



School District Finance Analysis

Funding, Inflation & School Performance

DISTRICT 196
Rosemount, Apple Valley & Eagan

Ken Wolf & Bob Fallen
October 3, 2023

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
ASSOCIATE
EDITORIAL PAGE
EDITOR

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

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**
- 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.

Commonly Used Funding Formulas (Categories)

Basic. The base level of public school funding, representing 44% of Combined Revenues.

Basic General Education. The same as Basic.

General Education. Combination of funds for the operations of the school district, representing 68% of Combined Revenues.

Combined Revenue. The sum of all state and local funding, representing 100% of funding. The true measure of school funding.

Combined Aid. Revenue provided by State government sources, representing 59% of Combined Revenue.

Combined Levies. Revenue provided by Local government sources, representing 41% of Combined Revenue.

Education Funding vs. Inflation (CPI)

While it is true that Basic revenue in District 196 exceeded inflation over the past 10 years by less than one percent, Combined Revenue exceeded inflation by 24.60 % over the same time period (an average of 2.46% per year.) Details can be found on Pages 8-9. **In that same period, per-pupil funding went from \$10,329 to \$14,127, an annual increase of 1.12% over CPI.**

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 that the funding of public schools has not kept up with inflation. In fact, most school board members and local elected officials do not fully understand the nuances of K-12 finance either, which contributes to their inability to clarify the facts for the tax-paying public. Strictly looking at the Basic formula does not represent a complete picture of education funding and provides a misleading story that school funding lags behind inflation. Total Combined Revenue is the only way to get a complete picture of the adequacy of education funding.

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.

D196 RAVE 20-Year Total Funding vs Inflation (CPI)

Description	FY 2003	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	28,162	29,429	1,267	4.50%	Student population increased 4.50% percent
Consumer Price Index (CPI)	183.96	292.66	108.70	59.09%	CPI increased 2.95 percent per year
Basic Education Fund	152,112,281	221,322,073	69,209,792	45.50%	Basic increased 2.28% per year, under CPI by 0.67%
Other General Education	28,242,249	99,897,674	71,655,425	253.71%	Other Gen Ed increased 12.68% per year, over CPI by 9.73%
General Education Total	180,354,530	321,219,747	140,865,217	78.10%	General Ed increased 3.91% per year, over CPI by 0.96%
Special Education Fund	20,370,257	58,902,004	38,231,747	187.69%	Special Ed increased 9.38% per year, over CPI by 6.43%
Other Funds	34,535,432	35,621,727	1,086,295	3.14%	Other Funds increased 0.16% per year, under CPI by 2.79%
Combined Revenue	214,889,962	415,743,478	200,853,516	93.47%	Combined Rev increased 4.67% per year, over CPI by 1.72%
Combined Aid (State)	186,065,680	315,565,993	315,565,993	27.81%	Combined Aid increased 1.39% per year, under CPI by 1.56%
Combined Levies (Local)	28,824,282	100,177,485	71,353,203	247.54%	Combined Levies increased 12.38% per year, over CPI by 9.43%
Total Combined Revenue	214,889,962	415,743,478	200,853,516	93.47%	Combined Revenue increased 4.67% per year, over CPI by 1.72%

Key Findings

- Combined Revenue for D196 RAVE exceeded inflation (CPI) by 34.38% (1.72% per year) for the past 20 years (2003-23).
- In 2003, Combined Revenue consisted of Basic (71%), Other General Ed (13%), Special Ed (9%) and Other Funds (7%).
- In 2023, Combined Revenue consisted of Basic (53%), Other General Ed (24%), Special Ed (14%) and Other Funds (9%).

D196 RAVE 20-Year Per-Pupil Funding vs Inflation (CPI)

Description	FY 2003	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	28,162	29,429	1,267	4.50%	Student population increased by 4.5% percent
Consumer Price Index (CPI)	183.96	292.66	108.70	59.09%	CPI Increased 2.95 percent per year
Basic Education Fund	5,401	7,521	2,120	39.25%	Basic Ed increased 1.96% per year, under CPI by 0.99%
Other General Education	1,003	3,394	2,391	238.38%	Other Gen Ed increased 11.91% per year, over CPI by 8.96%
General Education Total	6,404	10,915	4,511	70.44%	General Ed increased 3.52% per year, over CPI by 0.57%
Special Education Fund	723	2,002	1,279	176.90%	Special Ed increased 8.84% per year, over CPI by 5.89%
Other Funds	503	1,210	707	140.56%	Other Funds increased 7.02% per year, over CPI by 4.07%
Combined Revenue	7,630	14,127	6,497	85.15%	Comb Rev increased 4.26% per year, over CPI by 1.30%
Combined Aid (State)	6,607	10,723	4,116	62.30%	Combined Aid increased 3.12% per year, over CPI by 0.17%
Combined Levies (Local)	1,023	3,404	2,381	232.75%	Combined Levies increased 11.64% per year, over CPI by 8.69%
Total Combined Revenue	7,630	14,127	6,497	85.15%	Combined Revenue increased 4.26% per year, over CPI by 1.30%

Key Findings

- Combined Per-Pupil Funding for D196 RAVE students exceeded inflation (CPI) by 26.06% (1.30% per year) for the past 20 years 2003 -2023.

D196 RAVE 10-Year Total Funding vs Inflation (CPI)

Description	FY 2013	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	26,793	29,429	2,636	9.84%	Student population increased by 9.84% in 10 years.
Consumer Price Index (CPI)	232.95	292.66	59.71	25.63%	CPI Increased 25.63%, or 2.56 percent per year.
Basic Education Fund	162,751,421	221,322,073	58,570,652	26.46%	Basic Ed increased 2.65% per year, over CPI by 0.09%
Other General Education	51,870,798	99,897,674	48,026,876	92.59%	Other Gen Ed decreased 9.26% per year, over CPI by 6.70%
General Education Total	214,622,219	321,219,747	106,597,528	49.67%	Gen Ed increased 4.97% per year, over CPI by 2.41%
Special Education Fund	34,334,699	58,902,004	24,567,305	71.55%	Special Ed increased 7.16% per year, over CPI by 4.21%
Other Funds	27,783,524	35,621,727	7,838,203	28.21%	Other Funds increased 4.72% per year, over CPI by 1.77%
Combined Revenue	276,740,442	415,743,478	139,003,036	50.23%	Combined Rev increased 5.02% per year, over CPI by 2.46%
Combined Aid (State)	222,115,210	315,565,993	93,450,783	42.07%	Combined Aid increased 4.21% per year, over CPI by 1.65%
Combined Levies (Local)	54,625,232	100,177,485	45,552,253	83.39%	Combined Levies increased 8.34% per year, over CPI by 5.78%
Total Combined Revenue	276,740,442	415,743,478	139,003,036	50.23%	Combined Revenue increased 5.02% per year, over CPI by 2.46%

Key Findings

- Combined Revenue for D196 RAVE exceeded inflation by 24.60% (2.46% per year) for the past 10 years (2013-2023).
- In 2013, Combined Revenue consisted of Basic (59%), Other General Ed (19%), Special Ed (12%) and Other Funds (10%).
- In 2023, Combined Revenue consisted of Basic (53%), Other General Ed (24%), Special Ed (14%) and Other Funds (9%).

D196 RAVE 10-Year Per-Pupil Funding vs Inflation (CPI)

Description	FY 2013	FY 2023	# CHANGE	% CHANGE	NOTES
Average Daily Membership (ADM)	26,793	29,429	2,636	9.84%	Student population increased 9.84% over past 10 years.
Consumer Price Index (CPI)	232.96	292.66	59.70	25.62%	CPI Increased 2.56 percent per year
Basic Education Fund	6,074	7,521	1,447	23.82%	Basic Ed increased 2.38% per year, under CPI by 0.18%
Other General Education	1,936	3,394	1,458	75.30%	Other Ed decreased 7.53 % per year, over CPI by 4.97%
General Education Total	8,010	10,915	2,905	36.27%	General Ed increased 3.63% per year, over CPI by 1.07%
Special Education Fund	1,281	2,002	721	56.28%	Special Ed increased 5.63% per year, over CPI by 3.07%
Other Funds	1,038	1,210	172	16.58%	Other increased 1.66% per year, under CPI by 0.90%
Combined Revenue	10,329	14,127	3,798	36.77%	Combined Revenue increased 3.68% per year, over CPI by 1.12%
Combined Aid (State)	8,290	10,723	2,433	29.35%	Comb Aid increased 2.94% per year, over CPI by 0.38%
Combined Levies (Local)	2,039	3,404	1,365	66.94%	Comb Levies increased 6.70% per year, over CPI by 4.14%
Total Combined Revenue	10,329	14,127	3,798	36.77%	Funding increased 3.68% per year, over CPI by 1.12%

Key Findings

- Combined Per-Pupil Revenue for D196 students exceeded inflation (CPI) by 11.15% (1.12% per year) for the past 10 years (2013-2023).

D196 Rosemount Apple Valley & Eagan (RAVE) 10 Year Academic Proficiency & Trends (MCA)

From 2013-23, per-pupil funding increased 24.60% while average scores of K-12 students on the Minnesota Comprehensive Assessment (MCA) tests declined by:

Math (- 22.4), Reading (- 15.6%) and Science (- 19.9%)

	2013	2014	2015	2016	2017	2018	2019	2021	2022	2023	
MATH	69.5	69.7	68.3	67.3	67.6	65.7	63.9	49.8	52.0	53.9	-22.4%
READING	67.7	67.2	67.4	66.7	67.8	66.8	65.3	58.0	57.0	57.1	-15.6%
SCIENCE	61.6	65.1	64.3	68.7	67.7	64.7	65.0	48.3	50.8	49.3	-19.9%



SOURCE: Minnesota Department of Education "Report Card"

D196 Rosemount Apple Valley & Eagan (RAVE) 10 Year Academic Proficiency & Trends (ACT)

For 2013-23, per-pupil funding increased 24.60%
while average ACT scores in the District declined by 2.5%.

YEAR	ENGLISH	MATH	READING	SCIENCE	COMP	Average
2013	23.6	23.9	24.0	23.9	24.0	23.9
2022	20.1	21.3	22.1	21.7	21.7	21.3
% Change	- 3.5%	- 2.6%	- 1.9%	- 2.2%	- 2.5%	- 2.5%

SOURCE: ACT

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; NOV22 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

ACT SCORES

<https://public.education.mn.gov/MDEAnalytics/DataTopic.jsp?TOPICID=87>

MCA TESTING

Minnesota Department of Education

[Public.education.mn.gov/MDEAnalytics/DataTopic.jsp?TOPICID=1](https://public.education.mn.gov/MDEAnalytics/DataTopic.jsp?TOPICID=1)

[Minnesota Report Card \(MDE\)](#)

MCA TESTING RESULTS HISTORY

DISTRICT 196 ROSEMOUNT, APPLE VALLEY & EAGAN (RAVE)

	2013	2014	2015	2016	2017	2018	2019	2021	2022	2023	
MATH	69.5	69.7	68.3	67.3	67.6	65.7	63.9	49.8	52.0	53.9	- 22.4%
READING	67.7	67.2	67.4	66.7	67.8	66.8	65.3	58.0	57.0	57.1	- 15.6 %
SCIENCE	61.6	65.1	64.3	68.7	67.7	64.7	65.0	48.3	50.8	49.3	- 19.9 %

NOTE: MCA RESULTS NOT AVAILABLE IN 2020

