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The League of Women Voters Minnesota (LWVMN) position on financing of education is: “All Minnesota children should have equal access to a good public education. State funding for education should be at a level that makes programs of comparable substance and quality available to all. A student’s access to a good education should not depend on the wealth of his or her school district.”

Public education is a unique priority in Minnesota; public education and public highways are the only full funding obligations created by the Minnesota Constitution. The state’s responsibilities are outlined in Article XIII, Section 1, which says: “...it is the duty of the legislature to establish a general and uniform system of public schools. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state.”¹

The Minnesota Constitution does not define what is meant by “a general and uniform system of public schools,” one that is “thorough and efficient.” Many individuals and groups have debated the topic. Even the courts have weighed in on the subject, and in recent years the Minnesota Legislature and the Department of Education have established subject and graduation standards. Much of the recent standards work has been driven by the federal No Child Left Behind Act (NCLB), which established the broad expectation that all students will become proficient in reading and math by 2014.

As the goals of a public education in Minnesota have been more clearly defined, programming needs have also become clearer. Identifying those needs has paved the way for determining the true cost of Minnesota’s public education system. Dr. Van Mueller, Professor Emeritus from the University of Minnesota, works as an education finance expert and national consultant. His mission is “just” funding. In 2007, Dr. Mueller outlined the following framework for state leaders:

- 1) The State needs to define in operational terms what is an adequate education that meets constitutional muster (“general and uniform, thorough and efficient,”) and that should be provided to all Minnesota students;
- 2) The program should be costed out; and
- 3) A fair and just revenue stream should be designed to provide a stable source of state and local support.²

Minnesota in the Bigger Picture

According to Minnesota 2020, “Minnesota—the ‘brain power’ state, the bright Star of the North—spends less on public elementary and secondary education than the U.S. average. Over the last decade, Minnesota’s spending on public schools has gone from significantly above the U.S. average to modestly below.”³ Minnesota 2020 also noted:

In FY 1997, Minnesota’s current spending was \$9,078 per pupil in constant FY 2007 dollars. Over the next six years, real per pupil education spending increased at an annual average rate of 1.3 percent, reaching \$9,835 in FY 2003...[R]eal per pupil spending declined at an annual average rate of 0.8 percent over the next four years, hitting \$9,539 in FY 2007. Since 2003, large school property tax increases have not been sufficient to offset real per pupil state aid cuts; thus, the total dollars available to fund school districts declined.⁴

Other research done by Minnesota 2020 shows that 80% of Minnesota school districts saw a decline in per pupil income between 2003 and 2008 when adjusted for inflation. Property tax levies for education

have risen an average of \$649 per student since 2003, while the state cut school aid an average of \$1,071 per student.⁵

In spite of funding reductions, Minnesota's standardized test scores have remained high in both national and international comparisons. For the fifth year in a row, average composite scores for Minnesota students on the ACT (a common college entrance exam) were the best in the nation (22.7 out of a perfect score of 36) among states where more than half of high school graduates take the exam. In October 2009, Minnesota Public Radio (MPR) noted that Minnesota's fourth and eighth graders ranked in the top scoring tier of states according to NAEP (National Assessment of Educational Progress), which is widely considered the best assessment of how students across the nation perform in a number of subject areas. This test placed Minnesota's eighth graders in second place, behind only Massachusetts, and fourth graders in third place, behind only Massachusetts and New Hampshire.⁶

At the same time, it is important to note that Minnesota has a large and persistent achievement gap between the performance of minority students and white students.⁷ Specifically, Hispanic, Native American and especially African American students are not performing at the same levels as white and Asian students.⁸ While this is a national problem, Minnesota's achievement gap is particularly wide, and there is no agreement as to its cause. There is, though, some agreement that one place to begin addressing the problem is with early childhood education.⁹

Early Childhood Education

Minnesota organizations such as Ready 4 K and Growth and Justice cite research showing that young children's access to quality early childhood education and care programs makes good economic sense.¹⁰ A longitudinal study in Michigan showed that a quality learning experience for at-risk children correlated with higher rates of high school graduation, higher annual earnings, higher rates of home ownership, lower rates of single motherhood, lower rates of arrest for drug-related offenses, and lower rates of receiving welfare or social services, in comparison to a similar cohort of at-risk youngsters without exposure to early learning experiences.¹¹

Arthur J. Rolnick, an economist and Senior Vice President of the Federal Reserve Bank, Minneapolis, has become a national leader in support of high quality early childhood education and care. He reports that the Michigan early intervention study, referred to above, yielded a 16% annual return on investment, adjusted for inflation.¹² Rolnick and the board of the Minnesota Early Learning Foundation (MELF), comprised of business leaders and some educators, have established a privately funded pilot program that provides funds for high quality child care for five hundred at-risk families of young children in St. Paul. Results of this ongoing pilot are positive.¹³

State funding for early childhood education and child care, comprising 1% of the state budget, comes from Education funds and Health and Human Services funds. State Education funds support a "universal" program, Early Childhood Family Education (ECFE), which is available to all children on a sliding fee scale. Minnesota also funds "targeted" programs, including School Readiness which serves children with identified needs. There is no reliable statewide information on the extent of unmet needs for these programs.¹⁴ In addition, Minnesota operates two federally funded "targeted" programs: Head Start, serving low income children, and Interagency Early Intervention (Part C), serving young children with disabilities. Children who participate in these programs show good results. However, many children who are eligible lack access to these programs due to insufficient funding.¹⁵

Inequities in the Current Approach to School Funding

Presently, per pupil funding varies significantly among Minnesota's school districts, resulting in substantial differences in the funds available to each school and in the education experience of each child. Some funding variation is expected. Local costs differ among districts. In addition, districts vary in their need to program for students with special needs—such as English Language Learners. Unfortunately, much of the current difference is the result of a funding system that relies on local voter-approved referendum levies and on local allowances that have become part of a complicated funding formula. “The school funding formula we have in place today is a patchwork quilt of political compromises,” according to Greg Vandal, P. S. Minnesota.¹⁶

Schools for Equity in Education (SEE) is an organization of more than 50 Minnesota public school districts representing 30% of Minnesota's K-12 students. Its mission is to work together for greater equity and adequacy in public education funding. Its vision is that all children will have equal educational opportunities regardless of where they live in Minnesota. Revenue rankings for the 2008-2009 school year show a total per student revenue range among districts from \$5,999 to \$12,211. SEE data also illustrates the different challenges that school districts encounter when asking voters to pass local referendums. The cost to homeowners in 2008-09 to raise the same referendum amount ranged from \$124 to \$464 per \$100,000 of assessed home value, depending on the property wealth of the school district.¹⁷

Despite the “No Child Left Behind” law, Minnesota's children still experience many qualitative differences in their schools. Class sizes vary dramatically from district to district. Early childhood programming varies among districts, as do opportunities for all-day kindergarten. Physical education, world languages, and arts are not consistently offered. The availability and use of technology varies substantially. Participation in co-curricular athletics and activities has become cost prohibitive to many families as more districts now fund these programs through sizable student fees. No longer are all students bused to school free of charge.

Characteristics of a Reliable and Comprehensive Funding Approach

Over the years in Minnesota, the formula for figuring the basic state aid granted to schools per student has grown more and more complex. The formula has been complicated by trying to consider many factors: Pre-K/Early Childhood Education in addition to K-12; declining enrollment in many places and rapidly increasing enrollment in others; the increasing demands of standardized testing; the possible need for longer school days or an extended school year; and increasing demand for up-to-the-minute technology.¹⁸

According to P.S. Minnesota, a comprehensive, fair, and stable funding approach would include:

- A clear link among the desired outcomes of a public education in Minnesota (early childhood through post-secondary), the program costs to achieve those outcomes with all students, and the funds that are provided to schools;
- Recognition of cost differences to schools and to taxpayers related to geographic locations;
- Reduced dependence on voter approved local referendum levies for basic operating costs;
- Provisions for capital intense requirements such as instructional resources, technology, buildings and grounds maintenance, and transportation system operations;
- Availability of funds when circumstances necessitate remodeling or building of schools;
- Support for sustainable education reform efforts intended to eliminate the socioeconomic and ethnic based achievement gaps while raising the achievement of all learners;
- Full funding for all state and federal mandates, including special education;
- Some local discretion for funding special projects unique to a specific community's needs;
- Yearly funding adjustments to reflect increased expenses resulting from inflation;
- A commitment to a fair and reliable revenue stream dedicated to fully funding schools.¹⁹

Efforts to Reform School Funding in Minnesota

Education funding battles have become routine in the Minnesota Legislature. First, public education must compete with all other budget areas for a slice of the funding pie. In the 2010-2011 budget, about 46% of the general fund goes to education. Within that allocation, there is competition among the various levels of public education—early childhood, K-12, and post-secondary. There is also competition among rural, suburban, and urban districts.²⁰

Prior to the 1970 “Minnesota Miracle,” more than half of all school funding was based on local property taxes.²¹ The Minnesota Miracle left that local funding mechanism in place and placed a new cap on local levy authority. It added state money aimed at reducing statewide disparities in property tax rates caused by taxes collected for schools. Unfortunately, Minnesota’s Miracle did not achieve equity among districts in terms of per pupil dollars going to schools.

In 2001, Governor Jesse Ventura proposed that the state take over the majority of funding for all school districts. The goal was to provide equitable funding throughout the state and to lower local property taxes, which had risen markedly in many districts. Initially, there was a surplus in the state budget to fund this new state commitment. Governor Ventura proposed a sales tax on services to pay for future years. However, the legislature rejected that proposal and did not define a consistent revenue source to continue the state funding. Consequently, funding and quality disparities among school districts have increased.

Governor Tim Pawlenty has endorsed some education funding reforms. He has proposed additional funds to schools through expansion of the Quality Compensation (Q Comp) program, an alternative approach basing teacher pay on performance.²² In addition, he recommends rewarding schools with additional funding based upon student achievement, as measured by progress on MCA II tests, Minnesota’s current standardized tests that fulfill NCLB requirements.

The governor’s Q Comp program was evaluated last year by the Minnesota Department of Education,²³ the *Star Tribune*²⁴ and the Office of the Legislative Auditor (OLA)²⁵ with differing results.²⁶ LWVMN does not support Q Comp in its present form, believing it may work contrary to LWVMN’s position supporting “equal access.”²⁷

Others have proposed funding reform ideas as well. Education Commissioner Alice Seagren, in a Minnesota Public Radio interview, spoke highly of the work done by Growth and Justice and its *Smart Investments*SM in *Minnesota’s Students* research about cost-effectiveness and education spending. She reported that “[t]hey have looked at particular strategies—from class size reduction, to instructional strategies, to after school programs—and they have actually brought in experts and said that some are not as cost-benefit rich as others.”²⁸

Funding Reform and the “New Minnesota Miracle”

In 2006 P.S. Minnesota funded the completion of the work begun by Governor Tim Pawlenty's 2003 Task Force on Education Funding²⁹ by employing John Myers, Justin Silverstein and Doug Rose of Augenblick, Palaich and Associates, Inc. (APA) to develop estimates of the true cost of an adequate public education—as defined by federal and state performance expectations.³⁰

In 2007 an improved education funding formula, dubbed the “New Minnesota Miracle,” was developed by a bipartisan legislative task force created to study Minnesota's school finance system and to build on the recommendations of P. S. Minnesota. The New Minnesota Miracle would increase the per pupil formula with the goal of covering the basic instructional costs for all students in all districts. It would allocate additional funds to provide for specific individual and district needs. Included are most of the desired characteristics identified by P.S. Minnesota above.

This funding model attempts to simplify the current funding system while making the critical links between desired outcomes, costs, and funding. It identifies the resources necessary to support districts' efforts to meet the NCLB requirements and other state and local standards. It also attempts to provide a more equitable and stable funding stream to all of Minnesota's public schools so that high quality programming can be sustained.

The New Minnesota Miracle was initially introduced in the Minnesota Legislature in 2008 (House File 4178).³¹ It was revised and reintroduced in 2009 as part of House File 2 (HF2).³² However, the Senate and House could not reach agreement and HF2 was passed without the Minnesota Miracle language.³³

The New Minnesota Miracle was designed so that it could be phased in over time, an important feature, given current economic and budget challenges. Many advocates of this bill are suggesting that the process of phasing-in begin in 2014, indicating that it is important to get something into law, even if improved education funding will not be immediately available. At the same time, waiting until 2014 to begin the phase-in process of important funding reform is a concern to those who believe the need to reform Minnesota's education financing approach is urgent—even with the state's current economic and budget challenges, which include a forecasted \$1.2 billion deficit for the 2010-2011 biennium.

The P.S. Minnesota APA study referred to above states: “It is clear from our research that if Minnesota is to continue to progress toward ensuring that all students meet federal and state performance expectations, it must significantly increase its investment in education. As importantly, any resultant funding formula must be rationally linked to student needs. This research can provide a foundation for that formula.”³⁴

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