

# Inequities When School Districts Rely on Property Taxes

The two largest financial challenges facing school districts are the erosion of the per pupil basic formula revenue intended to provide the basic financial support for education and the growing unfunded cost of mandated special education services. Because of this, Minnesota is spending thousands of dollars less per student in the classroom today than what was spent to educate students in the early 1990s. Given the inability of the state to provide enough state-generated revenue for schools, districts are increasingly going to voters to seek additional revenue needed to maintain programs and meet the growing educational needs of students.

Without significant commercial and industrial development to expand the tax base and lower the overall taxpayer cost, the cost for school levies falls heavily on the local home and small business owners in low-property wealth districts. The high taxpayer cost reduces the amount of revenue local taxpayers can provide to support their local schools.

In the chart below, the red hatched column is the total erosion of the basic formula since 1991 ([\\$1,416 per pupil](#)) plus the school district's unfunded portion of providing special education services ([varies from \\$160 to over \\$1800 per pupil](#)). The total is negative as it reduces the district's general education revenue. The black hatched column shows the amount of revenue the district is able to raise through local property taxes, both the board-approved local optional revenue and board-approved and voter-approved operating referendum. The solid column is the difference, which compares the effectiveness of using local property taxes to compensate for inadequate funding. Some districts have been able to maintain funding and are better able to provide quality educational opportunities for their students. Many other districts have experienced a significant loss in revenue and have spent years cutting programming and services for their students.

