A CHILLING CALL TO ST. PAUL

SCHOOL SUPERINTENDENTS SPEAK OUT ABOUT
MINNESOTA’S FAILED FUNDING SYSTEM

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The Minnesota Association of School Administrators sent this survey to 321 school district superintendents using its electronic mailing list. In exchange, Minnesota 2020 shared the survey’s results with MASA. Minnesota 2020 did not have access to MASA’s e-mail list.
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KEY FINDINGS

- Nearly 100 percent of school superintendents believe Minnesota’s education funding system is a failure.

- The funding system is hurting education. 60 percent say state underfunding is causing the quality of education to get worse and 88 percent say that if the funding system isn’t fixed, the quality of education will continue to decline.

- Districts that lost levy elections in 2007 face dire financial problems. These districts will fire an average of seven teachers. More than 15 percent of their operating budget comes from voter-approved levies. More than 70 percent must go to voters again this November, and 86 percent must run another levy election within three years.

- The number of districts without a property tax levy continues to shrink. Of the districts without an operating levy, 25 percent will ask voters for money in 2008. More than 60 percent say they don’t have a levy because their community won’t support a property tax increase.

- 65 percent of the superintendents believe the state should provide all education funding and not force districts to rely on property tax levies.

EXECUTIVE SUMMARY

In 2001, Minnesota lawmakers made a brave and farsighted decision: They adopted a plan in which the state would pay almost all K-12 education costs. This plan modified the previous system in which the state shared funding responsibility with local property taxpayers. Under the 2001 plan, voters would be asked to raise their property taxes only to pay for “extras” that would enhance local education.

The plan was hailed as a new start for Minnesota education. The quality of education would no longer be determined by the wealth of the district. Schools would no longer be hamstrung by voters who say no to any tax, no matter how justified.

Sadly, the state hasn’t kept its promise. Under Gov. Tim Pawlenty, state aid for schools has dropped, forcing school districts to again rely on voter-approved property tax hikes to pay for education. In 2001, the statewide average levy amount per student was $666. That number dropped to $357 in 2001, but since taking office, Pawlenty has watched as the per-student
levy average shot to $796 in 2006. Superintendents say the average levy amount will soon top $1,500 per student, all from the property taxpayer’s pocket.

Superintendents said they have become the state’s tax man. “Pawlenty may have a ‘no new taxes’ pledge, but he simply put raising taxes onto the shoulders of school districts,” one superintendent said.

All schools except those in wealthy districts have felt the crunch. In many districts voters have understandably refused to raise their own taxes. To pay their bills, financially starved districts have resorted to teacher layoffs and cutbacks in successful programs such as world language, fine arts and programs for gifted students.

The state’s underfunding spared no district. Even when voters approved a tax increase, overall school revenue went down – an inflation-adjusted statewide average of 4.4 percent since 2003. More than 99 percent of districts saw state aid decrease since 2003. Nearly 75 percent have less revenue from both levy and state aid than in 2003.1

In December 2007, Minnesota 2020 asked 321 Minnesota superintendents about the state’s education funding system. Fifty five percent of the superintendents, or 177, responded.

Superintendents are responsible for both the educational quality and financial health of their districts. Most are well qualified for the job: Many have doctorates and most worked as teachers and principals before becoming superintendents. They are uniquely qualified to examine how state support affects schools.

Nearly every superintendent surveyed said the system is broken. Raising a significant portion of the district’s budget through voter-approved levies is inefficient and uncertain. Nearly 90 percent said the financial system is lowering the quality of education in Minnesota.

The problem has hit rural districts especially hard. Eighty three percent of rural districts have operating levies. Every rural superintendent said the state aid/property tax formula is a bad way to fund schools, the quality of education has dropped since 2003 and unless the funding system changes within the next two years, educational quality will continue to decline.

Faced with an education funding crisis, Pawlenty has adhered to his “no new taxes” pledge. His intransigence is no longer acceptable. Minnesota requires a leader who will roll back the onerous property tax levies and who will relieve schools of the financial burden that is ruining educational quality.

The superintendents send a chilling call to St. Paul. Addressing this issue during budget talks in 2009 or with a new governor in 2011 may be too late. More than 88 percent of superintendents said education quality will continue to degrade if action isn’t taken now.

BACKGROUND

After the 2007 levy elections, Minnesota 2020 created a questionnaire to identify superintendent opinions about the levy process. The questionnaire was prepared using the online service SurveyMonkey. Respondents were asked a battery of questions – most single response with one free-response question.

A short letter describing the survey was sent to superintendents via e-mail by the Minnesota Association Of School Administrators. MASA volunteered their mailing list in exchange for access to the survey’s raw data. Minnesota 2020 didn’t have access to the e-mail addresses and MASA had no control over the survey contents.

On Dec. 12, 2007, MASA sent the letter to 321 superintendents in Minnesota. Using a link in the letter, recipients were directed to an online questionnaire. The survey could only be accessed through this link, and once opened the survey could not be accessed again on that same computer.

Superintendents were guaranteed anonymity in exchange for their honest opinions. As such, demographic information was limited and self-described.

The survey was divided into five sections: All Respondents, No Operating Levy, No Election in 2007, Lost 2007 Election, and Won 2007 Election. Respondents were directed to these sections after answering several general questions at the beginning of the survey. Once directed, respondents did not have access to other sections of the survey.


This is not a scientific survey. It is simply a questionnaire.

RESULTS

All Respondents

“The current funding mechanisms are outdated and do not work. Going to voters for more money creates greater educational inequities throughout the state. World class schools cannot be funded on 2 percent and 1 percent new revenues.”

Most of the respondents represent small, rural districts. When asked to describe their district’s location, 74.5 percent said rural, 10.3 percent said outstate regional center, 13.7 percent said suburban and 1.7 percent said urban. When asked to describe their district by the number of students, 52.5 percent said less than 1,000, 37.9 percent said 1,000 to 5,000, 7.9 percent said 5,000 to 10,000, 1.1 percent said 10,000 to 20,000, and 0.6 percent said more than 20,000 (Tables 1 and 2).

Respondents were asked if their district currently has an operating levy. Eighty five percent said yes while 14.7
percent said no. They were asked if their school board placed an operating levy question on the ballot in 2007. Thirty one percent said yes while 68.2 percent said no. Of those that ran an election, 68.8 percent said voters approved the levy increase, while 31.3 percent said their question failed (Tables 3, 12, 28).

Almost every superintendent – 96.6 percent -- said the current funding model is bad for education. More than 65 percent said the state should fund education entirely (Table 53, 54).

In 2003, Gov. Tim Pawlenty enacted budget cuts to the education system. When superintendents were asked about the quality of education since 2003, 60.7 percent said it has gotten worse, 35.8 percent said it has remained the same and only 3.5 percent said it has gotten better (Table 55).

Superintendents said now is the time to fix the budget crisis. Almost 88 percent said educational quality will get worse if the governor and legislature does not change the funding model, while 10.9 percent said it will stay the same, and 1.1 percent said it will get better (Table 56).

**No Operating Levy**

_"We have a governor and legislature that honestly believe it is possible to have world class schools with a 1972 funding program. Unless we change our method of funding … education in Minnesota is in serious trouble no matter how adept at financial management schools become."_

Twenty six respondents said their district has no operating levy. Of those, 84.6 percent described their district as rural, 11.5 percent as outstate regional center, and 3.8 percent as suburban (Table 3A).

Seventeen respondents (65.4 percent) said their district had 1,000 students or less and nine (34.6 percent) said they had 1,000 to 5,000 students. There were no respondents in other size categories (Table 3B).

Most districts with no levy said their enrollment is declining. Six (24 percent) said their enrollment is increasing, 32 percent said it is staying the same, and 44 percent said it is declining. Respondents were asked why their enrollment is changing. Most said the decline was due to open enrollment and declining school age population (Tables 5 and 6).

A significant number of districts without a levy can’t hold on much longer. Of the respondents without a current levy, 25 percent said they will ask voters for a levy in 2008. Ten percent said they will run an election in the next three years. Five more said they will never run a levy election. Most respondents (61.9 percent) said their districts didn’t have a levy because the community wouldn’t support one (Tables 8 and 9).
Financial stability is getting worse. When asked if their district is on solid financial ground this year, 68 percent said yes while 32 percent said no. However, when asked if the district will be on solid financial ground next year, only 48 percent said yes and 52 percent said no (Tables 10 and 11).

### No Levy Question in 2007

Of the 101 districts in the survey that did not run a levy question, most were small and rural -- 74.3 percent were rural, 10.9 percent were outstate regional center, 12.9 percent were suburban and 2 percent were urban. Fifty-four percent have enrollment of less than 1,000 students and 36.9 percent had enrollment of between 1,000 and 5,000 (Tables 12A and 12B).

Districts that didn’t have a question on the ballot may have to go back to voters. While more than 80 percent of districts said they will not have a levy question on the 2008 ballot, 68.7 percent will run a levy election within the next three years (Tables 21 and 22).

Almost three quarters said they are on solid financial ground this year, but that number drops to 54 percent when asked if their finances will be stable next year (Tables 25 and 26).

### Lost Levy Election in 2007

“*When did public education become public enemy number 1?*”

Fifteen respondents said they ran a levy election in 2007 and lost. Nine represented rural districts, three outstate regional center and three suburban. Two said they have enrollment of less than 1,000, nine said their enrollment was between 1,000 and 5,000, and four said their enrollment was between 5,000 and 10,000 (Tables 28A and 28B).

Respondents said more than 15 percent of their budget comes from property tax levies. They said losing the election means cutting an average of seven teachers. More than 71 percent said they will go to voters again next year, and 86 percent said they will run an election within three years (Tables 39, 44, 46 and 47).
When asked why they thought voters turned down the levy question, most said voters were philosophically opposed to any tax increase, voters can’t afford a property tax increase and voters think schools have enough money (Table 45).

Nearly half said they are on solid financial ground this year, but that number drops to 23 percent next year (Tables 48 and 49).

**Won Levy Election in 2007**

Property taxes are becoming a bigger part of district budgets. Of those districts that won a levy election in 2007, more than 9 percent of their operating budget came from property tax levies before the election – after the election, that number jumped to 11.8 percent (Tables 31 and 32).

The levies are necessary to keep districts afloat. While more than 53 percent of respondents said they are on solid financial ground this year, the number jumps to 62 percent when the new levies kick in (Tables 33 and 34).

**Rural Results**

“Our rural district does a very good job educating at-risk students who do not succeed in larger districts. If the funding system doesn’t change, this district is doomed and that is very unfortunate.”

One hundred and thirty respondents described their district as rural. Of those, 69.2 percent said they have districts of 1,000 students or less and 30.8 percent said their district has between 1,000 and 5,000 students (Table 57).

**How Will Education Change Without Funding Reform?**

Get Better 1%

Get Worse 89%

Stay The Same 10%

Eighty three percent of rural districts have operating levies. Of those, 69.4 percent did not run a levy question in 2007 (Tables 58 and 59).

Almost 97 percent of rural districts said the current funding system is bad for education. Sixty eight percent said the state should fund all K-12 education. Since 2003, 62 percent of rural districts said educational quality has gotten worse, 36 percent said it has stayed the same, and only 2 percent said it is getting better. When asked what will happen to educational quality if the governor and lawmakers don’t change the funding system soon, 89 percent said quality will get worse, 10 percent said it will stay the same, and less than 1 percent said it will get better (Tables 60, 61, 62, 63.)

Part of funding problems in rural districts comes from declining enrollment. Of the rural districts that didn’t ask a levy question in 2007, only 11 percent said their enrollment is growing.
More than 19 percent said their enrollment is staying the same and 70 percent said their enrollment is declining. Respondents cited declining school-age population, aging of the community and open enrollment as reasons for the decline (Tables 66 and 67).

Without help from St. Paul, rural districts are forced to ask voters to raise money for education. Nearly 20 percent of rural districts that didn’t run an election in 2007 will go to voters in 2008 – that number jumps to 63 percent within three years. More than 75 percent said their district is on solid financial ground this year, but only 56.2 percent said the district will be financially stable next year (Tables 68, 69, 70, 71 and 72).

Of those districts that ran a levy last year and lost, all but one said the district will go to voters with another levy request within three years. More than 18 percent of their budget comes from levies. Because of the loss, an average of six teachers will be cut. (Tables 73, 74 and 76).

All rural superintendents whose levy attempt failed said the state aid/property tax formula is a bad way to fund schools, the quality of education has dropped since 2003 and unless the funding system changes within the next two years, educational quality will continue to decline (Tables 77, 78, 79).

Every superintendent from a district that won a levy election in 2007 said the funding formula is a bad one, and 66 percent said the state should fund all education. Seventy nine percent said the quality of education has declined since 2003 and 91 percent said it will get worse unless the funding system is changed by 2009 (Tables 80, 81, 82, 83, 84 and 85).

**CONCLUSION**

“Referendums are a horrible way to fund schools. They divide communities. ‘Vote no’ people need to trash the school to get their point across. The state needs to step up and raise enough revenue to properly fund schools.”

The results of this survey couldn’t be clearer: Education funding in Minnesota is failing our schools.

School superintendents – who are in the best position to judge the effectiveness of education funding -- are nearly unanimous in their dislike for the funding system. More than 60 percent of superintendents said educational quality has dropped since 2003, and almost 88 percent said it will continue to get worse unless the governor and lawmakers fix the funding system.

In 2007, as much as 18 percent of district operating budgets came from property tax levies. Would a car repair shop survive if 18 percent of its budget was dependant on increasing taxes? Eighty five percent of superintendents said they can pay their bills only with a property tax levy. In the districts where voters turned down levies, superintendents will fire an average of seven teachers. Only 23 percent describe themselves as being on solid financial ground next year. More than 86 percent said they will go back to voters and ask for more money again within three years.

Rural districts are being hit especially hard. Eighty three percent have an operating levy. An average of six teachers will be fired from districts that ran a levy election in 2007 and lost.
Every rural superintendent said the state aid/property tax formula is a bad way to fund education; the quality of education has dropped since 2003 and unless the funding system changes within the next two years, educational quality will continue to decline.

This state of affairs is not acceptable. We call for a leader who will support full funding for public education and roll back the onerous property tax levies. This leader will relieve the financial burden that almost every superintendent says is ruining the quality of the state’s education system. This leader will end the cycle of needless teacher layoffs.

The legislature is working to reform the education funding formula. We applaud that effort, but tinkering with the system isn’t enough. School districts need money now. The question posed to superintendents was “If the legislature and governor do not change the current state aid/property tax funding model in either 2008 or 2009, how will the quality of education delivered to students change?” Only 1 percent said it will get better.

Public education leaders are talking. Is anyone in St. Paul listening?

SUPERINTENDENT RESPONSE

The end of the survey offered superintendent the chance to comment. Here are some of their responses:

“There is definitely an equity issue in funding education. Local levies are placing an unfair burden on taxpayers, thus affecting the quality of education throughout the state.”

“We have a governor and a legislature that honestly believes it is possible to have world class schools with a 1972 funding program. Unless we change our method of funding education … education in Minnesota is in serious trouble no matter how adept at financial management schools become.”

“We are stable financially only because we created programs to attract students from large area public schools. Otherwise, we would be in a world of hurt due to the lack of state support for the full costs of public education. … There is only so much that can be cut before the quality of public school programs is affected.”

“The current system is a civil rights nightmare.”

“Operating levies were originally intended for ‘extras.’ Now they are paying for salaries, books, and operations, creating an even greater disparity between the “haves” (referendums) and the “have-nots” (no referendums). My district would enjoy the additional 10 percent of our current revenue if we had a referendum the size of Minnetonka and it certainly isn’t because their children need it more.”
“School superintendents have become referendum campaign managers with their tenure in the district determined by the outcome of operating levy referendums. What a way to manage public education!”

“Our district is a rural district that does a very good job of educating students. We do very well with at-risk students that do not succeed in other larger districts. That is why the 2003 change in funding was so devastating. The district is in the Red River Valley and the land value is very high but it does not keep up with the school. If this doesn’t change in the foreseeable future, this district is doomed and that is very unfortunate.”

“The current use of property taxes to help fund education is not working. ... I feel the property poor districts have a much more difficult time funding local education. We can only do so many bake sales and ask the local Lions Clubs for donation for so long.”

“The role of the school board has virtually eroded into a meaningless approval process. The legislature, governor and its political arm known as the Department of Education are the defacto school board and curriculum committee. … We must find a way to take back our schools and place them in the hands of educational leaders who recognize the changes that are taking place around us and are empowered to reinvent schools in a way that will prepare our children to compete in the future.”

“Referendums are a horrible way to fund schools. They divide communities. ‘Vote no’ people need to trash the school to get their point across. The state needs to step up and raise enough revenue to properly fund schools.”

“The current funding mechanisms are outdated and do not work. The current practice of going to the voters for more money creates greater educational inequities throughout the state. World class schools cannot be funded on 2 percent and 1 percent new revenues.”

“The one person responsible for all of the schools in the state is the governor. His legislative funding plan makes it nearly impossible to operate without a local levy. He repeatedly says that he is for no new taxes, yet by his policy, he is effectively requiring all of the school districts school boards to raise taxes above the state level.”

“We are unable to deliver the education that the governor articulates. With current funding the way it is and with the operating levy being passed to maintain what we have, it is difficult if not impossible to move forward with the initiatives that are being created.”
“Even though we passed the levy, there are considerable hard feelings within the community. Local taxes are going up due to rising valuations. Parents of school aged children versus the elderly. Haves and would like to have mores. Homeschool, private, charter schools versus public school. This is a terrible way to fund necessities for schools.”

“When did public education become public enemy #1?”

“Lawmakers have subrogated their constitutional responsibility to provide an equal and adequate education for all students so that they can be re-elected and shrug the responsibility of taxation onto the backs of others. That will be the legacy of this generation of legislators. Congratulations.”