

# *Minnesota Education Funding Overview*

## ISD 2365 – GFW Public Schools

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# School District Funds



- Fund 01 General
  - Fund 03 Transportation
  - Fund 05 Capital
- Fund 02 Food Service
- Fund 04 Community Education
- Fund 06 Building Construction
- Fund 07 Debt Service
- Fund 09 Agency (*very special rules*)
- Fund 20 Internal Service
- Fund 45 OPEB Trust
- Fund 47 OPEB Debt Service

## School District Funds

### General Fund Levy

- Based on student enrollment

### Community Education Fund Levy

- Based on the population of the District
- Includes basic community education revenue, youth services and after school revenue
- Early childhood family education levy is based on number of children under 5 years of age in district

### Debt Service Fund Levy

- Based on annual debt retirement schedules
- Annual levy is what is needed to pay principal and interest payments of bonded debt plus 5%
- A calculation is done annually by the Minnesota Department of Education to determine level of fund balance
- If over cap of 5% a levy reduction will be made to bring debt fund balance to the 5% over levy requirement
- Debt Service Fund may be composed of voter-approved bonds, as well as non-voter approved bonds such as abatement bonds, alternative facilities bonds, capital equipment notes, capital facilities bonds and long-term facilities maintenance bonds

### OPEB Debt Service Fund Levy

- Based on annual debt retirement schedules for bonds used to finance Other Post – Employment Benefits
- Annual levy is what is needed to pay principal and interest payments of bonded debt plus 5%
- A calculation is done annually by the Minnesota Department of Education to determine level of fund balance
- If over cap of 5% a levy reduction will be made to bring debt fund balance to the 5% over levy requirement

# Main Funds for School District Operations

## Fund 01 – General Fund

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Day to day operations of a school district:

- Salaries
- Benefits
- Supplies

This would be equivalent to your utilities, TV, grocery bills



## Fund 05 – Capital Fund

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Structural or longer-term components of the school district

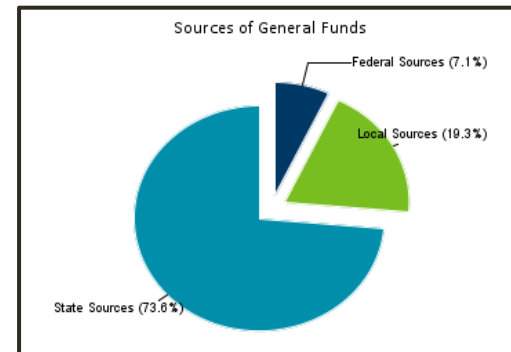
This would be equivalent to roof repair, plumbing fix, new furniture, etc.

# Revenue Sources

## Where school districts get their money?

- **Federal Aid (Income and Capital Gains Tax)**
  - Title Programming
  - Special Education
  - National School Lunch Program
- **State Aid (Income and Sales Tax)**
  - General Education Formula Allowance
  - Categorical Revenue
  - Equalization
- **Local Levy**
  - Voter and Non-Voter Approved
- **Miscellaneous Local Revenue**
  - Fees

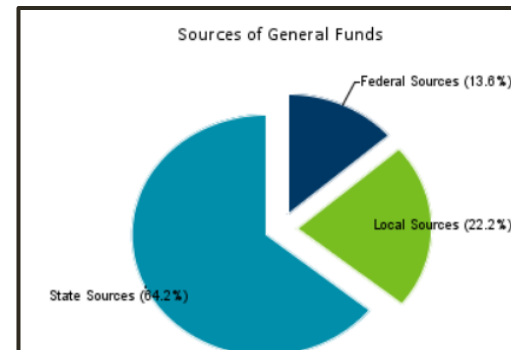
### Statewide



### GFW Public Schools #2365-01

	Actual 20-21	% of Total 20-21	Actual 21-22	% of Total 21-22
<b>Sources of Funds:</b>				
<b>Local Sources:</b>				
Property Taxes	\$1,152,170	11.2%	\$2,035,368	19.0%
All Other Local	<u>\$357,431</u>	3.5%	<u>\$339,574</u>	3.2%
Total Local Sources	\$1,509,601	14.7%	\$2,374,942	22.2%
<b>State Sources:</b>				
General Education Aid	\$6,155,747	59.8%	\$5,847,316	54.6%
Special Education Aid	\$929,404	9.0%	\$770,427	7.2%
All Other State Aid	<u>\$267,712</u>	2.6%	<u>\$259,415</u>	2.4%
Total State Sources	\$7,352,863	71.5%	\$6,877,157	64.2%
<b>Federal Sources:</b>				
Federal Sources	\$1,427,018	13.9%	\$1,451,717	13.6%
<b>Total Sources of Funds:</b>				
	<u>\$10,289,482</u>	100.0%	<u>\$10,703,816</u>	100.0%

### ISD 2365



# Counting Students

Minnesota funds the majority of its K-12 programs on a rather involved count of the number of students attending each school. For fiscal year 2015 and later, for most funding programs, the pupil count, known as adjusted pupil units, is used to determine school revenue amounts.

<b>ADMs</b>	Average Daily Membership is an average count of resident students in District for a full year
Adjusted Pupils or AADM	Average Daily Membership student count is adjusted to reflect only the students actually served by the district
<b>Adjusted Pupil Units</b>	Adjusted Pupils Units are weighted by grade specific factors Grades K-6 = 1.00 Grades 7-12 = 1.20
<b>Other</b>	Some formulas use other pupil measurements such as compensatory pupil units, LEP pupil units, or extended time pupil units

# Basic Terms

<b>NTC</b>	<b>Net Tax Capacity</b> - Market value times class rates (most levies are spread over this amount to determine tax rate)
<b>ANTC</b>	<b>Adjusted Net Tax Capacity</b> - Tax base used in many K-12 formulas to measure the relative wealth of property in each district. ANTC = NTC / Sales Ratio
<b>RMV</b>	<b>Referendum Market Value</b> - Market value of all taxable property in a district excluding seasonal rec and agricultural land beyond the dwelling value of the property (house, garage and one acre)
<b>Allowance</b>	A statutorily determined number that when multiplied by the number of pupils generates a revenue amount for districts.
<b>Equalization</b>	The process of reducing the impact of property wealth to generate revenue for school districts by appropriating state aid. State aid is appropriated in higher amounts for districts with relatively less property wealth.
<b>Equalizing Factor</b>	A statutorily determined amount of tax capacity per pupil that determines the amount of aid and levy in a given district. Districts with a tax based above the equalizing factor receive no aid.

# MN Funding Options

MN SCHOOL FUNDING OPTIONS										
Desc.	Item Ref. No.	MN Stat. Ref.	Use of Funds	Does this generate new dollars to District budget?	Does this require Voter Approval?	Are funds borrowed?	What kind of borrowing?	Will there be a new tax impact associated with levy?	Who pays for the levy and which tax base is utilized?	Max. Term
<b>Referendum Revenue / Operating Levy Revenue</b>	<b>1</b>	126C.17	Day to day operations	Yes	Yes	Not typically – but potentially	Certificates of Participation (General Fund annual appropriation)	Yes	Taxable property except Ag land beyond dwelling value and seasonal recreational / RMV	10 years
<b>School Building Bonds</b>	<b>2</b>	475 & 123B.02	Capital expenditures	Yes	Yes	Yes	Yes	Yes	All taxable property / NTC	30 years or useful life
<b>Capital Projects Levy</b>	<b>3</b>	123B.63	Capital expenditures defined in 126C.10 subd. 14	Yes	Yes	Not typically – but potentially	Certificates of Participation (General Fund annual appropriation)	Yes	All taxable property / NTC	10 years
<b>Capital Facilities Bonds</b>	<b>4</b>	123B.62	Capital expenditures defined in 123B.62	No	No	Yes	General Obligation	No (new debt levy but corresponding reduction in NTC Other Levy)	All taxable property / NTC	15 years or useful life
<b>Capital Equipment Notes</b>	<b>5</b>	123B.61	Capital expenditures defined in 123B.61	No	No	Yes	General Obligation	No (new debt levy but corresponding reduction in NTC Other Levy)	All taxable property / NTC	10 years or useful life
<b>Health and Safety Levy*</b>	<b>6</b>	123B.57	Capital expenditures defined in 123B.57	Yes	No	No	No	Yes	All taxable property / NTC	Annual levy (could be multiple years)
<b>Alternative Facilities Bonds*</b>	<b>7</b>	123B.59	Single Site Health and Safety items over \$500,000	Yes	No	Yes	General Obligation	Yes	All taxable property / NTC	30 years or useful life
<b>Deferred Maintenance Levy*</b>	<b>8</b>	123B.591	Provides funds for deferred maintenance items	Yes	No	No	No	No	All taxable property / NTC	Annual levy



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Long-Term Facilities Maintenance Revenue	9	123B.595	NEW 2015 - replace H&S, Alt. Fac. And Deferred Maint.* commences FY 2017	Yes	No	Potentially	General Obligation	Yes	All taxable property / NTC	Assumption is 30 Years
Lease Levy / Capital Levies	10	126C.40	Capital expenditures defined in 126C.40	Yes	No	Yes	Certificates of Participation (Lease Levy annual appropriation)	Yes	All taxable property / NTC	30 years or useful life
Lease Levy / Capital Levies	11	126C.40 subd. 6	Capital expenditures defined in 126C.40	Yes	No	Yes	Full Faith and Credit Certificates or Participation	Yes	All taxable property / NTC	30 years or useful life
Lease Purchase / Installment Purchase	12	465.71	Capital Expenditures	No	No	Yes	Certificates of Participation (General Fund annual appropriation)	Yes	All taxable property / NTC	30 years or useful life
Abatement Bond	13	469.1812 to 469.1815	Economic Development Tool for School Parking Lot Improvements Only	Yes	No	Yes	General Obligation	Yes	All taxable property / NTC	15 years or useful life
Cash Flow (Line of Credit)	14	123B.12	Cash Flow Purposes	No	No	Yes	Typically Bank Line of Credit	No	NA	45 days and can be rolled over
Cash Flow (Tax or Aid Anticipation Borrowing)	15	126C.50 to 126C.56	Cash Flow Purposes	No	No	Yes	Tax or Aid Anticipation Certificates	No	NA	13 months
Maximum Effort Capital Loan Borrowing)	16	126C.60 to 126C.72	School Facilities	Yes	Yes	Yes	Bond and State MN Loan	Yes	All taxable property / NTC	30 years or useful life on bond portion

## WHY DO DISTRICTS ASK FOR VOTER APPROVAL?



### Facility (Capital) Needs

- Identify and prioritize needs
- Discuss both voter approved and non-voter approved funding options
- Contemplate future voter request



### Fiscal (Operating) Needs

- Identify and prioritize needs
- Increase available dollars for programs and salaries
- Implement Technology Budget / Maintenance Budget
- Contemplate future voter request

## TOTAL TAX LEVY

