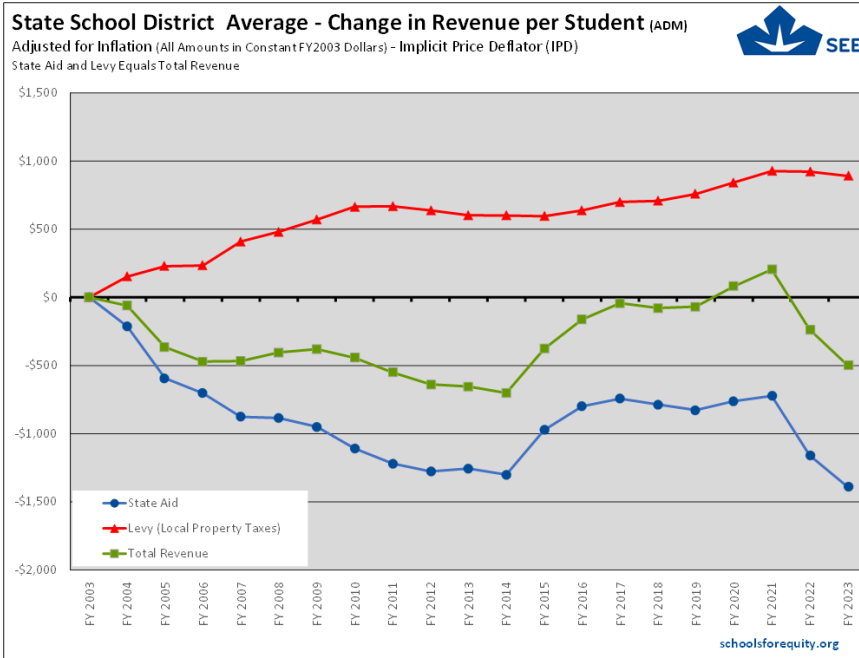


Revenue Trends Report

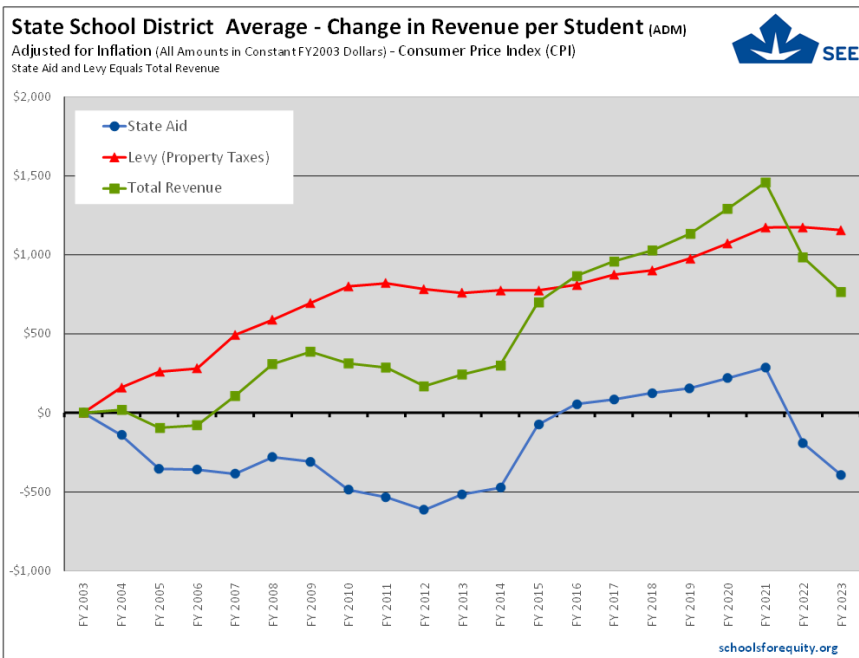
State funding for Minnesota’s public schools is inadequate, and the reliance on using local property taxes to fund schools masks the lack of commitment by the state. The top graph shows the impact on the average change in revenue per student when adjusted for inflation using the Consumer Price Index (CPI) since FY2003 (the 2002-03 school year). On average, school districts have more funding today than in 2003. However, most of the gain is due to increased property taxes and not additional aid from the state. Of course, every district is different in the ratio of state funding and school levies. You can find the graphs for [your SEE district here*](#).



Jeff Van Wychen originally developed these charts when he was the tax policy fellow for the very left-leaning websites MN2020 and later for NorthStarPolicy, neither of which is still in operation. He used the Implicit Price Deflator (IPD) rather than the more commonly known CPI to calculate inflation.

SEE recreated the charts to maintain updated charts to post on the website and present why our schools continue to struggle financially. Also, the charts show how the narrative changes when using one or the other measurements of inflation.

CPI is based on a basket of goods representing what we buy to maintain our households, such as vacuum cleaners, automobiles, and food. Most of these products use very low-priced labor or are produced on very automated production lines, both of which drive down the high cost of labor. But school districts are not buying household items. Instead, most of the resources are dedicated to teachers, support staff, and principals. Would we want to rely on the inherent efficiencies in CPI when making decisions in the educational setting solely? Think how efficient it would be to streamline elementary schools to drive down cost by putting 100 kindergarten students in a classroom with only one teacher?



IPD calculates inflation for labor-intensive entities more accurately. It uses the actual costs to provide state and local governmental services. Here is a good (but dated) explanation of [why IPD is the appropriate inflation measurement for school districts**](#). Here is [an updated reason***](#) that challenges some concerns I have heard when using IPD - the notion that state and local governments spend uncontrollably on their labor costs by providing generous compensation packages compared to private industry.

Fundamentally, to determine the loss or gain in buying power of a school district over time, one must use an inflationary index that compares

what a school district buys, and that is labor. In that case, using IPD as the inflation factor, the bottom graph shows school districts have less buying power today than in the 2002-03 school year and receive significantly less funding from the state. Property taxes have grown to mitigate the impact of inflation so schools can maintain a quality education for their students. Perhaps that is why voters passed 88% of the operating referendums in November. That many citizens would not vote yes to increase their property taxes unless school districts made a compelling case that Minnesota schools are not as well funded as some claim. Again, you can find this information for [your SEE school district here*](#).

Linked documents from the report:

*Your SEE district here - <https://schoolsforequity.org/resources/comparison-data/#trends>

**Why IPD is the appropriate inflation measurement for school districts - <http://www.mn2020.org/issues-that-matter/fiscal-policy/taking-the-spin-out-of-inflation-estimates>

***An updated explanation - <https://northstarpolicy.org/the-real-story-behind-state-and-local-government-inflation>