



E-12 EDUCATION FUNDING UPDATE
MSBA Leadership Conference

Tom Melcher - School Finance Director

January 11, 2018

OUTLOOK FOR THE FUTURE
State General Fund Budget
November 2017 Forecast (\$ in millions)

| | FY 2018-19 | FY 2020-21 |
|--|-------------------|-------------------|
| Beginning Balance | \$ 3,333 | 1,825 |
| Revenues | \$ 44,447 | 47,645 |
| Spending | \$ 45,955 | 47,983 |
| Balance Before Reserves | \$ 1,825 | 1,487 |
| Cash Flow & Budget Reserve | \$ 1,958 | 1,958 |
| Stadium Reserve | \$ 55 | 115 |
| Forecast Balance | \$ (188) | (586) |
| Not Included in the above: | | |
| Legislative Funding, FY 18-19 | (114) | (114) |
| Legislative Funding, FY 20-21 | | (114) |
| Estimated Inflation (CPI @ 2.4 - 2.6%) | | (1,311) |
| Remaining Balance | \$ (302) | \$ (2,125) |

OUTLOOK FOR THE FUTURE

State General Fund Budget, FY 18 – 19 Biennium

November 2017 Forecast Vs End of Legislative Session

- **Projected revenues are down \$559 Million**
 - Includes \$461 million reduction in projected Individual Income Tax revenue
- **Projected expenditures are up \$398 million**
 - Includes \$121 million for E-12 Education
 - \$103 million of this increase is for special education aid

1/4/2018

35

OUTLOOK FOR THE FUTURE

Unresolved Issues

1. 2% and 2% on the formula was roughly the amount needed to keep pace with **inflation** in the current biennium, but not enough to make up for ground lost to inflation between 2003 and 2014. Since 2003, declining inflation-adjusted Basic General Education revenue **has resulted in over-reliance on operating referendum revenue**, which creates inequities for students and taxpayers and budget instability for districts.
2. **Special education** cross subsidy is more than \$800 per student and continues to grow, **taking resources from the regular classroom** and creating inequities among districts.
3. **TRA, PERA and other state pension funds are significantly underfunded – changes are needed to ensure long-term stability.**

1/4/2018

36

OUTLOOK FOR THE FUTURE

Unresolved Issues

4. Increases in voluntary pre-kindergarten / school readiness plus are funded for just two years – with no change in law, programs initially funded in FY 2018 and FY 2019 will be de-funded in FY 2020.
5. Funding for Q comp is capped, with a waiting list, creating inequities among districts.
6. Minnesota's ratio of students to counselors and other pupil support staff is one of the highest in the nation.