



School District Revenue History

Money Matters: Number 06.03

February 2006

Greg Crowe, Fiscal Analyst (651) 296-7165

Tim Strom, Legislative Analyst (651) 296-1886

Fiscal Analysis Department
Minnesota House of Representatives

Total School District Revenue, 1984-2004

In fiscal year 1984, total school district revenue including State, Local and Federal sources was \$2.7 billion¹. By fiscal year 2004, total school district revenue had increased more than 222 percent, to \$8.6 billion, an average annual increase of over 11 percent per year. At the same time, school districts are concerned that their current revenues are not adequate to cover their expenses. This analysis will attempt to shed some light on how increases that can be viewed as large over time can result in the kind of concern expressed by districts today.

Two initial adjustments to total revenue should be made to better explain what school districts are receiving in actual revenue. The first is adjusting for inflation (using the Consumer Price Index (CPI) in this case, with 1984 as the base year) and the second is adjusting for pupil growth. As Figure 1 shows, while total school revenue nearly tripled, when adjusted for inflation the increase is only about 78 percent, from \$2.7 billion to \$4.8 billion, or 4 percent per year.

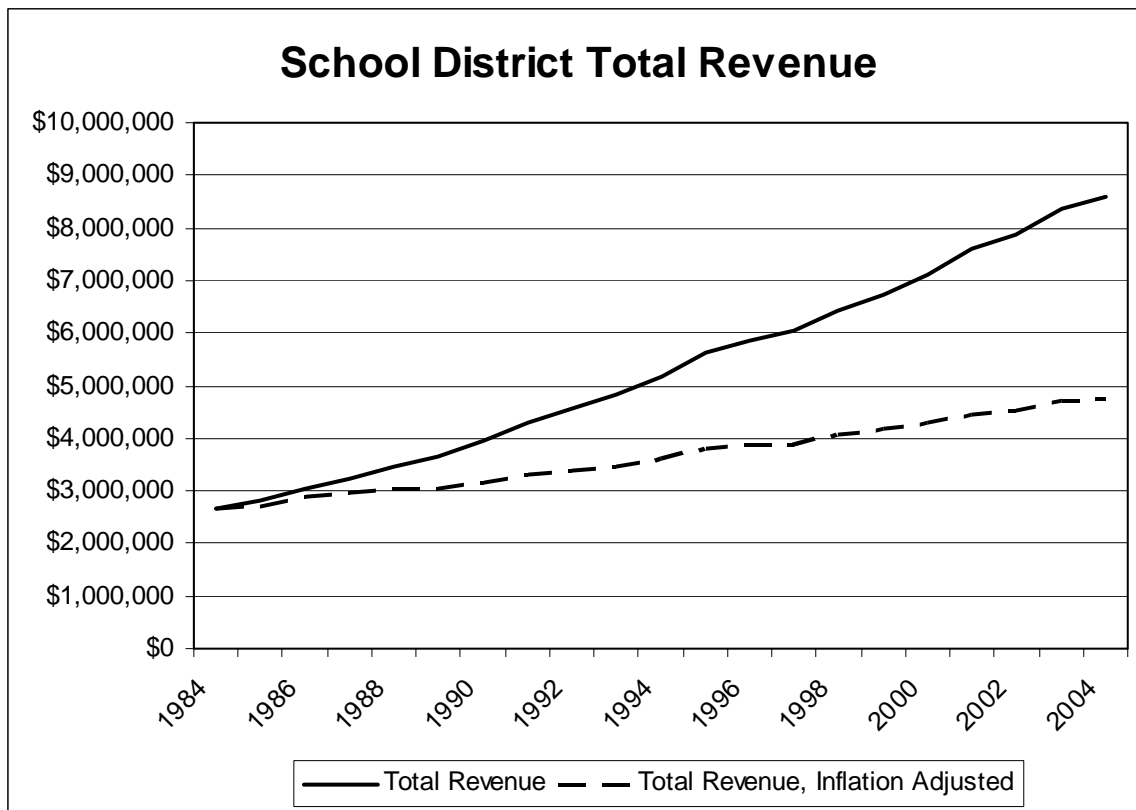


Figure 1

¹ School district revenue is calculated using the annual Price of Government report prepared by the Department of Finance. In comparison to most other work produced by our Department, which focus primarily on state aid on an appropriation basis and local levies, the Price of Government data includes state aid on an entitlement basis (which eliminates the impact of accounting shifts on annual appropriations), local levies, other local revenue including local fees, and federal funds.

In addition to adjusting for inflation, to truly understand what is happening to school district revenues over time, changes in enrollment should be factored out. Since most K-12 funding formulas are based on the number of students enrolled in a school district, changes in enrollment can change the total revenue of the school district without actually increasing or decreasing the district's per pupil revenue. So, Figure 2 shows actual total revenue and total revenue adjusted for inflation on a per student basis (using a headcount measure called Average Daily Membership (ADM)).

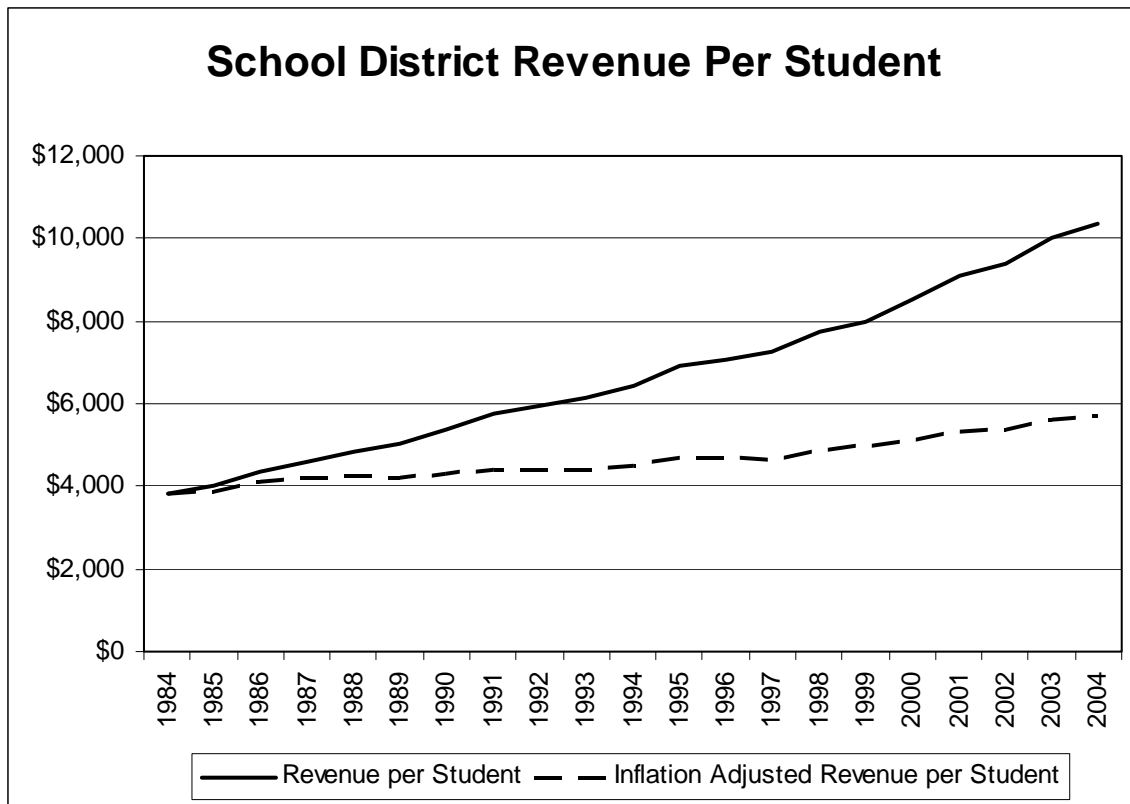


Figure 2

Figure 2 shows that in fiscal year 1984, total school district revenue per student including State, Local and Federal sources was \$3,808. By fiscal year 2004, total actual school district revenue had increased more than 172 percent, to \$10,353 per student, an average annual increase of over 8.6 percent per year. When adjusted for inflation, fiscal year 2004 revenue is \$5,724 per student, an increase of 52 percent over the 20 year period, or an average of 2.5 percent per year.

In addition to adjusting for inflation and changes in enrollment, when observing changes in operating revenue over time, it is useful to subtract non-operating expenditures, particularly the debt payments that school districts make for their building construction costs. Fluctuations in building debt over time and between districts do little to explain the ability of districts to fund their operating expenses. As a result, Figure 3 shows school district revenue with building debt subtracted from total revenue. In addition, Figure 3 also makes an adjustment for special education expenditures. Because special education is a fixed cost in the sense that services are

mandated by Federal and State law and revenue is calculated based on reimbursing only a portion of the cost of providing services, the addition or loss of special education revenue does not influence the ability of the district to provide regular instruction. However, when special education services are added by a district, because the special education funding formulas do not fully fund special education costs, a district then has to subsidize special education expenditures out of their general education funding. In other words, the higher a school district's special education expenditures are, the greater the subsidy of those expenditures is from the general fund.

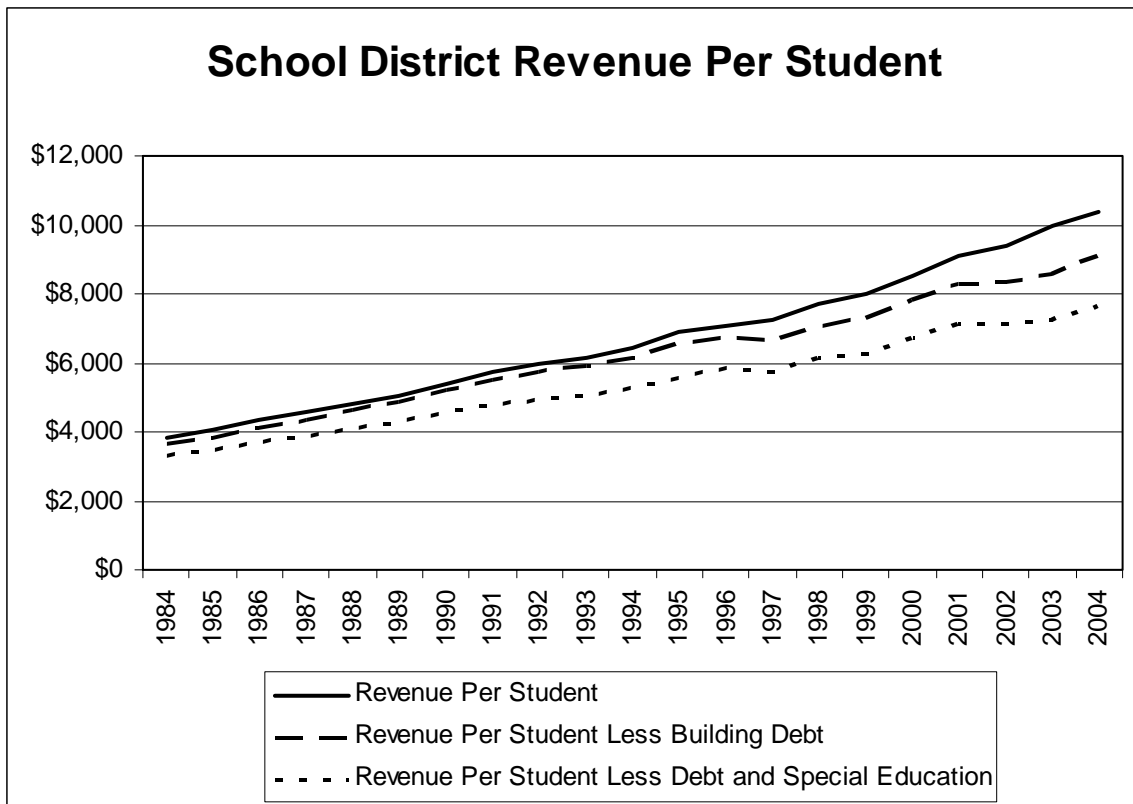


Figure 3

Subtracting building debt and special education expenditures, school district revenue increases from \$3,305 per student to \$7,679 per student between fiscal years 1984 and 2004, an increase of 132 percent, an average of 6.6 percent per year. In fiscal year 1984, building debt averaged \$183 per pupil and special education averaged \$320 per pupil. By fiscal year 2004, building debt averaged \$1,262 per pupil and special education averaged \$1,412 per pupil.

Figure 4 shows the result of subtracting building debt and special education expenditures from school district revenue, and then adjusting those amounts for inflation. Subtracting building debt and special education expenditures, and adjusting for inflation, school district revenue increases from \$3,305 per student to \$4,246 per student between fiscal years 1984 and 2004, an increase of 29 percent, an average of 1.4 percent per year.

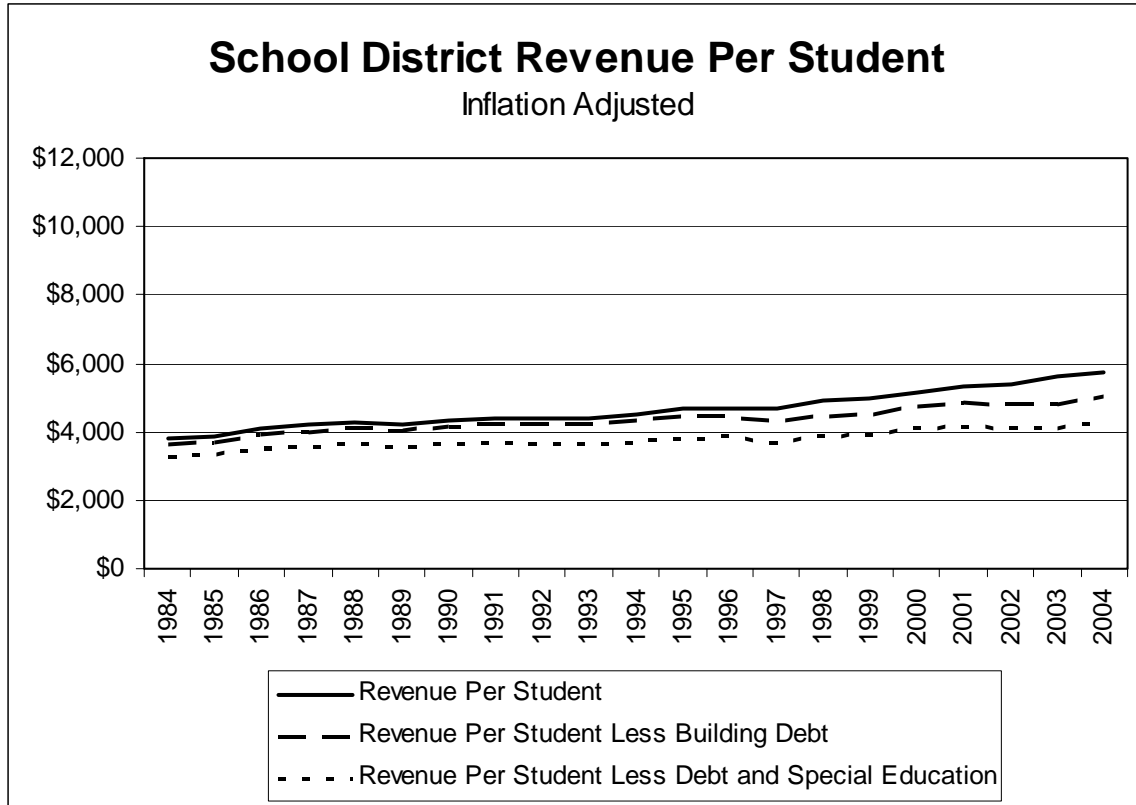


Figure 4

Clearly, Figures 1 and 4 present very different perspectives on how school district revenues have changed over the past 20 years. Figure 1 shows education funding increasing by 222 percent over 20 years at an 11 percent per year average, while Figure 4 shows education funding increasing by 29 percent, an average of 1.4 percent per year. The differences between the two are the adjustments made for student enrollment, inflation, and district costs for building debt and special education. While markedly different, each analysis represents an accurate way to view school funding over time, and each presents unique perspectives that should be considered. A simple analysis of total actual revenue change over time does not consider factors that are beyond the control of school districts and important in calculating their relative financial position over time.

For additional information, please contact:

Greg Crowe, Education Fiscal Analyst, at (651) 296-7165 or greg.crowe@house.mn, or;
 Tim Strom, Education Legislative Analyst, at (651) 296-1886 or tim.strom@house.mn

School District Total Revenue, FY 1984-FY 2004

Includes State Aid Entitlements, Local Levies, Other Local Revenue and Federal Funds
(\$ in Thousands)

	Total Revenue *		Total Revenue * Infl. Adj.	
1984	2,666,098		2,666,098	
1985	2,804,734	5.2%	2,707,324	1.5%
1986	3,032,702	8.1%	2,878,864	6.3%
1987	3,248,698	7.1%	2,970,299	3.2%
1988	3,453,999	6.3%	3,040,064	2.3%
1989	3,654,168	5.8%	3,057,200	0.6%
1990	3,956,375	8.3%	3,164,367	3.5%
1991	4,313,020	9.0%	3,291,081	4.0%
1992	4,570,628	6.0%	3,382,864	2.8%
1993	4,824,332	5.6%	3,463,784	2.4%
1994	5,155,154	6.9%	3,614,203	4.3%
1995	5,612,647	8.9%	3,820,858	5.7%
1996	5,861,361	4.4%	3,884,952	1.7%
1997	6,040,025	3.0%	3,894,611	0.2%
1998	6,425,890	6.4%	4,069,231	4.5%
1999	6,716,761	4.5%	4,182,214	2.8%
2000	7,123,703	6.1%	4,311,230	3.1%
2001	7,604,974	6.8%	4,448,508	3.2%
2002	7,861,745	3.4%	4,517,926	1.6%
2003	8,356,912	6.3%	4,703,480	4.1%
2004	8,596,311	2.9%	4,752,756	1.0%

APPENDIX: DATA TABLES

1984-2004

Percent Change	222%	78.3%
Average Change	11.1%	3.9%
Avg of Annual Changes *	6.0%	2.9%

School District Total Revenue per Student, FY 1984-FY 2004

Includes State Aid Entitlements, Local Levies, Other Local Revenue and Federal Funds

	Total Rev. per Student		Inflation Adj		Rev/Student Minus Bldg. Debt		Rev/Student Infl. Adj Less Bldg		Rev/Student Minus Bldg and Sp.Ed.		Infl. Adj Less Bldg & Sp.Ed.	
1984	3,808		3,808		3,625		3,625		3,305		3,305	
1985	4,031	5.9%	3,891	2.2%	3,841	6.0%	3,708	2.3%	3,483	5.4%	3,362	1.7%
1986	4,337	7.6%	4,117	5.8%	4,124	7.4%	3,915	5.6%	3,728	7.0%	3,539	5.3%
1987	4,586	5.7%	4,193	1.8%	4,368	5.9%	3,994	2.0%	3,911	4.9%	3,576	1.0%
1988	4,823	5.2%	4,245	1.2%	4,640	6.2%	4,084	2.3%	4,135	5.7%	3,639	1.8%
1989	5,050	4.7%	4,225	-0.5%	4,859	4.7%	4,065	-0.5%	4,282	3.6%	3,582	-1.6%
1990	5,395	6.8%	4,315	2.1%	5,189	6.8%	4,150	2.1%	4,553	6.3%	3,642	1.7%
1991	5,744	6.5%	4,383	1.6%	5,521	6.4%	4,213	1.5%	4,807	5.6%	3,668	0.7%
1992	5,953	3.6%	4,406	0.5%	5,716	3.5%	4,231	0.4%	4,936	2.7%	3,653	-0.4%
1993	6,145	3.2%	4,412	0.1%	5,888	3.0%	4,227	-0.1%	5,060	2.5%	3,633	-0.5%
1994	6,450	5.0%	4,522	2.5%	6,152	4.5%	4,313	2.0%	5,279	4.3%	3,701	1.9%
1995	6,907	7.1%	4,702	4.0%	6,543	6.4%	4,454	3.3%	5,586	5.8%	3,803	2.8%
1996	7,082	2.5%	4,694	-0.2%	6,715	2.6%	4,451	-0.1%	5,866	5.0%	3,888	2.2%
1997	7,241	2.2%	4,669	-0.5%	6,677	-0.6%	4,305	-3.3%	5,765	-1.7%	3,717	-4.4%
1998	7,722	6.6%	4,890	4.7%	7,055	5.7%	4,468	3.8%	6,117	6.1%	3,874	4.2%
1999	7,990	3.5%	4,975	1.7%	7,277	3.1%	4,531	1.4%	6,280	2.7%	3,910	0.9%
2000	8,508	6.5%	5,149	3.5%	7,803	7.2%	4,723	4.2%	6,723	7.1%	4,069	4.1%
2001	9,088	6.8%	5,316	3.2%	8,308	6.5%	4,860	2.9%	7,144	6.3%	4,179	2.7%
2002	9,381	3.2%	5,391	1.4%	8,373	0.8%	4,812	-1.0%	7,135	-0.1%	4,100	-1.9%
2003	9,996	6.6%	5,626	4.4%	8,580	2.5%	4,829	0.4%	7,272	1.9%	4,093	-0.2%
2004	10,353	3.6%	5,724	1.7%	9,091	6.0%	5,026	4.1%	7,679	5.6%	4,246	3.7%

1984-2004

Percent Change	172%	50.3%	150.8%	38.6%	132.3%	28.5%
Average Change	8.6%	2.5%	7.5%	1.9%	6.6%	1.4%
Avg of Annual Changes *	5.1%	2.1%	4.7%	1.7%	4.3%	1.3%

* The Average Change compares 1984 to 2004, and divides by the 20-year increment. The average of the annual change computes the average of each year's annual change.