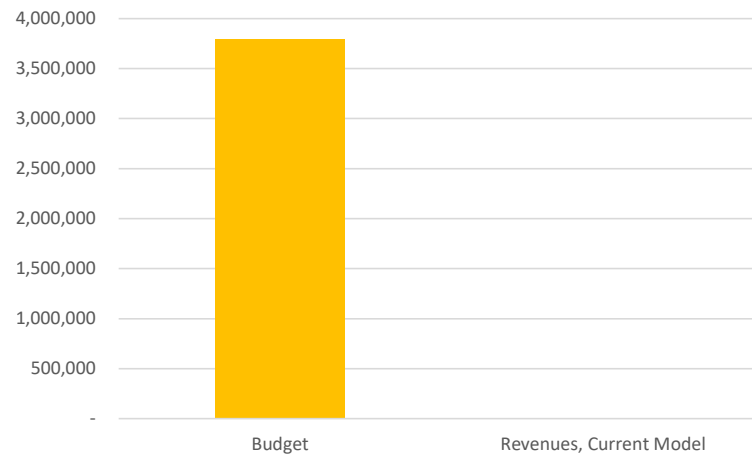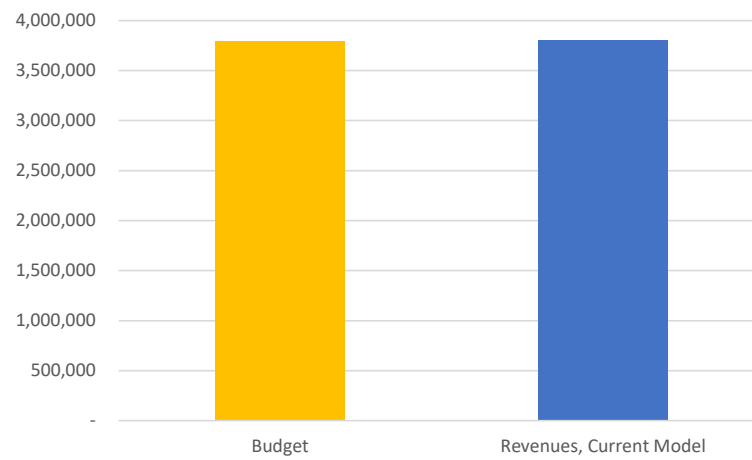# Current Model

A school board develops a budget that includes every dollar the district will spend, regardless of source. Voters approve the district expenditure budget of 3,800,000.
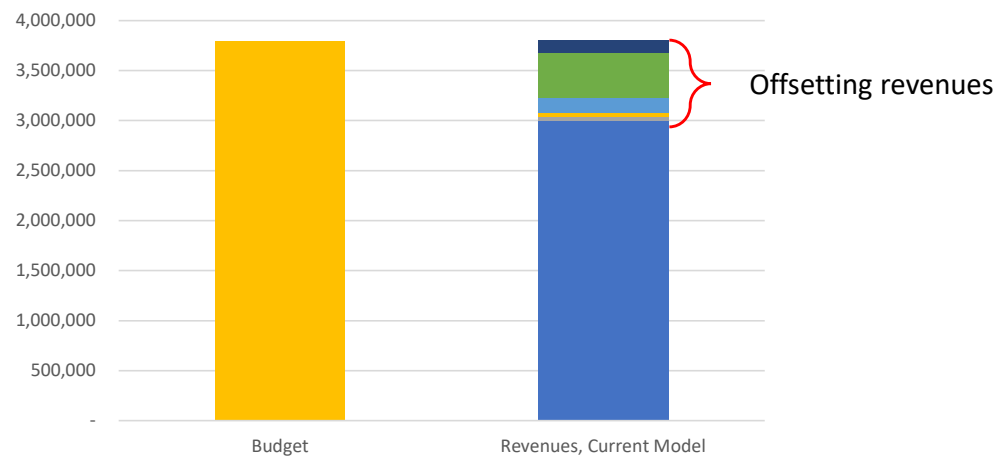
Current Model

The board develops a revenue budget to fund the expenditure budget. Revenues come from a variety of sources and total 3,800,000.
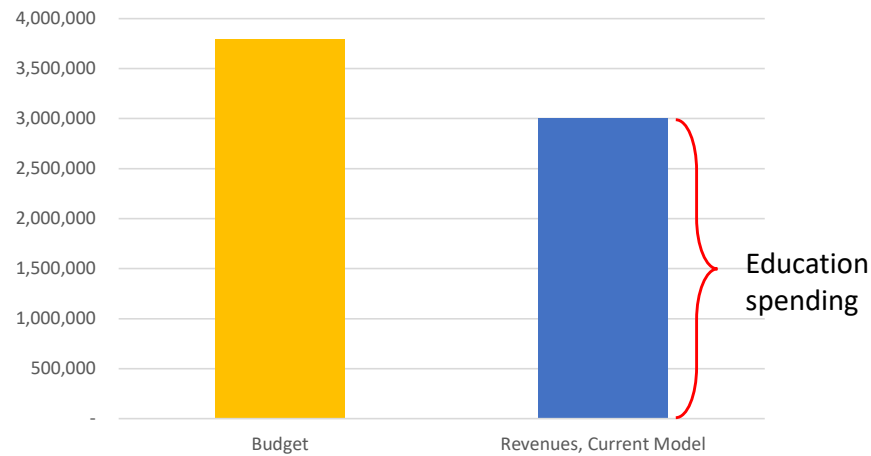
Current Model

A portion of the revenues come from sources other than education property taxes – federal Titles, special education aid, state categorical grants (transportation aid, small school and merger support grants), tuitions, surplus, etc. These are generically called offsetting revenues.

Offsetting revenues

Current Model

Offsetting revenues are subtracted from the total expenditures to determine Education Spending. In this case, Education Spending is 3,000,000.

Federal dollars = 110,000

Special Education = 450,000

Transportation Aid = 150,000

SSG/MSG = 40,000

Tuition, surplus, etc. = 50,000

Offsetting revenues: 110,000 + 450,000 + 150,000 + 40,000 + 50,000 = 800,000

Education Spending: 3,800,000 - 800,000 = 3,000,000

Current Model

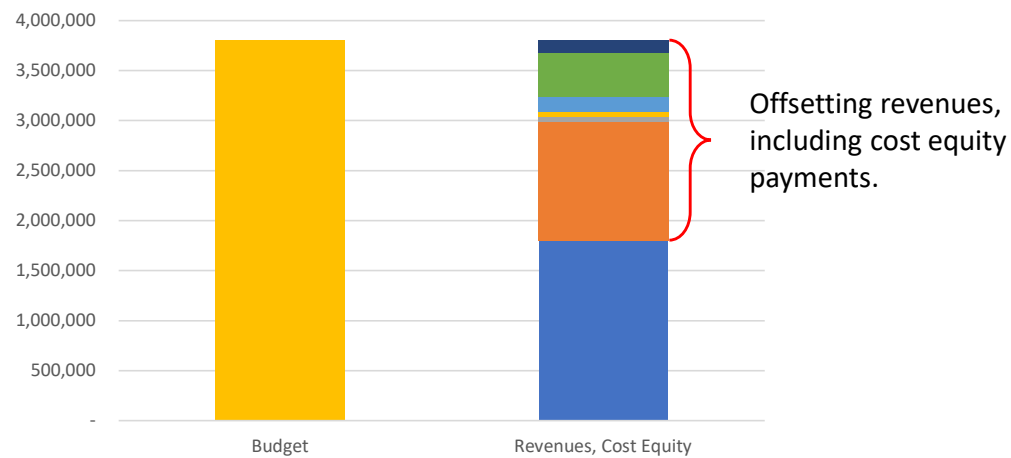Education spending is divided by the equalized pupil count to get education spending per equalized pupil.

Education spending per equalized pupil is divided by the property yield to get the equalized tax rate, the rate prior to the CLA adjustment.

Education Spending		3,000,000
Equalized pupils	÷	200
Ed Spending per EqPup		15,000
Ed Spending per EqPup		15,000
Property Yield	÷	12,000
Equalized tax rate		1.250

Cost Equity Model

Under the cost equity model, a board still develops expenditure and revenue budgets, which again equal 3,800,000.

But under the cost equity model, there are more offsetting revenues, the cost equity payments.

Offsetting revenues, including cost equity payments.

Cost Equity Model

With the additional offsetting revenues from the cost equity payments, education spending is lower.

Education spending is now 1,800,000.
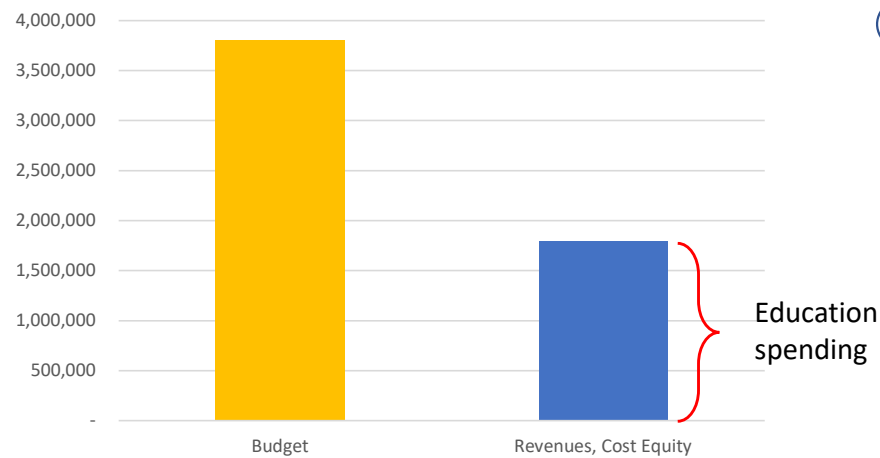
Federal dollars = 110,000

Special Education = 450,000

Transportation Aid = 150,000

SSG/MSG = 40,000

Tuition, surplus, etc. = 50,000

Cost equity payments = 1,200,000

Offsetting revenues: 110,000 + 450,000 + 150,000 + 40,000 + 50,000 + 1,200,000 = 2,000,000

Education Spending: 3,800,000 - 2,000,000 = 1,800,000

Cost Equity Model

Education spending will decrease by the amount of the cost equity payments.

That lowers education spending per equalized pupil. If the property yield is not changed to account for the reduction, not enough property tax revenue will be raised for the Education Fund.

The property yield will need to decrease, pushing tax rates up to the approximate amount they are under the current model.

Education Spending		1,800,000
Equalized pupils	÷	200
Ed Spending per EqPup		9,000
Ed Spending per EqPup		9,000
Property Yield	÷	7,000
Equalized tax rate		1.286