

# END OUR FUTURE

How Minnesota has failed students of color  
with decreases in public school funding  
and what we can do to improve



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# PREFACE

Seven years ago, the Saint Paul Federation of Educators (SPFE), along with parents and community members, embarked on new strategies to ensure that students in Saint Paul, particularly students of color, receive a quality education.

Working together, we made significant gains, including:

- Increasing the number of support professionals, such as school social workers and school psychologists, working directly with students;
- Pioneering parent engagement programs, such as Parent Teacher Home Visits, Academic Parent Teacher Teams, and School Climate Improvement Teams;
- Lowering student to teacher ratios for our youngest learners and low-income students;
- Reducing the amount of teaching time lost to testing and test preparation;
- Implementing restorative practices in our schools to disrupt the school-to-prison pipeline;
- Establishing the Peer Assistance Review program alongside our district to support the professional growth of teachers; and
- Expanding the amount of full-day pre-K programming available in the district.

While we are immensely proud of the strides made to improve public education in Saint Paul over the past seven years, there is still much work to be done. Unfortunately, for far too many students, our public schools still do not work. This is especially true for many of our students of color.

In Saint Paul, despite what we know to be best practice, there are still classes with over 40 students, and despite increased need for mental and physical health supports, some schools only have a nurse for a few hours a week. Students have less access to courses such as music, art, and physical education; courses we know improve student engagement, attendance, and performance.

Our public education system does not have to be this way. Procuring adequate funding to provide a quality education for every child is absolutely necessary for the long-term well-being of our communities. We must address racial inequity within and between our schools and meet the needs that have been identified. We know that diversity in our public schools is one of their greatest strengths.

It is going to take all of us creatively working together to make sure our schools have the resources they need to achieve the promise of public education. Educators must stand with parents, students, community allies, and our labor partners to fight for fully funded, racially equitable public education. We believe public schools are where we shape our future.

# INTRO & SUMMARY

Whatever part of the state we live in; no matter where our families come from; white, Black, Brown; and Native or Immigrant, we all want the best for our kids. All Minnesotans benefit from an educated community and workforce, and we all suffer when any segment of our communities has unmet needs.

**SECTION 1** examines how state aid for education has not kept up with inflation. Minnesota now provides thousands of dollars less per student than it did in 2003 for the funding streams that are intended to close the achievement gap between lower income and wealthier students and students of color and their white counterparts.<sup>1</sup>

To examine these cuts and their impact, this report looks at four state funding streams:

- **Basic General Education Revenue** establishes the minimum level of funding for school districts.
- **Extended Time Revenue** funds learning programs outside regular school hours, such as after-school, on week ends, or during the summer.
- **Compensatory Revenue** is for programs such as remedial reading or math or all-day kindergarten and is based on the number of low-income students in the district.
- **English Learner (EL) Revenue** is used to provide instruction to students with limited English language proficiency.

While this reduction in funding has affected all school districts in Minnesota, this pain has not been felt equally. There are twenty-one school districts in Minnesota where students of color make up more than half of the student population.<sup>2</sup>

These 21 districts are receiving an average of \$1,573 less per student in real dollars than they would be if funding had kept up with inflation since 2003 for these four funding streams.<sup>3</sup>

Real state aid to these twenty-one districts is a total of \$305 million per year less than it would be if funding for these four programs had kept up with inflation

The Minneapolis and Saint Paul school districts have been hit the hardest. They are receiving a total of \$125 million a year less in real dollars than they would if funding for these equity-minded programs had kept up with inflation.

The 10 school districts that would receive the most additional per pupil state aid if funding had kept up with inflation for the Basic General Education, Extended Time, Compensatory, and English Learner programs.					
School District	Percentage of Student Body			Additional Amount	
	Students of Color	English Language Learners	Free & Reduced-Price Lunch Eligible	Per Student	Total Per Year
Brooklyn Center	82.3%	19.5%	74.8%	\$1,783	\$4.6 Million
Columbia Heights	82.1%	30.2%	73.2%	\$1,768	\$6.6 Million
Cass Lake	93.2%	0%	77.4%	\$1,757	\$2.3 Million
Saint Paul	78.7%	29.1%	66.3%	\$1,744	\$67.2 Million
Red Lake	99.8%	0%	78.5%	\$1,684	\$2.8 Million
Willmar	61.1%	25.9%	62.8%	\$1,675	\$7.8 Million
Worthington	67.9%	31.4%	63.2%	\$1,673	\$7.0 Million
Minneapolis	63.1%	19.0%	55.4%	\$1,639	\$58.4 Million
Fairbault	56.6%	23.5%	62.6%	\$1,632	\$6.1 Million
St. Cloud	56.6%	23.6%	62.2%	\$1,626	\$17.8 Million

<sup>1</sup> Adjustments for inflation are based on the Implicit Price Deflator for State and Local Government Purchases.

<sup>2</sup> 2019-2020 Enrollment data from the Minnesota Department of Education

<sup>3</sup> Throughout this report, "real dollars" is used to refer to an amount of money adjusted for inflation

# INTRO & SUMMARY

**SECTION 2** examines Minnesota school districts that have seen dramatic changes in the demographics of their student population since 2003, while at the same time, the funding for programs designed to meet students' needs decreased. These districts require additional resources to properly serve their students, but state funding has not kept up with the need.

- In 2003, there were five school districts where students of color made up more than half of the total students. Today, there are twenty-one districts.
- The number of English Learner students in the St. Cloud public schools today is four times greater than it was in 2003, and the number of English Learners in the Austin public schools today is three times greater than in 2003.

Cuts in real dollars have hurt all Minnesota kids. Additionally, the kids who have the most to lose have been hurt the most. One way that this lack of resources can be seen is in **the increase in class sizes**. Smaller class sizes are needed in order to help low-income students and children of color improve academic achievement, yet:

- Class sizes in Saint Paul elementary schools have grown and are now an average of almost three students larger than they were in 2003-2004.<sup>4</sup>
- The disparities in class sizes persist between school districts, as districts with the largest percentages of low-income students, such as Saint Paul, Columbia Heights, and Fridley, have bigger class sizes than wealthy districts, such as Minnetonka.

**SECTION 3** looks at how we can raise the needed revenue in Minnesota to meet the needs of students of color in our public schools.

The economic pain of the COVID-19 crisis has not been felt equally. While scores of Minnesotans are out of work and numerous small businesses have been forced to close, many of Minnesota's largest corporations enjoyed windfall profits.

For the first three quarters of 2020:

- **UnitedHealth Group** had almost \$3 billion more in profits compared to the same period in 2019<sup>5</sup> because fewer people have sought non-essential care during COVID-19.<sup>6</sup>
- **General Mills** made \$715 million more in profits compared to the previous year,<sup>7</sup> due to "elevated at-home food demand".<sup>8</sup>
- **Target** made \$600 million more in profits compared to the first three quarters of 2019<sup>9</sup>, thanks to its online sales and remote pickup options<sup>10</sup>

Stock prices of many Minnesota companies have soared since the pandemic started, increasing the wealth of those with investments in the stock market.

- **Target** and **Best Buy** stock prices have almost doubled since the pandemic started, going from \$101 to \$199 a share and \$61 to \$115 a share, respectively.<sup>11</sup>

The huge increases in the stock prices of Minnesota-based corporations have produced millions of dollars in additional wealth for the CEOs, executives, and shareholders of these companies.

In Minnesota, if we want to address our education crisis, we must properly fund programs that will allow our most at-risk students to get the education that they deserve. There are many industries and individuals who are doing very well and are able to contribute funds to address this crisis. The state should raise taxes on those who can afford to pay more, such as large corporations and the wealthiest Minnesotans.

<sup>4</sup> 2003-2004 and 2017-2018 Annual reports on class size to the Minnesota Legislature from the Metropolitan Educational Cooperative Service Unit (Metro ECSU)

<sup>5</sup> "United Health Group Reports Third Quarter Performance," Press Release, Oct. 14, 2020

<sup>6</sup> Major US Health Insurers Report Big Profits, Benefiting from the Pandemic," *New York Times*, Reed Abelson, August 5th, 2020

<sup>7</sup> General Mills 2020 Annual Report to Shareholders

<sup>8</sup> "General Mills Reports Strong Fiscal 2021 First-Quarter Results and Announces Dividend Increase," General Mills Press Release, Sept. 23, 2020

<sup>9</sup> Target Corporation Reports Third Quarter Earnings," Press Release, Oct. 18, 2020

<sup>10</sup> "Target Corporation Reports Second Quarter Earnings," Target Press Release, August 19, 2020

<sup>11</sup> Prices per share as of March 12, 2020 and January 11, 2021





FUND OUR  
PUBLIC SCHOOLS

# SECTION I:

## THE FAILURE IN EDUCATION FUNDING

# MINNESOTA STATE AID

In 2003, the state of Minnesota dramatically changed the education funding system. The legislature eliminated the statewide general education property tax levy and replaced it with direct state aid.

The amount of state aid per student decreased steadily over the next decade under Governor Tim Pawlenty's "no new taxes" policy. School districts tried to make up for this decrease by raising local property taxes. However, the revenue from increased property levies was not large enough to replace the decline in state aid, and overall school district revenues decreased. Districts responded with budget cuts.

In 2003, state aid made up almost ninety-two percent of Minnesota school districts' operating revenue. Today, state aid provides roughly two-thirds.<sup>12</sup>

Although there have been some recent increases at the state level, education funding is still well below its 2003 level. The legislature has failed to keep up with inflation in funding education programs.

**This lack of adequate funding has been especially harmful to students of color, since schools with high percentages of students of color and English Learners have been deprived of the necessary resources to provide the programming and resources that are the most successful at reducing achievement disparities.**

Minnesota provides thousands of dollars less per student in real dollars for the programs that are intended to close the achievement gap between lower income and wealthier students and between students of color and their white counterparts.

There are twenty-one school districts in Minnesota where students of color make up more than half of the student population.<sup>13</sup>

- These 21 districts are receiving an average of \$1,573 less per student in real dollars since 2003 than they would if funding had kept up with inflation for Basic General Education, Extended Time, Compensatory, and English Learner programs.
- Four of the districts (Brooklyn Center, Cass Lake, Columbia Heights, and Saint Paul) are receiving over \$1,700 less per student in real dollars than they would if funding had kept up with inflation for these programs.
- Real state aid to these 21 districts is a total of \$305 million a year less than it would be if funding for these four programs had kept up with inflation.
- The Minneapolis and Saint Paul school districts have been hit the hardest by this. They are receiving a total of \$125 million per year less in real dollars than they would if funding for these programs had kept up with inflation.

<sup>12</sup> "Minnesota Backslide: School Aid Cuts on the Horizon," North Star Policy Institute, September 2018

<sup>13</sup> 2019-2020 Enrollment data from the Minnesota Department of Education



# MINNESOTA STATE AID

MNSchool Districts with more than half of student body are students of color	Additional Amount District Would Receive in State Aid Per Student if Funding Had Kept Up With Inflation				
	Basic Education	Extended Time	Compensatory Funding	English Learner	Total
Brooklyn Center	\$1,128	\$112	\$460	\$83	\$1,783
Cass Lake	\$1,128	\$75	\$555	\$0	\$1,758
Columbia Heights	\$1,128	\$98	\$391	\$139	\$1,756
Saint Paul	\$1,128	\$104	\$368	\$144	\$1,744
Red Lake	\$1,128	\$40	\$516	\$0	\$1,684
Willmar	\$1,128	\$70	\$322	\$155	\$1,675
Worthington	\$1,128	\$58	\$314	\$173	\$1,673
Minneapolis	\$1,128	\$103	\$323	\$85	\$1,639
Fairbault	\$1,128	\$51	\$335	\$118	\$1,632
St. Cloud	\$1,128	\$54	\$320	\$124	\$1,626
Richfield	\$1,128	\$62	\$281	\$125	\$1,596
Fridley	\$1,128	\$62	\$316	\$68	\$1,574
Austin	\$1,128	\$32	\$235	\$98	\$1,493
North St. Paul/ Maplewood/Oakdale	\$1,128	\$70	\$231	\$48	\$1,477
Burnsville	\$1,128	\$50	\$209	\$88	\$1,475
Robbinsdale	\$1,128	\$28	\$223	\$46	\$1,424
Roseville	\$1,128	\$46	\$161	\$83	\$1,418
St. James	\$1,128	\$8	\$200	\$68	\$1,404
Osseo	\$1,128	\$23	\$162	\$44	\$1,357
West. St Paul	\$1,128	\$34	\$139	\$51	\$1,351
Bloomington	\$1,128	\$15	\$145	\$62	\$1,350
Average	\$1,128	\$68	\$284	\$93	\$1,573
Average for all other districts in Minnesota	\$1,128	\$15	\$94	\$25	\$1,262

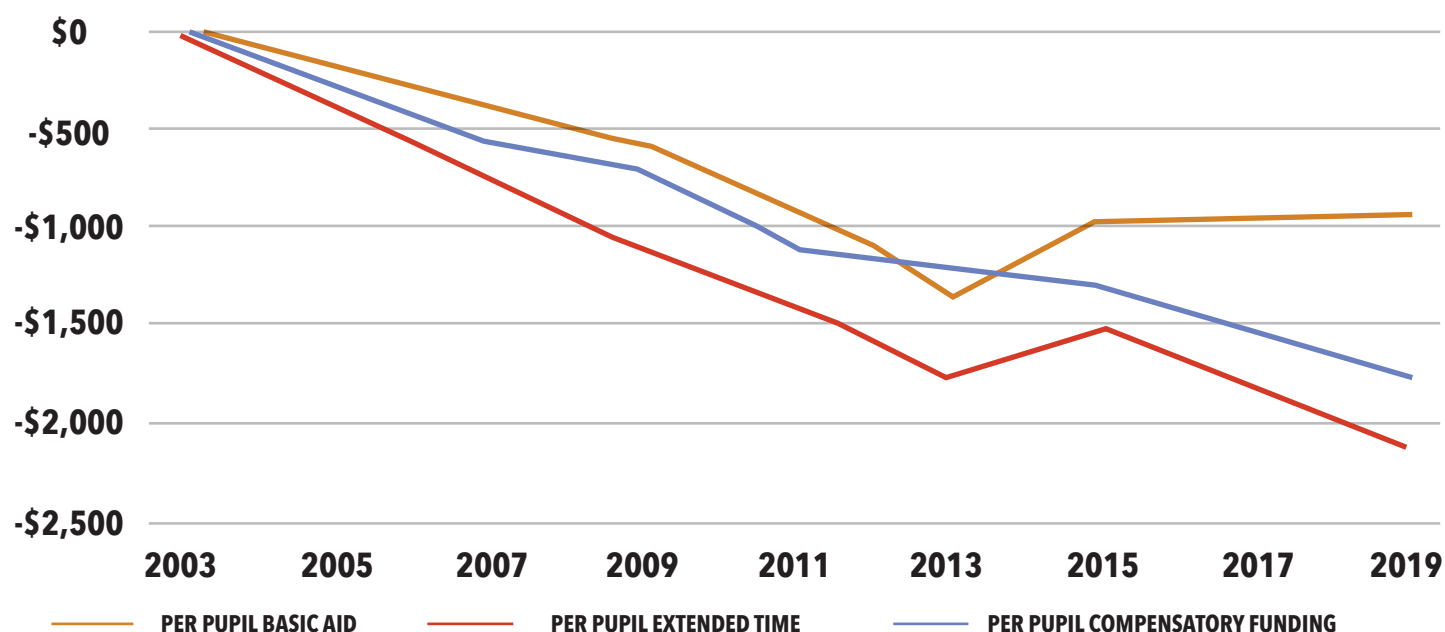
MN School Districts where more than half of student body are students of color	Additional Amount District Would Receive in State Aid if Basic General Education, Extended Time, Compensatory, and English Learner Funding	
	Per Student	Total Per Year
Brooklyn Center	\$1,783	\$4.6 Million
Cass Lake	\$1,768	\$6.6 Million
Columbia Heights	\$1,757	\$2.3 Million
Saint Paul	\$1,744	\$67.2 Million
Red Lake	\$1,684	\$ 2.8 Million
Willmar	\$1,675	\$7.8 Million
Worthington	\$1,673	\$7.0 Million
Minneapolis	\$1,639	\$58.4 Million
Fairbault	\$1,632	\$6.1 Million
St. Cloud	\$1,626	\$17.8 Million
Richfield	\$1,596	\$7.3 Million
Fridley	\$1,512	\$4.7 Million
Austin	\$1,493	\$8.3 Million
North St. Paul/ Maplewood/Oakdale	\$1,477	\$17.3 Million
Burnsville	\$1,475	\$13.4 Million
Robbinsdale	\$1,424	\$18.8 Million
Roseville	\$1,418	\$11.7 Million
St. James	\$1,395	\$3.6 Million
Osseo	\$1,357	\$31.6 Million
West. St Paul	\$1,352	\$7.7 Million
Bloomington	\$1,350	\$15.2 Million
Average: \$1,573		Total: \$304.8 Million

# MINNESOTA STATE AID

In 2003, the Minnesota legislature gutted funding for programs aimed at helping those who faced the largest obstacles: low-income students, immigrant students, and students of color.<sup>14</sup> The Minneapolis and Saint Paul school districts were hit the hardest by these cuts.

On top of these cuts, the state has failed to keep up with inflation in the funding formula for these programs.<sup>15</sup> Given the demographic changes in Minnesota, this now impacts a larger number of school districts. In real dollars – adjusted for inflation – state aid for these programs has fallen well below their 2003 levels.

## CHANGE IN MINNESOTA PER PUPIL STATE AID



<sup>14</sup> Unless otherwise noted, all information about the 2003 policy changes and the financial impact comes from the Minnesota Department of Education's July 2018 "Minnesota School Finance History 1849-2018" and its "Estimated General Fund State Aid and Levy Results, FY 2003 to FY 2017."

<sup>15</sup> Adjustments for inflation are based on the Implicit Price Deflator for State and Local Government Purchases.

# MINNESOTA STATE AID

The stressors related to poverty have many rippling effects, and one of them can be on children's academic success. The state provides Compensatory Revenue to help schools meet the needs of low-income students. This revenue "must be used to meet the educational needs of pupils whose progress toward meeting state or local content or performance standards is below the level that is appropriate for learners of their age."<sup>16</sup> The funding can be used for things, such as:

- providing remedial reading or math instruction;
- adding teachers and teacher aides for individualized instruction;
- lengthening instruction time, including all-day kindergarten or summer school;
- purchasing instructional materials and technology;
- implementing programs to improve attendance and graduation rates; and
- providing parental involvement programs.

The amount of Compensatory funding is based on the number of students who qualify for free and reduced-price lunch and the concentration of such students at each school.

In 2003, the legislature and Governor Pawlenty cut the amount used in the Compensatory Revenue formula by \$415 per student. The impact of these cuts was experienced almost entirely by students in the Minneapolis and Saint Paul school districts.

**The dollar amount used in the calculations for Compensatory Funding is currently \$5,473 per student unit – about \$1,300 less than it would need to be at the 2003 level.**

## BASIC GENERAL EDUCATION

The Basic General Education program establishes the minimum level of funding for school districts.

**The state provided \$4,601 per student unit for Basic General Education aid in 2003. Today, it is \$6,438, which is over \$1,100 less than it should be to keep up with inflation.**

## EXTENDED TIME FUNDING

Another effective intervention is providing learning opportunities outside of the traditional school day. Funding for staff and supplies are needed to provide these experiences. At-risk students who participate in a learning program outside regular school hours, such as after school, on weekends, or during the summer, used to be counted as up to 0.5 additional pupil units per student to be used in funding calculations. In 2003, the state legislature scrapped this formula and created a new Extended Time program, which was capped at 0.2 pupil units for each at-risk student who receives extra help.

**The state provided \$4,601 per student unit for Extended Time in 2004. Today, it is \$5,117, which is \$2,300 less than it should be if kept up with inflation.**

<sup>16</sup> Minnesota Statutes 2017 Section 126C.15, "Basic Skills Revenue, Compensatory Education Revenue"

# MINNESOTA STATE AID

## ENGLISH LEARNER (EL) FUNDING

Many immigrant and refugee students benefit from additional educational services and may have limited reading ability in their first language. The state of Minnesota provides additional funding to assist English Learners (ELs) (formerly Limited English Proficiency).

For funding purposes, students are considered English Learners if:

- English is not their primary language,
- their English skills do not allow full classroom participation, and
- their English test scores are below the cutoff.

In the 2002-2003 school year, schools could receive funding for up to seven years for an individual EL student – if that student continued to require EL services. Seven years was determined to be the typical amount of time it takes to learn and be fluent in a second language.

When Tim Pawlenty took office as governor in 2003, he stated that under the existing EL funding system, there was no incentive for districts to ensure that EL students were learning English.<sup>17</sup> That year, Pawlenty and the legislature cut the funding from a maximum of seven years per student to a maximum of five years.

Minneapolis and Saint Paul were by far the districts most impacted by this funding cut at the time since more than half of the EL students in the state attended school in these two cities.<sup>18</sup>

This policy change remained in place until the 2014-2015 school year when the state provided funding for up to a maximum of six years for EL students, and then in the 2016-2017 school year, the maximum limit of seven years was restored.

**The aid per English Learner student was increased from \$585 to \$700 in 2004, but it has only gone up \$4 since then. If the state had maintained funding at the same level as in 2003, adjusted for inflation, it would be \$1,151 per English Learner student.**

PROGRAM	AMOUNT PER STUDENT UNIT			
	200	200	2020, if you kept up with inflation	Difference
COMPENSATORY FUNDING	\$4,186	--	\$6,883	(-\$1,284)
BASIC EDUCATION	\$4,601	--	\$7,566	(-\$1,128)
EXTENDED TIME	--	\$4,601	\$7,417	(-\$2,300)
ENGLISH LEARNER	\$584	--	\$1,151	(-\$447)

**It is not surprising that Minnesota has one of the largest racial academic achievement gaps in the country, given that the state has failed to adequately fund the specific programs, staffing, training, and interventions that help meet the needs of low-income students and students of color.**

<sup>17</sup> Minnesota Department of Education 2004-05 Biennial Budget

<sup>18</sup> 2002-2003 Enrollment by Gender/Ethnicity by District, Minnesota Department of Education Minnesota Statutes 2017 Section 124D.861, "Achievement and Integration for Minnesota"

# TAXES & EDUCATION FUNDING

When Tim Pawlenty campaigned for governor in 2002, he pledged that he would not increase taxes under any circumstances. Pawlenty stuck to his “no new taxes” commitment and blocked almost every attempt to raise state taxes during his eight years in office.<sup>19</sup>

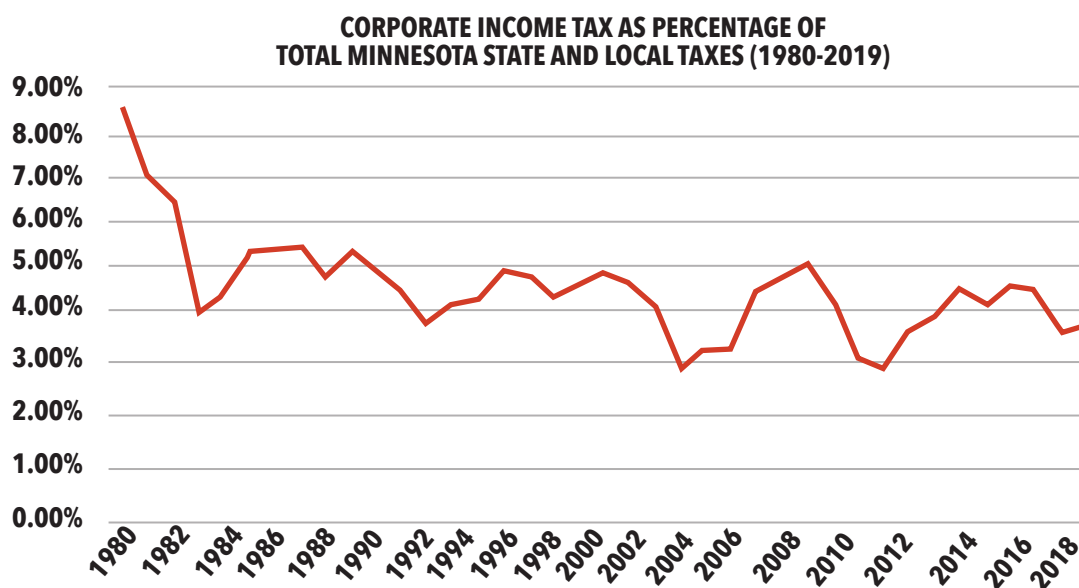
Pawlenty's election was applauded by the state's corporate leaders, such as the Minnesota Business Partnership, which continues to be adamantly opposed to any new taxes and advocates for cutting corporate taxes. The Business Partnership is made up of the CEOs and senior executives from the state's largest employers, and at that time was chaired by the CEO of Target.

**Governor Dayton's tax increase on the wealthiest Minnesotans allowed Minnesota to increase education funding in 2013 and begin to reverse the decade-long trend of annual decreases.**

## CORPORATE INCOME TAXES

Aggressive lobbying at the state level has resulted in Minnesota's largest corporations paying lower rates for state income and property taxes than they previously did. Corporations in Minnesota currently pay a 9.8 percent state income tax rate. However, in the past, this was as high as 12 percent and even higher, 13.6 percent, for banks.<sup>20</sup>

In 1980, corporate income taxes accounted for 8.4 percent of the total state and local taxes collected. In 2019, these taxes comprised just 3.8 percent of total taxes collected.<sup>21</sup>



## Personal Income Taxes

In 1977, the wealthiest Minnesotans paid an 18 percent state income tax rate. This was gradually lowered to 7.85 percent, and then in 2013 the state legislature passed Governor Dayton's tax plan and increased it to 9.5 percent.<sup>22</sup>

<sup>19</sup> "A State that Works – Again," Minnesota 2020, Jeff Van Wychen, October 23, 2013

<sup>20</sup> "Minnesota Tax Handbook: A Profile of State and Local Taxes in Minnesota," 2018 Edition, January 2019

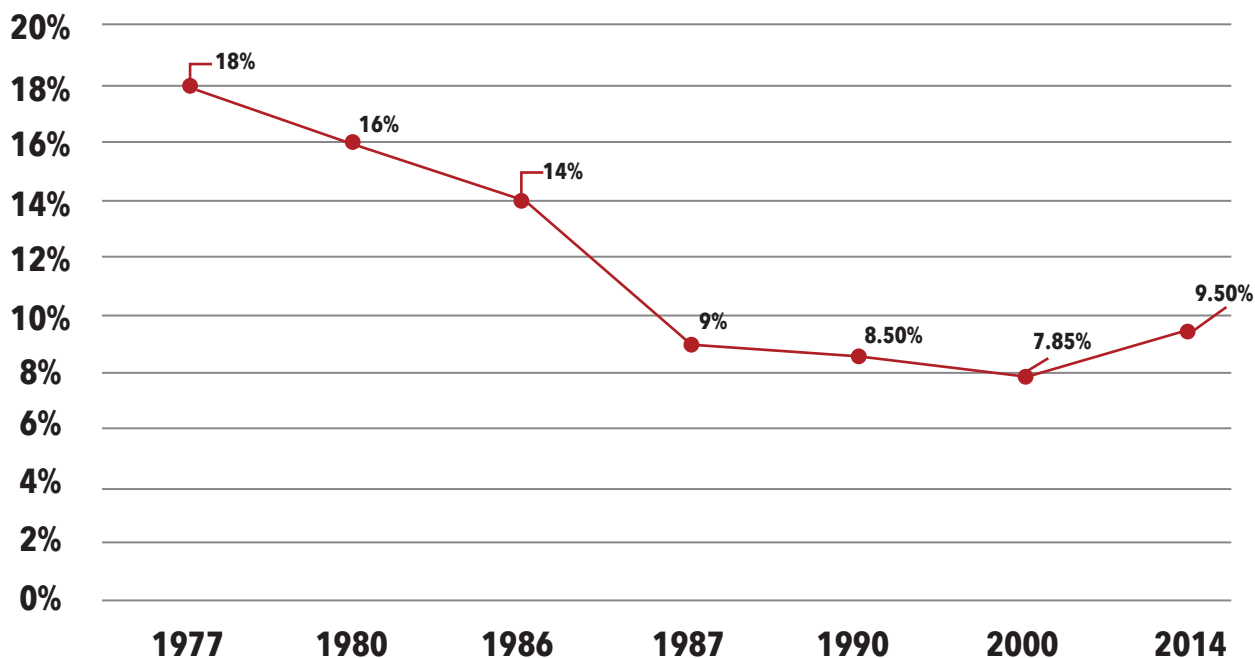
<sup>21</sup> "State and Local Tax Collections by Major Tax Category," 2019, Minnesota Department of Revenue

<sup>22</sup> "A State that Works – Again," Minnesota 2020, Jeff Van Wychen, October 23, 2013



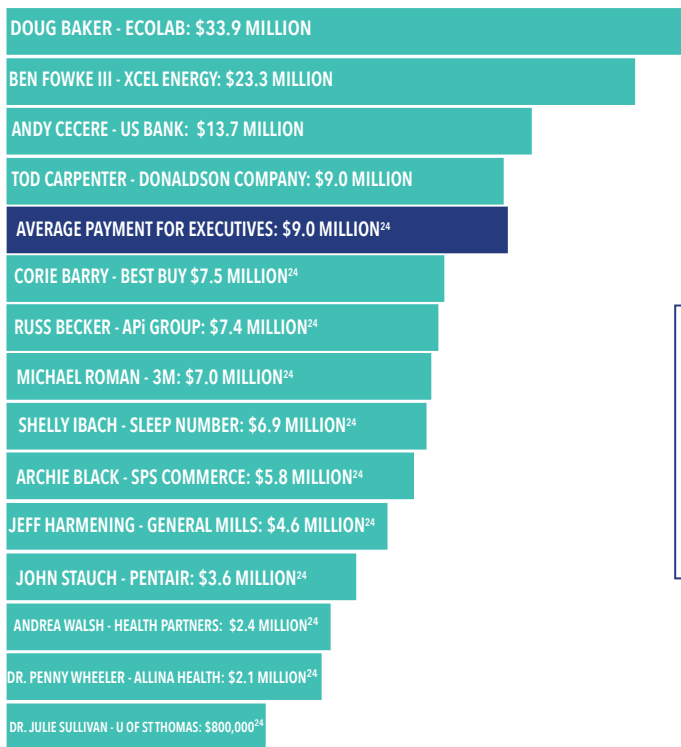
# TAXES & EDUCATION FUNDING

## MINNESOTA TOP INCOME TAX RATE



The Minnesota Business Partnership, which has a board of directors with average annual compensation of \$9 million, strongly opposed this modest income tax increase. They argued that the rich already paid more than their fair share, and that increasing taxes would prevent businesses from expanding and growing in Minnesota.

### Minnesota Business Partnership Executive Board Members<sup>23</sup>



ANOTHER BUSINESS  
PARTNERSHIP  
EXECUTIVE BOARD  
MEMBER IS  
BILLIONAIRE  
STANLEY HUBBARD

<sup>23</sup> Those members whose compensation is publicly available.

<sup>24</sup> Star Tribune Top Executives: The 29th Annual Report, Star Tribune, Patrick Kennedy, August 2, 2020 and

\*The Nonprofit 100, Star Tribune, Patrick Kennedy, January 24, 2021

The CEOs from the same corporations that opposed increasing taxes to support public schools, then turned around and criticized public schools for not meeting the needs of students.

The chair of the Minnesota Business Partnership's Education Committee wrote that statewide test scores "are an alarm and a call to action."<sup>25</sup> He expressed outrage about the education that students of color are receiving, but he was not concerned at all about the decline in state funding. In fact, the Business Partnership declared that the current crisis in our schools is "not a money problem."<sup>25</sup>

The Business Partnership and its members are part of a nationwide movement that blames teachers and teacher unions for the problems. They want to apply business principles to education, including:

- aggressively cutting costs, such as by recruiting less experienced teachers;
- instituting a market-based system in which public schools compete with privately managed charter schools, religious schools, for-profit schools, and virtual schools; and
- making standardized test scores the ultimate measure of student success.

## **CHARTER SCHOOLS**

The Business Partnership and its member corporations advocate for charter schools as the main solution for improving education outcomes. Charter schools operate largely apart from the oversight of school districts and democratically elected school boards. Charter schools are privately run, but publicly financed, often with additional resources from corporate sponsors.

In 2014, the Minnesota Business Partnership launched its Charter School Initiative, in which fifteen companies would help Minneapolis charter schools by providing operational assistance including marketing, professional development, literacy support, and nutrition assistance.<sup>26</sup> In 2015, the Business Partnership announced that it was making a loan to help Hiawatha Academies expand its charter school network in Minneapolis, by building a new charter school, the first of five they planned to build under this initiative.<sup>27</sup>

Minnesota-based Cargill is the largest privately owned corporation in the world. Its CEO is on the Executive Committee of the Minnesota Business Partnership and is the immediate past chairperson. The Cargill Foundation:

- Paid for a three-year initiative in 2004 called LEAD for Charters, to help eight charter schools increase management capacity and learn new ways of operating.<sup>28</sup>
- Donated \$2 million to the Macalester Center for School Change in 2010 to improve the performance of Minneapolis-area charter schools.<sup>29</sup>
- Gave \$200,000 in 2011 and 2012 to Charter School Partners (now Minnesota Comeback).<sup>30</sup>
- Provided \$2.5 million to four Minneapolis charter schools: Harvest Prep/BEST Academy; Hiawatha Academies; Academia Cesar Chavez, and KIPP since 2011.<sup>31</sup>

**Far from improving the overall school system, charter schools have weakened it and made the education funding crisis worse.**

<sup>25</sup>"Student test results: an alarm and a call to action," Pioneer Press, Pat Ryan, August 20, 2017

<sup>26</sup>"Minnesota businesses step up to help Minnesota schools and students," Minnesota Business Partnership press release, Oct 7, 2014

<sup>27</sup>"Innovative Partnership Enables Expansion of Effective Charter Schools," Minnesota Business Partnership press release, accessed on February 20, 2021

<sup>28</sup>"LEAD for Charters – A Cargill Charter Schools Initiative: Year 2 interim report summary," Wilder Research, May 2008

<sup>29</sup>"Macalester Center for School Change receives \$2 million grant from Cargill to help improve charter public schools, Press Release, January 18, 2010

<sup>30</sup>Cargill Foundation Form 909, 2011 and 2012

<sup>31</sup>Cargill Foundation Form 909, 2011 -2018

# EDUCATION & BIG BUSINESS

The unchecked growth of charter schools has meant a large decrease in funding for traditional public schools.

School funding in Minnesota is based on student enrollment. When a student moves to a charter school, the funding goes with them. Unfortunately, school districts are not able to reduce their own expenses in line with the lost revenue. Charter schools draw students from multiple grades from multiple schools in a district. Although there may be a significant loss of students, it may not be enough to warrant cost saving measures such as consolidating classes.

There are also many fixed costs, such as maintaining the school buildings, that stay the same regardless of the number of students. So, neighborhood public schools have the same expenses as before, but with less revenue. This is not an unintended consequence.

While many of the first charter schools were started by individuals and groups with a sincere desire to improve education, it is large corporations that have been behind charter schools' explosive growth. The charter school movement has been hijacked by big corporations who have their own agenda.

Walmart is the largest private funder of charter school start-ups in the country. They believe that schools should be more like businesses and compete for students, who will make decisions based on schools' test scores. Schools that can't compete should be shut down.

## WALMART

The Waltons, the family behind the Walmart empire, are one of the world's richest families, with a combined net worth of \$215 billion.<sup>32</sup> They put their fortune to work through the Walton Family Foundation, promoting and funding school choice. However, they don't simply want school choice among public schools; they want a competitive school system in which parents can redeem vouchers at private schools and religious schools. They see charter schools as paving the way for vouchers.

In the 1990s, the Waltons supported several voucher referendums that were defeated by voters. Opinion polls showed little support for vouchers at private schools. The Waltons needed another option and saw that charter schools could pave the way for vouchers.<sup>33</sup>

The Walton Family is the largest private funder of new charter schools, giving out \$250,000 start-up grants. The Foundation estimates that it has provided startup funds to 1 out of every 4 charter schools in the country, including almost 30 charter schools in Saint Paul and Minneapolis.

The Waltons have given a total of \$10 million to charter schools in Minneapolis and Saint Paul, including \$1.2 million to Hiawatha Academies.

<sup>32</sup> "These are the World's Richest Families," Bloomberg News, Tom Metcalf, August 1, 2020

<sup>33</sup> "The 'Walmartization' of Public Education," Washington Post, Valerie Strauss, March 17, 2016



Artwork By:  
AMIR KHADAR

# SECTION II:

## THE DAMAGE DONE



# CHANGING DEMOGRAPHICS AND THE INCREASE IN UNMET NEEDS

## Increase in Students of Color

There are 21 school districts in Minnesota where students of color make up more than half of the student population. In 2003, students of color made up more than half the students in just five districts: Minneapolis, Saint Paul, and Brooklyn Center, along with school districts on two Indian reservations – Cass Lake and Red Lake. There has been a very large increase in the number of students of color since 2003 in the sixteen other districts.

School Districts	Percentage of District's Students Who Are Students Of Color		Percentage Increase
	2003-2004 <sup>36</sup>	2019-2020 <sup>37</sup>	
St. Cloud	14.5%	55.6%	292%
Austin	18.8%	52.1%	177%
Fridley	26.7%	69.1%	158%
Fairbault	20.3%	56.6%	179%
North St. Paul/Maplewood/Oakdale	21.3%	65.5%	207%
Burnsville	23.9%	64.5%	170%
Roseville	24.4%	58.1%	138%
Willmar	29.1%	61.1%	120%
Columbia	38.1%	82.1%	116%
West St Paul	26.4%	50.7%	92%
Robbinsdale	33.1%	62.3%	88%
Bloomington	28.3%	52.4%	85%
Osseo	32.9%	58.0%	76%
Worthington	41.0%	67.9%	76%
St. James	33.8%	54.2%	60%
Richfield	45.6%	71.1%	56%

The number of students of color has more than doubled in ten of these districts since 2003.

Some of the changes in school district demographics were especially dramatic, such as in St. Cloud, where students of color made up just one in seven students in 2003. Today, more than half of the student body is made up of students of color. In the North St. Paul/Maplewood/Oakdale district, students of color made up just one in five students in 2003, but now more than two-thirds of the district's students are students of color.

MN School Districts where more than half of student body are low-income	NUMBER OF STUDENTS OF COLOR		PERCENTAGE INCREASE
	2003-2004 <sup>36</sup>	2019-2020 <sup>37</sup>	
St. Cloud	1,421	5,756	305%
Austin	768	2,761	260%
Fridley	690	2,058	198%
Worthington	941	2,733	190%
North St. Paul/Maplewood/Oakdale	2,422	7,011	189%
Roseville	1,560	4,464	186%
Fairbault	822	1,984	141%
Columbia	1,131	2,694	138%
Willmar	1,247	2,744	120%
West. St Paul	1,265	2,705	114%
Burnsville	3,011	5,552	84%
Bloomington	3,011	5,552	84%
Osseo	7,148	12,468	74%
Robbinsdale	4,555	7,718	69%
Richfield	1,873	3,052	63%
St. James	424	556	31%

<sup>34</sup> 2003-2004 Enrollment data from the Minnesota Department of Education

<sup>35</sup> 2019-2020 Enrollment data from the Minnesota Department of Education

<sup>36</sup> 2003-2004 Enrollment data from the Minnesota Department of Education

<sup>37</sup> 2019-2020 Enrollment data from the Minnesota Department of Education

# CHANGING DEMOGRAPHICS AND THE INCREASE IN UNMET NEEDS

## Increase in Low-Income Students

There are twenty-one districts where low-income students (students eligible for free or reduced-price lunch) make up more than half of the students. In 2003, low-income students made up more than half the students in just six districts: **Minneapolis, Saint Paul, Brooklyn Center**, and **Menahaga**, along with school districts on two Indian reservations – **Cass Lake** and **Red Lake**. In twelve of the other fifteen districts, there was a very large increase in the number of low-income students since 2003. (Crookston, St. James, and Greenway had small increases in the number of low-income students but large reductions in total enrollment).

SCHOOL DISTRICT	NUMBER OF STUDENTS WHO QUALIFY FOR FREE OR REDUCED-PRICE LUNCH		PERCENTAGE INCREASE
	2003-2004 <sup>38</sup>	2019-2020 <sup>39</sup>	
<b>Worthington</b>	<b>1,048</b>	<b>2,542</b>	<b>143%</b>
<b>Burnsville</b>	<b>1,934</b>	<b>4,505</b>	<b>133%</b>
North St. Paul/ Maplewood/Oakdale	<b>2,510</b>	<b>5,834</b>	<b>132%</b>
<b>Fridley</b>	<b>902</b>	<b>1,905</b>	<b>111%</b>
<b>Austin</b>	<b>1,522</b>	<b>2,957</b>	<b>94%</b>
<b>St. Cloud</b>	<b>3,444</b>	<b>6,327</b>	<b>89%</b>
<b>South St. Paul</b>	<b>938</b>	<b>1,721</b>	<b>83%</b>
<b>Columbia Heights</b>	<b>1,350</b>	<b>2,403</b>	<b>78%</b>
<b>Richfield</b>	<b>1,612</b>	<b>2,548</b>	<b>58%</b>
<b>Willmar</b>	<b>1,796</b>	<b>2,821</b>	<b>57%</b>
<b>Fairbault</b>	<b>1,449</b>	<b>2,195</b>	<b>51%</b>
<b>Albert Lea</b>	<b>1,249</b>	<b>1,888</b>	<b>51%</b>
<b>Crookston</b>	<b>593</b>	<b>642</b>	<b>8%</b>
<b>St. James</b>	<b>521</b>	<b>565</b>	<b>8%</b>
<b>Greenway</b>	<b>524</b>	<b>544</b>	<b>4%</b>

At the same time that these school districts were seeing large increases in the number of low-income students, the funding designed to boost achievement of low-income students was decreasing. For instance, in Worthington, the number of low-income students more than doubled since 2003, but the district receives almost \$1,700 less per pupil in real dollars for Compensatory, Basic Education, Extended Time, and English Learner programs than it would if funding had kept up with inflation.

<sup>38</sup>2003-2004 Enrollment data from the Minnesota Department of Education

<sup>39</sup>2019-2020 Enrollment data from the Minnesota Department of Education

# CHANGING DEMOGRAPHICS AND THE INCREASE IN UNMET NEEDS

## Increase in English Learner Students

Since 2003, several Minnesota school districts have seen enormous increases in the number of immigrant and refugee students. These school districts need additional resources to properly serve these students, many of whom require additional educational services and may have limited reading ability in their first language.

- In 2003, there were under 600 English Learners in the St. Cloud public school district, and they made up 6 percent of the total student population.<sup>40</sup> The number of English Learner students has more than quadrupled since then, and English Learners now make up almost a quarter of the student population (24 percent).
- The number of English Learner students in the Austin public schools has more than tripled since 2003, and they now make up 20 percent of all students, up from just 8 percent in 2003.
- Despite the huge increase in need, the St. Cloud school district receives over \$1,600 less per pupil in real dollars for Compensatory, Basic Education, Extended Time, and English Learner programs than it would if funding had kept up with inflation. The Austin school district receives almost \$1,500 less than it would if funding had kept up with inflation.

SCHOOL DISTRICT	NUMBER OF ENGLISH LEARNER STUDENTS		PERCENTAGE INCREASE
	2003-2004 <sup>41</sup>	2019-2020 <sup>42</sup>	
St. Cloud	579	2,400	315%
Austin	324	1,062	228%
Worthington	458	1,265	176%
North St. Paul/ Maplewood/Oakdale	523	1,436	175%
Roseville	451	1,156	156%
Rosemount/ Apple Valley/Eagan	1,022	2,275	123%
Burnsville	788	1,601	103%
Bloomington	720	1,434	99%
Shakopee	582	1,023	76%
Willmar	680	1,164	71%

<sup>40</sup>2003-2004, 2011-2012, and 2017-2018 Annual reports on class size to the Minnesota Legislature from the Metropolitan Educational Cooperative Service Unit (Metro ECSU)

# CLASS SIZES<sup>43</sup>

One of the consequences of this lack of resources is overly large class sizes. Small class sizes allow for better individualized instruction and foster stronger relationships between educators and students. Additionally, they lead to more frequent communications between teachers and families, building strong relationships between families and schools.

- Saint Paul elementary classes have an average of 3.1 students more than they did in 2003.
- Saint Paul elementary schools used to have some of the smallest class sizes in the region, but they have now fallen behind other districts. (These class sizes would be even larger had the Saint Paul Federation of Educators not fought to reduce class sizes in their contract negotiations with the district).

Studies tie smaller class sizes to improved academic achievements and student developmental outcomes. These findings are especially true for low-income students and children of color. Black students, in particular, have been shown to benefit from reduced class sizes in early grades.

GRADES	SPPS AVERAGE CLASS SIZE RANKING IN METRO REGION <sup>44</sup>	
	2003-2004	2017-2018
1	4	30
2	2	23
3	3	13
4	2	15

Studies tie smaller class sizes to improved academic achievements and student developmental outcomes. These findings are especially true for low-income students and children of color.<sup>45</sup> Black students, in particular, have been shown to benefit from reduced class sizes in early grades.<sup>46</sup>

Of the students in the Saint Paul Public School district, over a third are English Learners and two-thirds are low-income.<sup>47</sup> Despite these greater challenges, class sizes in St Paul are the same or even larger than in wealthier districts.

2017-2018		PUBLIC SCHOOL DISTRICT				
		St. Paul	Westonka	Minnetonka	Orono	Edina
ELEMENTARY AVG CLASS SIZE		24.5%	20.8%	22.3%	23.7%	24.5%
Percentage of Students <sup>48</sup>	Are English Learners	29.1%	0.3%	1.8%	1.5%	5.5%
	Qualify for Free/Reduced Price Lunch	66.3%	15.1%	5.8%	6.4%	9.7%

<sup>43</sup>The Metropolitan Educational Cooperative Service Unit (Metro ECSU) produces an annual report about class sizes in Twin Cities area school districts. The study only includes those districts that choose to provide their information. (Minneapolis Public Schools do not provide their information.) The participating districts vary from year to year. The most recent data from the Saint Paul Public Schools is for the 2017-2018 school year.

<sup>44</sup>Metro ECSU Annual Class Size Study report to Minnesota Legislature

<sup>45</sup>Research-Based Options for Education Policymaking," National Education Policy Center, William J Mathis, June 2016

<sup>46</sup>Class Size Reduction: A Proven Reform Strategy," An NEA Policy Brief, 2017

<sup>47</sup>2019-2020 Enrollment data from the Minnesota Department of Education

<sup>48</sup>2019-2020 Enrollment data from the Minnesota Department of Education

# CLASS SIZES

Districts with the largest percentages of low-income students (those who qualify for free or reduced-price lunch), such as Saint Paul, Columbia Heights, and Fridley, have bigger class sizes than wealthy districts, such as Minnetonka.

- There are nine districts in the metro area where low-income students (those who qualify for free or reduced-price lunch) make up more than half the student population. All of the districts for which class size information is available have average elementary class sizes **larger** than the region-wide average of 23.8 students.
- In contrast, many of the districts that have the lowest percentage of students who are low-income have average class sizes that are **smaller** than the region-wide average.

School District	Percentage of Students Who Qualify for Free/Reduced Price Lunch	2017-2018 Average Elementary Class Size
Brooklyn Center	74.8%	N/A
Columbia Heights	73.2	24.0
St. Paul	66.3%	24.5
Fridley	64.0	24.0
Richfield	59.4%	26.0
Minneapolis	55.4%	N/A
North St. Paul/ Maplewood/Oakdale	54.5%	24.2
Burnsville	52.4%	N/A
South Saint Paul	50.3%	24.0
<b>REGION WIDE AVERAGE</b>		<b>23.8</b>
Westonka	15.1	21.0
New Prague	12.3%	22.8
Prior Lake	11.5%	23.3
Waconia	8.9%	23.6
Orono	6.4%	23.7
Minnetonka	5.8%	22.3



A stylized illustration of a young Black woman. She is wearing a red beanie with a red pom-pom on top. The words "WE ARE THE FUTURE" are written in white, uppercase, sans-serif font across the front of the beanie. She has dark skin and is looking slightly to the left. Her hair is styled in two braids, each adorned with several small, round, light blue and orange beads. She is wearing a red top. The background is a warm, textured orange and yellow gradient. A large, solid teal circle is positioned behind her head and shoulders.

WE  
ARE THE  
FUTURE

Artwork By:  
AMIR KHADAR

# **SECTION III:**

## **HOW TO IMPROVE OUR SCHOOLS**

# MONEY MAKES A DIFFERENCE

**The Saint Paul Public Schools (SPPS) would receive an additional \$67.2 million a year in real dollars if funding had kept up with inflation since 2003 for Compensatory, Basic General Education, Extended Time, and English Learner programs. How could this money be used to serve SPPS students?**

## ✓ EDUCATING THE WHOLE CHILD

As we work side by side with parents, families, and communities to better serve all Saint Paul children, we increasingly understand that our schools will only get better when we address the needs of the whole child, focusing not just on their minds, but their health, relationships, and environments.

When we focus on educating the whole child, our students benefit by developing noncognitive skills, including creativity, problem solving, and self-control. Also known as social and emotional learning, these noncognitive skills are linked to attaining higher academic gains. Investments in the structures and staffing needed to support whole child education have real and long-term, positive impacts on our children, including increased executive function, positive health indicators in adulthood, and higher rates of civic participation.

Nonetheless, our schools continue to underinvest in support staff at the peril of our education system and our children. For example, even though we know that appropriate school nurse staffing is related to better student attendance and academic success, SPPS continues to lack licensed nurses at every facility. Likewise, national studies have shown a reduction in violence in schools as well as an increase in timely graduation when districts increase the number of school social workers and psychologists. Yet, our ratio of school social workers and psychologists to students in SPPS remain under the recommended level.

*For a total annual cost of \$17.3 million, the Saint Paul Public Schools could hire enough additional staff to have a full-time nurse and librarian at all its schools and to have ratios of staff to students that would be at the recommended levels for counselors, social workers, and psychologists<sup>49</sup>:*

- An additional 30 full-time counselors and 31 full-time social workers, which would give SPPS a ratio of 1 counselor and 1 social worker for every 250 students.
- 49 additional full-time psychologists for a ratio of 1 psychologist to 500 students.
- 24 additional full-time nurses, which would mean a full-time nurse at each SPPS school and each school would have no more than 750 students for every 1 nurse.
- 39 additional full-time librarians or media specialists, which would allow each SPPS school to have a full-time librarian or media specialist.

## ✓ SMALLER CLASS SIZES

Saint Paul students deserve a continued focus on small class sizes, which allows for better individualized instruction and foster stronger relationships between educators and students. Additionally, they lead to more frequent communications between teachers and families, building stronger relationships between families and the schools.

Studies tie lower student to teacher ratios to improved academic achievements and student developmental outcomes. These findings are especially true for low-income students and children of color.<sup>50</sup> Black students, in particular, have been shown to benefit from reduced class sizes in early grades, boosting academic achievement.<sup>51</sup>

*For a total annual cost of \$7.1 million, the Saint Paul Public Schools could hire enough additional teachers so that all SPPS schools could have an average class size of:*

- 20 or less students for kindergarten
- 22 or less students for grades 1-3
- 25 or less students for grades 4-5

<sup>49</sup>Durlak, J. A., Weissberg, R. P., Dymnicki, A. B., Taylor, R. D., & Schellinger, K. B. (2011). The impact of enhancing students' social and emotional learning: a meta-analysis of school-based universal interventions. *Child Development*, 82(1), 405-432. 7 Allen-Meares, P., Montgomery, K. L., & Kim, J. S. (2013). School-based social work interventions: A cross-national systematic review. *Social Work*, 58(3), 253-262.

<sup>50</sup>"Research-Based Options for Education Policymaking," National Education Policy Center, William J Mathis, June 2016

<sup>51</sup>"Class Size Reduction: A Proven Reform Strategy," An NEA Policy Brief, 2017

<sup>52</sup>\*Based on 2018 SPPS staffing and enrollment, using an average annual cost of \$100,000 for each position, including salary, health insurance, taxes and benefits.\*

# MONEY MAKES A DIFFERENCE

## ✓ ADVANCING AN AGENDA OF RACIAL EQUITY

Minnesota schools have some of the worst outcomes for students of color of any state in the country. From graduation rates to test scores, our students of color underperform their white peers. This is not just true in academics. Historically, our discipline policies have disproportionately impacted children of color – especially African-American boys. African-American children are suspended and expelled at much higher rates than their white counterparts. School suspensions increase the likelihood of a student dropping out of school, many times leading to arrest or contact with the justice system – a phenomenon known as the school to prison pipeline.

Restorative Practices programming in our schools focuses on repairing harm to relationships instead of assigning blame and punishment. The Restorative Practices model responds to challenging behavior through authentic dialogue, coming to understanding, and making things right. In this way, Restorative Practices builds community.

*For a total annual cost of \$9.5 million, the Saint Paul Public Schools could implement a Restorative Practices (RP) program at every SPPS school.<sup>53</sup>*

The current union contract with the district includes funding to increase the number of teachers of color by helping 10 Educational Assistants (EA) or School and Community Service Professionals each year become teachers by providing them paid leave to do their student teaching and a \$2,500 stipend to be used towards additional expenses.

*For a total annual cost of \$1.1 million, SPPS could help 20 current BIPOC employees become teachers and could provide additional assistance to program participants.<sup>54</sup>*

**The improvements listed above would require a total of \$33.2 million in additional annual funding - less than half of the \$67.2 million a year that SPPS would receive in state aid if funding had kept up with inflation since 2003 for Compensatory, Basic General Education, Extended Time, and English Learner programs.**

### MAXFIELD ELEMENTARY SCHOOL -- CASE STUDY

Students of color make up 95 percent of the students at Maxfield Elementary in Saint Paul. Nearly all (90 percent) of Maxfield's students qualify for free or reduced-price lunch. Eighteen percent of students receive special education services.<sup>55</sup>

A report on the school noted that Maxfield had experienced a long-term problem of high staff turnover, which "produced a deeply troubled school with several layers of dysfunction." According to the evaluation, this instability "combined with long-standing underinvestment in the school to produce a climate that was not nearly the anchoring place of safety and learning that schools must be. This resulted in widespread misbehavior, at a school without enough staff to constructively address, which created yet another barrier to learning."<sup>56</sup>

Maxfield received a School Improvement Grant (SIG) from the federal government, which provided three years of increased resources and allowed Maxfield to add teachers, paraprofessionals, and administrators, and to increase the availability of support staff - a nurse, counselor, and social worker. The school also made additional investments in technology and extended learning time.

An evaluation found that during the three-year grant period:

"[S]tudent behavior stabilized dramatically. Incidents of misbehavior dropped, and the responses to the remaining incidents were more thorough and constructive than was possible under the previous status quo. Staff and leadership turnover also stabilized. This increase in stability across multiple fronts allowed the principal and staff to use the additional professional development time funded by the SIG to begin an overhaul of curriculum and instruction."

The evaluation noted that the improvements quickly faded away when the grant ran out. Staffing was reduced, and student misbehavior increased. The staff reductions "forced the responses to misbehavior to narrow dramatically... Fewer students are receiving the support and social-emotional learning opportunities offered by the increased capacity" from the SIG.

The evaluation concluded that "there has not been enough investment in hiring and adequately compensating an appropriate number of trained adults in the full range of necessary positions... As Maxfield's experience demonstrates, it is critical for schools to have a staff large and qualified enough to support students in the ongoing social-emotional learning necessary for safe and healthy learning without persistent misbehavior."

<sup>53</sup> \*Based on having 2 Restorative Practices staff at a cost of \$160,000 at 56 SPPS schools for a total cost of \$9 million and 5 Central Administrative staff (1 Director, 1 Professional Development director/trainer, 2 coaches, and 1 evaluator) for a total cost of \$500,000\*

<sup>54</sup> \*Based on total costs of \$53,000 for each participant (a \$5,000 stipend, \$24,000 for 4 months paid leave, and \$24,000 for substitutes)\*

<sup>55</sup> <https://www.spps.org/domain/8990>, accessed January 8, 2021

<sup>56</sup> \*Capacity, Context, and Community: Learning from school Improvement Policy at Maxfield Elementary,\* Michael Diedrich, unpublished

# SOURCES FOR INCREASED REVENUE FOR EDUCATION

In Minnesota, if we want to address our education crisis, we must properly fund programs that will allow our most at-risk students to get the education that they deserve. There are many industries and individuals who are doing very well and are able to contribute to addressing this crisis. The state should raise taxes on those who can afford to pay more, such as large corporations and the wealthiest Minnesotans.

## Corporate Pandemic Profits

The COVID-19 crisis has left hundreds of thousands of Minnesotans out of work and forced many small businesses to close. Yet the pain of the pandemic has not been felt equally. Many of Minnesota's corporate titans have enjoyed staggering, windfall profits.

For the first three quarters of 2020:

- **UnitedHealth Group** reported astounding profits of \$13.2 billion, almost **\$3 billion more** in profits than during the same period in 2019.<sup>57</sup> UnitedHealth saved billions in medical claims because people have stayed away from doctors' offices and emergency rooms for fear of contracting COVID-19.<sup>58</sup>
- **General Mills** made **\$715 million more in profits** than the previous year.<sup>59</sup> The company boasted to its share holders about its "exceptional results" due to "elevated at-home food demand."<sup>60</sup>
- **Target** reported "outstanding profitability" thanks to "heightened sales volume" in response to the COVID-19 pandemic and thanks to its on-line sales and remote pickup options.<sup>61</sup> The company made **\$600 million more in profits** compared to the first three quarters of 2019.<sup>62</sup>
- **3M** reported **\$400 million more in profits** compared to the same period in 2019.<sup>63</sup> 3M said the virus spurred "strong growth" for its personal safety products, such as gowns and N95 respirator masks and consumer goods like Scotch-Brite sponges.<sup>64</sup>
- **Best Buy** reported an **increase of almost \$200 million in profits** compared to the first three quarters of 2019.<sup>65</sup> Best Buy benefited from large growth in its home delivery and curbside pickup sales. The company recently had its largest quarterly sales increase in 25 years, thanks to a 174 percent jump in its online sales.<sup>66</sup>
- **Toro** saw its **profits increase \$54 million** compared to 2019<sup>67</sup> thanks to so many Americans staying at home because of the coronavirus pandemic, which boosted residential product sales.<sup>68</sup>
- **Fastenal** reported **\$50 million more in profits** compared to the same period in 2019.<sup>69</sup> The company "assisted the needs of governments, first responders, and critical infrastructure entities by supplying sharply increased demand for personal protective equipment (PPE) products."<sup>70</sup>

<sup>57</sup> "UnitedHealth Group Reports Third Quarter Performance," Press Release, Oct 14, 2020

<sup>58</sup> "Major U.S. Health Insurers Report Big Profits, Benefiting from the Pandemic," New York Times, Reed Abelson, August 5, 2020

<sup>59</sup> General Mills 2020 Annual Report to Shareholders

<sup>60</sup> "General Mills Reports Strong Fiscal 2021 First-Quarter Results and Announces Dividend Increase," Press Release, Sept 23, 2020

<sup>61</sup> "Target Corporation Reports Second Quarter Earnings," Target Press Release, August 19, 2020

<sup>62</sup> "Target Corporation Reports Third Quarter Earnings," Press Release, Oct 18, 2020

<sup>63</sup> "3M Reports Third-Quarter 2020 Results," Press Release, Oct 27, 2020

<sup>64</sup> "3M Reports Second-Quarter 2020 Results," Press Release, July 28, 2020

<sup>65</sup> "Best Buy Reports Third Quarter Results," Press Release, November 24, 2020

<sup>66</sup> "Best Buy just had its best quarter in 25 years," Press Release, Nov 25, 2020

<sup>67</sup> "The Toro Company Reports Third-Quarter Fiscal 2020 Results," Press Release, Sept 3, 2020

<sup>68</sup> "Toro quarter boosted by residential sales as more Americans stay close at home," Star Tribune, Patrick Kennedy, Sept 3, 2020

<sup>69</sup> "Fastenal Company Reports 2020 Third Quarter Earnings," Press Release, October 13, 2020

<sup>70</sup> "Fastenal Company Reports 2020 Second Quarter Earnings," Press Release, July 14, 2020



# SOURCES FOR INCREASED REVENUE FOR EDUCATION

The CEOs, executives, and shareholders of these companies have all benefited immensely on top of their existing fortunes, thanks to the large increase in stock prices since last March.

- The stock prices of **Target** and **Best Buy** have almost doubled just since March.

CORPORATION	STOCK PRICE <sup>71</sup>		PERCENTAGE INCREASE
	March 12, 2020	January 11, 2021	
<b>TARGET</b>	<b>\$101.02</b>	<b>\$199.10</b>	<b>97.1%</b>
<b>BEST BUY</b>	<b>\$61.06</b>	<b>\$114.71</b>	<b>87.9%</b>
<b>FASTNEL</b>	<b>\$34.09</b>	<b>\$51.62</b>	<b>51.4%</b>
<b>TORO</b>	<b>\$69.97</b>	<b>\$99.53</b>	<b>42.2%</b>
<b>UNITEDHEALTH</b>	<b>\$272.04</b>	<b>\$357.37</b>	<b>31.4%</b>
<b>3M</b>	<b>\$141.68</b>	<b>\$166.51</b>	<b>17.5%</b>
<b>GENERAL MILLS</b>	<b>\$53.48</b>	<b>\$54.37</b>	<b>141%</b>

The above companies also received over \$65 million in financial aid from the coronavirus stimulus package in April 2020.<sup>72</sup>

CORPORATION	AMOUNT OF CARES ACT FUNDING
<b>UNITEDHEALTH</b>	<b>\$27.2 MILLION</b>
<b>3M</b>	<b>\$16.1 MILLION</b>
<b>GENERAL MILLS</b>	<b>\$11.1 MILLION</b>
<b>TARGET</b>	<b>\$9.7 MILLION</b>
<b>TOTAL</b>	<b>\$65.1 MILLION</b>

National companies that have a presence in Minnesota have also done very well, most notably **Amazon**, which has a fulfillment center in Shakopee and is opening an additional one this year in Lakeville,<sup>73</sup> and **Walmart**, which has 68 stores in Minnesota.<sup>74</sup> The country's two largest companies earned \$10.7 billion more in profits than last year, a stunning 56 percent increase, largely because of the pandemic.<sup>75</sup>

Stock prices for Amazon and Walmart have shot up 70% and 36%, respectively, since the start of the pandemic.<sup>76</sup>

<sup>71</sup> www.motleyfool.com, accessed January 14, 2021

<sup>72</sup> Good Jobs First Covid Stimulus Tracker

<sup>73</sup> "Amazon to open fulfillment center in Lakeville," KARE-11, Miranda Manier, October 20, 2020

<sup>74</sup> https://www.walmart.com/store/directory/mn, accessed January 8, 2021

<sup>75</sup> "Amazon and Walmart have raked in billions in additional profits during the pandemic, and shared almost none of it with their workers," Brookings, Molly Kinder and Laura Stetler, December 22, 2020

<sup>76</sup> "Amazon and Walmart have raked in billions in additional profits during the pandemic, and shared almost none of it with their workers," Brookings, Molly Kinder and Laura Stetler, December 22, 2020

# SOURCES FOR INCREASED REVENUE FOR EDUCATION

Minnesota's corporate elite also saved billions of dollars a year from the federal tax cut of 2017 that lowered the corporate tax rate from 35% to 21%. Minnesota's ten largest public companies collectively saved over \$7 billion on their federal tax bill this year.

CORPORATION	2019 US EARNINGS BEFORE INCOME TAXES <sup>77</sup>	Tax Bill at the pre-2017 rate of 35%	Tax Bill at the post-2017 rate of 21%	SAVINGS
UNITEDHEALTH	\$18.0 BILLION	\$6.3 BILLION	\$3.8 BILLION	\$2.5 BILLION
US BANK	\$8.6 BILLION	\$3.0 BILLION	\$1.8 BILLION	\$1.2 BILLION
3M	\$5.7 BILLION	\$2.0 BILLION	\$1.2 BILLION	\$800 MILLION
TARGET	\$4.2 BILLION	\$1.5 BILLION	\$900 MILLION	\$600 MILLION
MEDTRONIC	\$5.2 BILLION	\$1.8 BILLION	\$1.1 BILLION	\$700 MILLION
AMERIPRISE	\$2.2 BILLION	\$781 MILLION	\$469 MILLION	\$312 MILLION
GENERAL MILLS	\$2.1 BILLION	\$730 MILLION	\$440 MILLION	\$290 MILLION
ECOLAB	\$1.9 BILLION	\$665 MILLION	\$399 MILLION	\$266 MILLION
BEST BUY	\$1.5 BILLION	\$512 MILLION	\$307 MILLION	\$205 MILLION
CH ROBINSON	\$742 MILLION	\$260 MILLION	\$156 MILLION	\$104 MILLION
<b>TOTAL</b>	<b>\$51.6 BILLION</b>	<b>\$18.0 BILLION</b>	<b>\$10.8 BILLION</b>	<b>\$7.2 BILLION</b>

Although Republicans insisted that corporations would use their tax cuts to raise wages for their workers and create jobs, many companies instead used the extra cash to spend billions of dollars in record stock buybacks. This boosted the stock price, benefiting investors and company executives. For instance, Target authorized a \$5 billion stock buyback program in 2019,<sup>78</sup> and UnitedHealth spent \$3.2 billion in stock buybacks in 2018.<sup>79</sup>

<sup>74</sup> From each company's 2020 Annual Report

<sup>75</sup> "Target sets new \$5 billion stock buyback program," Marketwatch.com, Tomi Kilgore, September 19, 2019

<sup>76</sup> "UnitedHealth ramps up stock buybacks, hitting \$3.2B in the first half of 2018," Fiercehealthcare.com, Evan Sweeney, October 4, 2018

# SOURCES FOR INCREASED REVENUE FOR EDUCATION

## Individual Pandemic Wealth

There are 56 new billionaires in the U.S. since last March, bringing the total to 659. This small group of billionaires has seen their wealth increase by more than \$1 trillion since the pandemic began.<sup>80</sup>

In contrast to this concentration of wealth at the top, there is a growing number of U.S. households with zero or negative net worth (they owe more than they own). Currently about a third of Black and Latino families have zero or negative wealth.<sup>81</sup>

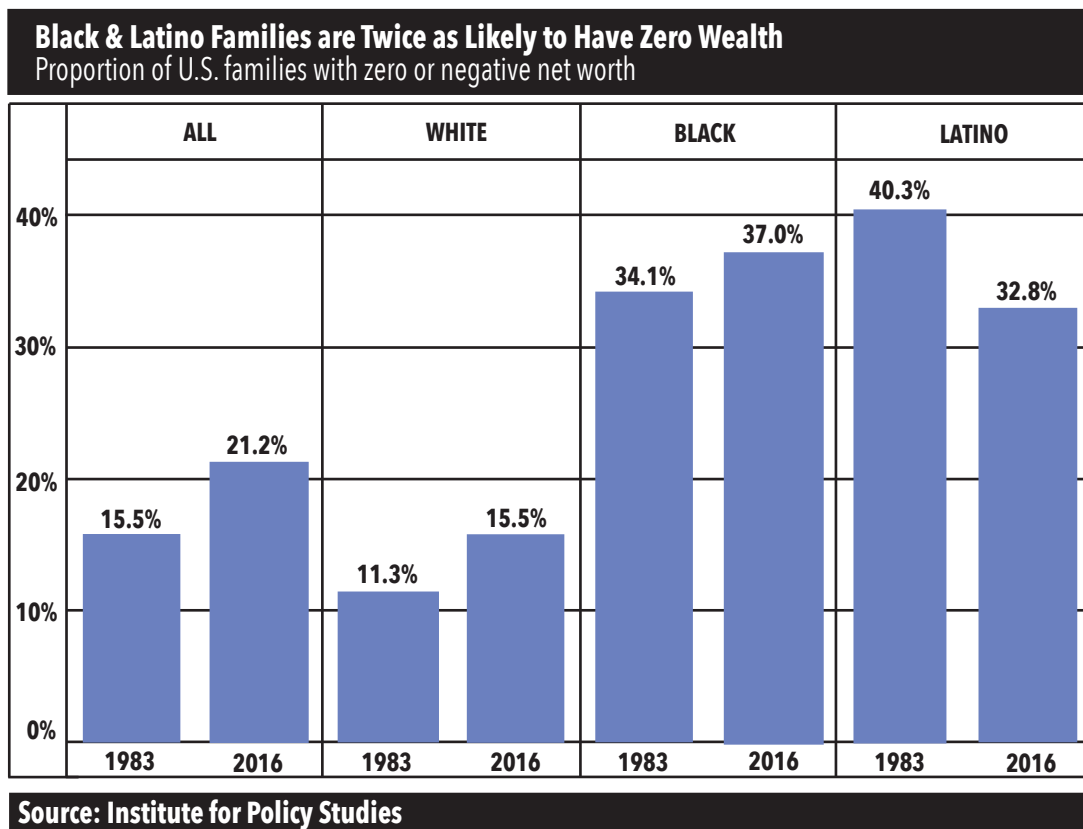
As noted above, many corporations have reported huge profits this year, and their stock prices have soared.

On March 2, 2020, the Dow Jones Average was 26,703. In November 2020, it topped 30,000 for the first time ever.<sup>82</sup>

The NASDAQ Composite had one of its most successful years ever, skyrocketing 46 percent.<sup>83</sup>

Since stocks are overwhelmingly owned by the wealthy, the stock market success has made the rich even richer.

The huge increases in the stock prices of the Minnesota-based corporations discussed above have produced millions of dollars in additional wealth for the CEOs, executives, and shareholders of these companies.



**Source:** Institute for Policy Studies, "Ten Solutions to Bridge the Racial Wealth Divide" (April 2019)<sup>16</sup>

<sup>80</sup> "Wall Street minted 56 new billionaires since the pandemic began – but many families are left behind," NBC News, Martha White, Dec 30, 2020

<sup>81</sup> "Billionaire Bonanza 2020," Institute for Policy Studies, April 23, 2020

<sup>82</sup> "Why the Dow topped 30,000 for the first time," WBTV, November 25, 2020

<sup>83</sup> "Can Nasdaq Composite Hold Its Momentum in 2021," Zacks.com, Nalok Das, January 5, 2021

# SOURCES FOR INCREASED REVENUE FOR EDUCATION

Corporation	\$ increase in stock	Executive	# Shares <sup>84</sup>	Gains
UnitedHealth	\$85.33	Stephan Hemsley, Chairman	3,213,668	\$274.2 Million
		David Wichmann, CEO	936,873	\$79.9 Million
Target	\$98.08	Brian Cornell, CEO	433,455	\$42.5 Million
3M	\$24.83	Inge Thulin, Chairman	1,546,086	\$38.4 Million
		Michael Roman, CEO	343,066	\$8.5 Million
Best Buy	\$53.65	Hubert Joly, Chairman	882,509	\$47.3 Million
Fastenal	\$17.53	William Oberton, Chairman	433,455	\$7.6 Million
		Daniel Florness, CEO	543,575	\$9.5 Million
Toro	\$29.56	Richard Olson, CEO	455,777	\$13.5

These executives will not have to pay taxes on this increase in wealth, because there is no tax on wealth, just on income. They will not have to pay any tax on this until they sell their stock and make a profit on the sale.

Since 1980, the taxes paid by billionaires in the U.S. have gone down 79 percent, even though their wealth has increased enormously.<sup>85</sup> Working class Americans now pay a higher percentage of their income in taxes than billionaires.<sup>86</sup>

**"Their pandemic profits are so immense that America's billionaires could pay for a major COVID relief bill and still not lose a dime of their pre-virus riches. Their wealth growth is so great that they alone could provide a \$3,000 stimulus payment to every man, woman, and child in the country, and still be richer than they were nine months ago."**<sup>87</sup>

<sup>84</sup>From each company's 2020 Proxy Statement

<sup>85</sup>"Billionaire Bonanza 2020," Institute for Policy Studies, April 23, 2020

<sup>86</sup>Taylor Nicole Rogers, "American Billionaires paid less in taxes in 2018 than the working class," Business Insider, October 9, 2019.

<sup>87</sup>"Ten billionaires reap \$400bn boost to wealth during pandemic," The Guardian, Rupert Neate, Dec 19, 2020

# RECOMMENDATIONS

In Minnesota, we must turn to those who are still doing well and have them contribute to addressing this education crisis. The state should raise taxes on those who can afford to pay more, such as large corporations and the wealthiest Minnesotans.

In order to restore funding for the Basic General Education, Extended Time, Compensatory, and English Learner programs to their 2003 levels, the state of Minnesota should:

- 1) **Raise taxes on the 1%.** The top one percent in Minnesota have an average annual income of about \$1.8 million.<sup>88</sup> In 1977, the wealthiest Minnesotans paid an 18 percent state income tax rate. This was gradually lowered to 7.85 percent, and then in 2013 the state legislature passed Governor Dayton's tax plan and increased it to 9.5 percent.<sup>89</sup> This should be raised again.
- 2) **Tax capital gains at a higher rate than income from work.** Capital gains are profits from the sale of assets such as stocks, bonds, real estate, and antiques. Minnesota currently taxes capital gains at the same tax rates as income. Nationally, close to 84 percent of taxable gains went to those with annual incomes over \$200,000, even though they account for just 2 percent of all returns filed. The wealthiest 0.1 percent of Americans – those with annual incomes over \$2 million – receive more than half, 54 percent, of all capital gains income.<sup>90</sup>
- 3) **Increase the corporate income tax rate.** Many of Minnesota's corporate titans have seen staggering profits this year. Corporations in Minnesota currently pay a 9.8 percent state income tax rate. However, in the past this has been as high as 12 percent and even higher, 13.6 percent, for banks. The current rate should be raised.
- 4) **Institute a "mansion" tax on high value housing or allow counties to institute their own.** Currently, the state of Minnesota only allows two different tax rates on residential property – one rate for the first \$500,000 in market value and another rate for property value above \$500,000. The state also sets the difference between these two rates. Cities and counties are not able to change this property tax structure. The state should create a third class rate for residential property – over \$1 million, or if the state does not want to do that, they should grant local cities and counties the right to revise their property tax structure to include this.
- 5) **Lower the estate tax exemption. The estate tax is paid after someone dies.** The first \$1 million of someone's estate was exempted from the tax until 2014 when the exemption was raised to \$2 million. In 2020, the exemption was raised to \$3 million. The exemption should be set back to \$1 million.

<sup>88</sup> National and State-by-State Estimates of Joe Biden's Revenue-Raising Proposals," Institute on Taxation and Economic Policy, October 7, 2020

<sup>89</sup> "A State that Works – Again," Minnesota 2020, Jeff Van Wychen, October 23, 2013

<sup>90</sup> "State Taxation of Capital Gains: The Folly of Tax Cuts & Case for Proactive Reforms," Institute on Taxation and Economic Policy Sept 25, 2020

# METHODOLOGY

Calculations are based on an analysis of data provided from the Minnesota Department of Education. To find the amount districts would be receiving if funding formulas had kept up with inflation, we took the 2003-2004 funding allocations for each category and multiplied them by the Implicit Price Deflator (IPD) for state and local government expenditures to find what the funding amount would be in 2020 if it had kept up with inflation.

We then divided this number by the actual funding allocation for 2020 to find the number by which you'd have to multiply current funding to reach real 2003 levels. After getting this number, we multiplied it by the per-pupil funding in each of the four categories to determine what the per pupil amount would be if the formula had kept up with inflation, and then multiplied that by the total number of pupils to get the total additional amount.

All 2003 funding numbers are from the January 2004 "Minnesota School Finance: A Guide for Legislators," produced by the Minnesota House Research department. All 2020 funding numbers are from the November 2020 "Minnesota School Finance: A Guide for Legislators," produced by the Minnesota House Research Department.

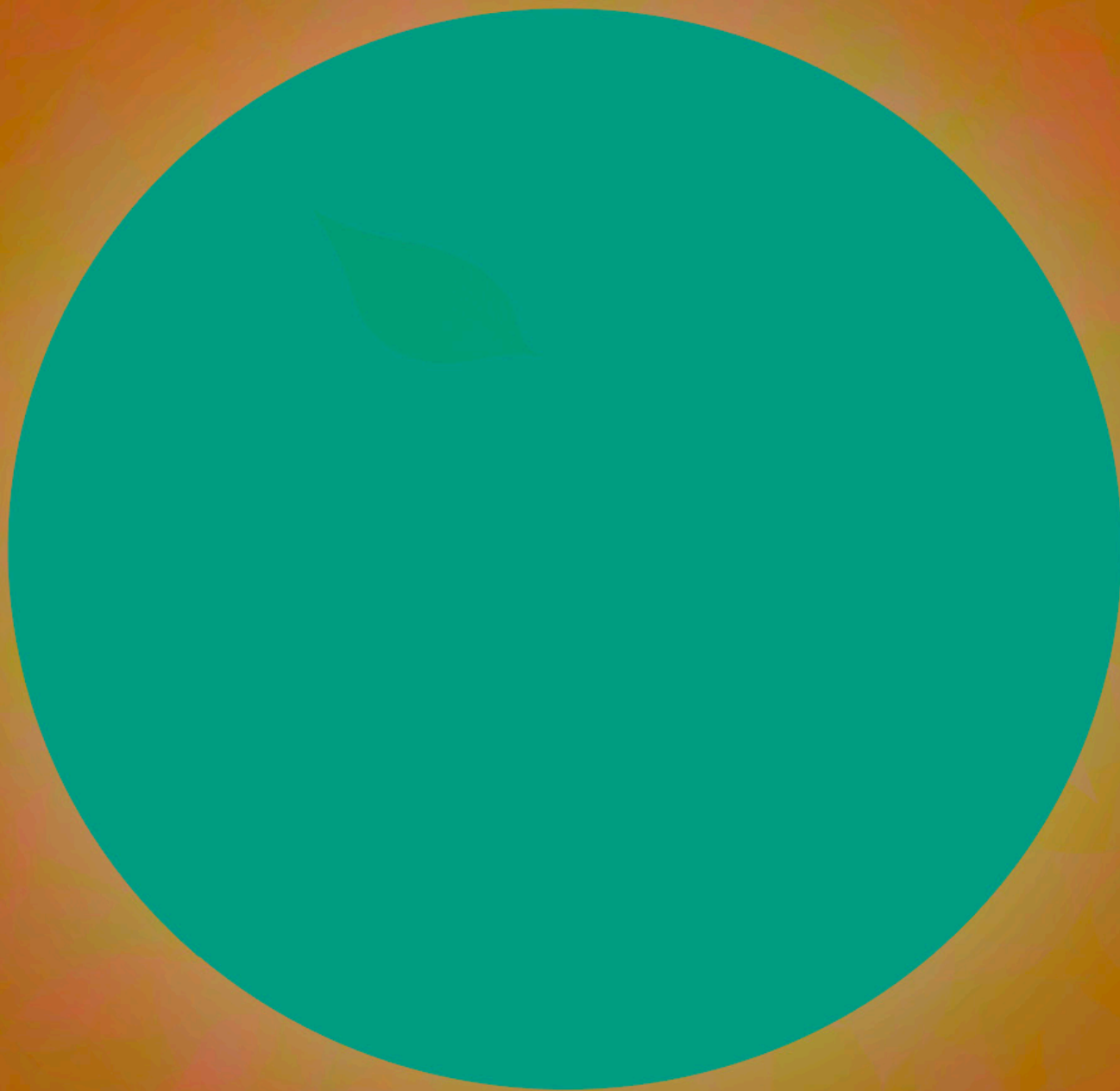
# ABOUT US

**The Saint Paul Federation of Educators (SPFE)** was founded in 1918 as an affiliate of the American Federation of Teachers (AFT). Formerly the Saint Paul Federation of Teachers, SPFE has a long history of advocating for policies that improve public education for our students and members through collective action. SPFE believes teaching is an inherently political act. We encourage and support each of our students to reach their full potential. We do not turn anyone away.

In 1946, SPFE members participated in the first organized teachers' strike in the country. Educators braved a cold Minnesota winter to fight for equal pay for women teachers and for the schools to provide textbooks for students. More recently, we successfully advocated for smaller class sizes, necessary school staffing improvements, and the use of Restorative Practices in our district, in addition to wage increases.

Today, the Saint Paul Federation of Educators is made up of over 3,500 School and Community Service Professionals, Educational Assistants, Teachers, and other Licensed Staff who work at over 65 sites in Saint Paul Public Schools. SPFE is an affiliate of Education Minnesota and our two national teachers' unions, the American Federation of Teachers, and the National Education Association. [www.spfe28.org](http://www.spfe28.org)





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