

# 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
<b>Cass Lake</b>	<b>\$1,128</b>	<b>\$75</b>	<b>\$555</b>	<b>\$0</b>	<b>\$1,758</b>
Columbia Heights	\$1,128	\$98	\$391	\$139	\$1,756
<b>Saint Paul</b>	<b>\$1,128</b>	<b>\$104</b>	<b>\$368</b>	<b>\$144</b>	<b>\$1,744</b>
Red Lake	\$1,128	\$40	\$516	\$0	\$1,684
<b>Willmar</b>	<b>\$1,128</b>	<b>\$70</b>	<b>\$322</b>	<b>\$155</b>	<b>\$1,675</b>
Worthington	\$1,128	\$58	\$314	\$173	\$1,673
<b>Minneapolis</b>	<b>\$1,128</b>	<b>\$103</b>	<b>\$323</b>	<b>\$85</b>	<b>\$1,639</b>
Fairbault	\$1,128	\$51	\$335	\$118	\$1,632
<b>St. Cloud</b>	<b>\$1,128</b>	<b>\$54</b>	<b>\$320</b>	<b>\$124</b>	<b>\$1,626</b>
Richfield	\$1,128	\$62	\$281	\$125	\$1,596
<b>Fridley</b>	<b>\$1,128</b>	<b>\$62</b>	<b>\$316</b>	<b>\$68</b>	<b>\$1,574</b>
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
<b>Robbinsdale</b>	<b>\$1,128</b>	<b>\$28</b>	<b>\$223</b>	<b>\$46</b>	<b>\$1,424</b>
Roseville	\$1,128	\$46	\$161	\$83	\$1,418
<b>St. James</b>	<b>\$1,128</b>	<b>\$8</b>	<b>\$200</b>	<b>\$68</b>	<b>\$1,404</b>
Osseo	\$1,128	\$23	\$162	\$44	\$1,357
<b>West. St Paul</b>	<b>\$1,128</b>	<b>\$34</b>	<b>\$139</b>	<b>\$51</b>	<b>\$1,351</b>
Bloomington	\$1,128	\$15	\$145	\$62	\$1,350
<b>Average</b>	<b>\$1,128</b>	<b>\$68</b>	<b>\$284</b>	<b>\$93</b>	<b>\$1,573</b>
Average for all other districts in Minnesota	\$1,128	\$15	\$94	\$25	\$1,262

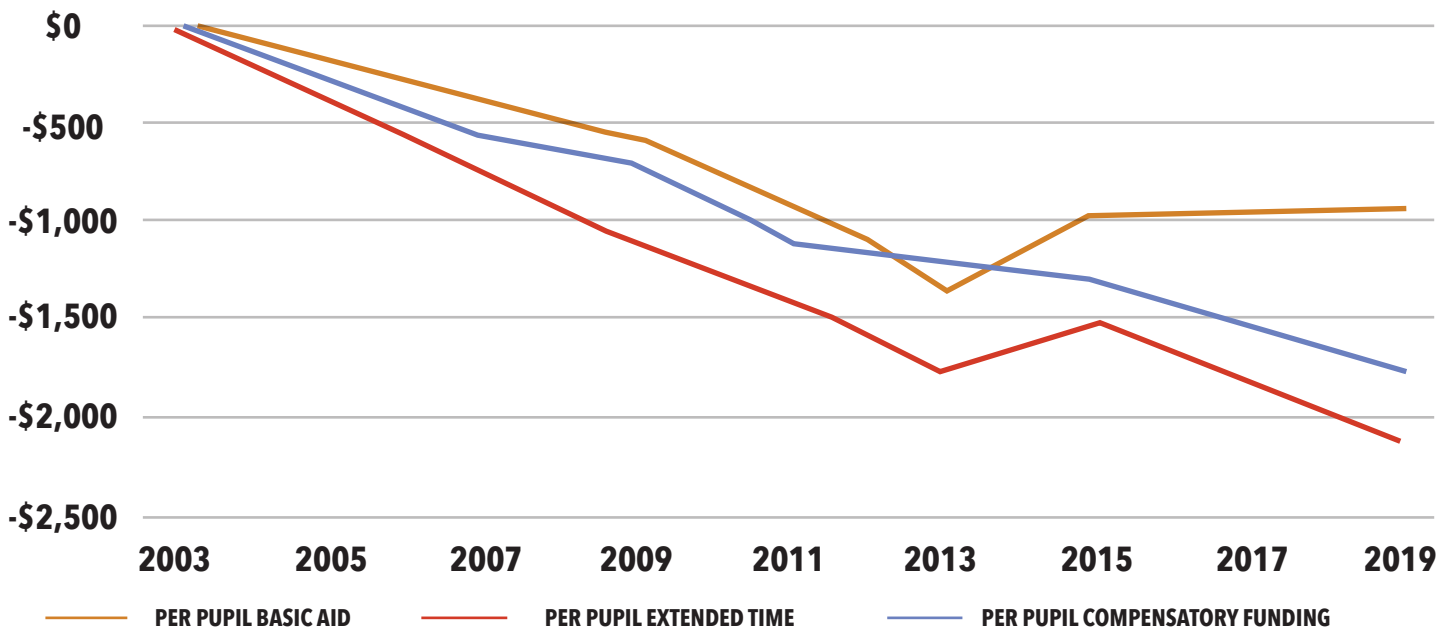
MN School Districts where more than half of student body are students of color	Additional Amount District Would Receive in State Aid if Basic General Education, Extended Time, Compensatory, and English Learner Funding	
	Per Student	Total Per Year
Brooklyn Center	\$1,783	\$4.6 Million
<b>Cass Lake</b>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

# 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>

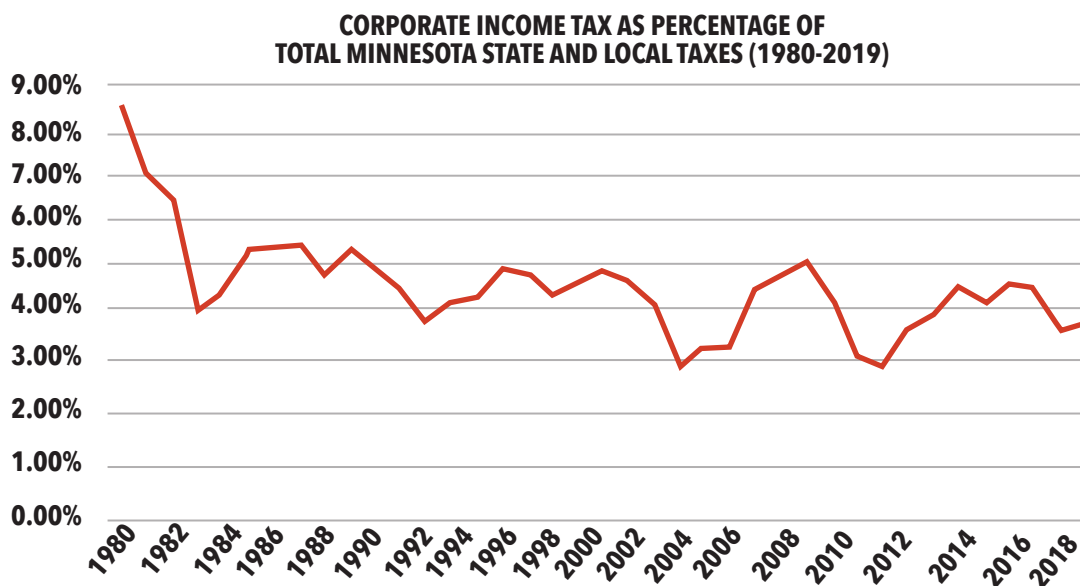
Pawlenty's election was applauded by the state's corporate leaders, such as the Minnesota Business Partnership, which continues to be adamantly opposed to any new taxes and advocates for cutting corporate taxes. The Business Partnership is made up of the CEOs and senior executives from the state's largest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

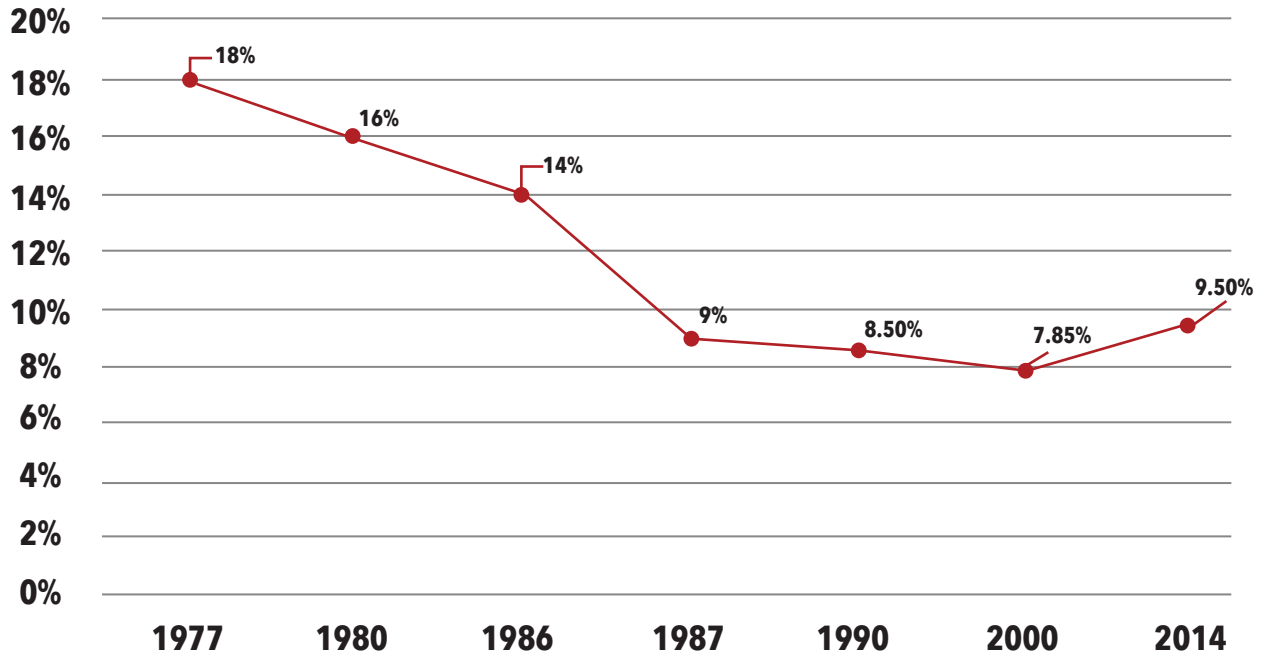
<sup>20</sup> "Minnesota Tax Handbook: A Profile of State and Local Taxes in Minnesota," 2018 Edition, January 2019

<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

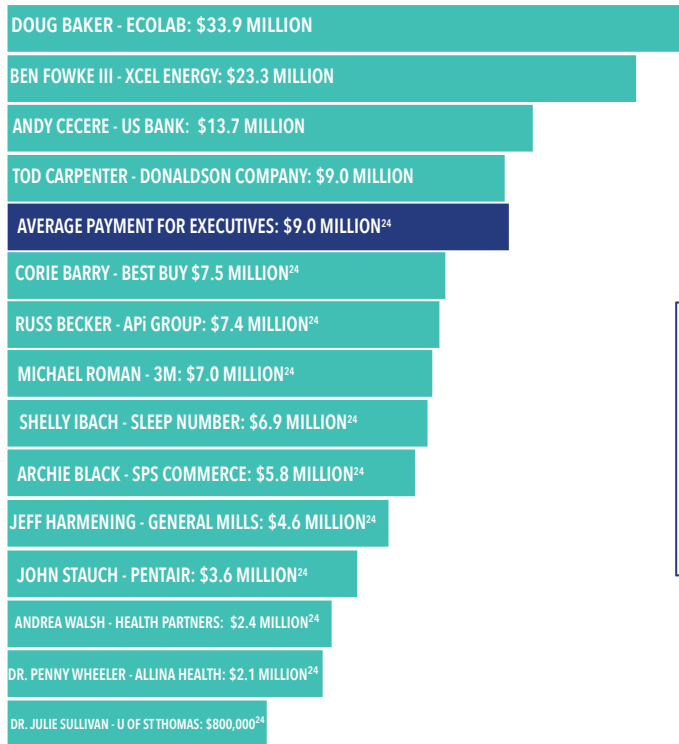
# TAXES & EDUCATION FUNDING

## 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

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



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