

Financial Implications of Open Enrolled Students Rushford-Peterson, ISD 239

To better explain the financial implications of students who open enroll in to the Rushford-Peterson School District, it is important to understand the impact that those students have on operating revenue as well as debt service equalization aid for the district.

This analysis is based on information in the 17 Pay 18 levy certification as well as the FY18 student data from MDE's website. The following information will help illustrate the difference in revenue and aid calculations with and without the open enrollment students:

- There were 64.64 Adjusted Pupil Units (APU) that open enrolled into the Rushford-Peterson School District in FY 2018
- In general education programs, 90 percent of the district's revenue comes from State Aid, and 10 percent from local levy
- In the debt service fund, the State pays 68% of the levy
- The basic general education formula allowance is \$6,312 per pupil for FY 2019, and Rushford-Peterson generates approximately \$2,160 per pupil for FY 2019 in the other categorical allowances in the general education program.

Debt Service Aid

Aid and levy calculations are done based on several factors, one of which is adjusted net tax capacity, which is partially based on the market value of a property and its class rate. Most of the formulas that use this tax valuation base the amount of State Aid received on the amount of tax value per student. As a result, the more students a district has, with a given tax value, the less value it has per pupil unit. This makes the district seem more "property poor," which in turn provides more aid to the district.

For taxes Payable 2018, the State pays for 68% of the district's debt service payments due to the benefit of the natural disaster debt service aid that the district qualifies for. Because that percentage of State Aid is based on the property value per pupil, including open enrollment students, without the 64 open enrolled pupils, the percent of State aid funding would go down to 64%. This would result in an annual reduction of approximately \$75,595 in debt aid, and an equivalent increase in local property taxes.

Operating Revenue

Operating revenue is the other key component to consider regarding open enrollment students. There are many components of revenue that fluctuate as pupil counts change. However, the main funding source for school district operating budgets is the General Education funding program, the main component of which is the basic formula amount. Since the current basic general education formula allowance is \$6,312, the 64 open enrolled pupils generate approximately \$404,000 in basic revenue.

There are many other categorical sources of revenue included in general education revenue, including gifted and talented, basic skills, small schools, transportation sparsity, operating capital, equity revenue, local optional revenue, transition, and referendum revenue. These categorical revenues generate \$2,160 per pupil for ISD #239, or about \$138,240 in revenue from the open enrolled students.

In total in general education revenue, open enrolled students in the district generate approximately \$542,000 in revenue. Because the district's general education revenue comes approximately 90% from state aid and 10% from local property tax payers, \$488,000 of that revenue comes from State aid.