

PreK-12 Education Finance Reform

***** WORKING DRAFT *****

A high quality education that prepares students for success in an increasingly diverse, highly technical, data driven and competitive global economy will require a modern and efficient education funding system. The mechanism Minnesota used to fund schools must be transparent, stable, reliable, and nimble enough to meet the unique needs of all students in our 21st century schoolhouse.

The following principles comprise MDE's working draft for education finance reform. (Note: highlighted items are new for 2012 and were not included in the original May 2011 Budget Working Group recommendations)

1. Every child has access to high quality K, PreK and Ready for K

- a. Increase pupil unit weight to 1.0 for students in poverty at school sites that provide free all-day optional kindergarten to all kindergarten students at a school site regardless of poverty status
- b. Provide option to school districts that already have free all day kindergarten to use funding for PreK 3 and 4 year old programming
- c. Increase funding for PreK high quality scholarships

2. Improve equity and uniformity across districts

- a. Roll in \$400/pupil unit (PU) of referendum levies into the general education formula, with an equal reduction in the referendum cap.
- b. Restore the inflation-adjusted general education formula (to the FY 2003 level)
- c. Roll a portion of referendum revenue into a new location equity levy recognizing regional cost differences for the seven county metro area and for non-metro Regional Centers (\$400 / PU metro; \$200 / PU Regional Centers).

d. **Replace** several existing school levies with a uniform general education levy that also includes the portion of referendum levies rolled into the formula

e. Restore school levy equalization formulas

i. operating referendum

ii. debt service

iii. other??

3. Reform special education funding based on student service needs

a. Significantly increase special education aid to reduce cross subsidies,

b. Replace the current expenditure reimbursement formula with a new formula based partly on school district enrollment and number of students in high cost low incidence special education programs,

c. Require the serving school district or charter school to share with the resident district in funding excess special education costs for open-enrolled students

d. Roll a portion of operating referendum levies into a new special education cross subsidy reduction levy

4. Increase achievement for all and reduce achievement gaps

a. Allocate all compensatory revenue based on poverty concentration (instead of allocating a portion of compensatory revenue based on hours of extended time instruction and a portion through pilot grants),

b. Allow districts greater flexibility in the use of compensatory revenue to close achievement gaps;

c. Reward growth in student achievement through literacy incentive aid

d. Clarify the uses of integration revenue and allocating the revenue based on the number of students of color in each eligible district.

5. Simplify funding formulas

a. Reduce the number of student counts and weightings used to allocate funding:

- i. grades 1-6 weighted at 1.0; Grades 7-12 weighted at 1.2
 - ii. marginal cost pupil units eliminated – separate declining enrollment component of general education revenue.
 - iii. Resident pupil units eliminated; referendum allowances converted to an amount per adjusted pupil unit.
- b. Roll numerous categorical aids and levies into the general education formula. Potential categories to be rolled into the formula include:
 - i. Equity revenue
 - ii. Pension adjustment
 - iii. Gifted & talented revenue
 - iv. Transition revenue (new transition revenue guarantees no losers)
 - v. Safe schools levy
 - vi. Small schools revenue
 - vii. Building lease levy
 - viii. Ice arena levy
 - ix. Swimming pool levy
 - x. Tree growth levy
 - xi. Other??
- c. Roll the health & safety levy into the deferred maintenance revenue program with an increased allowance per pupil unit

6. Provide for a smooth transition to the new funding system

- a. Revenue increases are phased in gradually (4 – 6 year phase-in).
- b. New transition revenue ensures that all districts are held harmless
- c. Charter school lease aid formula adjusted to ensure that charter schools receive overall increases comparable to school district.

TOTAL COST OF WORKING DRAFT (Preliminary Rough Estimate)

1. Annual Cost of May 2011 Recommendations (fully phased-in) = \$344 million
2. Option to Increase Special Education Aid (new) = \$100-\$200 million
3. Option to increase Deferred Maintenance Aid (new) = \$25 - \$50 million
4. Other changes ???
5. Total increase prior to phase-in and payment shifts = \$469 - \$594 million
6. Increase in year 1 (FY 2015) with 4 – 6 year phase-in: \$78 - \$149 million
7. Increase in year 1 (FY 2015) with 4-6 year phase-in
and 64.3% current payment schedule \$50 – 95 million

The costs above assume a zero levy target statewide. Levy reductions due to restoration of equalization formulas would be offset by other changes in levy limits. Cost of any hold harmless to ensure that no district has a levy increase would be added to the above costs.