

Are we serious about quality education in Minnesota?

Schools for Equity in Education
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Schools for Equity in Education (SEE)

Who we are . . .

- An coalition of 61 Minnesota school districts. SEE districts serve approximately 260,000 children, 1/3 of Minnesota K-12 students.
- SEE member district's student populations tend to not generate considerable categorical state aid. Thus our districts tend to receive the minimum in state funding.
- SEE districts tend to be lower property wealth districts making it more difficult to access voter-approved referendum revenue to make up for inadequate state funding.



Schools for Equity in Education

We work for. . .

- **Equal access to a high quality education** for all of Minnesota's students regardless of where they live.
- Legislation that ensures **equitable distribution of school resources**.
- **A property tax system that is fair** and provides equal access to revenue for low property wealth school districts, communities and their taxpayers.
- **Elected state officials are held accountable** for adequate and equitable funding and policy that enables all students to meet state and federal academic standards and allows them to reach their highest potential.
- **An educated and engaged community** of parents, grandparents, community members , business leaders – everyone who values K-12 education in Minnesota.





Education Funding *IS* a State Constitutional Mandate

The stability of a republican form of government depends mainly upon the intelligence of the people, **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.

Minnesota Constitution
Article XIII, Section 1



How the State Currently Funds Education

- General Education Aid - The largest share of state funding and is intended to provide the basic financial support for education.
 - Basic Formula - per pupil funding
 - General Ed Categorical Aid: Compensatory(Children who live in poverty), Limited English Proficiency (LEP), Extended time, Sparsity, Transportation Sparsity, Operating Capital, Equity, Gifted & Talented, Transition
- Categorical Aids - Funding intended to meet costs that vary significantly between districts like Special Education or to promote certain type of programs like Early Childhood, and Community Education.

The Basic Education Formula

- Per Pupil Formula (Set by the Legislature)
 x AMCPU (Adj. Marginal Cost Pupil Units)
 = \$\$ District Operating Funds

- Pupil units: Kindergartners = .612 // Grades 1-3 = 1.115 // Grades 4-6 = 1.06 // Grades 7-12 = 1.3

- The current basic formula is \$5,174



2001 Property Tax Reform

- Until 2001, the **basic formula** was a combination of state aid and local property taxes through the **General Education Levy**.
- In 2001, legislation was passed making the state responsible for funding 100% of the formula.
- Local property taxes went down as state aid replaced the property tax portion of the formula.

But, there was one problem...

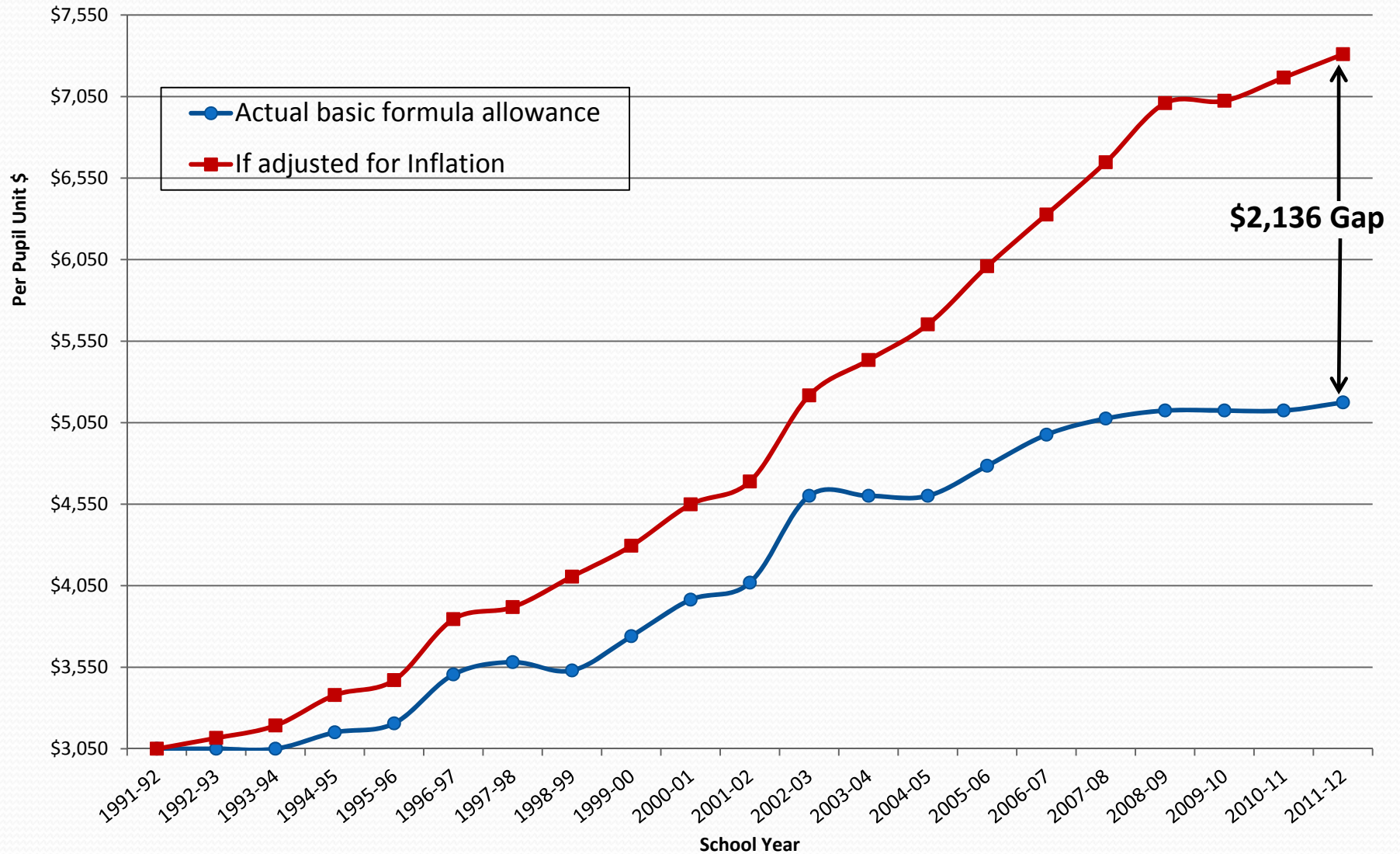
- The legislature only passed the first part of the property tax reform accepting the liability.
- The second half of the reform, *which would have created a new revenue stream to pay for the new state expense*, was never passed.
- The State paid for this property tax relief with one-time surplus dollars.
- The following year, the state experience a budget deficit.

Result = Destabilized education funding by tying the general formula solely to the State's economy

History of the Basic Formula

| School Year | Formula Allowance | General Increase | "Perceived" Percent Change | Actual Roll-ins | Actual "New" Dollar Amount | "Real" Percent Change |
|--------------------------|-------------------|------------------|----------------------------|-----------------|----------------------------|-----------------------|
| 1991-1992 | \$3,050 | | | | | |
| 1992-1993 | \$3,050 | \$0 | 0.0% | | \$0 | 0.0% |
| 1993-1994 | \$3,050 | \$0 | 0.0% | | \$0 | 0.0% |
| 1994-1995 | \$3,150 | \$100 | 3.2% | \$100 | \$0 | 0.0% |
| 1995-1996 | \$3,205 | \$55 | 1.7% | | \$55 | 1.7% |
| 1996-1997 | \$3,505 | \$300 | 8.6% | \$300 | \$0 | 0.0% |
| 1997-1998 | \$3,581 | \$76 | 2.1% | | \$76 | 2.1% |
| 1998-1999 | \$3,530 | \$79 | 2.2% | \$130 | -\$51 | -1.4% |
| 1999-2000 | \$3,740 | \$210 | 5.6% | \$43 | \$167 | 4.5% |
| 2000-2001 | \$3,964 | \$224 | 5.7% | \$67 | \$118 | 3.0% |
| 2001-2002 | \$4,068 | \$104 | 2.6% | | \$104 | 2.6% |
| 2002-2003 | \$4,601 | \$533 | 11.6% | \$429 | \$118 | 2.6% |
| 2003-2004 | \$4,601 | \$0 | 0.0% | | \$0 | 0.0% |
| 2004-2005 | \$4,601 | \$0 | 0.0% | | \$0 | 0.0% |
| 2005-2006 | \$4,785 | \$184 | 4.0% | | \$184 | 4.0% |
| 2006-2007 | \$4,976 | \$191 | 4.0% | | \$191 | 4.0% |
| 2007-2008 | \$5,075 | \$99 | 2.0% | | \$99 | 2.0% |
| 2008-2009 | \$5,124 | \$49 | 1.0% | | \$49 | 1.0% |
| 2009-2010 | \$5,124 | \$0 | 0.0% | | \$0 | 0.0% |
| 2010-2011 | \$5,124 | \$0 | 0.0% | | \$0 | 0.0% |
| 2011-2012 | \$5,174 | \$50 | 1.0% | | \$50 | 1.0% |
| Perceived Average | | | 2.8% | | Real Average | 1.3% |
| | | | | | CPI Average | ~3.0 |

The Basic Formula Has Not Kept Up With Inflation



Spotlight on Price Increases

| | Inflation, annual price increase, 2000- Nov 2009 |
|--------------------------------|---|
| Fuel Oil | 11.6% |
| Gasoline/Diesel | 8.0% |
| Educational Books and Supplies | 6.9% |
| Electricity and Natural Gas | 4.8% |
| Health Care | 11.9% |



Yet while funding lagged - mandates increased . . .

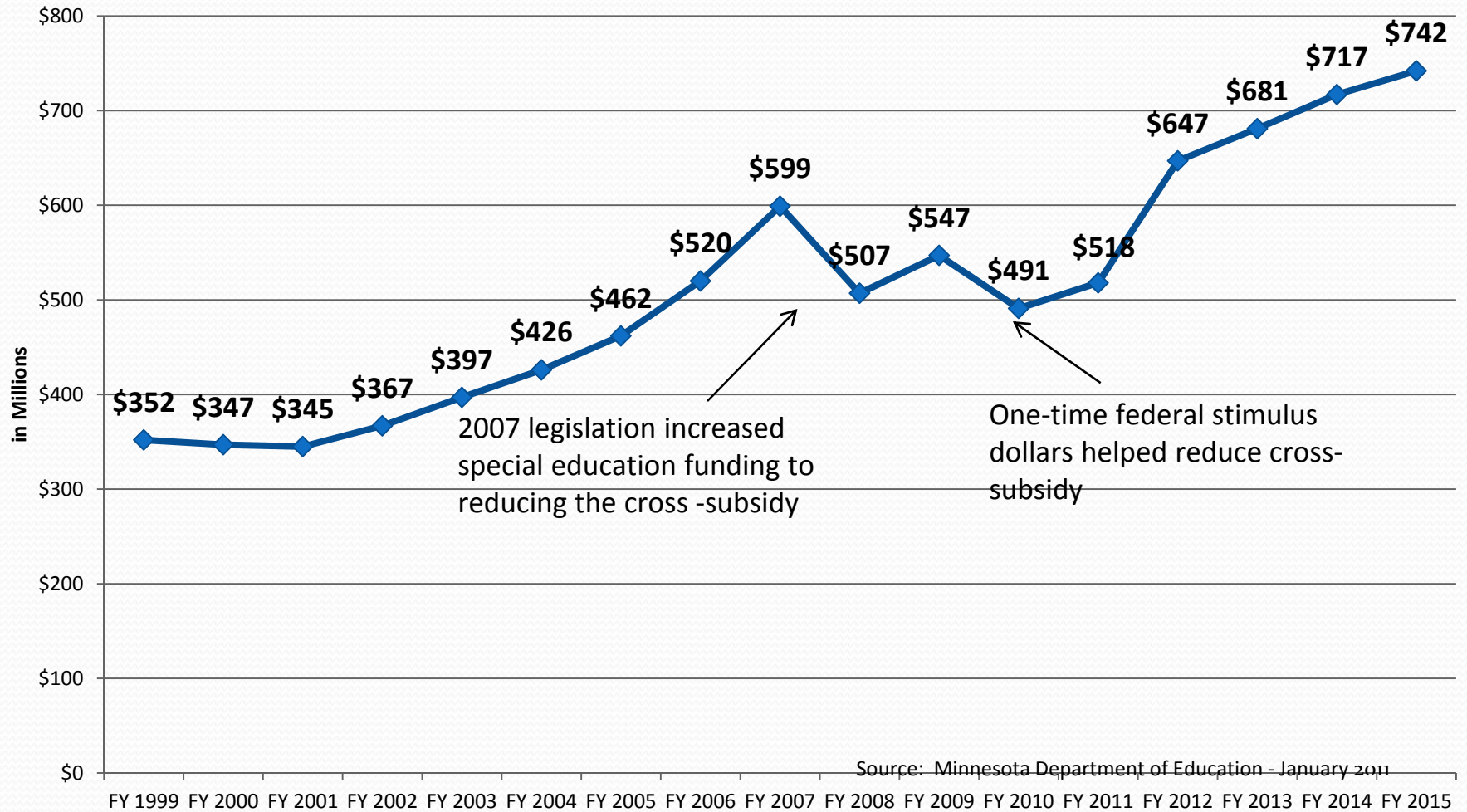
- Teacher Appraisal System
- No Child Left Behind
- Special Education Mandates
- Proficiency Testing
- GRAD Standards
- Transportation
- English Language Learning
- Health and Safety Mandates
- Physical Education
- HIV/AIDS Sex Education
- Drug/Alcohol Abuse Education
- Bus Safety
- Title 1 Programs



Special Education Requirements

- The “**Individuals with Disabilities Education Act**” (**IDEA**) **1975** brought over 1 million children who were previously kept at home or in institutions into the public school system.
- Neither the Federal Government or the State has ever paid the excess cost of providing mandated services to our special education children.

Special Education Cross Subsidies

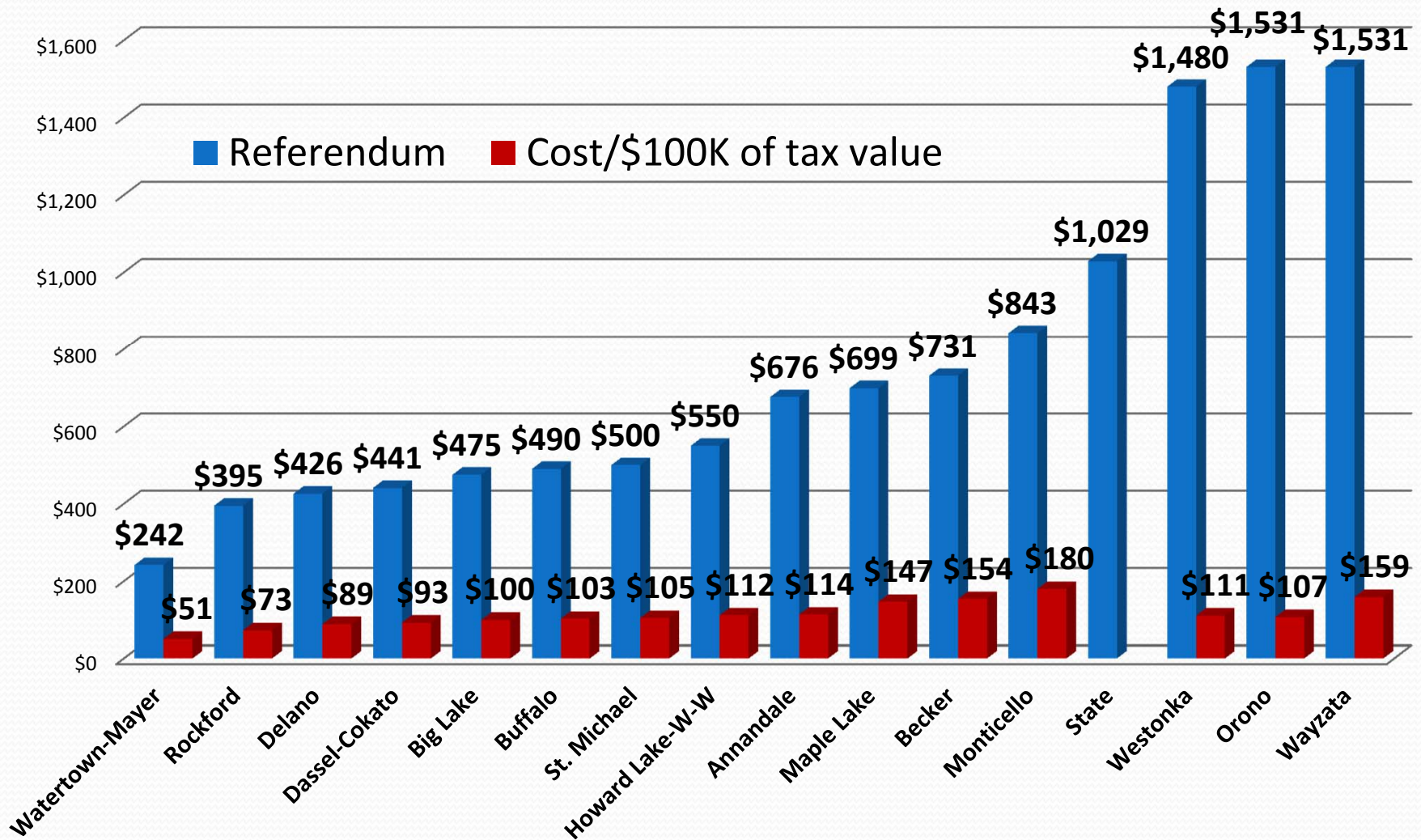




Schools have turned to voter-approved operating referendums.

- Referendum revenue is primarily generated by local property taxes.
- The cost to the tax payer “per levy dollar” is based on the property wealth of each district and varies greatly across the state.
- The amount of revenue a district can raise through an operating levy is capped at 26% of the basic formula (~\$1,550 per pupil).

Opportunity Gap – Where do you live?



Equalization is about Tax Fairness

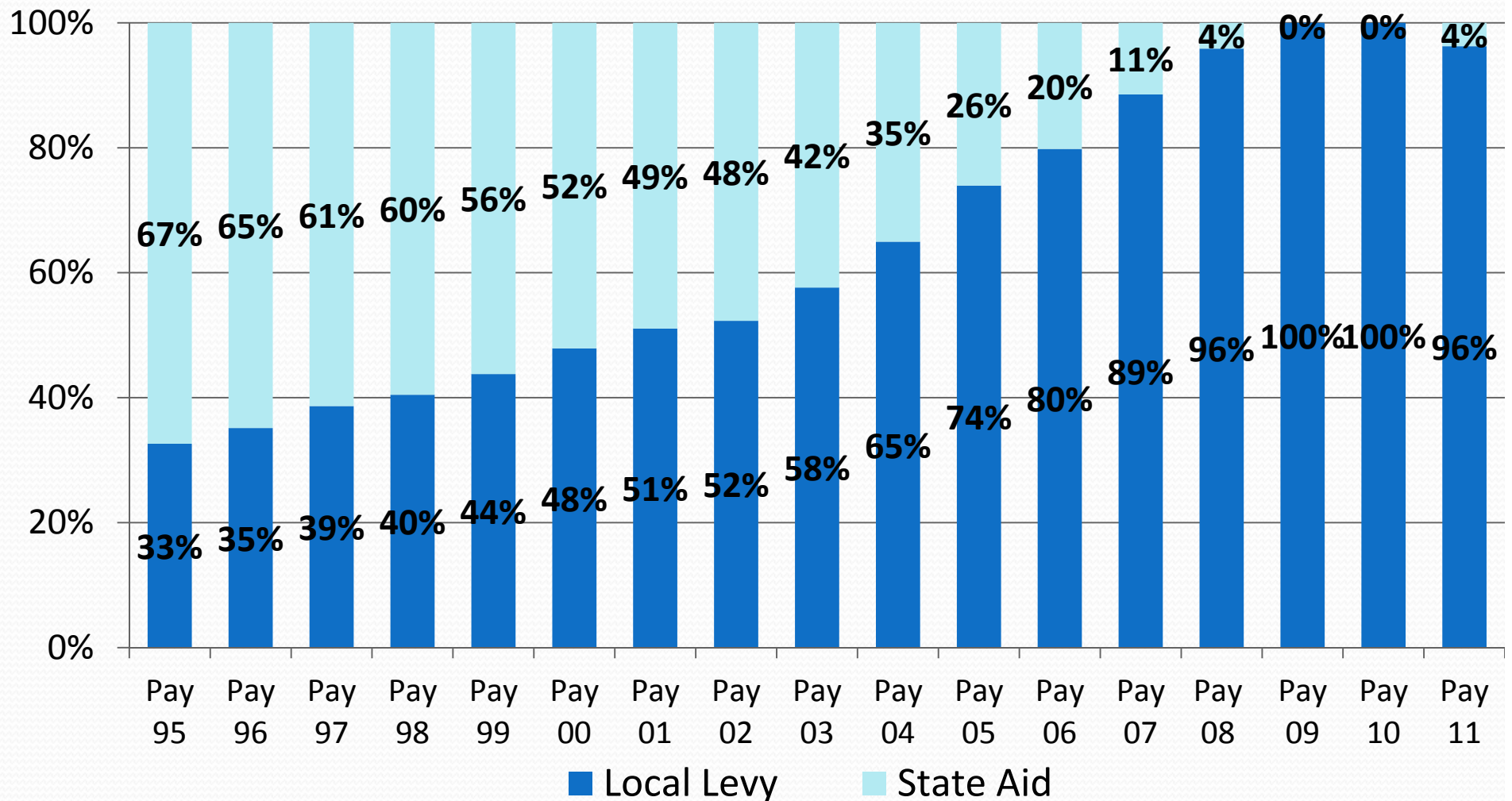
- Equal access to levy dollars.

- Equalization is tax relief to local taxpayers.
- It's a "match" of state aid that makes local levies more affordable for citizens in low property wealth districts.
- Calculation of the state aid/local levy split

$$\% \text{ Levy} = \frac{\text{District's referendum market value per student}}{\$476,000}$$

- Unfortunately, equalization factors were set in 1993 and have not been adjusted to reflect escalating property values.

Referendum Levy/State Aid Ratio – Delano Public Schools





It All Adds Up . . .

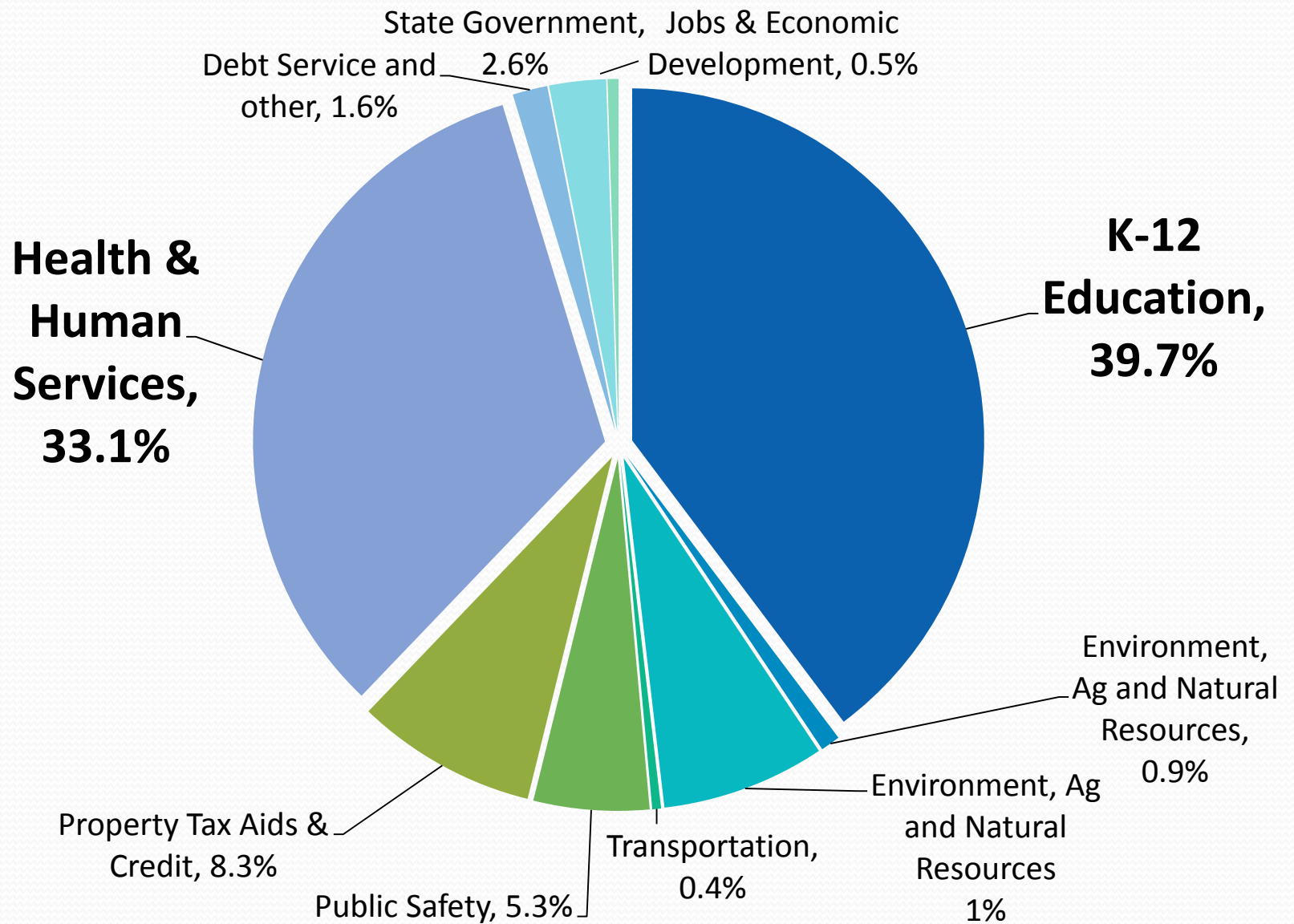
- The basic formula has not kept up with inflation.
- Schools are burdened with additional yet unfunded mandates.
- Reliance on *un-equalized* voter-approved operating referendum to fund the very basics furthers the disparity between property-rich and property-poor districts.
- Quality public education – the engine that drives Minnesota’s economic prosperity- is threatened by years of neglect at the state level.

Where are we today?

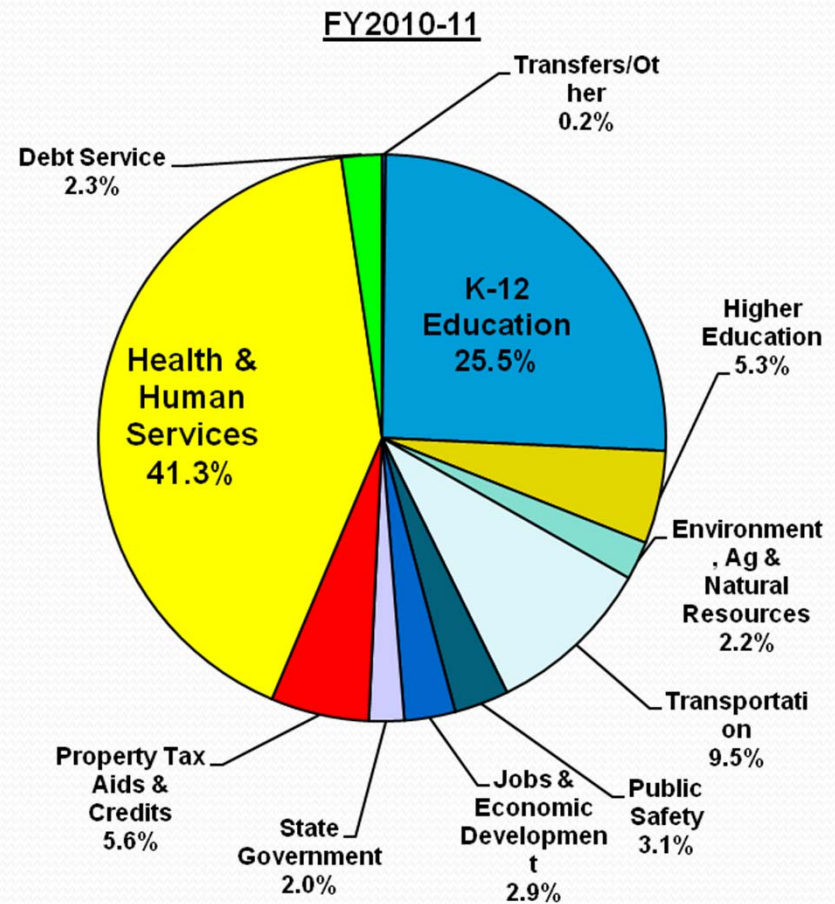
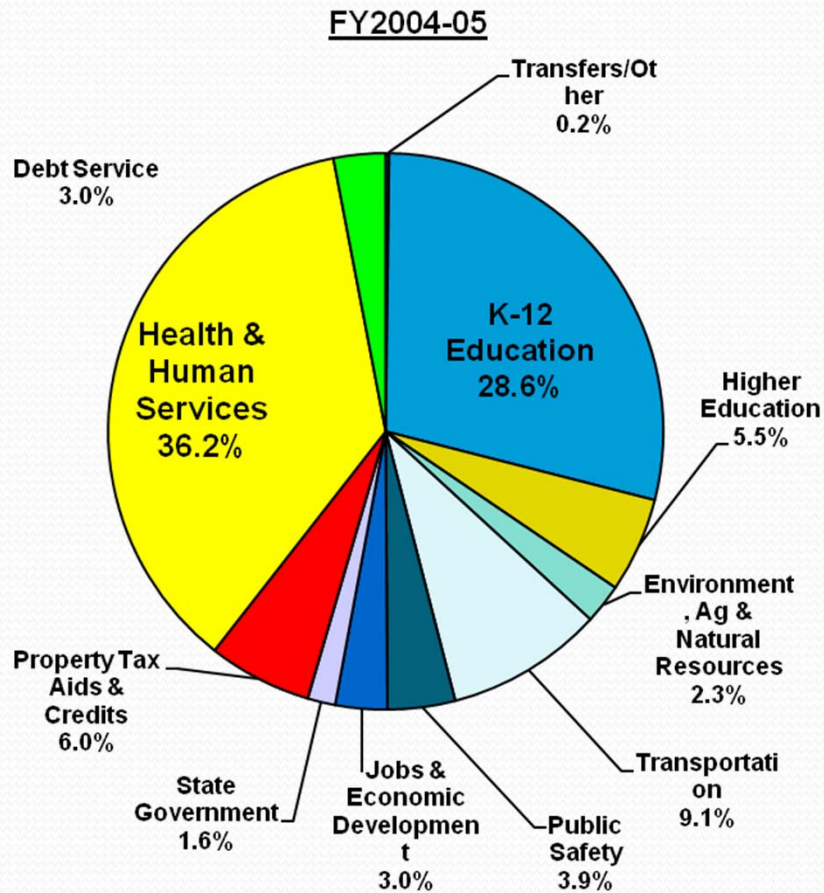
The 2011 Legislative Session – Resolved(?) a \$5 billion deficit for the 2011-12 biennium

- Shifted \$2.1 billion by going from a 90%/10% delayed payment to 60%/40%.
- Increased the basic formula by \$50 per pupil (1%) for both years.
- Maintained a 4.6% growth factor for special education which averages 8% increases per year.
- Added Literacy Incentive Aid and Small Schools categorical for the 2012-13 school year.
- Reduced some mandates while added an un-funded teacher appraisal system.

State Expenditures - General Fund (undesigned)



State Expenditures – All Funds

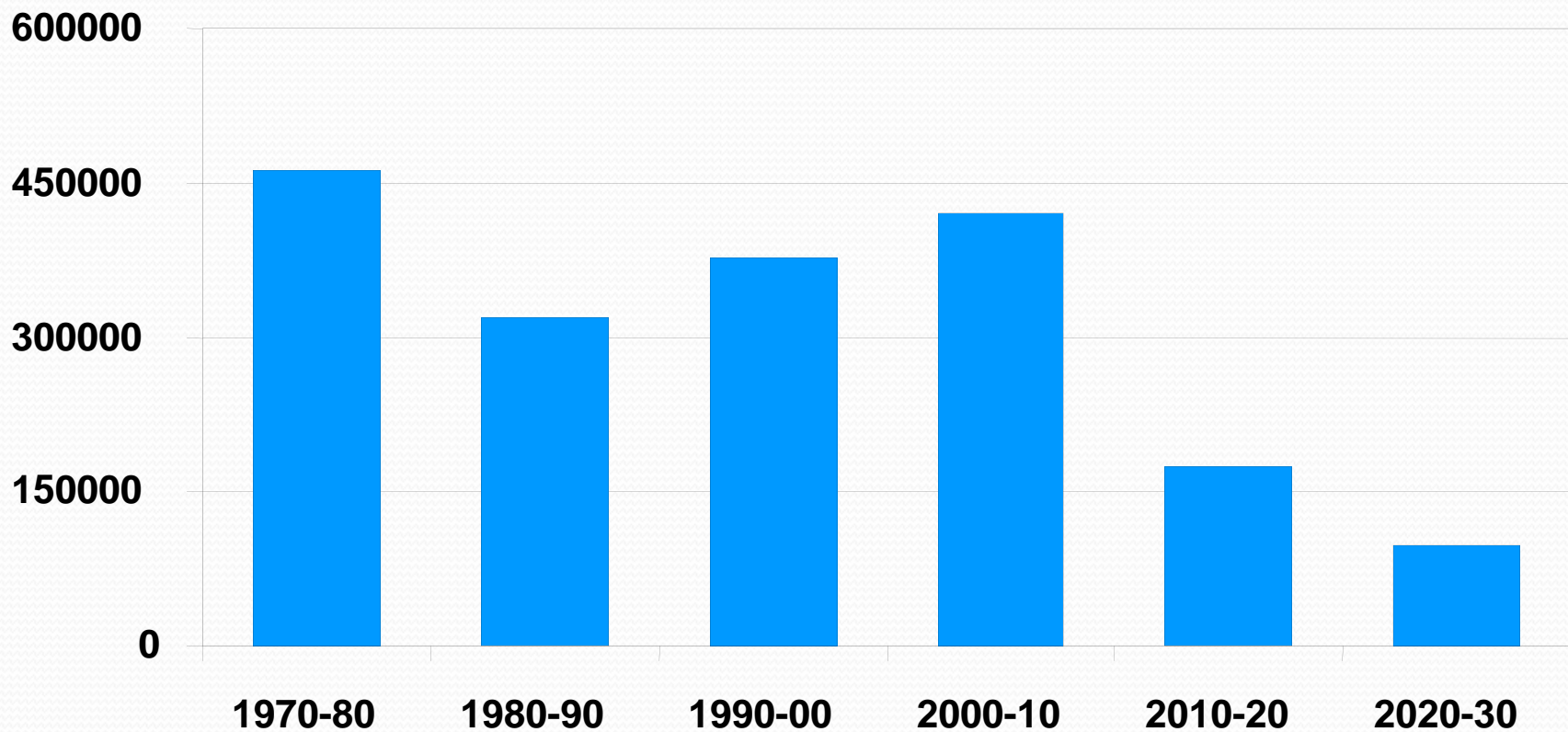




“Why should everyone care?”

Minnesota's Future Labor Force

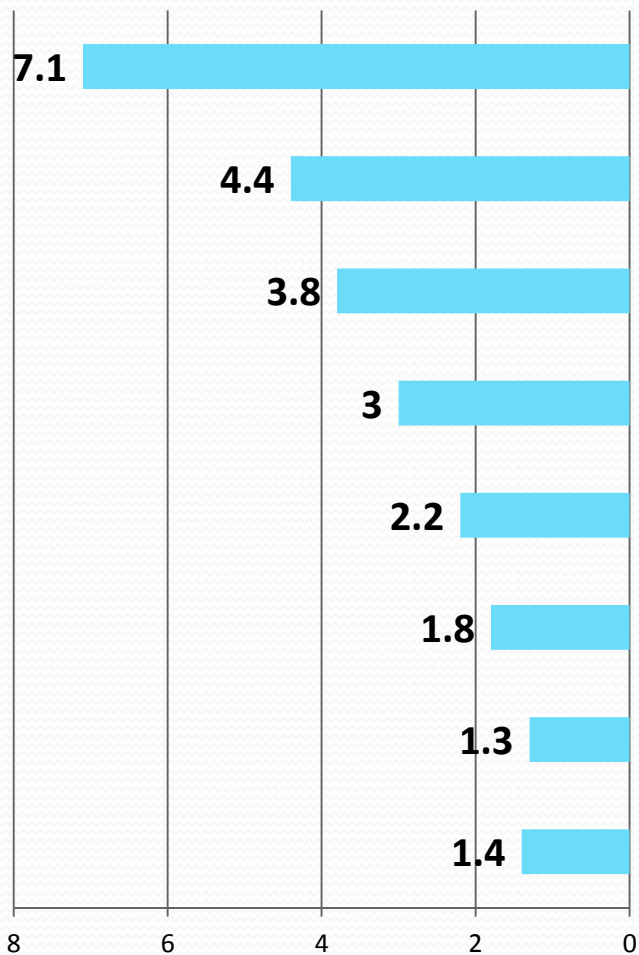
Net Labor Force Growth



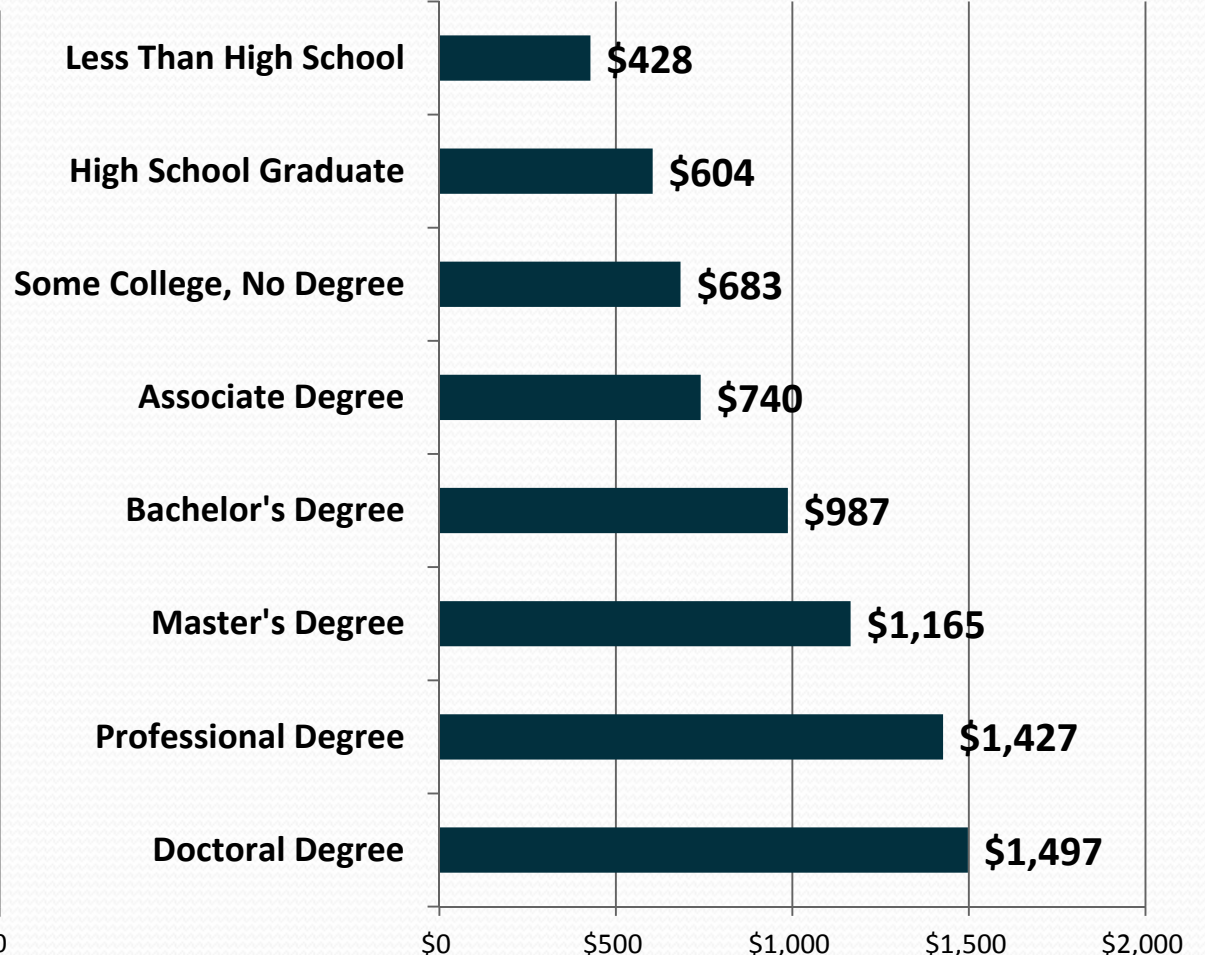
Source: Tom Gillaspay, MN state demographer

Education = Success for Individuals AND Prosperity for Minnesota

Unemployment Rate in 2007 (%)



Median Weekly Earnings in 2007

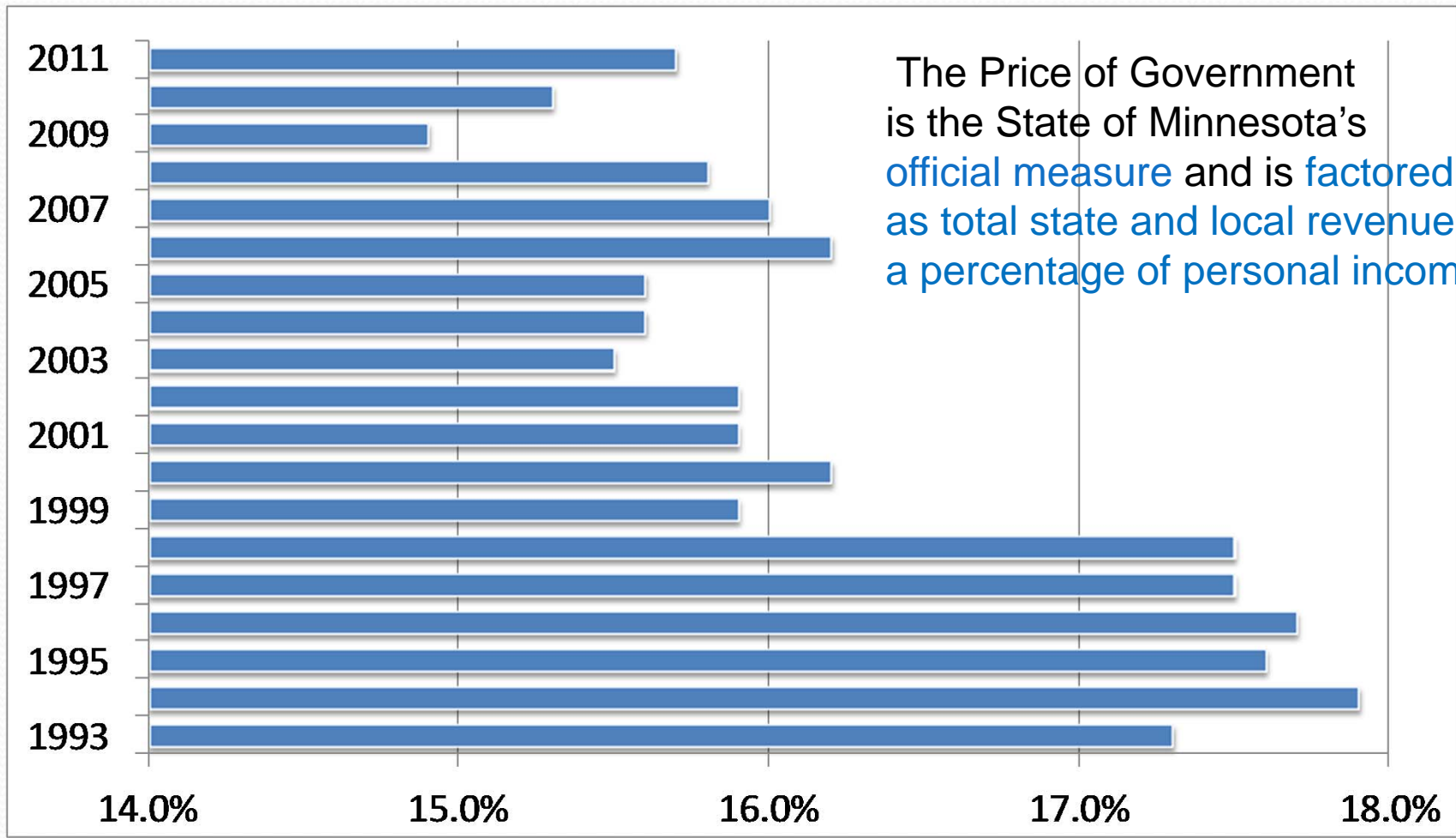




“But can we afford to invest in
education?”

Aren't we already the
highest taxed state?”

Minnesota's Price of Government?



Minnesota's Tax Ranking

| | Minnesota's Total State and Local Taxes Ranking, as a Percentage of Income |
|------|--|
| 1980 | 8 th |
| 1990 | 7 th |
| 1995 | 6 th |
| 2000 | 11 th |
| 2005 | 28 th |
| 2006 | 24 th |
| 2007 | 24 th |
| 2008 | 25 th |

And school funding?

| | Minnesota's ranking in the nation for total public education spending as a percent of personal income. |
|----------------|---|
| 1986-87 | 14th |
| 1991-92 | 25th |
| 1996-97 | 21st |
| 2001-02 | 39th |
| 2002-03 | 41st |
| 2003-04 | 40th |
| 2004-05 | 42nd |
| 2005-06 | 41st |
| 2006-07 | 42nd |
| 2007-08 | 40th |
| 2008-09 | 35th |

Source: Census of Government and Public Education Finance Report