

Schools Suffer Five Years of Financial Drought

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New research proves what educators already know: The state is financially starving Minnesota schools. Revenue for Minnesota public schools has dropped 4.4 percent since 2003. While state support for schools has dropped precipitously, attempts to make up the difference by increasing property taxes have come up short.

Research by Minnesota 2020 shows 80 percent of Minnesota school districts saw a decline in per pupil income between 2003 and 2008. Property tax levies for education rose an average of \$649 per student since 2003 while the state, led by Gov. Tim Pawlenty, cut school aid an average of \$1,071 per student.

"This is just another example of the governor's failure to meet the needs of Minnesotans," said Rep. Mindy Greiling, Chair of the House K-12 Finance Division.

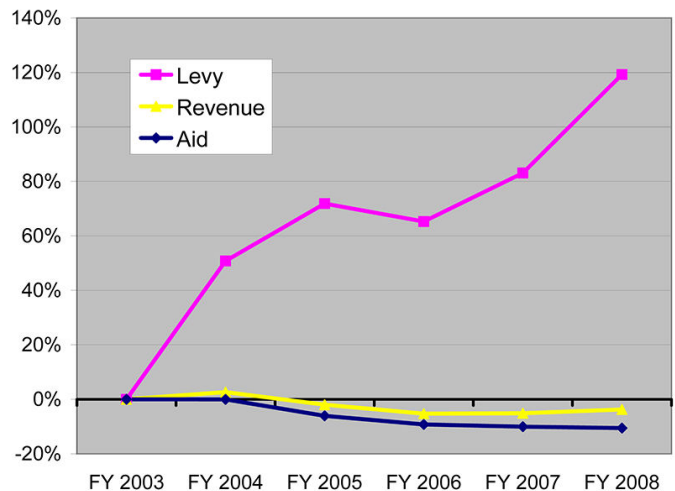
In 2003, the state embarked on a plan to reduce property taxes and increase state aid to schools. Taxes were indeed cut but state aid failed to keep pace with inflation. This forced the tax burden onto voter-approved property taxes. In some school districts, tax-weary voters said no to these tax increases, forcing teacher layoffs, increases in class size and cutbacks in class offerings.

"It's the same story. In the last five years levies have gone up and state aid has gone down. The difference has not been equal and that's where districts are hurting," said Scott Croonquist, executive director of the Association of Metropolitan School Districts.

Minnesota 2020's research shows that since 2003, some metropolitan school districts saw a significant drop in revenue:

- Brooklyn Center saw a drop of \$809 in state aid per student and a drop of \$146 per student in operating fund levies, leaving 9.4 percent less to spend per student since 2003.
- Edina has added \$69 per student in levies since 2003, but the state has cut \$1,058 leaving a 10.1 percent drop in revenue per student.
- St. Louis Park has \$150 per student more in levy revenue than in 2003, but \$1,277 less in aid per student from the state, leaving 9.9 percent less to spend on students.
- Belle Plaine saw an increase of \$248 per student in levy revenue and a drop of \$930 in aid from the state for a loss of 8 percent.
- Minneapolis saw a 6.8 percent decline in per pupil revenue, with a \$776 boost in levy aid but a \$1,709 drop in state aid.
- St. Paul saw a 3.7 percent drop in per pupil revenue, a result of a \$754 hike in levy revenue but a \$1,199 drop in state aid.

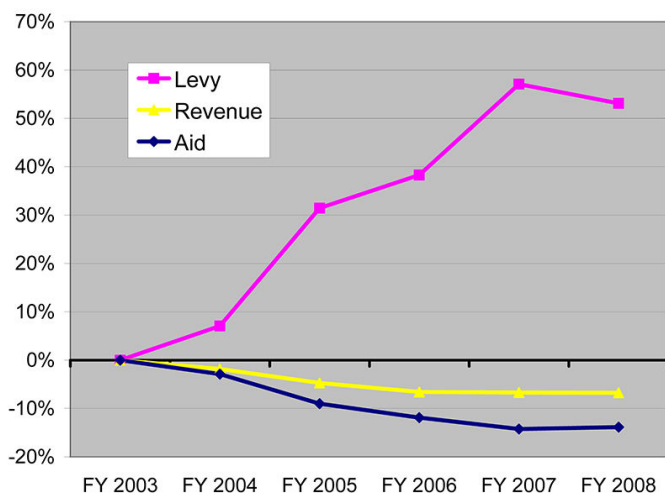
FY 2003 to FY 2008 Levy, Aid, & Revenue Change for the Saint Paul School District (#625)
Estimated percent change in inflation-adjusted dollars per pupil since FY 2003



"It's nice to see hard numbers to go with what we already know has been going on," said Brooklyn Center Superintendent Keith Lester.

FY 2003 to FY 2008 Levy, Aid, & Revenue Change for the Minneapolis School District (#1)

Estimated percent change in inflation-adjusted dollars per pupil since FY 2003



A revenue crunch is not new to him. Brooklyn Center is in statutory operating debt with a \$2 million deficit. The district has cut \$4.8 million since 2001 and ran five levy elections in 2006 and 2007. All failed.

"We've laid off teachers and staff, cut back on course offerings. We only have two buildings so we can't close one. There's only so much you can cut and maintain any kind of education system. The bottom line is we need money from the state to get out of the hole," Lester said. "We're a high poverty, low property wealth district and we're struggling."

Minnesota 2020's revenue calculations use data from the Department of Education. The figures were adjusted for inflation using the implicit price deflator rather than the consumer price index. The implicit price deflator is a better judge of government spending inflation than the CPI.

Other organizations have computed changes in school finance using different figures and different methods of determining inflation.

The Fiscal Analysis Department of the House of Representatives showed per pupil aid from state, local and federal sources grew 1.4 percent each year between 1984 and 2004.

The Office of the State Auditor reported that overall school revenue grew by 22.3 percent between 2000 and 2004 while the inflation rate was 14 percent.

The Association of Metropolitan School Districts determined that state aid must increase \$770 per student to equal state aid in 1991-92.

Minnesota 2020's school revenue calculations more accurately represent school funding. To determine total revenue, we included revenue from special education, alternative facilities, career technical, integration, alternative facilities, deferred maintenance, operating capital technology funds, additional lunch and telecommunications revenue and miscellaneous levies. We used the Department of Education's data and House Research Department methods to split general education income between state aid and operating levies. The implicit price deflator compensates for jumps in costs for special education, fuel, health insurance and other items.

Minnesota 2020's research excludes revenue totals from charter schools. Revenue amounts reported by the Department of Education may differ slightly from amounts reported by the Minnesota Department of Finance. All amounts are in 2008 dollars adjusted using the implicit price deflator.

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