



PARENTS UNITED FOR PUBLIC SCHOOLS

Are the “Facts” Really the Facts?

A critique of statements made by the Coalition of Minnesota Businesses
on their education finance Web site

(www.mnbusiness.com/mng/front.html, accessed 10/19/2006).

- **Coalition:** “The numbers on this website come directly from the Minnesota Department of Education. We have not changed the information in any way.”
- **Critique:** The Coalition’s definition of “state aid” includes revenue generated by property taxes that is not identified as state aid by the Department of Education. **The definition of “state aid” used by the Coalition results in any overstatement of aid growth and an understatement of property tax growth.**

- **Coalition:** “If your school district is growing [i.e., enrollment is increasing] it is getting more state aid. Period.”
- **Critique:** Occasionally, a school district with growing enrollment will nonetheless experience a decline in state aid even without adjusting for inflation. This is because increases in some categories of state aid due to enrollment growth can be offset by cuts to other categories of state aid. **When you factor in inflation, school districts with growing enrollment have routinely seen reductions in state aid since the state takeover of general education in FY 2003.***

- **Coalition:** “State aid remained flat and school property taxes began to climb in FY 2004-2005 as the legislature wrestled with budget shortfalls.”
- **Critique:** Based upon information from the most current *Price of Government* report from the Minnesota Department of Finance, state aid to school districts declined by \$540 million from FY 2003 to FY 2005 in constant FY 2005 dollars—a decline of 8.3 percent. **On a per pupil basis, this represents a decline of \$566 or 7.2 percent. On a statewide basis, the growth in inflation-adjusted school property taxes over this period is due to a decline in inflation-adjusted state aid, not to growth in inflation-adjusted school revenue.**

- **Coalition:** “State aid to schools increased again in FY 2006 and FY 2007.”
- **Critique:** Based upon *Price of Government* data, in constant FY 2007 dollars state aid to Minnesota school districts declined by \$130 million (2.0 percent) from FY 2005 to FY 2006 before growing by \$12 million (0.2 percent) from FY 2006 to FY 2007. This represents a net state aid decline of \$118 million (1.8 percent) over the two year period. In constant FY 2007 dollars *per pupil*, state aid to schools declined by \$157 (2.0 percent) from FY 2005 to FY 2006 before increasing by \$36 (0.5 percent) from FY 2006 to FY 2007. The net per pupil reduction in state aid over the two year period is \$121 or 1.5 percent. **The bottom line: inflation-adjusted state aid to Minnesota schools declined from FY 2005 to FY 2007.**

* This analysis uses the Implicit Price Deflator (IPD) for state and local government purchases for all inflation adjustments. However, real state aid has declined among many districts with growing enrollment regardless of whether the inflation adjustment is based on the state and local IPD or the Consumer Price Index (CPI).

- **Coalition:** "School district revenue statewide—excluding federal funding—is up \$1.5 billion over FY 2002."
Critique: True only if one completely ignores inflation. In inflation-adjusted dollars, total school district revenues are down \$32 million (0.3 percent) in constant FY 2007 dollars from FY 2002 to FY 2007. **Since the state takeover of general education in FY 2003, total school revenues have fallen by \$285 million or 2.9 percent in constant FY 2007 dollars; on a per pupil basis, the decline is \$181 or 1.5 percent.**
- **Coalition:** "Total [statewide] general education revenue rose 62 percent [from FY 1996 to FY 2007] — that's 24 percent above inflation."
Critique: Beside understating inflation, the Coalition doesn't take into account the modest enrollment growth over this twelve-year period. **In inflation-adjusted dollars per pupil, total school district revenues have grown at an average rate of about one-percent per year since FY 1996. Over the entire 12 year period, school revenue increased by 13 percent, not 24 percent.** The above statement on the Coalition's Web site applies to statewide school revenues; similar statements made for individual school districts are similarly flawed.

Also, all of the real per pupil growth in school revenue occurred prior to the state takeover of general education in FY 2003. As noted above, statewide inflation-adjusted per pupil revenue has fallen since FY 2003.

The growth in school revenue that occurred prior to FY 2003 is due largely to:

- ⇒ Tri-partisan initiatives to reduce class sizes.
- ⇒ Increased revenue for schools districts without a referendum levy.
- ⇒ Growth in the number and severity of disabilities of special education students that are served in public and private schools.
- ⇒ Rapid growth in the number of non-English speaking students.
- ⇒ Cost growth due to various state and federal mandates.

In response to the budget deficit in FY 2003 to FY 2005, the state froze general education funding and other categorical aids were cut or capped, especially special education revenue, English Language Learner revenue, extended day/year revenue, and Early Childhood revenue. Schools received "transition" revenue, which was a combination of state aid and levy for programs that were previously all aid. In addition, other state aid formulas were shifted to local property taxes.

In short, the Coalition noted growth in school revenues from FY 1996 to FY 2007 without noting that all inflation-adjusted growth occurred prior to FY 2003 and without discussing the factors that necessitated the growth in school revenue prior to FY 2003.

- **Coalition:** "According to the Minnesota Taxpayers' Association, Minnesota was 13th in per capita spending on K-12 education in 2004."
- **Critique:** According to the U.S. Census Bureau, Minnesota ranks 20th among the fifty states in elementary and secondary public school current spending per pupil in 2004 and 40th among the fifty states in public school current spending as a percentage of statewide personal income. ("Current spending" is an expenditure definition developed by the Census Bureau to facilitate interstate comparisons.) **In terms of current spending per pupil and as a percent of personal income, Minnesota's ranking has fallen significantly over the last several years.**