

**Section 8: Analysis of Minimum Expenditure
Requirement (MER) Compliance
1994-95 through audited 2002-03**

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 1994-95 through audited 2002-03 on both a statewide and Education Reference Group (ERG) basis. ERGs divide the state's 166 school districts into nine groups based upon socioeconomic status (SES) and indicators of need, which include median family income, percentage of parents with bachelor's degrees, percentage of parents in managerial/professional occupations, percentage of single-parent families, percentage of families receiving AFDC/TFA, percentage of families whose home language is not English, and 1994 average enrollment.

On a statewide basis, in 1994-95 the average district, in terms of MER expenditures, spent 12.3 percent above its minimum. That margin has continued to grow. By 2002-03, the average margin of compliance is over 41 percent. That figure is expected to increase to more than 47 percent for 2003-04. Certainly one factor that has 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 a handful of the poorest towns with the highest need, districts have appeared to move away from the use of the MER as the target for local budgeting.