

**Section 7: Analysis of Minimum Expenditure  
Requirement (MER) Compliance  
1992-93 through Unaudited 2000-01**

State education aid in the 1990s, particularly the first half of the decade, grew at a considerably slower rate than in the previous decade. Although local expenditure growth also slowed, there was a shift in the relative share of education spending from the state to the local level, which in turn tended to reduce spending above the MER level. However, during the second half of the decade, this trend reversed itself, as we have seen continued growth in MER spending since 1995-96.

The following table shows the MER percentage of compliance from 1992-93 through unaudited 2000-01 on both a statewide and Education Reference Group (ERG) basis. ERGs divide the state's 166 school districts into seven groups based upon socioeconomic status (SES) and indicators of need, which include median family income, percentage with bachelor's degrees, percentage in managerial/professional occupations, percentage of single-parent families, percentage receiving AFDC/TFA, percentage of families whose home language is not English, and 1994 average enrollment.

On a statewide basis, in 1992-93 the average district, in terms of MER expenditures, spent more than 18 percent above its minimum. Up through 1994-95, the margin declined rapidly to a low of 12.3 percent. However, since 1995-96, the margin has continued to grow. By 2000-01, the average margin of compliance (based on unaudited data) is 33.3 percent. That figure is expected to increase to more than 37 percent for 2001-02. Certainly one factor that contributed to the increase in MER expenditures since 1995-96 has been the all new aid component of the MER which has been in place, in one form or another, since 1995-96. From 1995-96 through 1998-99, districts have not been required to add any new local funds to the MER. In 1997-98, many districts were allowed to reduce local MER spending, as the starting point for MER became the prior year's MER rather than MER eligible expenditures, which for most districts is higher than the MER. Also commencing in 1997-98 was the provision to reduce the MER for declining enrollments.

In any case, except for the poorest districts with the highest need, districts have begun to move away from the use of the MER as the target for local budgeting, rather than the minimum legal level of regular education expenditures.