

School enrollment growth to cost \$320 million more

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An estimated 50,000 more students concentrated in a handful of public school districts will cost an additional \$320 million per year by 2001. Of this increase, \$210 million will be used for basic educational activities in elementary

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and secondary schools. The balance will be spent for transportation, building improvement, community education and food service. The projected spending increase, concentrated in metropolitan school districts and other population centers, is based on 1993 spending, which was \$6,353 per student.

Rapid growth in enrollment already has been pushing up education spending. From a low point of 696,000 students in 1985, enrollment in Minnesota schools will rise to an estimated 817,000 in the current, 1995 school year. This expansion, fueled by the "echo boom" children of baby boomers and by migration into the state, elevated annual spending by about \$700 million more than the 1985 level.

In 1993, the most recent year for which complete data is available, each student cost an average of \$6,353 in state, local and federal funding and parent fees, including all spending for general and community education, capital expenditures and debt service. Total spending in 1993 was \$5 billion, of which almost three-fifths went to instructional activities.

From 1981 to 1993, total spending increased 15 percent per student, or \$808. This continued a 30-year pattern of growing investment in education. Operating revenues per student rose in both 1994 and 1995 and in five out of the six years since 1990.

School districts automatically receive \$3,150 for each student from a combination of state and local taxes. This revenue is called the *general education formula allowance*, and with some adjustments, it is the heart of instructional and administrative funding for all school districts. The general education formula provides \$3,339 for

elementary students and \$4,095 for secondary students. Minnesota's 50,000 student increase between 1995 and 2001 will cost an estimated \$210 million in additional funds from the general education formula. The movement of many echo boom children out of elementary into secondary schools will cost another \$28 million. By 2001, there will be 44,000 more secondary students than in 1995.

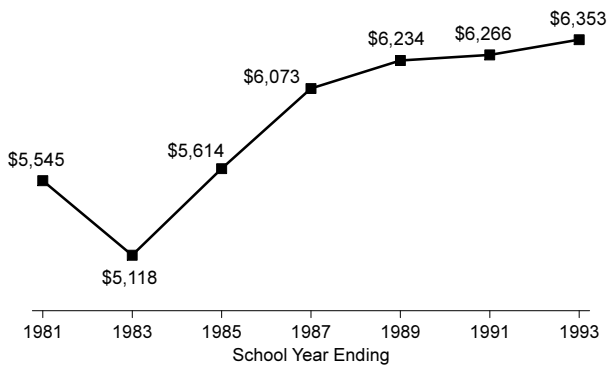
The state provided nearly half of all revenues dedicated to public education spending in 1993: 5 percent were from the federal government, 48 percent from the state, 38 percent from local taxes and 9 percent from local fees and sales, such as child care and school lunch fees. Of the portion derived just from state and local taxes, excluding federal and other revenues, 61 percent came from state government.

This *Line Item* is part of an eight-month study on government spending. Unless otherwise noted, all dollar amounts are adjusted for inflation to 1993 dollars, and all years cited are school years; for example, 1993 is the 1992-93 school year.

Enrollment growth will be concentrated

Enrollment growth through 2001 will be concentrated in a relatively small number of the state's 379 school districts, where only a limited number of new students can be accommodated in existing buildings. This growth will be costly, requiring more classrooms, more books and more computers.

**Increasing Spending per Student
1981 to 1993**

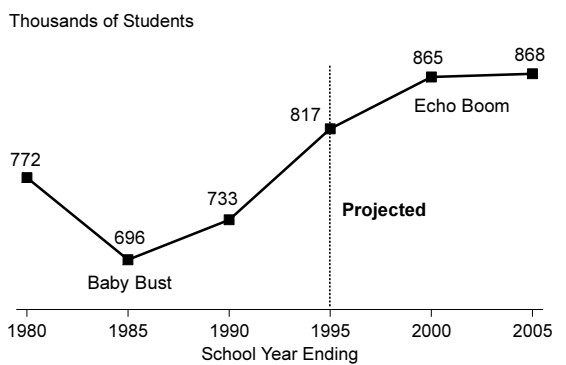


From 1981 to 1993, total school spending increased by \$808 per student, an increase of 15 percent.

Notes: Represents statewide spending from all sources per average daily school population. Includes capital expenditures and debt service on a nonduplicated basis. Includes Social Security and teacher retirement for all years. All figures have been adjusted for inflation to 1993 dollars.

Source: Minnesota Department of Education

**Growing School Enrollment
Prekindergarten to 12th-grade school population**



Enrollment will grow 171,000 from 1985 to 2001, up 25 percent.

Note: Data is preliminary for 1994 and projected for 1995 to 2005.

Source: Minnesota Department of Education

A typical new elementary school serving 750 students costs from \$7 million to \$10 million, while a high school for 1,600 students generally costs \$25 million to \$40 million.

From 1995 to 2001, schools in the seven metropolitan counties are expected to gain 54,000 students. The other 80 counties are estimated to have a net loss of 4,000 students, after peaking in 1997. Between now and 2001, only three of nine regions in Minnesota are likely to experience growth — the metropolitan, southeast and east central regions.

Half of all growth from 1993 to 1999 is expected to be in just 10 school districts, encompassing Minneapolis, Rochester, St. Cloud and the outer-ring suburban districts of Rosemount-Apple Valley, Lakeville, Eden Prairie, South Washington County, Anoka-Hennepin, Wayzata and Burnsville. Districts outside the metropolitan area likely to have significant increases include Moorhead, Brainerd and Sauk Rapids.

Gains for exceptional instruction outpaced regular instruction

Growth in Minnesota's child population was not the only factor driving state and local spending. Other forces can be identified by analyzing state-wide spending data in two different ways — by

program and budget categories. Program categories show how dollars are spent to benefit students, through various types of instruction and support services. The same data arranged by budget categories shows how funds are used to provide education. Budget categories include employee salaries and benefits, supplies and materials, and capital expenditures for buildings and equipment.

Two program categories with major growth were the exceptional instruction category, of which 83 percent was for special education, and the community program category, of which early childhood and family services made up more than half.

Though regular classroom instruction was the largest program category, expenditures increased a modest 17 percent per student from 1981 to 1993. In contrast, the exceptional instruction category, which includes special education, disadvantaged, mastery and gifted programs, increased 103 percent per student — the highest gain of all program categories. Increased spending equaled \$468 per student compared to \$347 for regular instruction.

Special education spending more than doubled from 1981 through 1993, reaching \$602 million. In 1994, special education served 91,000 children with a wide variety of needs, from those with learning disabilities or physical limitations to those with emotional or mental disabilities. Historically, these children have constituted about 10 percent of the school age population. Special education costs are likely to continue growing because of an 8,000 jump in enrollment in the last two years, steady increases in the number of emotionally disturbed children and those with other severe disabilities, and increasing parental exercise of legal rights granted under federal law.

Spending Share by Program Category 1993

Program Category	Share (%)	Millions
Regular Instruction	38%	\$1,882
Exceptional Instruction	15%	\$724
Pupil Support	11%	\$554
Facilities and Equipment	10%	\$508
Administration	9%	\$440
Debt and Other	8%	\$408
Instructional Support	4%	\$193
Community	3%	\$167
Vocational Instruction	2%	\$110

Total spending was \$5 billion.

Notes: Includes total spending from all sources and excludes the construction fund. The exceptional education program category includes special education, disadvantaged, mastery and gifted programs. The community program category includes community education, early childhood family education, extended day and adult literacy programs.

Source: Minnesota Department of Education

Spending Increases per Student by Program Category — 1981 to 1993

Program Category	Spending Increase (\$)	Growth Rate (%)
Exceptional Instruction	\$468	103%
Regular Instruction	\$347	17%
Community	\$103	93%
Instructional Support	\$81	49%
Facilities and Equipment	\$44	7%
Pupil Support	\$35	5%
Administration	\$21	4%
Debt and Other	-\$60	-11%
Vocational Instruction	-\$224	-62%

Special education accounted for most of the growth in the exceptional instruction program category.

Notes: Includes Social Security and teacher retirement for all years. Excludes construction fund. All figures have been adjusted for inflation and are based on average daily school population.

Source: Minnesota Department of Education

Nationally, education for children with special needs on average costs 2.3 times than for other children. Minnesota's funding is 8 percent federal, 45 percent state and 47 percent local.

Changes in public attitudes and in federal and state policy have been the major forces behind increased spending for special education. Beginning in 1973, a series of federal laws required building accommodations for students with disabilities, provision of public education to all, inclusion in regular classrooms as appropriate and services to people from birth to age 22. Before 1975, hundreds of children were in state institutions or at home receiving little or no education.

Family and children's programs grew

Changes in socioeconomic characteristics of Minnesota families are shifting some costs to government that were once borne by families and communities. This has placed new burdens on schools, especially in the community program category of education spending. Though only 3 percent of total spending in 1993, it grew 93 percent since 1981. More than half of spending in the community program category went to specific child and family programs.

Over the 10-year period ending in 1993, for example, spending for early childhood family education climbed from \$2 million to \$37 million, extended day child care grew from \$2 million to \$24 million and adult and family literacy jumped

from \$3 million to \$21 million. Parent fees provided some of the revenue.

Salaries and benefits made up about 71 percent of budget

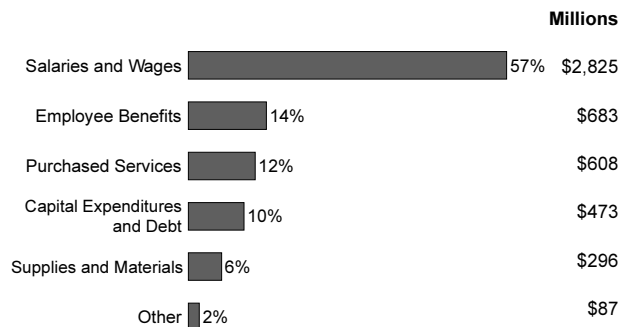
Rearranging spending data in budget instead of program categories shows that education is a very labor-intensive public service. Employee compensation — benefits and salaries — made up nearly 71 percent of all school spending in 1993, up from 67 percent in 1981. Total compensation expenditures increased 20 percent per student from 1981 to 1993.

Benefit costs grew much faster than salary costs, increasing 54 percent per student, compared to 14 percent for salaries. Average salaries for individual teachers increased 20 percent over the period.

Health insurance and Social Security taxes registered the greatest increases in employee benefit costs. From 1987 to 1993, medical and dental benefit costs increased 42 percent, surging past retirement and Social Security to become the largest benefit expenditure, at \$215 million annually. Some officials believe the rapid rise in health benefit costs may now be slowing as more school districts join purchasing pools.

As compensation and purchased services increased as a share of total education spending, resources for supplies and materials for building

Spending Share by Budget Category 1993

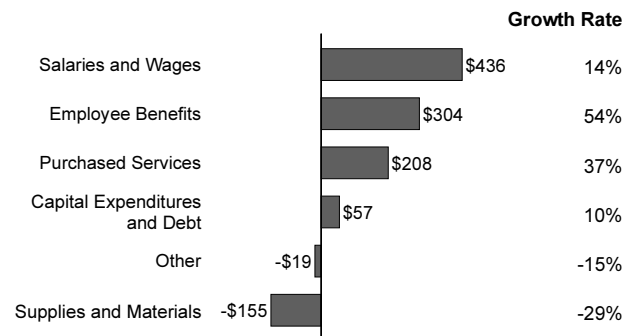


Salaries, wages, and benefits are almost 71 percent of school spending. Health insurance is the largest benefit expenditure.

Notes: Represents total school district spending from all sources.

Source: Minnesota Department of Education

Spending Increases per Student by Budget Category — 1981 to 1993



Almost all of the net \$808 per student increase went to staff compensation, which includes salaries and benefits.

Notes: Includes Social Security and teacher retirement for all years. Excludes construction fund. All figures have been adjusted for inflation.

Source: Minnesota Department of Education

maintenance and classroom instruction, including textbooks, fell by \$155 per student between 1987 and 1993. This decrease explains why many teachers are buying their own supplies and schools have major repair needs.

School construction and remodeling costs looming

Annual capital expenditures and debt payments for school construction and remodeling increased 10 percent per student from 1981 to 1993 and continue to make up 10 percent of total spending.

While total school bonding for building and equipment is projected to be about \$550 million each year for the next five years, the cost will be spread over several decades in the form of debt payments.

Minnesota's \$10 billion worth of school facilities are in better shape than many states', but repair and maintenance on aging buildings have often been deferred because of budget pressures. Total repair needs are estimated at \$1.5 billion, and new standards for health, safety and disabled access continue to cost millions of dollars. Many other factors will also push spending for buildings and equipment, such as enhanced curriculum and state standards for classroom size, rural consolidation and desegregation incentives.

Educational technology to be key spending growth area

Educational technology, including multimedia computer workstations, interactive television, telecommunications networks, expert learning systems and staff support, will be a major spending growth area from now into the next century. A growing number of school districts are including multimillion-dollar technology components in building plans and bonding proposals. Statewide spending for all forms of educational technology is projected to be at least \$100 million per year over the next five years, not including major costs for staff training and support.

Educational technology and connection to vast information resources via the information superhighway will be a necessary investment in productivity for the 21st century. Some schools have found, for example, that students can learn reading, math or foreign languages at expert computer workstations much faster than with traditional methods.

Minnesota was once viewed as the nation's leader in the use of computers and distance learning via interactive television. Now, some of the state's rural distance learning networks and an estimated three out of four of its classroom computers are outdated.

In the future, student-computer ratios may be as important as student-teacher ratios. In 1993, Minnesota had one computer for every 12 stu-

Minnesota's Learning Results

Though school spending has increased, it is unclear if more money actually nets desired results. Minnesota appears to be making progress in some measures while slipping in others.

Measure	Most Recent Ranking		Past Ranking	
Mathematics — 8th Graders. Average score improved seven points (2.5 percent) from 1990 to 1992 on the National Assessment of Educational Progress test. Six percent of students demonstrated <i>advanced</i> competency, highest of all states. However, 21 percent fell short of <i>basic</i> competency and 63 percent fell short of <i>proficiency</i> .	3rd	1992	4th	1990
Reading — 4th Graders. Average NAEP score was seven points below the top state and four points above the median. Hispanic students scored 19 points below the Minnesota average and African Americans 31 points below.	14th	1992	Not Available	
College Entrance Exams. Average total Scholastic Aptitude Test Score improved 39 points (3.8 percent) from 1990 to 1994.	3rd	1994	7th	1990
High School Graduation Rate. Minnesota's graduation rate decreased from 91.4 percent in 1986 to 89.5 percent in 1991.	1st	1991	1st	1986

Sources: U.S. Department of Education

dents. Various experts recommend anywhere from one computer workstation for every six students to one for every student. The cost for a computer workstation hooked into a network is estimated to be roughly \$2,000. Current school finance rules do not provide strong incentives for major investments in learning technology.

Minnesotans face tough decisions

Minnesota citizens and policy-makers face tough decisions on spending priorities. Health care, education and other areas are competing for the same resources, and revenue growth is expected to slow between now and 2001, making it difficult to put major new funding into education. Yet economists believe that Minnesota's well-educated workforce has been its key economic advantage.

Minnesotans must answer some basic questions to define their future priorities:

What are Minnesota's goals for public education? Achieving learning results and a work force comparable to the finest in the world? Eliminating gaps in learning? Reducing destructive behaviors among youth? Serving the social, cultural and recreational needs of children and communities?

If excellence is Minnesota's foremost goal, how is it achieved? By investing more dollars, by seeking new, more productive ways to deliver learning with current investments, or both?

When new funds are provided to education, should they go to general funding, entrusting school districts to determine the most productive use, or should they be targeted to specific strategies that advocates believe improve school results and productivity?

Dozens of often conflicting studies seem to indicate that higher levels of spending per child, beyond a point, may produce some but do not automatically guarantee improved learning results. To improve learning with limited resources, Minnesota may need to reconsider how and where children learn. Some of the possibilities already emerging are expanded enrollment options, work-based learning, real-world learning centers, shared facilities and expert multimedia learning systems.

Technical notes

Historical data was from the Minnesota Department of Education's Uniform Financial Accounting and Reporting System. Construction funds derived from bond revenues are not included in historical spending data to avoid double counting; principal and interest payments are included in debt service spending totals.

Before 1987, teachers' retirement and Social Security payments were made directly from state accounts rather than by school districts; these expenditures are included in the benefit spending category and appropriate program categories for the years before 1987.

Line Item is a series of brief publications highlighting key facts and findings from Minnesota Planning's in-progress study of government spending. The study will examine past local and state government spending and revenues, identify major driving forces and forecast what is expected to happen in the next five to 10 years.

Line Item reports will be issued periodically during the course of the study, and a final report will be released in December 1994.

Upon request, *Line Item* will be made available in an alternate format, such as Braille, large print or audio tape. For TDD, contact Minnesota Relay Service at (612) 297-5353 or (800) 627-3529 and ask for Minnesota Planning.

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