

SCHOOL FINANCE BASICS

BOARD WORK SESSION
January 16, 2024



DEFINING EXCELLENCE

AGENDA

- Funding Overview
 - Minnesota education funding structure
 - Basic formula
 - Categorical and restricted state aids
 - Property taxes
- Types of Funds
- Fund Balance

SOURCES OF FUNDING



STATE REGULATED FUNDING

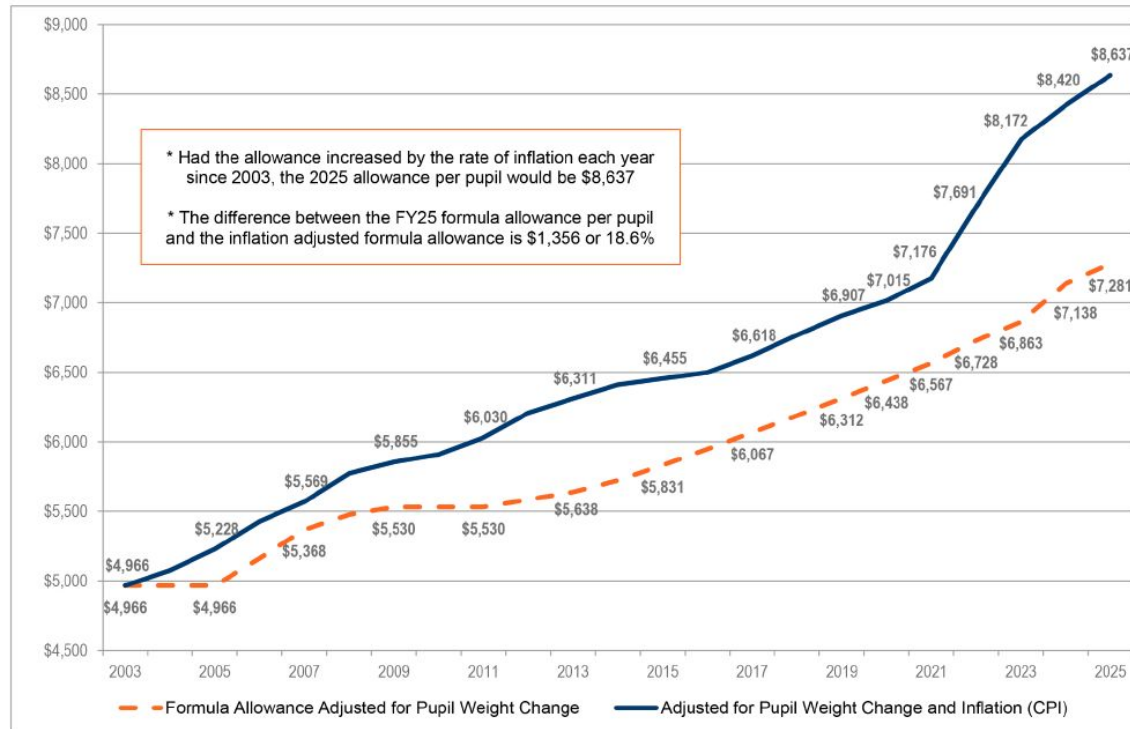
The State of Minnesota regulates all major funding for public school districts:

- The state sets formulas that determine revenue - most revenue is based on specific amounts per student
- Determines the amount of taxing authority each school district has access to
- Authorizes school districts to generate additional funds through voter-approved referendums

BASIC GENERAL EDUCATION FORMULA

- Primary funding source for all public school districts in the state
 - Revenue = Formula Allowance x Pupil Units
- For fiscal year 2023-24, an increase of 4.0% or \$275 over 2022-23
- For fiscal year 2024-25, an increase of 2.0% or \$143 over 2023-24
- Over the last 20 years, the formula allowance has significantly lagged behind inflation
- The State Legislature agreed to tie future formula increases to inflation beginning with 2025-26, with a floor of 2.0% and cap of 3.0%

BASIC GENERAL EDUCATION FORMULA (2003-2025) Adjusted for Inflation (CPI)



CATEGORICAL & RESTRICTED AIDS

- Special Education Aid - For essential personnel and other costs required to provide instruction to students with disabilities.
- Operating Capital - Repair and betterment of facilities, acquisition of land, purchase/lease of equipment, and purchase of books.
- Basic Skills
 - Compensatory Revenue
 - English Learner Revenue
- Other - Staff development, Achievement & Integration, etc.

PROPERTY TAXES

- Non-Voter Approved
- Voter Approved



NON-VOTER APPROVED TAXES

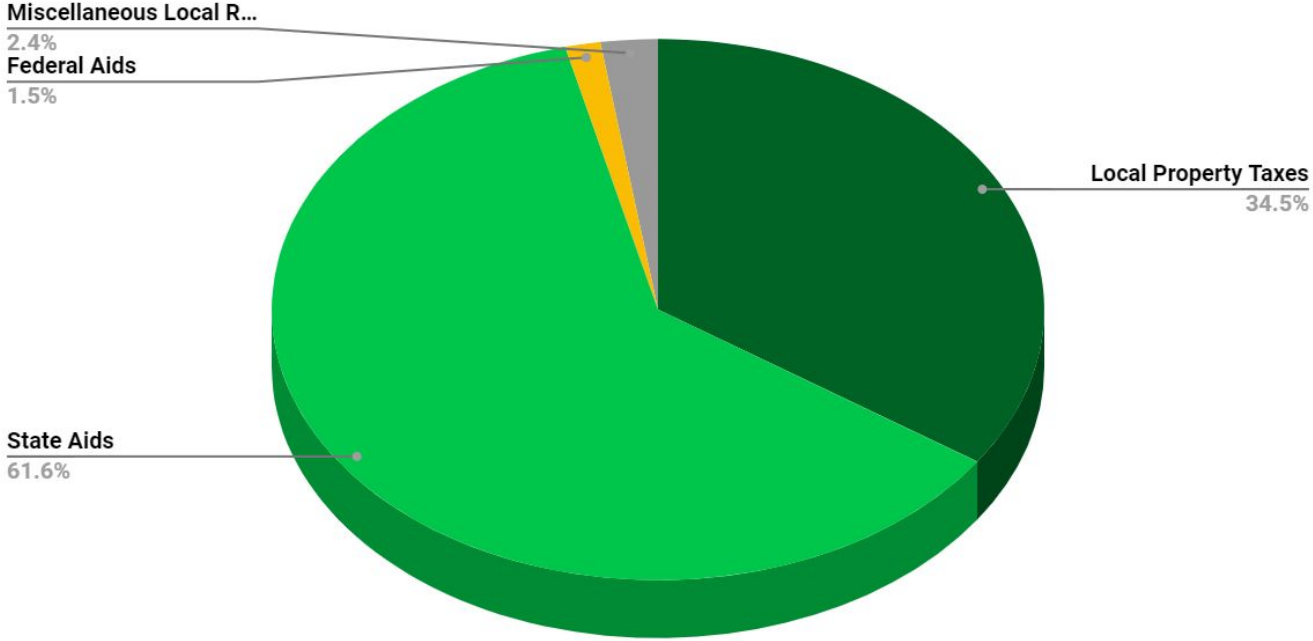
- Local Optional Revenue
- Operating Capital
- Building Leases
- Long-Term Facilities Maintenance (LTFM)
 - Pay-as-you-go
 - General obligation debt
- Other Post-Employment Benefits (OPEB)
- Community Education

VOTER APPROVED TAXES

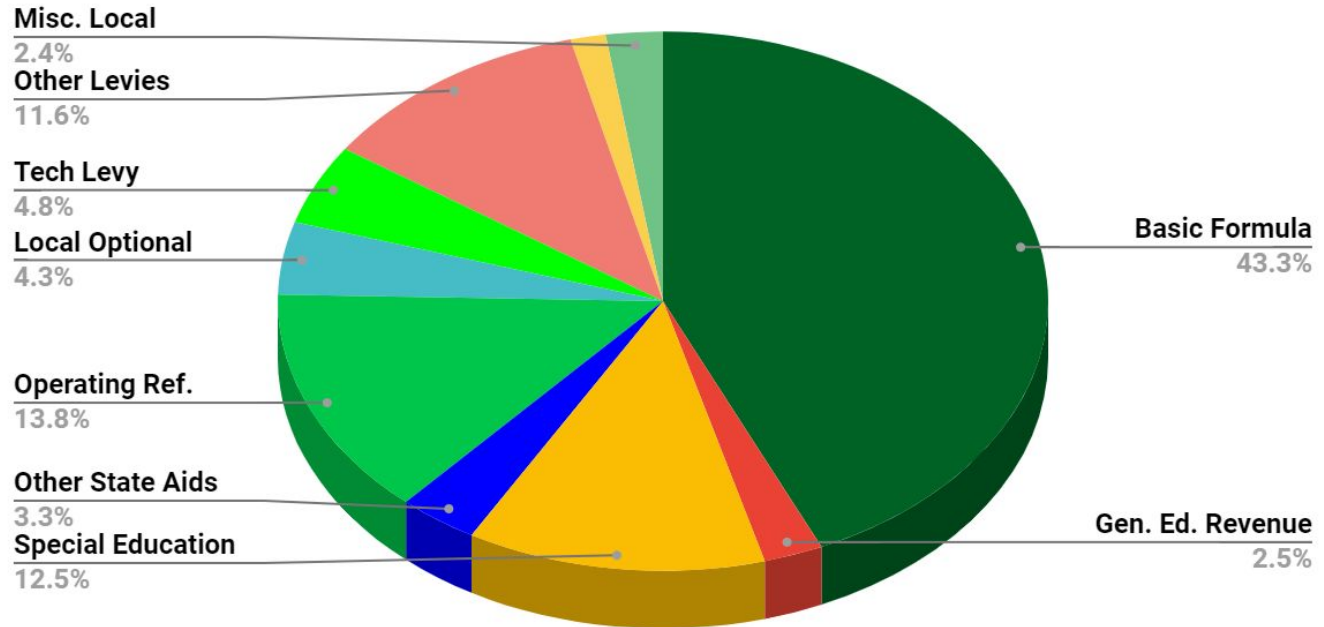
- Operating Referendum Levy
- Capital Projects Levy
- School Building Bonds.

“Bonds are for building, levies are for learning.”

GENERAL FUND - REVENUE SOURCES



GENERAL FUND - REVENUE SOURCES (cont.)



TYPES OF FUNDS

General Fund

- Instruction: Regular, Vocational & Special Education
- School & District Administration
- Pupil Support
- Sites & Buildings
- Transportation
- Capital

Food Service

- Breakfast & Lunch

Community Education

- Early Learning
- Adult Basic Ed
- Childcare
- Youth & Adult Enrichment

Building Construction

Debt Service

Fiduciary & Propriety

FUND BALANCES

A district's fund balance is an important aspect in considering the district's financial well being

Provides for things such as:

- Cash flow
- Cushion against unanticipated expenditures
- Enrollment changes
- Funding deficiencies
- Aid proration at the state level



FUND BALANCE CATEGORIES

Restricted – legally enforceable constraints

- Operating Capital
- Long Term Facility Maintenance (LTFM)
- Basic Skills
- Staff Development

Non-spendable – not in spendable form or legal requirement

- Prepaid
- Inventories

Committed – used for specific purpose by formal board action

FUND BALANCE CATEGORIES (cont.)

Assigned – district's intent for specific purpose

- Separation/retirement
- Q-comp
- Site carryover
- Third party billing

Unassigned – for all other purposes not described by other categories

- Partially used to calculate Statutory Operating Debt (SOD)
- The fund balance mostly widely referred to by individuals

Assigned + Unassigned = Unrestricted Fund Balance

ADDITIONAL RESOURCES

- [Minnesota School Finance: A Guide for Legislators](#)
- MASBO website
- Other affiliates:
 - AMSD
 - MSBA
 - MASA
- Your local finance director