

**Section 8: Analysis of Minimum Expenditure
Requirement (MER) Compliance
1998-99 through Unaudited 2006-07**

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 1996-97.

The following table shows the MER percentage of compliance from 1998-99 through unaudited 2006-07 on both a statewide and District Reference Group (DRG) basis. DRGs divide the state's 166 school districts into nine groups based upon seven measures of socioeconomic status (SES) and need. Those measures are median family income in 1999 for households with children in public school; the percentage of parents with a bachelor's degree or higher; the percentage of public school children with parents aged 16 years or older, employed, and holding jobs in executive, managerial and professional specialty occupations; the percentage of public school children living in families without a wife or husband present or in non-family households; the percentage of students from families with incomes eligible to receive free or reduced-price meals; the percentage of public school children whose families speak a language other than English at home; and 2004 average enrollment.

On a statewide basis, in 1998-99 the average district, in terms of MER expenditures, spent 25.6 percent above its minimum. That margin has continued to grow. By 2006-07, the average margin of compliance (based on unaudited data) is over 64 percent. Certainly one factor that has contributed to the increase in MER expenditures 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.