

Minnesota

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Minnesota has a biennial budget, where the governor makes proposals to the operating budget in odd years, with proposed capital expenditures made in even years; supplements to the previous budget are typical. The fiscal year runs from July 1 through June 30. This report focuses on FY 2022-23 biennium, which begins on July 1, 2021 and ends on June 30, 2023. It reflects the summary of changes to the governor's original general fund recommendations and includes the incorporation of the American Rescue Plan Act, federal aid to help states in their response to the Covid virus pandemic.

Minnesota's projected general fund balance for the 2022-2023 biennium was \$127 million, an 88.6% decrease from the projected general fund balance of the previous biennium. General fund revenues were estimated to total \$54.8 billion from diversified sources. They largely come from individual income taxes, which account for \$26.7 billion (52.5%) of the general fund, sales taxes, which account for just under \$12.8 billion (25.1%) and corporate taxes accounting for almost \$3.1 billion (6.1%). While revenues from corporate taxes fell from the previous biennium, revenues from sales and income rose, with sales taxes accounting for a bigger share of the revenue pie than in the previous biennium. Sales as a percentage of general funds went from 24.3% to 25.1% of the general fund total. Funding for E-12 education continues to dominate general fund expenditures.

FUNDING PRIORITIES FOR P-12 AND/OR HIGHER EDUCATION

The General Fund has the biggest share of the overall state budget. Estimated General Fund spending increased dramatically from the previous biennium from nearly \$47.8 billion to almost \$52.4 billion, a 9.6% increase. General fund expenditures accounted for 46.4% of the state's overall 2022-2023 biennial spending of \$104.2 billion from all funds (Minnesota House of Representatives, Fiscal Analysis Department, 2021).

Consistent P-12 budget priorities include a focus on equity, opportunity gaps, and reform of special education funding to address the financial pressures on school districts of cross-subsidies (i.e., dollars from the general fund used to cover the E-unfunded costs of special education). The governor's revised budget includes increases in student support personnel, compensation to schools for pandemic enrollment loss, non-exclusionary discipline training

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and expanded access to tutoring. At the higher education level, increased dollars largely targeted campus responsiveness and stabilization in the Minnesota State campuses.

CHANGES TO FUNDING FORMULA FOR P-12 AND/OR HIGHER EDUCATION

E-12 education expenditures increased by over \$1.1 billion over the previous biennium. Most of that additional spending was on increasing the basic education formula by 1% for FY2022 and 2.5% for FY2023, an increase of \$296.5 over the previous biennium. The basic general education formula allowance was \$6,567 per pupil in FY 2021; that amount is supplemented by other general and categorical aid. The state invested \$96.6 million in simplifying school levies and improving equalization efforts and \$70.1 million to reduce the cross subsidy from general education to special education. While not expended on education directly, it is also important to note that the state made broad investments of \$50 million in broadband development.

Expenditures on higher education increased by 110.1 million over the previous biennium. Most of that increase went to the Minnesota State campuses to ensure campus responsiveness and stabilization (\$75 million). An additional \$46.5 million was invested in the University of Minnesota to safeguard the mission of the university to support world class human talent.

PRESSING STATE ISSUES AFFECTING P-12 AND/OR HIGHER EDUCATION FUNDING

Minnesota's diversified economy has positioned it to emerge from the pandemic in better fiscal shape than states with narrower sources of revenue. Pernicious educational issues persist, including opportunity gaps among students, special education funding, the state's aging infrastructure, staff shortages from bus drivers to teacher shortages in math, science, and special education, as well as budget and staff cuts among several school districts. The pandemic has brought to the fore a wide swath of inequities, including differing access to broadband and mental health supports.

P-12: ALTERNATIVES TO TRADITIONAL PUBLIC SCHOOLS OFFERED BY YOUR STATE

Home schooling, charter schools, and private schools are alternatives to traditional public school programs. It is estimated that in SY 2021, Minnesota served 817,259 pupil units in traditional public school programs; 70,003 in charter schools, 65,657 in traditional nonpublic schools and 20,701 were homeschooled. Minnesota's school districts and charter schools use general education revenue

to pay for the operating expenses of the district. Total general education revenue equaled almost \$7.5 billion for traditional school districts and \$.61 billion for charter schools. Nonpublic school student and transportation aid amounted to \$39 million in FY2021, a 14.1% increase since FY 2016.

TOTAL DOLLAR AMOUNT FOR MINNESOTA'S STATE SHARE OF PER PUPIL EXPENDITURE

In FY 2020, Minnesota contributed 67% of per pupil revenues. Combined, total expenditures per average daily membership pupil served were \$ 13,313 in school year 2020, the most recent figure available.

ALLOCATION OF STATE DOLLARS AND PERCENT OF THE STATE BUDGET FOR P-12 AND HE

Spending on E-12 education is estimated to be just under 21 billion and accounts for 40.1% of General Fund expenditures in the 2022-2023 biennium, a slightly lower portion than the previous biennium (41.5%). Spending on Higher Education was \$3.5 billion and accounted for 6.7 % of General Fund expenditures; this reflects a continued decline in the portion of the state budget devoted to Higher Education.

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