A. Legal Context

### 1. Minnesota Constitution, Article 13, Section 1

…it is the duty of the legislature to establish a general and uniform system of public schools. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.

### 2. Minnesota Supreme Court, Skeen v. State of Minnesota, August 20, 1993

…education is a fundamental right in Minnesota. However, the current system of state educational finance satisfies that fundamental right, particularly where all plaintiff districts are provided with an adequate level of education which meets or exceeds the state's basic educational requirements and where the districts are given sufficient funding to meet their basic needs…

…our decision …requires the state to provide enough funds to ensure that each student receives an adequate education and that funds are distributed in a uniform manner…

…the State of Minnesota provides an adequate and uniform education which meets all state standards. It merely allows localities to augment this basic amount…

…the determination of education finance policy, in the absence of glaring disparities, must be a legislative decision because it involves balancing the competing interests of equality, efficiency, and limited local control…

## B. Minnesota Education Finance Terms

### 1. Fiscal Year

a. The school district fiscal year runs from July 1 through June 30. FY 2007 begins July 1, 2006 and ends June 30, 2007.

b. With certain exceptions, the property tax levy certified in 2005 for taxes payable in 2006 is recognized as revenue in FY 2007.

### 2. Pupil Accounting

a. Average Daily Membership (ADM) = The average number of pupils enrolled in the school district throughout the school year

$$= \frac{\text{Number of Pupil-Days Enrolled}}{\text{Total Days in School Year}}$$

Beginning in FY 2004, regular ADM is limited to 1.0 for each student. Students served more than full-time in a learning year program generate additional ADM, not to exceed 0.2 ADM per student, which is used only for the calculation of extended time revenue.

b. Resident Weighted ADM Pupil Units (WADM) = Resident ADM X Pupil Weight

Pupil weights by grade level are as follows:

| | |
|---|---|
| Pre-K | 1.250 |
| K-Disabled | 1.000 |
| Regular Kindergarten | .557 |
| Grades 1-3 | 1.115 |
| Grades 4-6 | 1.060 |
| Secondary (Grades 7-12) | 1.300 |

c. Adjusted Pupil Units = Resident WADM
+ WADM of nonresidents attending the district under alternative attendance programs (e.g., open enrollment)
- WADM of residents attending another district under alternative attendance programs

Beginning in FY 2000, most components of general education revenue are computed using Adjusted Marginal Cost Pupil Units (AMCPU). The exception is referendum revenue, which is computed using resident marginal cost pupil units.

d. AMCPU = Greater of:
Current Year Adjusted Pupil Units or
( .77 X Current Year Adjusted Pupil Units
+.23 X Prior Year Adjusted Pupil Units)

## 3. Tax Capacity

a. Net Tax Capacity = Estimated Market Value of Property X Class Rate

b. Class Rate = Statutory percentage applied to estimated market value to determine tax capacity

*Example class rates (Taxes Payable in 2006)*

| | |
|---|---|
| Residential Homestead | |
| (and Agricultural Homestead – house, garage and one acre) | |
| First $500,000 | 1.00% |
| Remainder | 1.25% |
| Remainder of Agricultural Land and Buildings (homestead) | |
| First $600,000 | 0.55% |
| Over $600,000 | 1.00% |
| Agricultural Land and Buildings (nonhomestead) | 1.00% |
| Commercial and Industrial | |
| First $150,000 | 1.50% |
| Remainder | 2.00% |
| Seasonal Recreational Residential | |
| First $500,000 | 1.00% |
| Remainder | 1.25% |

c. Sales Ratio = $\frac{\text{Estimated Market Value}}{\text{Actual Sales Price}}$

(Computed by State Revenue Department based on comparison of assessor's estimates of market values with actual sales prices.)

d. Adjusted Net Tax Capacity = $\frac{\text{Net Tax Capacity}}{\text{Sales Ratio}}$

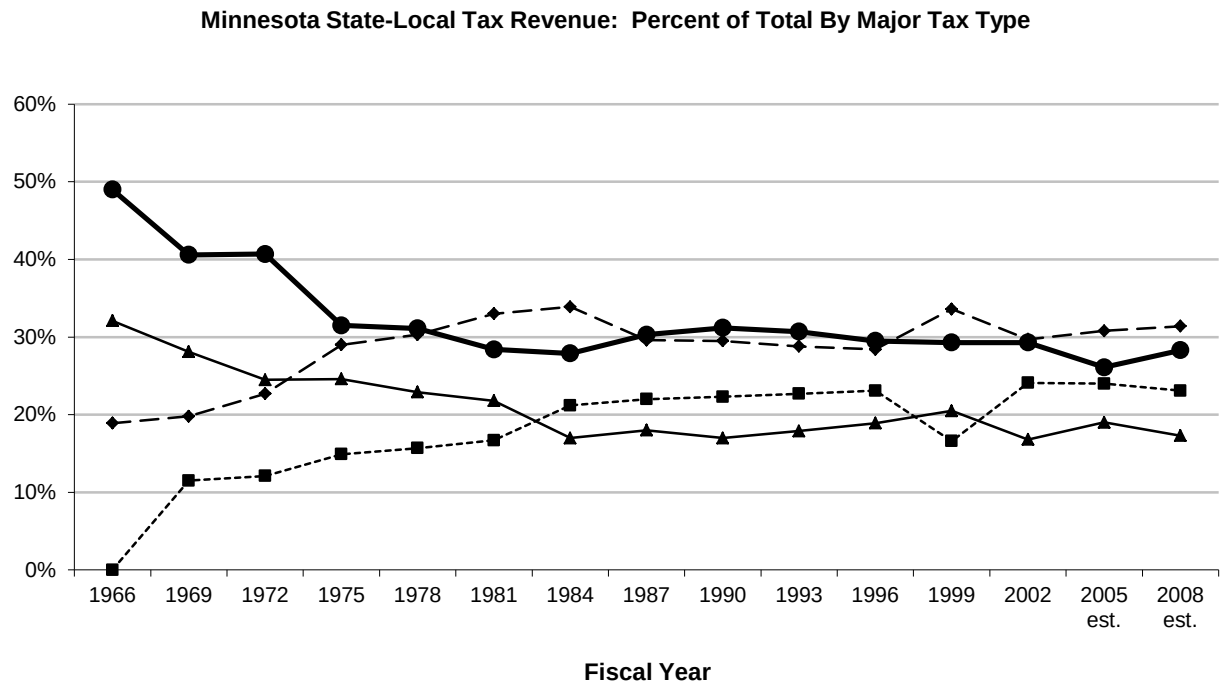
## 4. Referendum Market Value

Referendum market value, used only for operating referendum, transition and equity levy calculations, equals the estimated market value of property, excluding the following property classes:

- Agricultural Land and Buildings
  *(Note: house, garage, and one acre are not exempt)*
- Seasonal Recreational Residential

## C. Minnesota Public Finance System

### 1. Combined State and Local Tax Revenues




| Fiscal Year | Income Tax | Sales & MVET | Property** | Other* |
|---|---|---|---|---|
| 1966 | 18.9% | 0.0% | 49.0% | 32.1% |
| 1969 | 19.8% | 11.5% | 40.6% | 28.1% |
| 1972 | 22.7% | 12.1% | 40.7% | 24.5% |
| 1975 | 29.0% | 14.9% | 31.5% | 24.6% |
| 1978 | 30.3% | 15.7% | 31.1% | 22.9% |
| 1981 | 33.0% | 16.7% | 28.4% | 21.8% |
| 1984 | 33.9% | 21.2% | 27.9% | 17.0% |
| 1987 | 29.6% | 22.0% | 30.3% | 18.0% |
| 1990 | 29.5% | 22.3% | 31.2% | 17.0% |
| 1993 | 28.8% | 22.7% | 30.7% | 17.9% |
| 1996 | 28.4% | 23.1% | 29.5% | 18.9% |
| 1999 | 33.6% | 16.6% | 29.3% | 20.5% |
| 2002 | 29.7% | 24.1% | 29.3% | 16.8% |
| 2005 est. | 30.8% | 24.0% | 26.1% | 19.0% |
| 2008 est. | 31.4% | 23.1% | 28.3% | 17.3% |

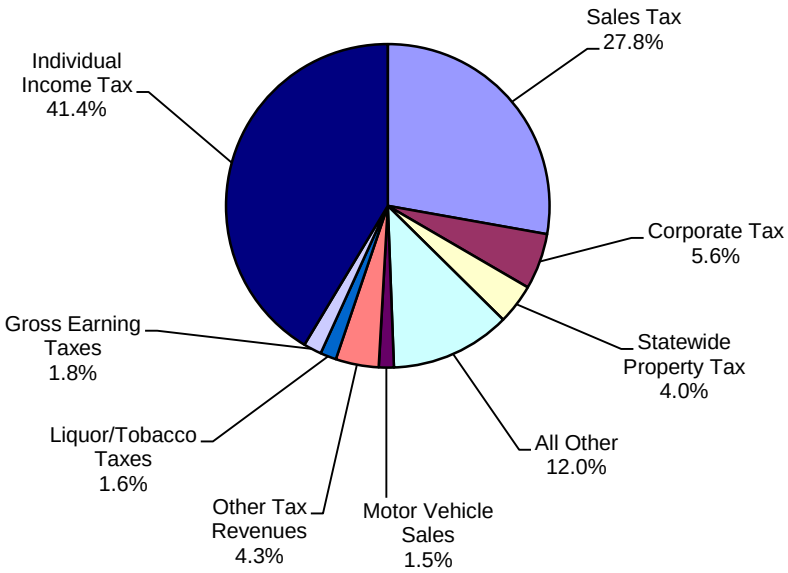
* Other includes taconite production, gross earnings on utility companies, tobacco, liquor, motor fuels, estate, vehicle registration, insurance premiums, etc.

** Before Property Tax Refund

Source: Department of Revenue, Price of Government Data, February 2006 Forecast

## 2. Where the General Fund Dollars Come From – End of 2006 Legislative Session

**2006-07 Biennium - $32,725 Million**

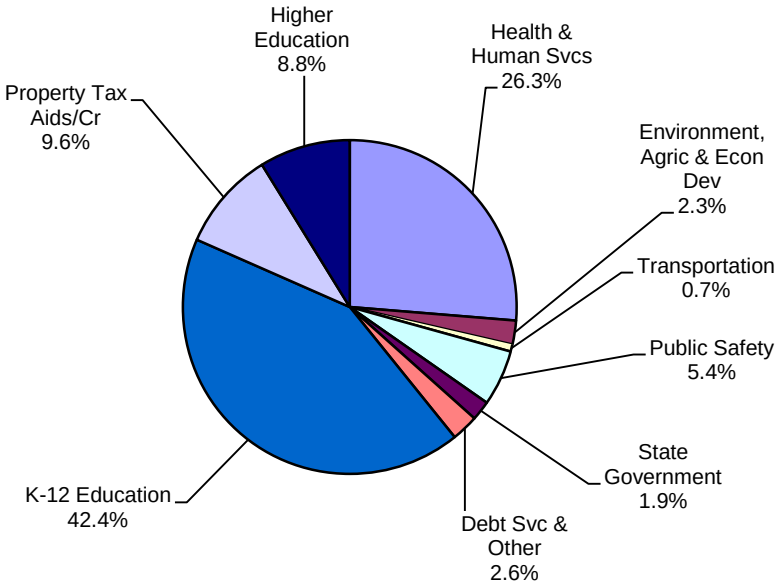



| | $ in Millions |
|---|---|
| **Balance Forward 6-30-05** | **$ 1,393** |
| Non-Dedicated Revenues: | |
| Individual Income Tax | 13,553 |
| Sales Tax | 9,092 |
| Corporate Tax | 1,839 |
| Statewide Property Tax | 1,294 |
| Motor Vehicle Sales Tax | 504 |
| Gross Earnings Taxes | 587 |
| Liquor, Wine, Beer Taxes | 140 |
| Cigarette and Tobacco Taxes | 381 |
| Other Tax Revenues | 1,414 |
| All Other Revenues | 1,571 |
| Subtotal Non-Dedicated Revenues | 30,374 |
| Dedicated Revenue | 121 |
| Transfers from Other Funds | 787 |
| Prior Year Adjustments | 50 |
| SUBTOTAL CURRENT RESOURCES | 31,332 |
| **TOTAL AVAILABLE RESOURCES – FY 2006-07** | **$ 32,725** |
| Less: Estimated Expenditures | 31,612 |
| Cash Flow Account | 350 |
| Budget Reserve | 653 |
| Tax Relief Account | 110 |
| Projected General Fund Balance 6-30-07 | |
| End of 2006 Legislative Session | $ 0 |

Source: Department of Finance – June 12, 2006

## 3. Where the General Fund Dollars Go – End of 2006 Legislative Session

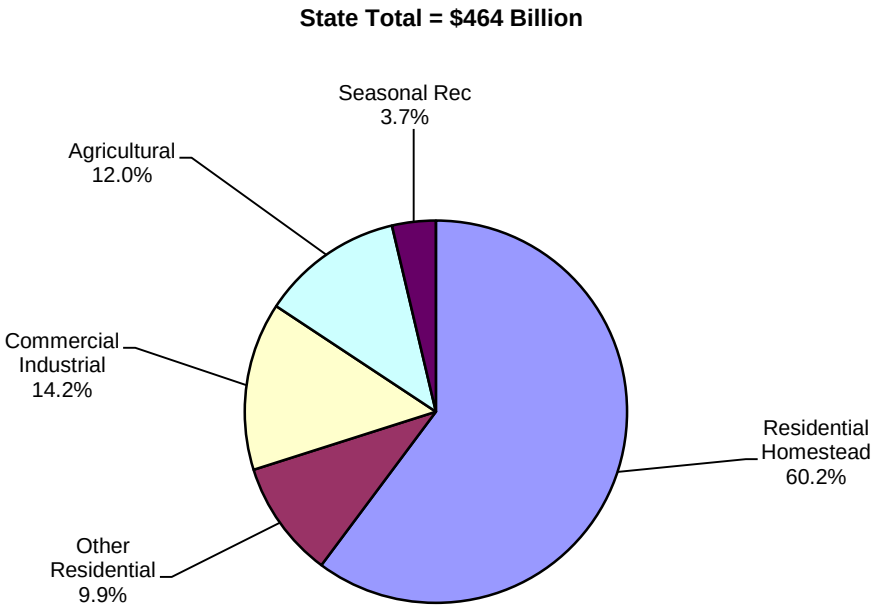
**2006-07 Biennium - $31,612 Million Spending**
**$350 Million Cash Flow Account**
**$653 Million Budget Reserve**
**$110 Million Tax Relief Account**




| | $ in Millions |
|---|---|
| **Total Available Resources – FY 2006-07** | **$ 32,725** |
| Major Spending Items: | |
| K-12 Education | 12,779 |
| Property Tax Recog/Payment Change | 609 |
| Property Tax Aids & Credits | 3,034 |
| Higher Education | 2,766 |
| Health & Human Services | 8,316 |
| Environment, Agric & Economic Dev | 741 |
| Transportation | 206 |
| Public Safety | 1,710 |
| State Government | 615 |
| Debt Service | 765 |
| Estimated Cancellations | (23) |
| Subtotal – Major Spending Items | 31,520 |
| Dedicated Expenditures | 92 |
| **TOTAL ESTIMATED EXPENDITURES – FY 2005-07** | **$ 31,612** |
| Cash Flow Account | 350 |
| Budget Reserve | 653 |
| Tax Relief Account | 110 |
| Projected General Fund Balance 6-30-07 End of 2005 Legislative Sessions | $ 0 |

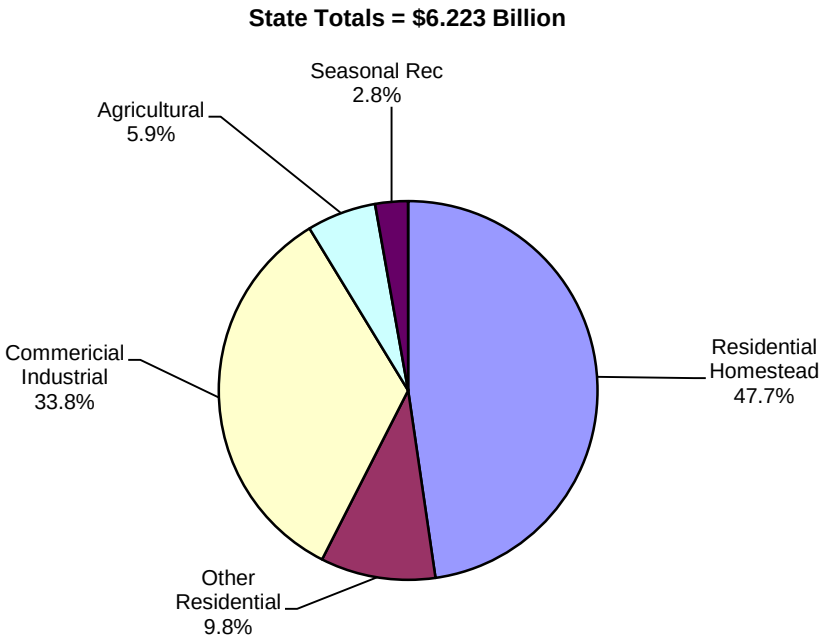
Source: Department of Finance – June 12, 2006

## 4. Payable 2006 Market Value by Use Class



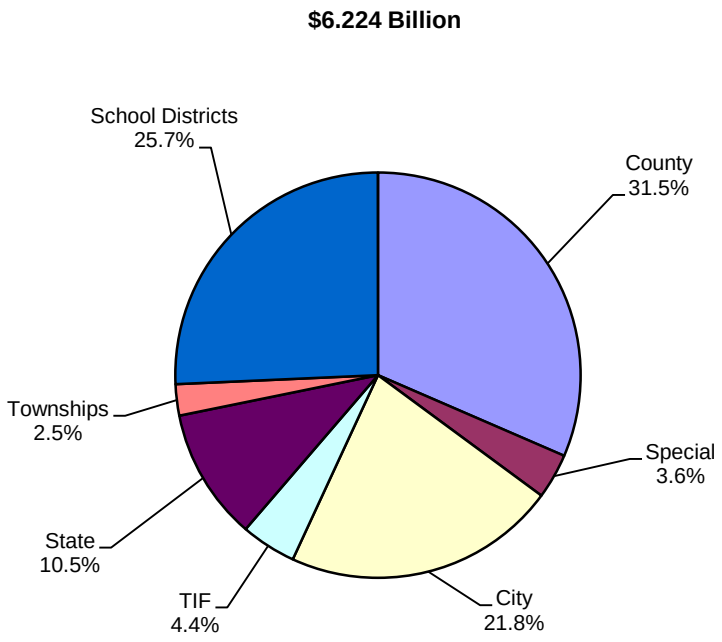

Source: House Research Department

## 5. Payable 2006 Net Property Tax by Use Class

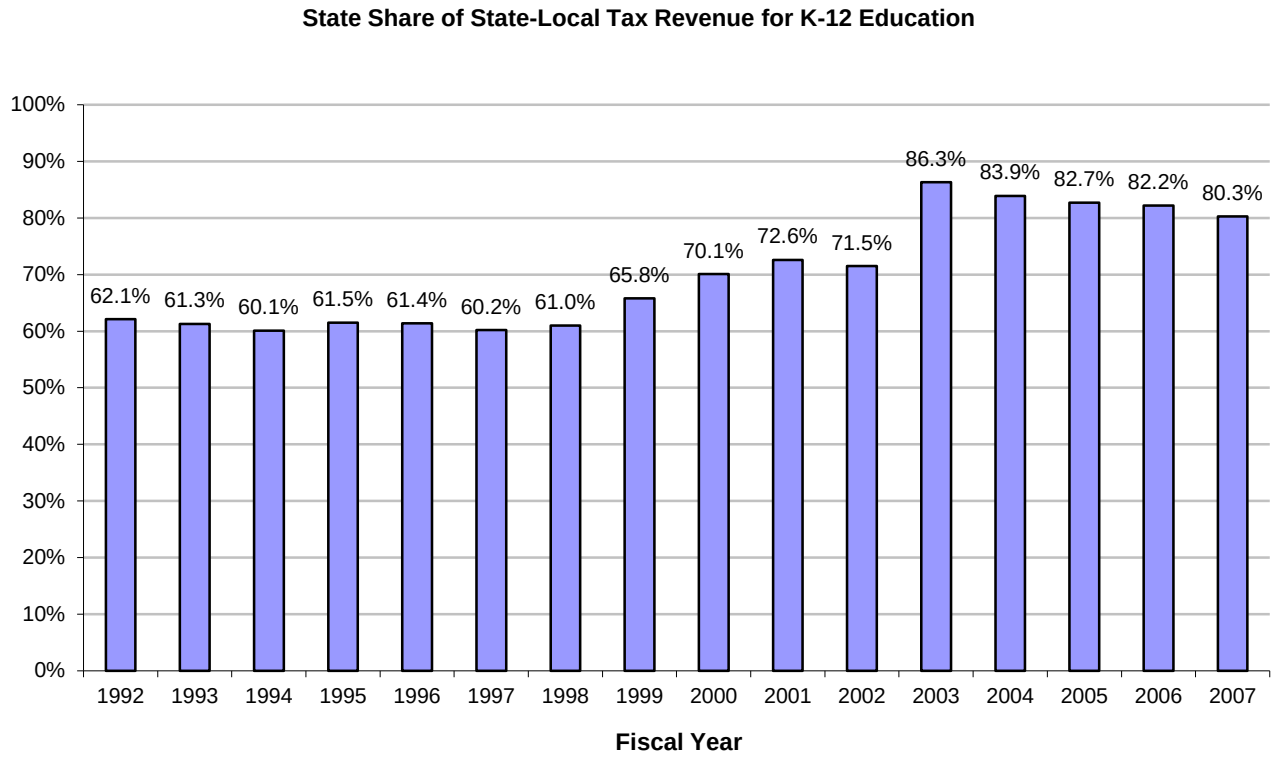



Source: House Research Department

## 6. Payable 2006 Property Tax Levy by Type of Government After Credits




Source: House Research Department



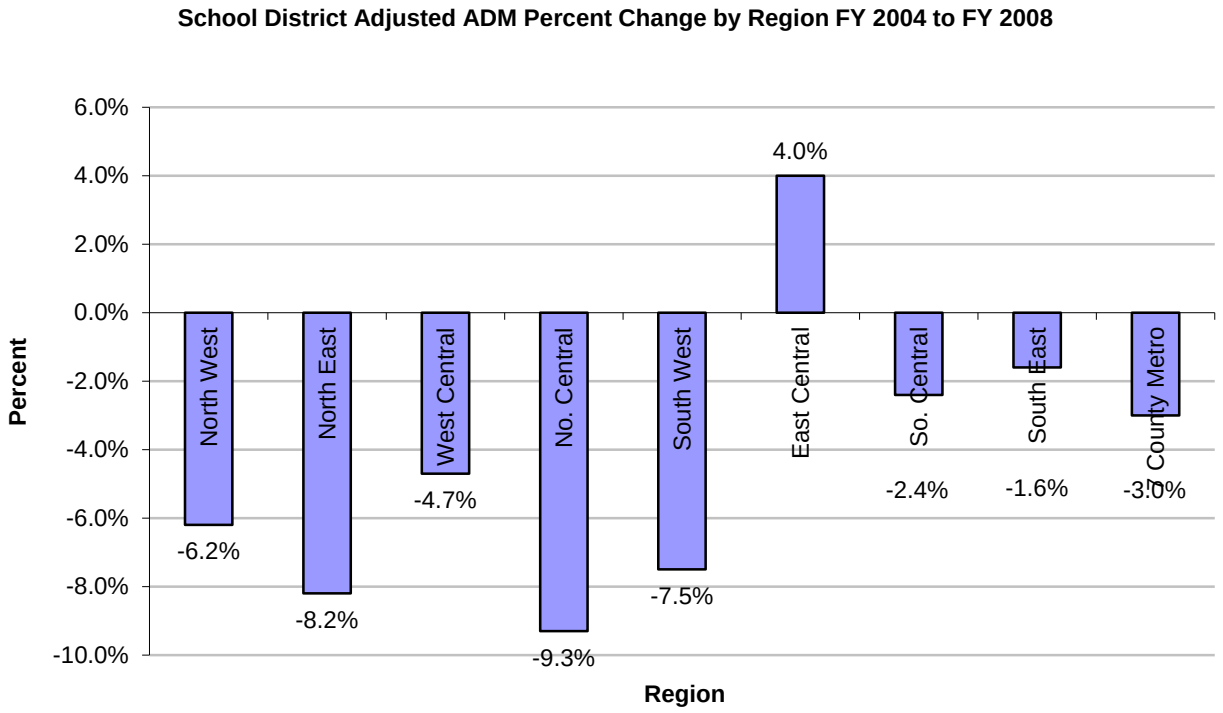

Source: MDE, Price of Government Data, February 2006 Forecast

## D. Characteristics of School Districts

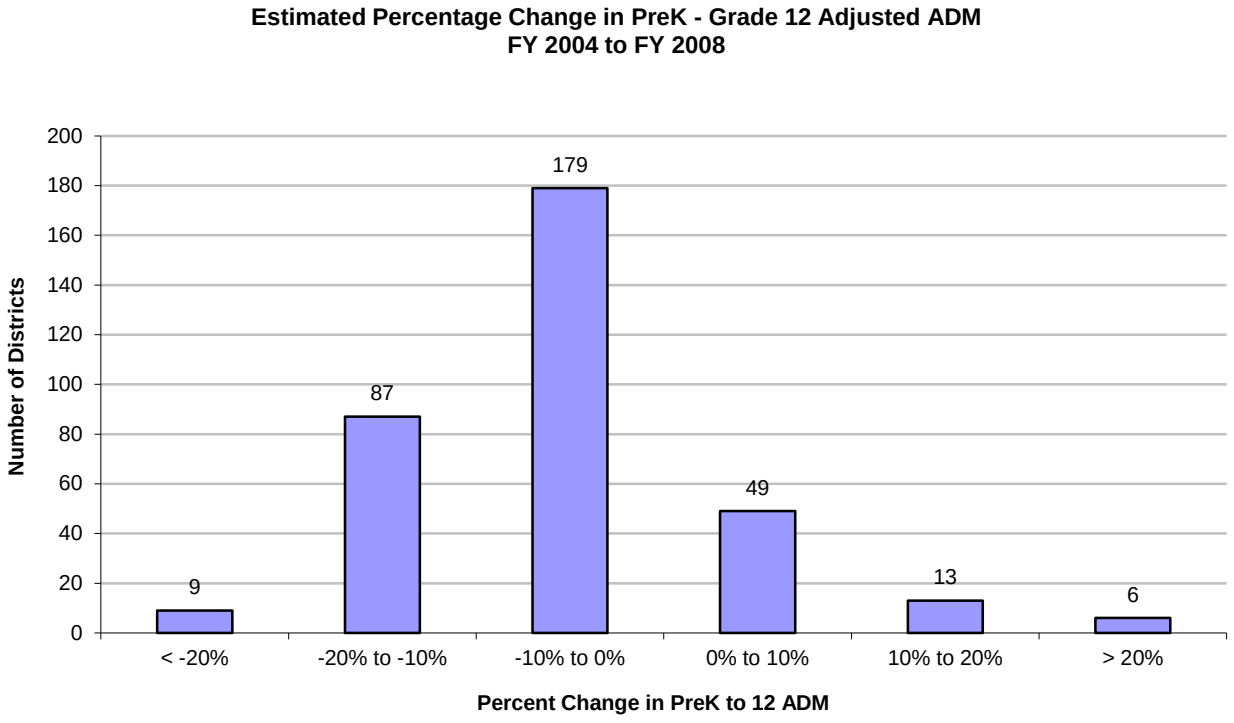
Number of School Districts by Adjusted 2004-05 Average Daily Membership Group

| ADM Group | No. of Districts | Total ADM | % of Total ADM |
|---|---|---|---|
| 0-299 | 41 | 7,270 | 0.9% |
| 300-999 | 140 | 85,520 | 10.6% |
| 1,000-2,999 | 98 | 159,128 | 19.8% |
| 3,000-9,999 | 48 | 249,675 | 31.1% |
| 10,000 + | 16 | 301,711 | 37.6% |
| **Total** | 343 | 803,304 | 100.0% |

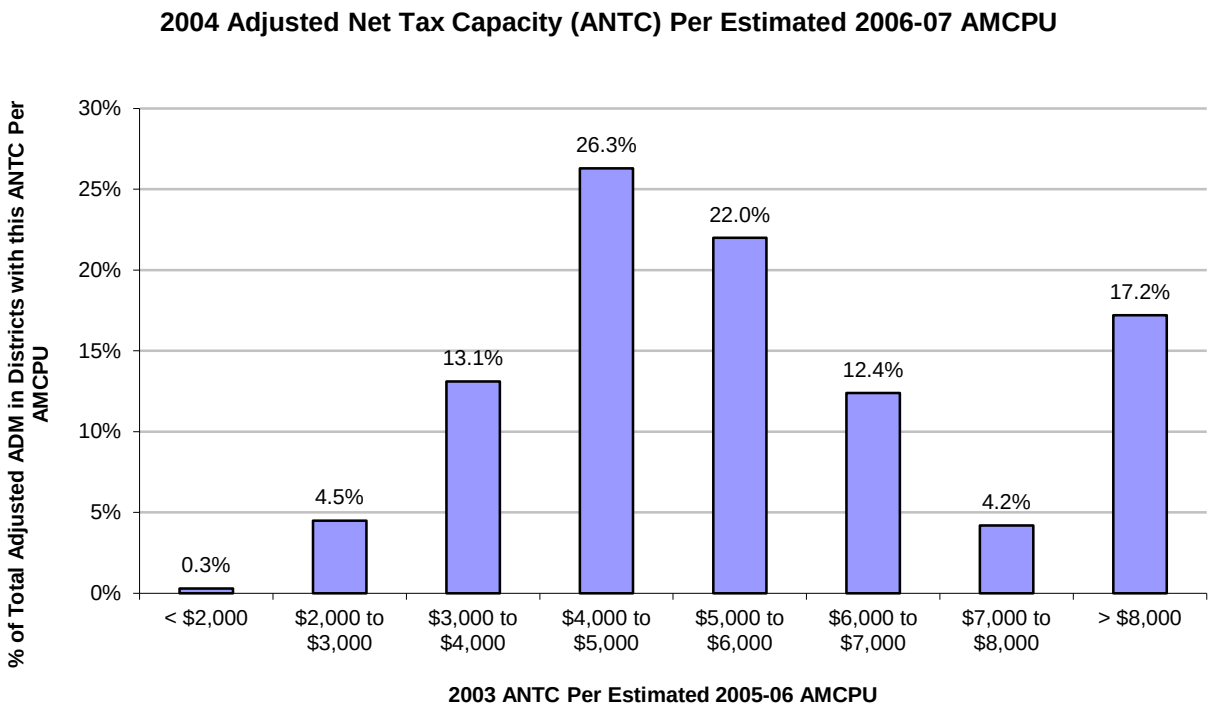
Source: MDE, FY 2005 Final MARSS Data
Note: Excludes Charter Schools




Source: MDE, Program Finance Division, February 2006 Forecast Data
Note: Excludes Charter Schools

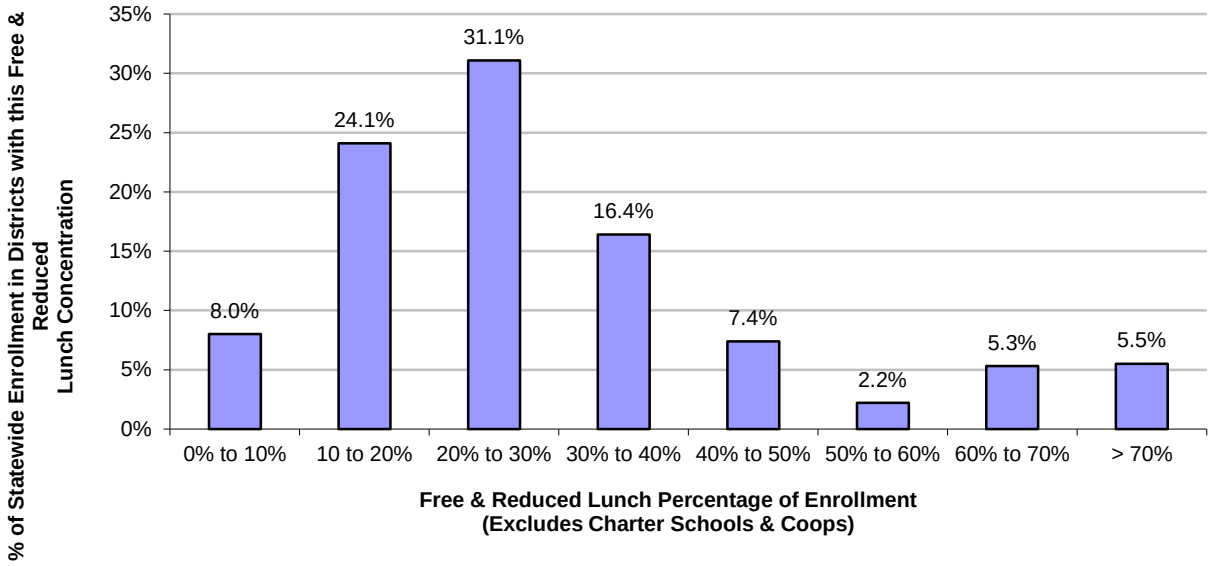



ADM capped at 1.0
Excludes Charter Schools
Source: MDE, February 2006 Forecast Data

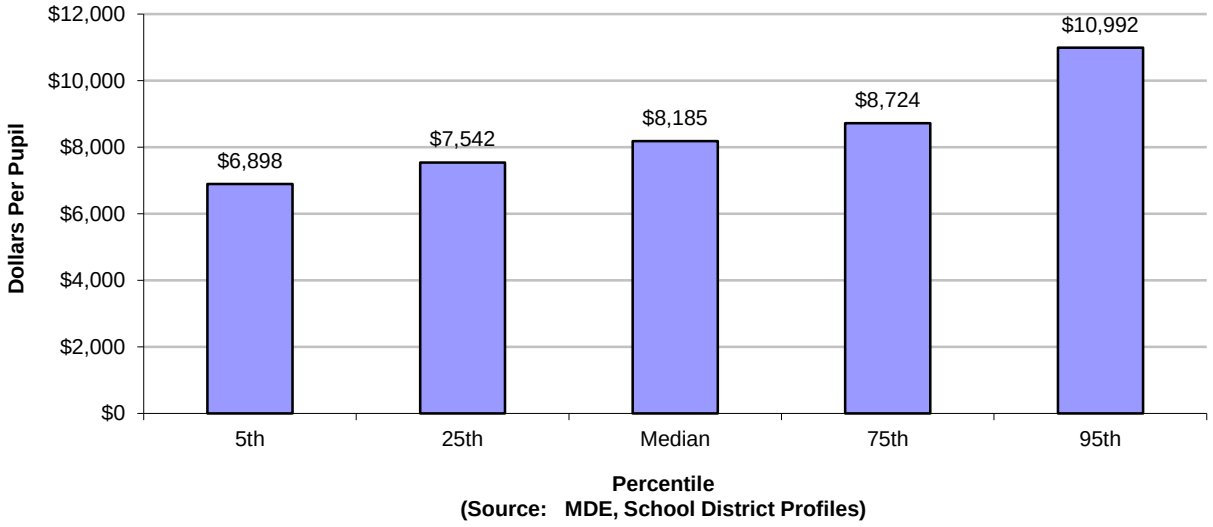



Source: MDE, February 2006 Forecast Data

**Percentage of Statewide Enrollment by Free and Reduced Lunch Concentration of District October 2005**




**Fiscal Year 2004 PK - 12 Operating Expenditures Per Average Daily Membership**



March 2006
February 2006 Forecast Data

## School District General Fund Revenue – FY 1991-2007*
## (State Aids and Property Taxes including Operating Referendum Revenue)

| | Total $ in Millions | | | Pupils | ---- Current Dollars Per Pupil ---- | | | ---- CPI Factors ---- | | | -- Constant (2006) Dollars Per Pupil** -- | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | State Aids**** | Net Levy | Total Revenue | Unweighted ADM*** 1.0 Limit | Revenue Per ADM Current $ | Annual Percent Increase | Cumulative Percent Increase | CPI-U (1984=1.0) | CPI-U (2006=1.0) | Annual Percent Increase | Revenue Per ADM (2006 $) | Annual Percent Increase | Cumulative Percent Increase |
| 1991 | 2,383.9 | 1,195.8 | 3,579.7 | 742,740 | 4,767 | n/a | n/a | 1.3391 | 0.6754 | | 7,059 | n/a | n/a |
| 1992 | 2,401.6 | 1,353.1 | 3,754.7 | 759,479 | 4,890 | 2.6% | 2.6% | 1.3818 | 0.6969 | 3.2% | 7,017 | -0.6% | -0.6% |
| 1993 | 2,459.2 | 1,474.4 | 3,933.6 | 776,578 | 5,010 | 2.5% | 5.1% | 1.4250 | 0.7187 | 3.1% | 6,972 | -0.6% | -1.2% |
| 1994 | 2,569.1 | 1,605.0 | 4,174.1 | 790,637 | 5,279 | 5.4% | 10.7% | 1.4624 | 0.7375 | 2.6% | 7,158 | 2.7% | 1.4% |
| 1995 | 2,856.9 | 1,632.9 | 4,489.8 | 803,789 | 5,586 | 5.8% | 17.2% | 1.5041 | 0.7586 | 2.9% | 7,364 | 2.9% | 4.3% |
| 1996 | 2,983.4 | 1,720.6 | 4,704.0 | 818,633 | 5,746 | 2.9% | 20.5% | 1.5451 | 0.7793 | 2.7% | 7,374 | 0.1% | 4.5% |
| 1997 | 3,009.4 | 1,793.6 | 4,803.0 | 829,265 | 5,792 | 0.8% | 21.5% | 1.5890 | 0.8014 | 2.8% | 7,227 | -2.0% | 2.4% |
| 1998 | 3,248.7 | 1,824.0 | 5,072.7 | 835,972 | 6,068 | 4.8% | 27.3% | 1.6175 | 0.8158 | 1.8% | 7,438 | 2.9% | 5.4% |
| 1999 | 3,714.4 | 1,573.1 | 5,287.5 | 842,513 | 6,276 | 3.4% | 31.6% | 1.6455 | 0.8299 | 1.7% | 7,562 | 1.7% | 7.1% |
| 2000 | 4,180.4 | 1,428.2 | 5,608.6 | 843,449 | 6,650 | 6.0% | 39.5% | 1.6929 | 0.8538 | 2.9% | 7,788 | 3.0% | 10.3% |
| 2001 | 4,607.4 | 1,340.3 | 5,947.7 | 842,764 | 7,057 | 6.1% | 48.0% | 1.7510 | 0.8831 | 3.4% | 7,992 | 2.6% | 13.2% |
| 2002 | 4,685.3 | 1,397.7 | 6,083.0 | 839,424 | 7,247 | 2.7% | 52.0% | 1.7817 | 0.8986 | 1.8% | 8,065 | 0.9% | 14.2% |
| 2003 | 5,985.2 | 466.7 | 6,451.9 | 836,579 | 7,712 | 6.4% | 61.8% | 1.8211 | 0.9184 | 2.2% | 8,397 | 4.1% | 19.0% |
| 2004 | 5,946.3 | 607.7 | 6,554.0 | 829,832 | 7,898 | 2.4% | 65.7% | 1.8609 | 0.9385 | 2.2% | 8,415 | 0.2% | 19.2% |
| 2005 | 5,913.8 | 689.4 | 6,603.2 | 825,843 | 7,996 | 1.2% | 67.7% | 1.9168 | 0.9667 | 3.0% | 8,271 | -1.7% | 17.2% |
| 2006 | 6,139.6 | 730.7 | 6,870.3 | 826,117 | 8,316 | 4.0% | 74.4% | 1.9828 | 1.0000 | 3.4% | 8,316 | 0.5% | 17.8% |
| 2007 | 6,351.6 | 924.0 | 7,275.6 | 823,987 | 8,830 | 6.2% | 85.2% | 2.0181 | 1.0178 | 1.8% | 8,675 | 4.3% | 22.9% |

* Based on current UFARS definition of general fund, which includes transportation and capital expenditures. Community service, debt service, and food service funds are excluded. Federal aids and local non-tax revenues also excluded.

** Adjusted for inflation using Consumer Price Index; inflation adjustment factors are consistent with February 2006 Forecast.

*** For purposes of this analysis, ADMs are shown at the current law level, with a cap of 1.0 ADM per student. For years prior to 2002, it is assumed that the same ratio of capped ADM to uncapped ADM applies as in FY 2002 (earliest year of actual data).

**** Includes education aids and state paid tax credits, shown on 100% of annual entitlement basis – reflects school district revenue recognition.

Source: MDE, Division of Program Finance, District Revenue Tables, February 2006 Forecast Data

Estimated General Education and Major Categorical Revenues
State Aid and Property Taxes
FY 2002 to FY 2007
State Totals

| | REVENUES PER ADJUSTED ADM (CAP = 1.0) | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|---|---|---|---|
| 1 | ADJUSTED ADM (CAP = 1.0) | 833,349 | 829,220 | 824,475 | 820,425 | 820,698 | 818,569 |
| 2 | BASIC | $ 4,783 | $ 5,415 | $ 5,341 | $ 5,345 | $ 5,550 | $ 5,768 |
| 3 | EXTENDED TIME | 0 | 0 | 61 | 64 | 66 | 68 |
| 4 | COMPENSATORY | 265 | 317 | 302 | 323 | 357 | 387 |
| 5 | LEP TOTAL | 54 | 56 | 44 | 45 | 47 | 47 |
| 6 | TRAINING & EXPERERIENCE | 37 | 30 | 23 | 16 | 10 | 6 |
| 7 | SPARSITY | 17 | 20 | 21 | 21 | 23 | 24 |
| 8 | TRANSPORTATION SPARSITY | 60 | 68 | 68 | 68 | 70 | 73 |
| 9 | OPERATING CAPITAL | 239 | 239 | 236 | 236 | 236 | 236 |
| 10 | EQUITY | 43 | 42 | 39 | 51 | 61 | 116 |
| 11 | GIFTED & TALENTED | 0 | 0 | 0 | 0 | 5 | 10 |
| 12 | Q COMP REVENUE | 0 | 0 | 0 | 0 | 20 | 115 |
| 13 | TRANSITION | 37 | 0 | 39 | 38 | 38 | 37 |
| 14 | LATE RATIFICATION | 0 | 0 | 0 | 0 | 0 | 0 |
| 15 | PENSION ADJUSTMENT | -56 | -56 | -57 | -57 | -57 | -58 |
| 16 | OPTIONS ADJ: REFERENDUM AID | -1 | -1 | -1 | -1 | -2 | -1 |
| 17 | OPTIONS ADJ: CHARTER TRANSPORT | 0 | 0 | 0 | 0 | 0 | 0 |
| 18 | REFERENDUM | 658 | 352 | 517 | 615 | 650 | 730 |
| 19 | GENERAL ED TOTAL = SUM OF (2) TO (18) = | $ 6,137 | $ 6,482 | $ 6,632 | $ 6,763 | $ 7,073 | $ 7,557 |
| 20 | REVENUE CHANGE FROM PRIOR YEAR | N/A | 345 | 150 | 131 | 309 | 484 |
| 21 | PERCENT CHANGE FROM PRIOR YEAR | N/A | 5.6% | 2.3% | 2.0% | 4.6% | 6.8% |
| 22 | SPECIAL ED REGULAR | $ 612 | $ 640 | $ 644 | $ 645 | $ 645 | $ 645 |
| 23 | SPECIAL ED EXCESS | 109 | 111 | 112 | 112 | 126 | 128 |
| 24 | SPEC ED CROSS SUBSIDY | 0 | 0 | 6 | 13 | 0 | 0 |
| 25 | SPECIAL ED TOTAL = (22) + (23) + (24) = | $ 721 | $ 751 | $ 761 | $ 770 | $ 771 | $ 773 |
| 26 | REVENUE CHANGE FROM PRIOR YEAR | N/A | 30 | 10 | 9 | 1 | 2 |
| 27 | PERCENT CHANGE FROM PRIOR YEAR | N/A | 4.2% | 1.3% | 1.1% | 0.2% | 0.2% |
| 28 | CAREER TECHNICAL | 15 | 16 | 16 | 0 | 0 | 0 |
| 29 | INTEGRATION | 97 | 94 | 95 | 95 | 98 | 102 |
| 30 | ALTERNATIVE FACILITIES | 95 | 122 | 129 | 146 | 164 | 182 |
| | MISCELLANEOUS LEVIES | | | | | | |
| 31 | REEMPLOYMENT | 3 | 5 | 10 | 4 | 4 | 12 |
| 32 | SAFE SCHOOLS | 12 | 12 | 34 | 30 | 30 | 30 |
| 33 | ICE ARENA | 1 | 1 | 1 | 1 | 1 | 1 |
| 34 | SEVERANCE | 2 | 2 | 2 | 2 | 2 | 2 |
| 35 | SWIMMING POOL | 0 | 0 | 0 | 1 | 1 | 1 |
| 36 | LOST INTEREST | 0 | 2 | 2 | 3 | 3 | 3 |
| 37 | TREE GROWTH | 0 | 0 | 1 | 1 | 1 | 1 |
| 38 | OTHER GENERAL | 0 | 0 | 0 | 1 | 0 | 0 |
| 39 | BUILDING/LAND LEASES | 41 | 49 | 50 | 46 | 44 | 51 |
| 40 | OTHER CAPITAL | 0 | 1 | 0 | 0 | 0 | 0 |
| 41 | TOTAL MISCELLANEOUS LEVIES | $ 59 | $ 72 | $ 101 | $ 88 | $ 85 | $ 100 |
| 42 | TOTAL LISTED REVENUE ABOVE = (19) + (25) + (28) + (29) + (30) + (41) = | $ 7,124 | $ 7,537 | $ 7,735 | $ 7,862 | $ 8,192 | $ 8,715 |
| 43 | REVENUE CHANGE FROM PRIOR YEAR | N/A | 413 | 198 | 127 | 330 | 523 |
| 44 | PERCENT CHANGE FROM PRIOR YEAR | N/A | 5.8% | 2.6% | 1.6% | 4.2% | 6.4% |

February 2006 Forecast Calculations

Estimated General Education and Major Categorical Revenues
State Aid and Property Taxes
FY 2002 to FY 2007
State Totals

| | REVENUES | FY 2002 | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 |
|---|---|---|---|---|---|---|---|
| 1 | ADJUSTED ADM (CAP = 1.0) | 833,349 | 829,220 | 824,475 | 820,425 | 820,698 | 816,569 |
| 2 | BASIC | $ 3,986,157,128 | $ 4,490,104,858 | $ 4,403,575,277 | $ 4,384,973,848 | $ 4,555,002,187 | $ 4,721,335,632 |
| 3 | EXTENDED TIME | 0 | 0 | 50,351,550 | 52,327,357 | 54,046,752 | 55,819,980 |
| 4 | COMPENSATORY | 220,929,302 | 262,543,865 | 249,146,954 | 265,074,503 | 292,720,031 | 316,431,399 |
| 5 | LEP TOTAL | 44,711,632 | 46,636,335 | 36,095,471 | 36,912,006 | 38,349,237 | 38,423,420 |
| 6 | TRAINING & EXPERIENCE | 30,735,382 | 25,114,611 | 18,869,558 | 12,876,817 | 8,214,148 | 4,781,448 |
| 7 | SPARSITY | 14,098,235 | 16,471,673 | 16,909,578 | 17,548,649 | 18,546,708 | 19,653,402 |
| 8 | TRANSPORTATION SPARSITY | 50,306,669 | 56,478,387 | 55,913,098 | 55,511,193 | 57,783,927 | 59,749,530 |
| 9 | OPERATING CAPITAL | 199,151,411 | 198,440,390 | 194,217,096 | 193,697,082 | 193,862,872 | 193,155,204 |
| 10 | EQUITY | 36,068,879 | 34,642,870 | 32,112,369 | 41,731,237 | 50,258,291 | 94,605,125 |
| 11 | GIFTED & TALENTED | 0 | 0 | 0 | 0 | 3,809,326 | 8,542,830 |
| 12 | Q COMP | 0 | 0 | 0 | 0 | 16,379,790 | 93,752,614 |
| 13 | TRANSITION | 30,998,933 | 0 | 31,986,524 | 31,326,609 | 31,127,078 | 30,542,483 |
| 14 | LATE RATIFICATION | 0 | 0 | 0 | 0 | -337,237 | 0 |
| 15 | PENSION ADJUSTMENT | -46,453,550 | -46,569,939 | -46,686,660 | -46,733,667 | -46,921,404 | -47,095,797 |
| 16 | OPTS ADJ: REFERENDUM AID | -592,796 | -461,981 | -679,856 | -1,089,964 | -1,260,612 | -968,813 |
| 17 | OPTS ADJ: CHARTER TRANSP | 53,777 | -1,039 | 1,059 | 0 | -565 | 542 |
| 18 | REFERENDUM | 548,176,785 | 291,707,317 | 426,336,542 | 504,721,085 | 533,052,289 | 597,399,012 |
| 19 | GENERAL ED TOTAL = SUM OF (2) TO (18) = | $ 5,114,341,788 | $ 5,375,107,347 | $ 5,468,148,558 | $ 5,548,876,756 | $ 5,804,632,818 | $ 6,186,128,011 |
| 20 | REV CHANGE FROM PRIOR YR | N/A | 260,765,560 | 93,041,211 | 80,728,198 | 255,756,062 | 381,495,193 |
| 21 | % CHANGE FROM PRIOR YR | N/A | 5.1% | 1.7% | 1.5% | 4.6% | 6.6% |
| | GENED TOTAL EXCLUDE TRA | 5,160,795,338 | 5,421,677,287 | 5,514,835,218 | 5,595,610,423 | 5,851,554,222 | 6,233,223,809 |
| 22 | SPECIAL ED REGULAR | $ 510,363,230 | $ 530,903,000 | $ 530,642,000 | $ 529,108,290 | $ 529,341,000 | $ 527,968,000 |
| 23 | SPECIAL ED EXCESS | 90,805,000 | 92,112,000 | 92,067,000 | 91,661,000 | 103,600,000 | 104,700,000 |
| 24 | SPEC ED CROSS SUBSIDY | 0 | 0 | 5,000,000 | 11,000,000 | 0 | 0 |
| 25 | SPECIAL ED TOTAL = (22) + (23) + (24) = | $ 601,168,230 | $ 623,015,000 | $ 627,709,000 | $ 631,769,290 | $ 632,941,000 | $ 632,668,000 |
| 26 | REV CHANGE FROM PRIOR YR | N/A | 21,846,770 | 4,694,000 | 4,060,290 | 1,171,710 | -273,000 |
| 27 | % CHANGE FROM PRIOR YR | N/A | 3.6% | 0.8% | 0.6% | 0.2% | 0.0% |
| 28 | CAREER TECHNICAL | 12,613,930 | 13,182,507 | 13,182,507 | 0 | 0 | 0 |
| 29 | INTEGRATION | 80,821,408 | 77,552,564 | 78,165,527 | 77,583,792 | 80,756,181 | 83,694,422 |
| 30 | ALTERNATIVE FACILITIES | 79,051,888 | 101,476,734 | 106,159,851 | 119,536,246 | 134,762,321 | 149,356,262 |
| | MISCELLANEOUS LEVIES | | | | | | |
| 31 | REEMPLOYMENT | 2,234,658 | 3,925,853 | 8,506,056 | 3,343,221 | 3,231,502 | 9,533,212 |
| 32 | SAFE SCHOOLS | 10,066,658 | 10,121,009 | 28,036,554 | 24,753,903 | 24,596,888 | 24,534,300 |
| 33 | ICE ARENA | 608,366 | 751,386 | 840,116 | 812,731 | 819,522 | 972,835 |
| 34 | SEVERANCE | 1,856,606 | 1,299,345 | 1,283,515 | 1,557,266 | 1,520,586 | 1,434,580 |
| 35 | SWIMMING POOL | 0 | 411,656 | 383,435 | 424,237 | 457,040 | 508,503 |
| 36 | LOST INTEREST | 0 | 1,962,991 | 2,049,550 | 2,204,082 | 2,170,652 | 2,249,918 |
| 37 | TREE GROWTH | 0 | 0 | 694,934 | 694,934 | 694,934 | 694,934 |
| 38 | OTHER GENERAL | 173,698 | 135,246 | 342,081 | 431,994 | 316,430 | 123,157 |
| 39 | BUILDING/LAND LEASES | 33,925,223 | 40,416,146 | 41,446,373 | 37,833,909 | 36,287,941 | 41,572,662 |
| 40 | OTHER CAPITAL | 27,200 | 439,000 | 39,000 | 39,000 | 39,000 | 56,012 |
| 41 | TOTAL MISC. LEVIES | $ 48,892,409 | $ 59,462,631 | $ 83,621,615 | $ 72,095,277 | $ 70,134,494 | $ 81,680,113 |
| 42 | TOTAL LISTED REVENUE = (19)+(25)+(28)+(29)+(30)+(41) = | $ 5,936,889,654 | $ 6,249,796,783 | $ 6,376,987,057 | $ 6,449,861,360 | $ 6,723,226,813 | $ 7,133,526,809 |
| 43 | REV CHANGE FROM PRIOR YR | N/A | 312,907,130 | 127,190,274 | 72,874,303 | 273,365,453 | 410,299,996 |
| 44 | % CHANGE FROM PRIOR YR | N/A | 5.3% | 2.0% | 1.1% | 4.2% | 6.1% |

February 2006 Forecast Calculations

## CURRENT EXPENDITURE PER PUPIL IN FALL ENROLLMENT

Minnesota vs. U.S. Average

| Fiscal Year | U.S. | Minnesota | Minnesota Rank | Minnesota Percent of U.S. |
|---|---|---|---|---|
| 1970 | $ 751 | $ 855 | 5 | 113.8% |
| 1975 | 1,257 | 1,407 | 6 | 111.9% |
| 1980 | 2,088 | 2,296 | 12 | 110.0% |
| 1985 | 3,222 | 3,508 | 12 | 108.9% |
| 1990 | 4,643 | 4,698 | 17 | 101.2% |
| 1991 | 4,902 | 4,946 | 17 | 100.9% |
| 1992 | 5,023 | 5,089 | 18 | 101.3% |
| 1993 | 5,160 | 5,210 | 20 | 101.0% |
| 1994 | 5,327 | 5,342 | 18 | 100.3% |
| 1995 | 5,529 | 5,626 | 17 | 101.8% |
| 1996 | 5,689 | 5,801 | 16 | 102.0% |
| 1997 | 5,923 | 6,005 | 16 | 101.4% |
| 1998 | 6,189 | 6,388 | 15 | 103.2% |
| 1999 | 6,508 | 6,791 | 16 | 104.3% |
| 2000 | 6,911 | 7,190 | 16 | 104.0% |
| 2001 | 7,376 | 7,645 | 15 | 103.6% |
| 2002 | 7,734 | 7,736 | 20 | 100.0% |
| 2003 | 8,041 | 8,109 | 19 | 100.8% |
| 2004 | 8,310 | 8,405 | 22 | 101.1% |
| 2005 | 8,701 | 8,718 | 23 | 100.2% |

SOURCES: U.S. Department of Education, National Center for Education Statistics, *State Comparisons of Education Statistics: 1969-70 to 1996-97, Table 41, Digest of Education Statistics, 1999, Table 172, Revenues and Expenditures for Elementary and Secondary Education: School Year 1997-98 through 2002-03 editions, Table 5; Current Expenditures for Public Elementary and Secondary Education: School Year 2003-04, Table 3; Revenues and Expenditures for Public Elementary and Secondary Education: School Year 2005, Table 3.*

NOTES: Amounts shown are not adjusted for inflation.
Rankings exclude District of Columbia.

## B. 2006-2007 Elementary Secondary Education Revenue Summary*

| Program | Total Revenue ($ Millions) | Revenue Per Pupil in ADM | Percent of Total Revenue |
|---|---|---|---|
| General Education** | $ 5,628.4 | $ 6,831 | 69.1% |
| Referendum | 597.4 | 725 | 7.3% |
| Special Education | 643.6 | 781 | 7.9% |
| Other General Programs*** | 409.1 | 496 | 5.0% |
| Subtotal General Fund | 7,278.5 | 8,833 | 89.3% |
| Food Service | 14.8 | 18 | 0.2% |
| Community Service | 152.3 | N/A **** | 1.9% |
| Debt Redemption | 701.3 | 851 | 8.6% |
| Total All Funds | $ 8,146.8 | $ 9,702 **** | 100.0% |
| ADM Pupils | 823,987 | | |

* Revenue includes estimated state aid entitlements and gross levies. Excludes federal aids, local non-tax revenues, and appropriations to state agencies.

** Includes transportation and operating capital funding enrolled into general education program beginning in 1996-97.

*** Includes Health & Safety Revenue ($67.3), Alternate Facilities Annual Levy/Aid Revenue ($56.5), Building Lease Levies ($40.0), Charter School Building Lease Aid ($28.2), Safe Schools Levy ($24.1), Desegregation/Integration Revenue ($83.9), Nonpublic Transportation Aid ($20.9), Capital Project Referendum ($25.3),and many smaller categorical revenues.

**** Community service revenue is excluded in computing revenue per pupil because these programs primarily serve preschool and adult learners, who are not included in the ADM pupil count.

Source: MDE, Division of Program Finance, District Revenue Tables and General Education work papers, End of 2006 Legislative Session.

## C. General Education Revenue by Component: 2006-2007 Estimate

| Component | Number of Districts | Number of Charter Schools | Amount (Millions) | Percent of Total |
|---|---|---|---|---|
| **Formula – Based Revenue:** | | | | |
| Basic | 342 | 125 | $ 4,721.3 | 75.8% |
| Extended Time | 118 | 6 | 55.8 | 0.9% |
| Gifted and Talented | 342 | 104 | 8.5 | 0.1% |
| Basic Skills: | | | | |
| Compensatory | 342 | 121 | 316.4 | 5.1% |
| LEP | 209 | 50 | 30.5 | 0.5% |
| LEP concentration | 209 | 50 | 7.9 | 0.1% |
| Sparsity | 85 | 125 | 19.7 | 0.3% |
| Transportation Sparsity | 342 | 125 | 59.7 | 1.0% |
| Training & Experience | 121 | 125 | 4.8 | 0.1% |
| Operating Capital | 342 | 125 | 193.2 | 3.1% |
| Alternative Teacher Comp. | 20 | 4 | 93.8 | 1.5% |
| Equity | 342 | 125 | 94.6 | 1.5% |
| Transition | 204 | 48 | 30.5 | 0.5% |
| Alternative Attendance Adj. | 251 | 125 | (1.0) | 0.0% |
| Miscellaneous Adjustments: | | | | |
| Pension Adjustment | 342 | 125 | (47.1) | (0.8%) |
| PSEO-College | N/A | N/A | 21.4 | 0.3% |
| Shared Time | N/A | N/A | 3.7 | 0.1% |
| Contract Alternative | N/A | N/A | 14.1 | 0.2% |
| Online Learning | N/A | N/A | 0.6 | 0.0% |
| **Subtotal** | 343 | 125 | $ 5,628.4 | 90.4% |
| **Referendum-Based Revenues:** | | | | |
| Oper. Referendum | 302 | 0 | 597.4 | 9.6% |
| **Grand Total Revenue** | 343 | 125 | $ 6,225.8 | 100.0% |

Source: MDE, Division of Program Finance, February 2006 Forecast work papers. Includes state aids and levies. Levies are shown by formula year.

## D. General Education Revenue Formulas

### 1. Basic Revenue

Basic Revenue = Formula Allowance X Adjusted Marginal Cost Pupil Units

| | Gross Formula Allowance | Referendum Roll-in (a) | Other Roll-ins | | Net Increase Excluding Roll-Ins | Net Percent Increase |
|---|---|---|---|---|---|---|
| 1990-91 | $2,953 | | | | $115 | 4.1% |
| 1991-92 | $3,050 | | | | $97 | 3.3% |
| 1992-93 | $3,050 | | | | $0 | 0.0% |
| 1993-94 | $3,050 | | | | $0 | 0.0% |
| 1994-95 | $3,150 | $100 | | | $0 | 0.0% |
| 1995-96 | $3,205 | | | | $55 | 1.7% |
| 1996-97 | $3,505 | | $300 | (b) | $0 | 0.0% |
| 1997-98 | $3,581 | | | | $76 | 2.2% |
| 1998-99 | $3,530 | | -$130 | (c) | $79 | 2.2% |
| 1999-00 | $3,740 | | $43 | (d) | $167 | 4.7% |
| 2000-01 | $3,964 | | $67 | (e) | $157 | 4.2% |
| 2001-02 | $4,068 | | | | $104 | 2.6% |
| 2002-03 | $4,601 | $415 | $14 | (f) | $104 | 2.6% |
| 2003-04 | $4,601 | | | | $0 | 0.0% |
| 2004-05 | $4,601 | | | | $0 | 0.0% |
| 2005-06 | $4,783 | | | | $182 | 4.0% |
| 2006-07 | $4,974 | | | | $191 | 4.0% |

(a) In 1994-95 and 2002-03, the increase in the general education formula was offset by a reduction in operating referendum revenue. Districts with no operating referendum received an additional revenue increase equal to the amount of the roll-in; districts with an operating referendum greater than the amount of the roll-in received property tax relief but no additional revenue; districts with an operating referendum less than the roll-in amount received a revenue increase less than the full roll-in amount and some property tax relief.

(b) $130 of training & experience revenue and $170 of pupil transportation revenue rolled into basic formula

(c) $130 of training & experience revenue rolled out of basic formula

(d) $43 of graduation standards aid rolled into basic formula

(e) $67 of district cooperation revenue rolled into basic formula. Of the net increase of $157, $39 was set aside for staff development (increase from 1% to 2% set aside)

(f) $14 of assurance of mastery revenue rolled into basic formula

Class Size Reduction Set-Aside:

The portion of basic revenue generated by the extra .057 weight for kindergarten, the extra .115 weight for grades 1-3, and the extra .06 weight for grades 4-6 must be reserved for K-3 class size reduction.

Staff Development Set-Aside:

Two percent of the basic revenue for FY 2001 and later must be set-aside for staff development, unless the district waives the requirement by a majority vote of the teachers and a majority vote of the school board. Of this amount, 50% must be allocated to sites based on a per teacher basis, 25% is for district-wide staff development efforts, and 25% must be used for grants to sites for best practices methods. *Note: This requirement was waived for FY 2004 and FY 2005 only; it is back in effect for FY 2006 and FY 2007.*

**2. Extended Time Revenue**

Beginning in FY 2004, the average daily membership is limited to 1.0 for each student, except for the computation of extended time revenue. Students in learning year programs who are served more than full-time may generate up to an additional 0.2 ADM. Extended time revenue may be used for extended day, extended week, summer school, or other programming authorized under the learning year program. The extended time revenue equals $4,601 times the extended time adjusted marginal cost pupil units.

**3. Gifted and Talented Revenue**

A district's gifted and talented revenue for FY 2006 equals $4 per AMCPU; for FY 2007 and later, the gifted and talented allowance is increased to $9 per AMCPU. Gifted & talented revenue must be reserved and used only to identify gifted & talented students, provide educational programs for gifted & talented students, or provide staff development for teachers to best meet the needs of gifted & talented students.

**4. Basic Skills Revenue**

Basic Skills Revenue must be used to meet the educational needs of pupils who enroll under-prepared to learn and whose progress toward meeting state or local content or achievement standards is below the level that is appropriate for learners of their age. Basic Skills Revenue is the sum of the following:

**a. Compensatory Revenue**

- Computed using building-level free and reduced lunch data as of October 1 of the previous year.
- Allocated directly to school sites; however, an amount up to 5% of the prior year's revenue may be allocated according to a local plan approved by the Commissioner.

Compensatory Revenue = (Formula Allowance - $415) X
Compensatory Pupil Units

Compensatory Pupil Units = (Free + ½ of reduced price lunch count) X
Concentration Factor X .60

Concentration Factor = Ratio of (free + ½ of reduced price lunch count) to
80% of total building enrollment, but not > 1

**b. Limited English Proficiency (LEP) Revenue**

1) Basic Revenue = $700 X Adjusted Marginal Cost (AMC) eligible LEP average daily membership served

- Students who have generated 5 or more ADM in Minnesota public schools before the start of the current school year are not eligible to be counted for LEP revenue calculations. Students in grades 4 – 12 who were enrolled in a Minnesota public school when the Test of Emerging Academic English (TEAE) was administered during the prior year are not eligible unless they scored below the state cutoff score on the TEAE. AMC LEP ADM served is the greater of current year eligible LEP ADM served or the sum of 77% of current year plus 23% of prior year (if AMC LEP ADM served is greater than 0 but less that 20, 20 is used in the calculations; if current year count is zero, district does not qualify for revenue).

2) Concentration Revenue = LEP enrollment X $250 X
LEP concentration factor

- The LEP concentration factor equals the lesser of 1 or the ratio of the district's LEP concentration percent to 11.5%.
- Additional Basic Skills Revenue targeted to school districts with high concentrations of LEP students.

**5. Sparsity Revenue**

- Funds added costs of operating geographically isolated small schools.
- Secondary schools must have less that 400 students in grades 7-12 and an "isolation index" greater than 23; elementary schools must average 20 or fewer students per grade level and be 19 or more miles to the nearest elementary school.

**6. Transportation Sparsity Revenue**

- Funds added costs of providing transportation in districts with fewer than 200 pupil units per square mile. (Transportation funding for all districts of $241.24 per pupil unit (4.85% of formula allowance) is included in the basic formula

allowance.) The transportation sparsity allowance gradually increases as population density decreases, reflecting the relationship between average transportation costs and population density.

**7. Training & Experience (T&E) Revenue**

- Partially compensates districts for salary differences associated with training and experience of teachers employed by the district in 1996-97.
- Being phased out as these staff leave employment with the district.

**8. Operating Capital Revenue**

- Provides funding for capital expenditure facilities and equipment costs.
- Revenue per AMC pupil unit = $73 + $100* [1 + (Avg Building Age/100)].

*Note: For buildings more than 50 years old, 50 is used in the computations.*

**9. Equity Revenue**

- Additional revenue for districts with Basic + Referendum Revenue per pupil unit below the regional 95$^{th}$ percentile (regions are seven county metro area, rural).
- Minneapolis, St. Paul, and Duluth are not eligible for revenue, except as noted below for FY 2007 and later..
- For qualifying districts with no referendum levy, the initial revenue allowance = $13.
- For qualifying districts with a referendum levy, the initial revenue allowance = $13 + up to $75, depending on how far the district's revenue per pupil unit is below the regional 95$^{th}$ percentile (sliding scale).
- Districts with referendum revenue below 10% of the state average per pupil unit (approximately $57 / PU for FY 2006) receive additional equity revenue equal to the difference between 10% of the state average and the district's referendum revenue per pupil unit (includes districts with no referendum).
- For districts in the 7 county metro area, the equity revenue as computed above is increased by 25%.
- Beginning in FY 2007, all districts below the regional 95$^{th}$ percentile, (including Minneapolis, St. Paul, and Duluth), receive an additional $46 per pupil unit; districts at or above the 95$^{th}$ percentile receive an additional $23 per pupil unit.

**10. Alternative Teacher Compensation (Q Comp) Revenue**

- Beginning in FY 2006, the maximum revenue for participating school districts, charter schools and intermediate districts is $260 times the October 1 enrollment in the previous school year. For districts where only selected sites are participating, the funding is based on the prior school year's October 1 enrollment at the participating sites. For FY 2006, participation is limited to districts and schools making up 9% of the state's total enrollment; for FY 2007 and later, participation is limited to districts and schools making up 48% of the state's total enrollment.

- Funding is all aid in FY 2006; for FY 2007 and later, funding includes $190 per pupil of aid and a $70 per pupil equalized levy.

**11. Transition Revenue**

Transition revenue is a hold-harmless provision created in 2003 to ensure that a district's FY 2004 general education revenue per old formula AMCPU (before applying the 1.0 ADM limit), excluding referendum revenue and alternative attendance adjustments, would not be less than the lesser of:

- The district's FY 2003 general education revenue per AMCPU, excluding referendum revenue and alternative attendance adjustments, or
- The amount the district would have received per AMCPU for FY 2004 under the laws in effect before the changes enacted in 2003.

For FY 2005 and later, a district's transition revenue equals the district's FY 2004 transition allowance per pupil unit times the district's current year AMCPU.

**12. Pension Adjustment**

- Aid reduction to offset cost savings to school districts from reductions made in 1990-91 and 1997-98 in the teacher retirement employer contribution rate.

**13. Alternative Attendance Adjustment**

- The aid portion of referendum revenue follows the student to the nonresident district or charter school the student attends. The resident district loses the aid generated by the student.
- If the student enrolls in another school district, that district's aid is increased by the nonresident district's referendum aid per pupil unit.
- If the student enrolls in a charter school, the charter school's aid is increased by the amount subtracted from the aid paid to the resident district.

**14. Post-Secondary Enrollment Options (PSEO)**

- Payments to colleges for students enrolled in the PSEO program.

  [(Formula Allowance - $415) X 88% X 1.3 Secondary Weight] /
  (30 for semester credit)

**15. On-Line Learning**

- Beginning in FY 2006, students taking on-line learning courses provided by the school district or charter school in which they are enrolled are counted as regular pupil units by the enrolling district or charter school, regardless of whether they were enrolled in a Minnesota public school the year before they enrolled in on-line learning.

- School districts and charter schools providing on-line learning courses for students enrolled in other Minnesota public schools receive on-line learning aid equal to 88% of 1/12th of an ADM for each completed semester course or equivalent times the pupil's grade level weight times the formula allowance.
- The enrolling district generates 12% of 1/12th of a regular ADM for each completed semester course or equivalent, which is used in regular general education revenue calculations.

**16. Shared Time**

- Payments to school districts for courses taken at the public school by nonpublic school pupils.
- Revenue equals formula allowance times weighted full-time equivalent ADM.

**17. Contract Alternative**

- Payments to school districts for students enrolled in private alternative programs under contract with districts. At least 95% of the general education revenue earned by these students (100% of Basic Skills Revenue) must be paid to the private organization.

**18. Referendum Revenue**

- Additional money for school operations approved in a referendum election.
- Initial allowance per pupil unit is based on ballot wording.
- Capped at the greater of : (1) 26% of the formula allowance or (2) the greater of product of (a) the greater of $1,294 per pupil unit or 117.7% of the district's FY 1994 referendum allowance minus $215, times (b) a statutory inflation factor based on the Consumer Price Index (CPI). (Sparsity districts exempted.)
- Until the early 90s, referendums were typically ongoing, were based on a fixed tax rate, and were spread against tax capacity. Newer referendums have a limited duration (currently up to ten years), are based on a fixed amount per pupil unit, and are spread against referendum market value.
- For FY 2003 and later, $415 per pupil unit was transferred from referendum revenue to the basic formula, thereby increasing basic revenue by $415 per pupil unit and decreasing referendum revenue by the lesser of a district's referendum allowance or $415 per pupil unit.

## III. STATE AID AND PROPERTY TAX LEVY COMPUTATIONS

### A. K-12 Education Property Tax Levy Summary: 2005 Payable 2006 (FY 2007)

| Levy Type | Amount ($ in Millions) | Percent of Total Before Reductions |
|---|---|---|
| **Formula-Driven Levies:** | | |
| Operating Capital | 101.7 | 6.1% |
| Equity | 62.5 | 3.7% |
| Transition | 24.5 | 1.5% |
| Alternative Teacher Comp | 6.2 | 0.4% |
| Health & Safety | 55.4 | 3.3% |
| Building Lease | 40.0 | 2.4% |
| Alternative Facilities | 60.1 | 3.6% |
| Integration | 25.7 | 1.5% |
| Safe Schools | 24.0 | 1.4% |
| Career Technical | 12.7 | 0.8% |
| Other General Fund | 22.4 | 1.3% |
| Community Service Fund | 67.7 | 4.0% |
| Debt Service Fund | 139.9 | 8.4% |
| **Subtotal, Formula-Driven Levies** | **642.8** | **38.4%** |
| **Voter Approved Levies:** | | |
| Operating Referendum | 480.2 | 28.7% |
| Capital Projects Referendum | 25.3 | 1.5% |
| Debt Service | 527.1 | 31.4% |
| **Subtotal, Voter Approved Levies** | **1,032.6** | **61.6%** |
| **Total Levy Before Credits** | **1,675.4** | **100.0%** |
| **Estimated Credits:** | | |
| Market Value Homestead Credit | (59.0) | |
| Homestead Ag Land MV Credit | (5.5) | |
| Other Credits | (9.4) | |
| **Total Levy After Credits:** | **1,601.5** | |

Source: MDE, Division of Program Finance, February 2006 Forecast work papers.

## B. Aid and Levy Computations

### 1. Examples of Revenue Formulas

a. No. of Pupil Units times Allowance (e.g., Basic General Education)

b. Approved Expenditures (e.g. Health & Safety)

### 2. Examples of Levy Formulas

a. Tax Rate Levies – Adjusted Net Tax Capacity (ANTC) times Tax Rate (e.g., Community Education Levy – tax rate for 2005 Payable 2006 levy was 0.09% of ANTC.

b. "Equalized" Levies – The school district levies for a percentage of the revenue based on the ratio of the district's ANTC per Pupil Unit (referendum market value/PU for operating referendum levies spread against referendum market value) to an "equalizing factor" specified in law. "Equalizing factors" vary among programs.

*Example #1: Operating Referendum*
For FY 2007, state aid is provided to "equalize" access to the first $600/PU using an "equalizing factor" of $476,000 of referendum market value per pupil unit. In addition, referendum revenue over $600/PU up to 26% of the formula allowance ($1,293/PU) is equalized using an equalizing factor of $270,000. If a district's referendum market value per pupil unit is $238,000, district property tax payers pay 50% of the first $600/PU of the referendum revenue, and the state pays 50%. For referendum revenue over $600/PU, up to $1,293/PU, the local tax levy pays for 86% of the revenue, and the state pays 14%. *(Note: Tier I equalization is increased from $600 for FY 2007 to $700 for later years).*

*Example #2: Health & Safety*
State aid is provided to "equalize" this levy, using an "equalizing factor" of $2,935. If a district's ANTC/WADM is 60% of this amount, the district's property tax levy pays for 60% of the revenue, and state aid pays for 40% of the revenue.

c. "Unequalized" Levies – The school district levies the full amount of the revenue; there is no state equalization aid (e.g., building lease levy, unemployment levy).

### 3. State Aid = Revenue – Levy