

Our Public Schools Should Not Be an Afterthought!



A FRAMEWORK FOR A NEW MINNESOTA EDUCATION FUNDING FORMULA

For the better part of the last two years, P.S. Minnesota, an unprecedented coalition of the state’s education organizations and parent groups, has been working with Augenblick, Palaich, and Associates (APA) to study the level of adequacy that exists in the system of public school funding which this state employs. One central activity of this coalition has been the development of a framework for a new school funding formula.

P.S. Minnesota was particularly pleased to find that another important reform initiative, the Minnesota’s Promise project sponsored by the Minnesota Association of School Administrators and the University of Minnesota, provided additional impetus to our efforts. That group recently outlined eight traits of world-class schools. One of those traits stated plainly that good schools and successful students are supported by “funding (which) is predictable and sufficient to produce world-class performance.” *For more information on Minnesota’s Promise, visit www.minnesotaspromise.org.*

Student success and world-class performance are paramount to P.S. Minnesota. As such, the group is pleased to release the following framework for a funding formula which will help deliver that success. This framework is centered upon research-based principles and it is targeted at student achievement. It is not, however, prescriptive in its approach to a final funding formula. Rather, the framework should provide the basis for important policy discussions on school funding. It is hoped that one result of these deliberations will be the creation of a funding system which will provide sufficient levels of resources, targeted to school districts in a rational fashion, in order that students will have a reasonable chance to achieve at levels required through local, state, and national standards.

9 CHARACTERISTICS OF A GOOD FUNDING FORMULA

Premise: A good school funding formula should have a rational link to student needs, be based on research, and be supported by data.

As such, a good funding formula should contain the following characteristics:

1. It should be targeted toward student achievement of local, state, and national standards.
2. It should account for differences in district property wealth through a system of equalization. Said system should be based on an accurate economic representation of the use of a given property coupled with a sensitivity toward the income produced by that property or, in the case of a residence, the income of that property owner.
3. It should account for differences in individual students such as family wealth, family language, and special needs.
4. It should account for the unique characteristics of individual districts such as cost variances due to factors like geographic remoteness, declining enrollment, and market-based labor cost differentials.
5. It should provide for limited local discretion by both the local school board and by district voters to account for marketplace competition and community expectations.
6. It should target resources into capital-intensive obligations such as textbooks and other non-technology instructional resources, student and system technologies, annual and deferred maintenance expenses, and transportation system operations.
7. It should offer equalized access to the acquisition of new and/or remodeled school facilities while also

providing incentives for collaboration and sharing of resources when possible.

8. Both base costs and adjustments should be adequate and established in accordance with research-based methodologies which calculate the real costs associated with meeting state and federal standards. Such a system should significantly reduce the need for school districts to rely on local operating referenda to support basic instructional costs.
9. A new general education levy, equalized with state and local resources, should be used to adequately fund the base costs in the new formula.

BASIC FORMULA FRAMEWORK

A good school funding formula should include the following three component parts:

I. LEARNER COMPONENT

P.S. Minnesota advocates a system in which each kindergarten through twelfth grade student is considered 1.0 on a pupil unit scale. We propose a weighting of 1.0 for kindergarten students because we recognize the importance of offering these children access to a voluntary all day, every day program of services. The actual weighting for kindergarten students would reflect the actual time these students are served by a given district. The base cost associated with delivering state and federal standards, as calculated by APA, is \$5,938 (in 2004-2005 dollars). The actual number to be included in a comprehensive funding formula may differ from this amount based on the other factors calculated into the total equation.

To this basic weighting, individualized student adjustments must be made which rationally reflect the costs associated with the delivery of necessary services. Adjustments should be made for at-risk students as identified with some acceptable poverty measure as well as for language of origin. While there is some debate regarding the best “proxy” for determining poverty adjustments, APA contends that an adjustment based on Free and Reduced lunch counts would produce a factor of 0.75 which should be added to the weight of each qualifying student. According to APA, an adjustment of 0.90 should be made for each eligible ELL student. Best practice research would indicate that these students must be eligible for ELL services until they are able to demonstrate English language proficiency, as measured with a standardized instrument such as the T-test, to the extent that the students can be successful in courses offered only in English.

Finally, the real costs of delivering required special education services to children should be funded. P.S. Minnesota advocates a return to the cost-reimbursement approach based on current year funding similar to what was in place prior to 1995 at which time the state moved to a base-year formula for special education.

Critical elements of a revised special education funding formula should include:

- Reimbursement for salaries and benefits at a minimum of 65%
- Reimbursement of at least 50% of contract expenses
- Reimbursement of at least 50% of supplies and equipment
- Development of an excess-cost model for districts experiencing significant program growth
- Development of a funding stream that reimburses districts directly for tuition costs incurred by students using state-sponsored education choice initiatives.

Summary of Learner Component

Learner Component Formula = [(Student Count + IAF) x Base Amount] + Special Ed Revenue

Part One: Base student = 1.0

Part Two: Individualized Adjustment Factors (IAF) = Additional Pupil Weight
(At-Risk = 0.75; ELL = 0.90)

The sum of Parts One and Two are multiplied by a base amount considered sufficient for a student to meet the federal and state learning standards.

Part Three: Current year funding of special education based on actual costs of delivering services based on individual IEPs. The resulting amount is added to the sum of Parts One and Two of the Learner Component for a total revenue amount.

II. DISTRICT INSTRUCTIONAL SERVICES COMPONENT

In the Learner Component, base costs and individual student characteristics formed the basis for a rational funding formula targeted at student achievement. The District Instructional Services (DIS) component accounts for the differences which exist between school districts insofar as these district characteristics are linked to student achievement.

Three district characteristics in particular should be addressed:

- A rational funding formula contains appropriate adjustments made as a result of challenges of economies of scale. APA has developed an index which adjusts the foundation formula, on a graduated scale, for differences in school district size. This provides additional resources to the smallest and to the largest districts in the state in accordance with a research-based U-shaped funding formula.
- A rational funding formula makes adjustments for the differences which exist across the state in the cost of delivering educational services. APA has developed a Location Cost Metric (LCM) which combines the factors of average wage and housing costs into an index which “adjusts” the foundation formula in accordance with the results of a county and economic development region analysis. P.S. Minnesota advocates for a similar measure.
- A rational funding formula takes into account the ongoing educational and infrastructure costs associated with enrollment decline. Several different methodologies exist across the nation which permit districts to “phase out” over time the expenditures directly related to enrollment decline. While we do not advocate one particular approach over another, the resultant formulation should more fully address the real impact of declining enrollment on school district budgets.

Summary of District Instructional Services (DIS) Component

DIS Funding = Adjustments for District Size + Location Cost + Declining Enrollment

The District Instructional Services Component is related to the Learner Component in that both student counts and the base amount are factors in these adjustments.

III. DISTRICT SUPPORT SERVICES COMPONENT

A rational funding formula provides resources which address the significant facility maintenance issues which school districts across the state face. Research would indicate that school districts should be spending between two and four percent of actual replacement costs annually on facility maintenance. Improved access to deferred maintenance funding saves taxpayer dollars by avoiding the costs associated with paying interest on long-term debt, the most common funding source used to address these costs today.

P.S. Minnesota has worked with officials from the Minnesota Association of School Business Officials to develop a set of recommendations which would produce both Deferred Maintenance Program and Operating Capital Facility revenues. Deferred maintenance funding should produce up to \$625 per pupil unit or up to \$3.30 per square foot.

A rational school funding formula provides resources to support the acquisition and maintenance of both student and system technology needs. Currently, expenditures in these categories generally compete with facilities infrastructure resources. Dedicated dollars, reflective of real costs of equipment and network infrastructure, should be secured.

A rational school funding formula provides resources sufficient to secure a safe and efficient system of transportation for Minnesota's students. The following elements must be a part of a funding formula for pupil transportation:

- The formula should include explicit state-developed definitions of what services are to be provided. These services should be directly funded.
- A transportation sparsity formula needs to accurately distribute revenue based on cost pressures arising from population sparsity.
- Full funding for between-building and/or multi-district special education transportation should be provided. Indirect costs related to special education transportation should remain in the transportation and not in the special education budget.
- Hazardous transportation funding should be offered and funded by the state to ensure safe transportation for all students.
- Funding should be provided to address short term cost pressures related to energy prices.
- A bus acquisition program should be authorized which is separate from the district's general fund. "Green" fleet incentives should be developed.

In addition, resources should be provided to districts which must comply with desegregation mandates. These resources should be rationally linked to the direct costs associated with compliance.

Furthermore, the state regularly enacts targeted initiatives such as alternative compensation (Q-comp and other frameworks), staff development, and vocational education as recommended or required programming. Special projects and/or targeted initiatives adopted by the state legislature should be universally available and funded in accordance with real, current costs.

Summary of District Support Services (DSS) Component

**DSS Funding = Facilities Maintenance + Technology Support + Transportation
+ Desegregation + Targeted Initiatives**

The funding resulting from the District Support Services Component is added to the sums resulting from the calculations of the Learner Component and the District Instructional Services Component.

Thus, in order to deliver a base program developed in accordance with state and federal standards, Minnesota's School District Funding under the P.S. Minnesota Framework equals:

Summary of P.S. Minnesota Funding Framework

**Basic School District Funding = [(Student Count + IAF) x Base Amount] + Special Education
+ District Instructional Services + District Support Services**

ADDITIONAL LEVY AUTHORITY

In addition to providing basic programming, school districts, in response to the will of the local citizenry, are often expected to deliver programs and services beyond core standards. Also, school districts have capital obligations to construct new buildings and/or to engage in major renovations of existing facilities.

As such, a rational funding formula which is linked to student achievement must contain the following elements:

- Two levels of discretionary program authority are found in the research of best practices. Boards of Education should have limited authority to raise resources targeted at local program initiatives. Voters should be given limited authority to generate additional resources targeted at local program initiatives. P.S. Minnesota believes that the combined discretionary authority should ***not exceed 20% of the new base formula*** amount and that both levels of discretion should be equalized.
- P.S. Minnesota recognizes that a good funding formula permits districts across the state with fair and affordable access to educational facilities. An equalized capital construction formula should be developed. In order to secure state equalization, school construction projects should be measured against program sustainability standards developed by the state.

CONCLUSION

P.S. Minnesota believes that by adding policy substance to this framework, a system of school funding can be developed which will be rationally linked to student achievement. Our coalition stands ready to provide support and assistance to policymakers who seek to reform a current system of funding most observers view to be both cumbersome and antiquated. Surely, the children of Minnesota will be the direct beneficiaries of these bold efforts.

For additional information on P.S. Minnesota and this framework, visit our web site at:

www.psmnnesota.org