

HF 2 - The New Minnesota Miracle

A Closer Look

The Formula --

What the Bill Does - Sets the basic per pupil formula high enough to cover a student's basic instructional needs.

- Increases the per pupil formula allowance from \$5175 to \$7500.
- All students count as 1.0. Current student weightings: K=0.612, Grades 1-3 = 1.115 Grades 4 – 6 = 1.06 and Grades 7 – 12 = 1.3.
- A district may use dollars generated by the increased kindergarten weighting to run either all-day kindergarten or early childhood programs.
- The formula is linked to inflation using the Implicit Price Deflator which is a better measure of inflation for the cost of items purchased by state and local governments than the CPI.

A Closer Look

- When student weightings are taken into account and based on 2007-08 state enrollment, a district today on average receives \$5,930 per pupil. Thus, HF2, on average, will increase a district's per pupil funding by \$1,570.
- If the formula was indexed to inflation since 1991 and adjusted using the new weighting and current enrollment, the per pupil formula this year would be \$7,590 per pupil, the level set in HF2.
- Linking the formula allowance to inflation stabilizes education funding and assures that districts can maintain programming from year to year.

Student's Special Needs –

What the Bill Does - Provides targeted dollars for specific student needs.

- English language learning dollars are increased to 20% of the formula and the 5 year cap that has been in place since 2003 is eliminated.
- Compensatory funding is increased and linked to the formula with all students eligible for free or reduced meals generating an added \$2,500 (33% of the formula allowance).
- An additional \$500 of compensatory funding, up to a total of \$3,000 (40% of the formula allowance), is added for districts with large concentrations of children eligible for free or reduced meals.
- All state special education costs are funded by eliminating the cap set in 2003.
- Percentages of the formula dollars must be spent in the following way:
 - 1% on gifted and talented programs
 - 1.5% on innovative programs with accountability
 - 0.5% on career and technical programs

A Closer Look

- By increasing the resources for English language learners, children who live in poverty and children who qualify for special education, HF2 will reduce or eliminate the need for districts to shift dollars out of general education to cover these costs.
- The state does not assume financial responsibility for the high-cost low-incidence special education students as recommended in the PS Minnesota framework.
- The bill provides innovation, best practices and accountability by requiring districts to spend at least a certain percentage of the funding in these areas.

• *Districts' Special Needs --*

What the Bill Does

- Has a mechanism to help districts deal with declining enrollment.
- Provides funding for regional cost differences.
- Addresses pupil transportation needs:
 - Permits the districts to determine hazardous transportation conditions and provides state aid of not more than 20% of the district's transportation costs.
 - Provides state aid of 5% of a district's total transportation costs for bus purchase.
- Allows every school board to levy for the cost of deferred maintenance needs.
- Sparsity funding for our more rural areas remains essentially the same as it is today but decreases qualifying minimum sparsity distance from 19 to 15 miles.

A Closer Look

- A three year average of enrollment can be used by districts to account for declining enrollment.
- Districts in areas that have a higher market-based labor costs will get additional dollars to recognize the higher cost of doing business.
- The bill does not change the current way Minnesota provides additional sparsity resources to districts that are geographically isolated. It does reduce the distance qualification.
- Expands designations of hazardous zones in transportation, which will provide additional dollars for transportation in both rural and non-rural areas.

Referendum or Levies --

What the Bill Does

- In this bill, the state replaces up to the first \$500 of a district's referendum with state aid. Those districts without a referendum will receive \$500 per pupil.
- Referendum equalization is indexed to statewide growth in tax base.
- The debt service equalization is increased and indexed to a state-wide growth in tax base.
- Provides an agricultural school bond credit to lessen the impact of school building projects on agricultural lands

A Closer Look

- The intent is to reduce or eliminate the dependence on local referendums by providing a larger per pupil formula for all students in the state.
- Currently the bill does not limit or cap the amount of referendum a district can have.
- Because the referendum equalizing factors have not been adjusted since 1993, some district's taxpayers now pay 3 to 4 times more to generate the same amount of referendum revenue for their schools and this has caused a significant disparity in funding between school districts. This bill does not increase the equalization factors so that all districts would have the same opportunity to access referendum dollars.
- Increasing the debt service equalization and linking it to a growth factor will help districts that have school building bonds.