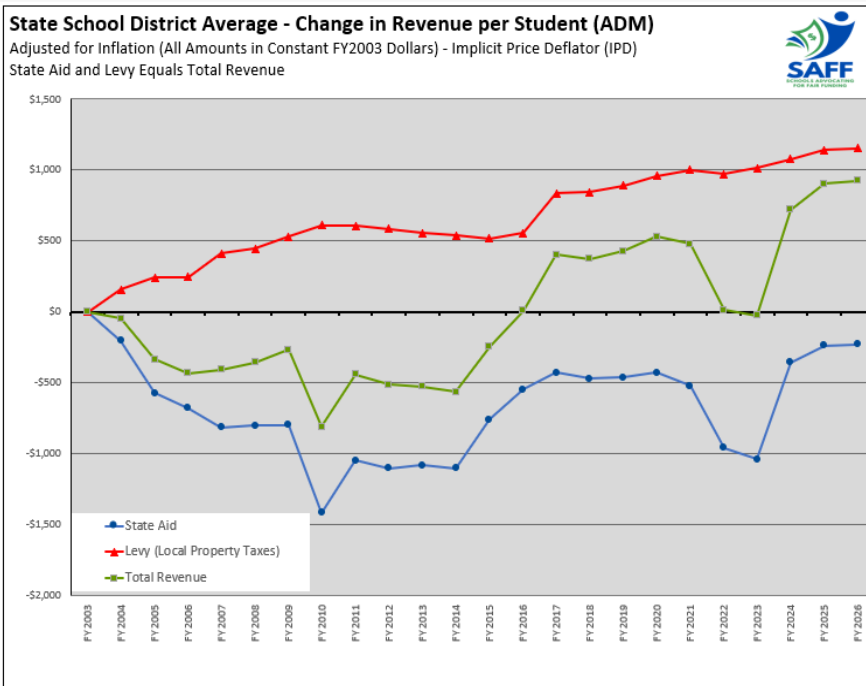


Revenue Trends Report

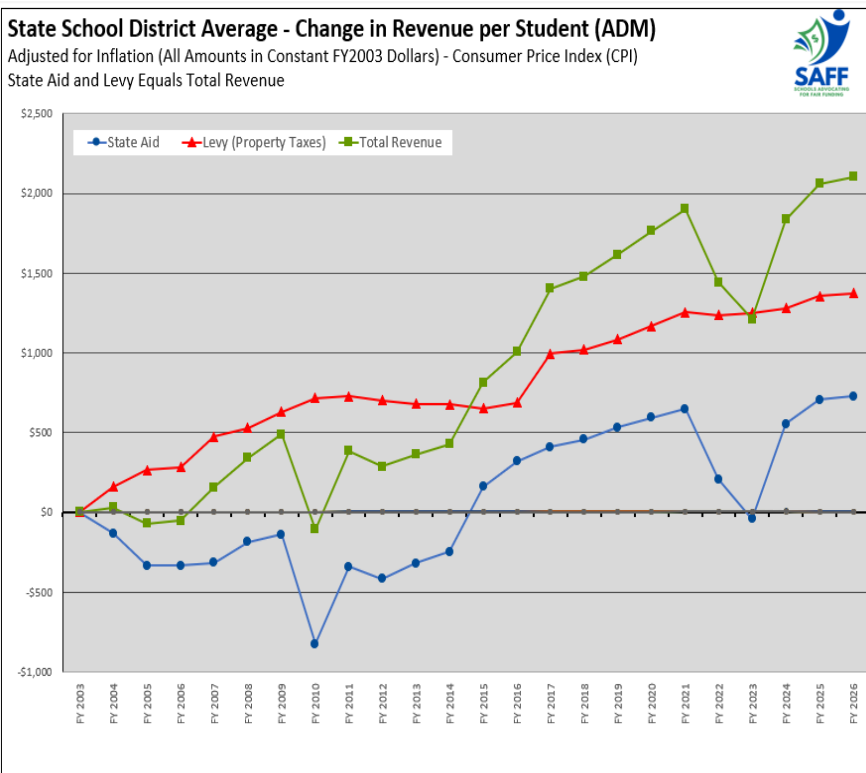
State funding for Minnesota’s public schools has not kept pace with needs, and the growing reliance on local property taxes masks the lack of commitment by the state. The top graph shows the change in revenue per student, adjusted for inflation using the Consumer Price Index (CPI), since FY2003 (the 2002–03 school year). On average, school districts have more total funding today than in 2003. However, most of this growth comes from increased property taxes rather than additional state aid. Of course, every district’s mix of state funding and local levies is different. You can find the graphs for your SAFF district [here](#).



These charts were originally developed by Jeff Van Wychen when he was a tax policy fellow for the former research groups MN2020 and later North Star Policy Institute (neither is still in operation). Van Wychen used the **Implicit Price Deflator (IPD)** rather than the more commonly known CPI to adjust for inflation..

SAFF has recreated these charts to keep them updated and to illustrate why our schools continue to struggle financially. The side-by-side graphs also demonstrate how the narrative changes depending on which inflation measure is used.

The CPI reflects a basket of goods households typically buy—such as food, cars, and appliances—many of which are produced with inexpensive or highly automated labor. This keeps CPI inflation lower than what school districts actually experience. But schools are not buying vacuum cleaners or cars; they are primarily investing in teachers, support staff, and principals. If CPI were the only guide, we might conclude that “efficiency” means streamlining schools to the point of absurdity—such as placing 100 kindergarten students in a classroom with a single teacher.



By contrast, the IPD captures the costs of providing state and local government services, including the labor-intensive nature of education. It is widely viewed as the more appropriate inflation index for schools. Here is a dated but useful explanation

of why IPD is preferable for education finance. And here is a more recent analysis that responds to a common critique: that state and local governments simply inflate labor costs by offering compensation packages more generous than those in the private sector..

Ultimately, to measure whether schools are gaining or losing buying power, we need an inflation index that reflects what schools actually purchase: labor. Using the IPD, the bottom graph shows that school districts today have less purchasing power than they did in FY2003, and that they receive significantly less funding from

the state. Local property taxes have risen to fill the gap so that schools can maintain quality education for students. Yet many citizens are reluctant to approve property tax increases unless districts make a compelling case that Minnesota schools are underfunded compared to public perception. Once again, you can view this information for your district [here](#).