



League of Women Voters of Minnesota Records

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Ms. Mary Ann Snitkey

Dear Ms. Snitkey,

Attached is a proposal from the League of Women Voters Education Fund seeking \$4025 for support of a program designed to help educate citizens about teacher collective bargaining and tenure laws and their relationship to the quality of education in Minnesota.

The League of Women Voters has a basic philosophy that informed citizens are essential to a viable democratic system. Working from that premise, the League is conducting a statewide study, described in the proposal, which will help determine ~~Some~~ of the opportunities for citizen involvement in the decision-making process of our educational institutions. The program is directed toward providing citizens with information so that they will understand, with greater insight and broader perspective, the laws and their impact upon the public school system.

It is our hope that the St. Paul Companies will give consideration to this proposal and, should it be granted, that the St. Paul Companies would permit the LEague to recognize its support through appropriate acknowledgement in the publications.

The purpose of the League of Women Voters of Minnesota (LWVMN) is to promote the active and informed participation of citizens toward better government. This has been the primary mission of the League since it was formed in 1920. LWVMN is a non-partisan organization and its governing board consists of Republicans, Democrats and Independents. Members of the LWVMN and of the 69 local Leagues throughout Minnesota are active in voter service and citizen information. They sponsor candidates forums and debates, distribute caucus, registration and voting guides and conduct informational meetings on issues of concern to the public.

The League also researches and publishes impartial studies in the areas of corrections, the judiciary, natural resources, equality of opportunity, education, election laws and the organization and financing of state government. These studies are disseminated not only to League members but to the broader public within Minnesota. The community outreach and citizen information efforts of LWVMN are conducted through the League of Women Voters Education Fund, the tax-deductible research and education arm of the League.

As a public-interest, grass-roots organization, the LWVMN is totally responsive to its members' concerns. Program items are voted on every two years at its State Convention by delegates representing the individual local Leagues. While this makes it difficult to project the subjects of future studies, the LEague does see trends that will affect the distribution of its studies. The relative apathy of the younger voter indicates that the League will become increasingly involved with special targeting of information to young adults, minorities and the future voter.

LWVMN believes that vigorous citizen participation in American government is not just a good idea but an indispensable one. It believes that citizens are the government and that if citizens have good information they will make good choices - for themselves, for their communities, for their state and for their nation.

6 lines =
list of board/bylaws/financial statement

In 1975, delegates to the LWVMN State Convention voted to initiate a study of Public Employee Bargaining and Tenure laws and how they relate to the questions facing schools today. In voting to adopt the study item each delegate represented the interests expressed by the members of her local League. Since there are local Leagues in every Senate district and most House districts in Minnesota - in communities as small as Battle Lake and as large as Minneapolis - there is no doubt that there is a broad-based concern with the needs of our educational institutions. The League is particularly qualified to carry out its current education study. Education has been a major program item since the League first lobbied for compulsory school attendance in the 1920s.

There is a definite need for the type of study that the League proposes. Every citizen in Minnesota is affected to some degree by the problems that currently exist in our educational system.

Enrollment is declining. Class size is growing. There is increasing pressure from parents that their children leave the public school system with certain minimum competencies, particularly in the area of basic

skills. The cost of education, which already is consuming 40.6% of state appropriations and 46.5% of local government expenditures, continues to rise. The outcome of collective bargaining between teachers and school boards often increases these costs. The effects of tenure laws, while more difficult to evaluate, can also have a direct relationship to these problems.

The LWVMN education study will attempt to answer some of the following questions: In what ways are tenure laws necessary or advisable for the provision of "quality education?" Are we losing good teachers while mediocre ones remain in the system? Do procedural safeguards for teachers, e.g. tenure/continuing contract laws, due process, grievance procedures, make dismissal of ineffective teachers difficult? Can staff balance be maintained under state financing and seniority dismissal procedures? How are community priorities and needs determined? In what ways are the needs and priorities of the consumers of education (students) given weight and consideration in the collective bargaining process? What input do parents have? Who represents the community in the bargaining process? How responsive are school boards and teachers to public desires?

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The first of the three publications in the LWVMN study will provide background information for the succeeding reports and will include a description and explanation of the laws that affect collective bargaining and tenure. The second publication will examine the perceptions that education administrators, teachers and school boards have of these laws and their affect on the public school system. The third publication will be an objective analysis of the issues and a discussion of alternatives to the present procedures. An additional publication, funded by the League, will contain a statement of research methods, characteristics of the sampling and information about print-out availability.

The intent of the study and publications is to provide the public with information upon which they can act. Lack of action (only 33.5% of St. Paul's eligible voters voted in the last school board election) can often be linked to lack of information. Through offering the citizen an avenue to understanding - informing him of the issues and alternatives and his opportunities for determining the direction of our educational system - LWVMN hopes to increase individual participation in an area which affects all citizens. Students, parents, school board members, teachers and taxpayers are all affected by the laws governing collective bargaining and teacher tenure. An impartial view of these laws and their impact will provide a basis for citizens participation in the planning and decision-making processes of their communities' educational institutions.

The publications will be distributed, without cost, to a broad cross-section of Minnesotans. Target populations will include members of : service clubs; junior and senior high schools; community colleges; municipal, county, state and school officials; Chambers of Commerce; community centers; church groups; senior citizen organizations and other citizen groups. Publications would also be offered to other publics through Public Service Announcements on local radio stations and through the press. Distribution is scheduled to begin in the fall of 1977 to coincide with the first quarter of school in order to achieve maximum impact.

Dissemination of the reports will often be accompanied by a live presentation - in the classroom, at club meetings and other functions. While the majority of the publications are expected to be distributed within the Metropolitan seven-county area, the network of local Leagues throughout Minnesota assures state-wide coverage. Local Leagues will be assisted in obtaining resource persons for the presentations and to plan a schedule for "marketing" the materials. A new member has been added to the LWVMN state board to coordinate these efforts.

Grant administrator will be Ms. Harriett Herb, Executive Director of LWVMN. Ms. Herb is also enrolled in the graduate program of Business Administration at the College of St. Thomas. She expects to receive her Master's degree in May of 1978.

Project Director is Ms. Betty Shaw. Ms. Shaw has a BA and MA in Political Science from the University of North Carolina and is chairman of the LWVMN Education Committee. She has participated as researcher/writer in a number of League studies. Ms. Shaw was also a member of the St. Louis Park Community Education Advisory Committee for two years.

Her project committee consists of twelve members who represent five leagues. A total of over ninety League members from twenty Leagues will be involved in the preparation of study materials. Consultants who have volunteered their time as resource people for the project and has acted as advisors are: Dr. John Sullivan, Assistant Professor of Political Science, University of Minnesota; Dr. Charles Backstrom, Professor of Political Science, University of Minnesota; Dr. Charles Cheng, Assistant Professor, UCLA Graduate School of Education and Associate Director of the Institute for Responsive Education; Mr. Mitchell Jolesin, Computer Consultant, University of Minnesota; Dr. Richard Faunce, Director of Research, Minneapolis Public Schools; Mr. Peter Popovitch, attorney to more than fifty Minnesota school boards; Mr. Richard Battis, attorney for the St. Paul Board of Education; Mr. Roger Peterson, attorney for the Minnesota Federation of Teachers.

The Project Director and her committee have spent 5535 hours in planning, research, interviewing and tabulating results. Writing of the reports is expected to total an additional 200 hours. At minimum wage, this would translate to an in-kind expense of \$13,190.50. Unreimbursed expenses - those which have been absorbed by committee members - total \$339.00. Donated League staff time amounts to over \$500. This signifies an enormous commitment on the part of those involved in the project. They are dedicated to producing an in-depth, objective picture of the laws governing teacher bargaining and tenure and the impact these laws have on the education of Minnesota's students.

It is appropriate that the St. Paul Companies consider joining the LWVMN in this commitment. A high school degree is required of a majority of its employees, and the quality of their education can have a direct relationship to their on-the-job performance. In addition, St. Paul Companies has, through its Corporate Contributions Committee and Human Relations Division, shown itself to be a responsible corporate citizen. Its get-out-the-vote efforts, utilizing some of several publications produced by LWVMN, is indicative of its

interest in citizen participation in government. The League is asking the St. Paul Companies to consider major funding for this project because it has proved it is a public-spirited, public-minded institution which is anxious to involve the public in the issues that affect them.

The study proposed by the League is unique and has not been done by any other organization. While a national survey on collective bargaining is being prepared by the Washington D.C. office of the Parent-Teacher-Student Association (PTSA), dissemination of results will be limited to state PTSA chairmen, presidents of local PTSA groups and to the Education Committees of state legislatures.

The LWVMN project will be more focused, restricting itself to the Minnesota community and its public school system. It also will be more comprehensive, examining the effect of the laws on educational quality. The population served by the League study also differs significantly from that of the PTSA project. State and local PTSA officials will receive the League publications, as will all members of the Minnesota State Legislature. The major target audience, however, is the Minnesota citizen. Funding will enable the League to distribute these publications free of charge to the broader public, as well as to specific interest groups.

While direct results of the publications upon readers will be impossible to measure, LWVMN hopes that the information contained in the reports will stimulate citizens to take a more active role in planning for the future of our educational system. By increasing the public's awareness of the problems facing the system, and by showing them their opportunities for participation in the decision-making process, citizens will be better equipped to provide input into an area which affects the entire community.

The publications themselves will be evaluated by a panel of selected publics. composed of education editors, Citizens League members, school board and education union representatives, Chambers of Commerce and education committee members of the Minnesota Legislature. Criteria for evaluation will include: How clearly is the information presented? Will the general public consider the reports "readable?" How well is the subject covered? Are the reports unbiased? What is the evaluator's subjective opinion of the publications? Are distribution plans adequate?

Because providing information on issues of public concern is an ongoing mission of the League, LWVMN has often worked in cooperation with a variety of other organizations. It has co-sponsored public seminars with such groups as the State Planning Commission, the UN Rally, Minnesota Society of Crippled Children and Adults, the St. Paul Urban League, Minnesota Mrs. Jaycees, the AAUW, St. Paul Junior League and the Minnesota Social Service Association.

LWVMN lobbying workshops have attracted organizations ranging from the Minnesota Nursing Association to Save Our Elms. Participating in ongoing information-

sharing with the League are the Joint Religious Legislative Coalition, Citizens League, Common Cause, the Governor's Crime Commission and the Hennepin and Ramsey County Welfare Departments.

In 1976, the League entered into a coalition to register voters for the presidential elections with the office of the Secretary of State, the Minnesota Banking Association and both the Republican and Democratic parties.

For the past 50 years, the League of Women Voters has acted in the public interest to improve the quality of life in our society. Its prime mission is to add to citizens' knowledge and understanding of public issues and policies in order to achieve more meaningful citizen participation in the decision-making process of governmental bodies.

Public issues, however, are complex and interrelated. In the course of daily living a citizen does not always have the time, the commitment or the desire to examine the issues or participate in the process. The process itself may seem to be an insurmountable barrier. Unfortunately, opting out presents an appealing path to many people, even though governmental policies affect every facet of their lives. The League of Women Voters of Minnesota has provided and will continue to provide ways for the public to be active, informed participants in government. Motivating the citizen to make use of the information the League provides is a problem the League hopes to help solve through a more aggressive program of community outreach.

LWVMN is known for providing quality publications, public meetings, workshops, conferences and candidate forums. It has a long-standing reputation for fairness, fact-finding and non-partisanship. Its non-partisan activities have benefitted society as a whole - not just women, or the poor, or urban dwellers. It has a strong leadership and an intelligent and broadly-based membership who are unusual in their sense of commitment. For more than half a century the League has carried out its programs with virtually no public funds, no United Appeal and very little monetary support from organized public philanthropy.

The strengths of the League, however, are directly linked to some of the problems it currently faces. While LWVMN is financially self-sufficient with funds generated almost entirely from within the organization, it now faces the need for outside financial support in order to achieve its goal of a more effective, broad-based program for citizen involvement. In addition, the emergence of many single-issue groups finds us actively competing for volunteer hours. The changing role of women and their entrance into the job market has also affected the amount of time members are able to spend on League activities.

In the future, LWVMN sees an increasing shift from full-time volunteers to part-time workers, assisted by paid staff. Although membership in the League has risen slightly over the past two years, we anticipate more energetic efforts to gain new members, particularly from the male segment of the population. To support our expanded programs carried out in the public interest, the League will actively seek funding from the resources of philanthropic foundations and

corporations. The prime mission of LWVMN has, and will continue to be, an active and informed citizenry. We believe that the League of Women Voters of Minnesota could be on the verge of a new era in its life and that our work can play an even larger role in improving our society. It is a task we face with both confidence and commitment.

BUDGET

For printing and distribution of 10,000 copies of three publications on Public Employee Collective Bargaining and Teacher Tenure laws and their impact on the quality of education in the Minnesota public school system.

Design and printing : 3950.00

Administration of project:

Computer time and supplies	250.	
Telephone	50.	
Travel	45.	
Copying	108.	
Supplies	19.	472.00

Distribution:

Postage	53.00
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4025.00

FOUR STAR BRAND

SOUTHWORTH C&L SA

25% COTTON FIBER

THE ST. PAUL COMPANIES, INC.
Grant Application

SECTION 1:

1. Name and address of organization:

League of Women Voters of Minnesota

555 Wabasha

St. Paul, MN 55102

2. Purpose of organization: To promote the active and informed participation of citizens in their government

3. Amount requested from company: \$4025.00

4. Purpose of grant request: To finance the printing and distribution of ^{10,000 copies of} three publications dealing with teacher tenure and collective bargaining and

5. Geographic area served by organization: ^{1) the} relationship to such issues as declining enrollment, ^{2) school funding} evaluation, ^{3) teacher} seniority, ^{4) competencies} and class size, ^{5) system accountability.}

6. Population served: State of Minnesota

a. Number of people per year: unable to estimate

b. Descriptive data about target population: citizens in the over 200

communities served by local leagues; students in both secondary schools and colleges; educators at all levels; city, county and state government officials

c. Percent of target population served: unable to estimate

d. Other population served: the over 4500 men and women members of LWVMN;

groups with which the League has worked in coalition

7. Do you receive support from the United Way or the St. Paul-Ramsey Council of Arts and Science: NO

8. Have you registered with the Securities Division, Minnesota Department of Commerce? Yes (If yes, please attach copies of registration materials.)
If not, please state reason:

9. Have you been declared a not-for-profit organization by the Treasury Department?

YES

Please attach exemption letter.

(OVER)

SECTION II

In addition to filling out the form (Section I), please provide more detail about your program by writing a letter or proposal including the information listed below. If you prefer not to respond in written form, you can visit with Mary Snitkey of our Human Relations Division. Call her for an appointment at 221-7359. You should be prepared with Section I completed and ready to supply information about the following:

A. The Organization

1. Explain the purpose of the organization, its history and plans for the future. This should include a description of the population served, the experience the organization has had in the area for which it seeks funds, and predicted trends which might influence future activities.
2. Provide a list of the board members, their addresses, primary community and professional affiliations, and qualifications.
3. Provide a copy of your organization's by-laws.
4. Provide an audited financial statement for the previous year and a projected budget for the upcoming year. Also include figures showing total expenses for the past five years and projections for the next five years. Explain how funds from The St. Paul Companies, Inc. would be used.

B. The Proposal

1. Describe the needs to which this proposal addresses itself. How were these needs ascertained?
2. Describe the proposal's purpose and methods for accomplishing the purpose. Be sure to clearly state the results you expect to see at the end of one year.
3. Describe the people to be served and list eligibility requirements, if any.
4. List the names and qualifications of people who will work on the project and administer the funds.
5. List others who have supported the organization in the past and those who are possible future sources of support. Please include a statement detailing the funds you have received thus far and the amount of in-kind services and supplies received or pledged, including volunteer support.
6. Explain how your organization cooperates with others.
7. Explain why you feel it is appropriate for The St. Paul Companies, Inc. to provide support.
8. List all other organizations in the area providing the same or similar services. Explain how your organization differs from these.
9. Explain how your program will be evaluated.
10. Explain how funding will continue on a long-term basis if the program is effective.
11. Please provide a subjective narrative about your organization, what you hope to accomplish, the problems you anticipate, the weaknesses and strengths you perceive, and the future you project.



LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102 • TELEPHONE (612) 224-5445

October 24, 1977

Mr. Rudolph E. Boschwitz
Plywood Minnesota, Inc.
5401 East River Road
Minneapolis, MN 55421

Dear Mr. Boschwitz:

Attached is a proposal from the League of Women Voters Education Fund seeking \$4457 for support of a program designed to help educate citizens about teacher collective bargaining and tenure laws and their relationship to the quality of education in Minnesota.

The League of Women Voters has a basic philosophy that informed citizens are essential to a viable democratic system. Working from that premise, the League has conducted a statewide study, described in the proposal, which will help determine some of the opportunities for citizen involvement in the decision-making process of our educational institutions. The program is directed toward providing citizens with information so that they will understand, with greater insight and broader perspective, the laws and their impact upon the public school system.

It is our hope that Rudy Boschwitz's Plywood Minnesota will give consideration to this proposal and, should it be granted, that the company would permit the League to recognize its support through appropriate acknowledgment in the publications.

Sincerely,

Helene Borg, President
League of Women Voters of Minnesota

B:M

The publications will be distributed, without cost, to a broad cross-section of Minnesotans. Target populations will include members of service clubs; junior and senior high schools; community colleges; municipal, county, state and school officials, Chambers of Commerce; community centers; church groups; senior citizen organizations and other citizen groups. They will also be sent to all members of the Minnesota State Legislature. Publications will also be offered to other publics through Public Service Announcements on local radio stations and through the press. Distribution is scheduled to begin in late fall to coincide with the first quarter of school in order to achieve maximum impact.

Grant administrator will be Ms. Harriett Herb, Executive Director of LWVMN. Project Director is Ms. Betty Shaw. A total of over ninety League members from twenty Minnesota Leagues were involved in the preparation of study materials. Consultants who have volunteered their time as resource people for the project and have acted as advisors are: Dr. John Sullivan, Assistant Professor of Political Science, University of Minnesota; Dr. Charles Backstrom, Professor of Political Science, University of Minnesota; Dr. Charles Cheng, Assistant Professor, UCLA Graduate School of Education and Associate Director of the Institute for Responsive Education; Mr. Mitchell Jolesin, Computer Consultant, University of Minnesota; Dr. Richard Faunce, Director of Research, Minneapolis Public Schools; Mr. Peter Popovitch, attorney to more than fifty Minnesota school boards; Mr. Richard Battis, attorney for the St. Paul Board of Education; Mr. Roger Peterson, attorney for the Minnesota Federation of Teachers.

The publications will be evaluated by a panel of selected publics composed of education editors, Citizens League members, school board and education union representatives, chambers of Commerce and education committee members of the Minnesota Legislature. Criteria for evaluation will include: How clearly is the information presented? Will the general public consider the reports "readable?" How well is the subject covered? Are the reports unbiased? What is the evaluator's subjective opinion of the publications? Are distribution plans adequate?

While direct results of the publications upon the public will be impossible to measure, LWVMN hopes that the information contained in the reports will stimulate citizens to take a more active role in planning for the future of our educational system. Since 1920 the primary mission of the League of Women Voters of Minnesota has been to promote the active and informed participation of citizens toward better government. LWVMN believes that vigorous citizen participation in American government is not just a good idea but an indispensable one. It believes that citizens are the government and that if citizens have good information they will make good choices - for themselves, for their communities, for their state and for their nation.

The LWVMN education study will attempt to answer some of the following questions:
In what ways are tenure laws necessary or advisable for the provision of "quality education?" How does seniority dismissal affect school programs and staff balance? Do procedural safeguards for teachers, e.g. tenure/continuing contract laws, due process, grievance procedures, make dismissal of ineffective teachers difficult? How can teachers be evaluated and who should do the evaluating? How are community priorities and needs determined? Do rural school districts view bargaining and tenure laws differently from urban districts? In what areas are teachers and administration substantially in agreement? Where do they disagree?

The LWVMN study involves original research and is not merely a compilation of what has been written before. Research results will form the basis for an impartial study which is not available elsewhere and which should prove to be an invaluable resource tool for those interested in the quality of education in Minnesota.

Would elimination of tenure endanger academic freedom?

BUDGET

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Design and printing:	3335.00
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Administration of project:

Computer time and supplies	250.	
Telephone	50.	
Travel	45.	
Copying	108.	
Supplies	19.	472.00

Distribution and postage:	650.00
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4457.00

Donated Services

Research, tabulating, interviewing, writing: 5535 hours @ 2.25	12453.75
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Consultants:	1275.00
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Mileage @ 7¢ per mile:	314.65
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Staff time - preparation and distribution:	600.00
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14,643.40

The St. Paul Companies Inc.
385 Washington Street, St. Paul, Minnesota 55102
Telephone (612) 221 7911

NOV 30 1977



November 28, 1977

Ms. Judy Blake Medelman
The League of Women Voters of Minnesota
555 Wabasha Street
St. Paul, MN 55102

Dear Judy:

As I mentioned in our phone conversation today, The St. Paul Companies, Inc. cannot contribute toward the League's Educational Fund for the purpose of supporting the teacher tenure and collective bargaining publications series. We feel that it would be inappropriate for the Company to support this particular series.

However, I want to leave the door open to you in the future and hope the League will approach us again for a contribution to the Educational Fund. However, please give us plenty of lead time -- six months if at all possible.

I look forward to hearing from you in the future.

Sincerely,

A handwritten signature in cursive script that reads "Mary".

Mary Snitkey, Director
Community Relations

MS/ec

Ms. Mary Ann Snitkey

Boschwitz (Rudolph E.)

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*add Eval.
here*

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Adm. Her project committee consists of twelve members who represent five leagues. A total of over ninety League members from twenty Leagues will be involved in the preparation of study materials. Consultants who have volunteered their time as resource people for the project and has acted as advisors are: Dr. John Sullivan, Assistant Professor of Political Science, University of Minnesota; Dr. Charles Backstrom, Professor of Political Science, University of Minnesota; Dr. Charles Cheng, Assistant Professor, UCLA Graduate School of Education and Associate Director of the Institute for Responsive Education; Mr. Mitchell Jolesin, Computer Consultant, University of Minnesota; Dr. Richard Faunce, Director of Research, Minneapolis Public Schools; Mr. Peter Popovitch, attorney to more than fifty Minnesota school boards; Mr. Richard Battis, attorney for the St. Paul Board of Education; Mr. Roger Peterson, attorney for the Minnesota Federation of Teachers.

The Project Director and her committee have spent 5535 hours in planning, research, interviewing and tabulating results. Writing of the reports is expected to total an additional 200 hours. At minimum wage, this would translate to an in-kind expense of \$13,190.50. Unreimbursed expenses - those which have been absorbed by committee members - total \$339.00. Donated League staff time amounts to over \$500. This signifies an enormous commitment on the part of those involved in the project. They are dedicated to producing an in-depth, objective picture of the laws governing teacher bargaining and tenure and the impact these laws have on the education of Minnesota's students.

It is appropriate that the St. Paul Companies consider joining the LWVMN in this commitment. A high school degree is required of a majority of its employees, and the quality of their education can have a direct relationship to their on-the-job performance. In addition, St. Paul Companies has, through its Corporate Contributions Committee and Human Relations Division, shown itself to be a responsible corporate citizen. Its get-out-the-vote efforts, utilizing some of several publications produced by LWVMN, is indicative of its

interest in citizen participation in government. The League is asking the St. Paul Companies to consider major funding for this project because it has proved it is a public-spirited, public-minded institution which is anxious to involve the public in the issues that affect them.

The study proposed by the League is unique and has not been done by any other organization. While a national survey on collective bargaining is being prepared by the Washington D.C. office of the Parent-Teacher-Student Association (PTSA), dissemination of results will be limited to state PTSA chairmen, presidents of local PTSA groups and to the Education Committees of state legislatures.

The LWVMN project will be more focused, restricting itself to the Minnesota community and its public school system. It also will be more comprehensive, examining the effect of the laws on educational quality. The population served by the League study also differs significantly from that of the PTSA project. State and local PTSA officials will receive the League publications, as will all members of the Minnesota State Legislature. The major target audience, however, is the Minnesota citizen. Funding will enable the League to distribute these publications free of charge to the broader public, as well as to specific interest groups.

While direct results of the publications upon readers will be impossible to measure, LWVMN hopes that the information contained in the reports will stimulate citizens to take a more active role in planning for the future of our educational system. By increasing the public's awareness of the problems facing the system, and by showing them their opportunities for participation in the decision-making process, citizens will be better equipped to provide input into an area which affects the entire community.

The publications themselves will be evaluated by a panel of selected publics. composed of education editors, Citizens League members, school board and education union representatives, Chambers of Commerce and education committee members of the Minnesota Legislature. Criteria for evaluation will include: How clearly is the information presented? Will the general public consider the reports "readable?" How well is the subject covered? Are the reports unbiased? What is the evaluator's subjective opinion of the publications? Are distribution plans adequate?

Because providing information on issues of public concern is an ongoing mission of the League, LWVMN has often worked in cooperation with a variety of other organizations. It has co-sponsored public seminars with such groups as the State Planning Commission, the UN Rally, Minnesota Society of Crippled Children and Adults, the St. Paul Urban League, Minnesota Mrs. Jaycees, the AAUW, St. Paul Junior League and the Minnesota Social Service Association.

LWVMN lobbying workshops have attracted organizations ranging from the Minnesota Nursing Association to Save Our Elms. Participating in ongoing information-

sharing with the League are the Joint Religious Legislative Coalition, Citizens League, Common Cause, the Governor's Crime Commission and the Hennepin and Ramsey County Welfare Departments.

In 1976, the League entered into a coalition to register voters for the presidential elections with the office of the Secretary of State, the Minnesota Banking Association and both the Republican and Democratic parties.

For the past 50 years, the League of Women Voters has acted in the public interest to improve the quality of life in our society. Its prime mission is to add to citizens' knowledge and understanding of public issues and policies in order to achieve more meaningful citizen participation in the decision-making process of governmental bodies.

Public issues, however, are complex and interrelated. In the course of daily living a citizen does not always have the time, the commitment or the desire to examine the issues or participate in the process. The process itself may seem to be an insurmountable barrier. Unfortunately, opting out presents an appealing path to many people, even though governmental policies affect every facet of their lives. The League of Women Voters of Minnesota has provided and will continue to provide ways for the public to be active, informed participants in government. Motivating the citizen to make use of the information the League provides is a problem the League hopes to help solve through a more aggressive program of community outreach.

LWVMN is known for providing quality publications, public meetings, workshops, conferences and candidate forums. It has a long-standing reputation for fairness, fact-finding and non-partisanship. Its non-partisan activities have benefitted society as a whole - not just women, or the poor, or urban dwellers. It has a strong leadership and an intelligent and broadly-based membership who are unusual in their sense of commitment. For more than half a century the League has carried out its programs with virtually no public funds, no United Appeal and very little monetary support from organized public philanthropy.

The strengths of the League, however, are directly linked to some of the problems it currently faces. While LWVMN is financially self-sufficient with funds generated almost entirely from within the organization, it now faces the need for outside financial support in order to achieve its goal of a more effective, broad-based program for citizen involvement. In addition, the emergence of many single-issue groups finds us actively competing for volunteer hours. The changing role of women and their entrance into the job market has also affected the amount of time members are able to spend on League activities.

In the future, LWVMN sees an increasing shift from full-time volunteers to part-time workers, assisted by paid staff. Although membership in the League has risen slightly over the past two years, we anticipate more energetic efforts to gain new members, particularly from the male segment of the population. To support our expanded programs carried out in the public interest, the League will actively seek funding from the resources of philanthropic foundations and

corporations. The prime mission of LWVMN has, and will continue to be, an active and informed citizenry. We believe that the League of Women Voters of Minnesota could be on the verge of a new era in its life and that our work can play an even larger role in improving our society. It is a task we face with both confidence and committment.

BUDGET.

For printing and distribution of 10,000 copies of three publications on Public Employee Collective Bargaining and Teacher Tenure laws and their impact on the quality of education in the Minnesota public school system.

Design and printing :		3950.00	3335.
Administration of project:			
Computer time and supplies	250.		
Telephone	50.		
Travel	45.		
Copying	108.		
Supplies	19.	472.00	
Distribution:			
Postage		53.00	650.
		<hr/>	
		4025.00	3985.



JUL 19 1977

MINNESOTA SCHOOL BOARDS ASSOCIATION

1978 CONVENTION JANUARY 16, 17, 18

Box 119 — St. Peter, Minnesota 56082

Tel. 507/931-2450 Metro 612/335-8577 — 336-9141

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W. A. Wettergren
St. Peter

July 18, 1977

Judy Medelman
Assistant to the President
League of Women Voters of Minnesota
555 Wabasha
St. Paul, MN 55102

Dear Ms. Medelman:

Thank you for forwarding your study of teacher collective bargaining and tenure laws and their relationship to quality education in Minnesota. I will see to it that a paragraph is included in our Boardcaster so that members desiring copies can request the same from your office.

Sincerely,

Willard Baker
Associate Executive Secretary

WB:pw



LEAGUE OF WOMEN VOTERS OF MINNESOTA

555 WABASHA • ST. PAUL, MINNESOTA 55102 • TELEPHONE (612) 224-5445

July 15, 1977

Mr. Willard Baker
Minnesota School Boards Association
116 So. 3rd St.
St. Peter, MN

Dear Mr. Baker,

The League of Women Voters is currently involved in preparing a study on Teacher Collective Bargaining and Tenure laws and their relationship to the quality of education in Minnesota. Enclosed is a complimentary copy of the first of the series of three publications resulting from the study. It contains a description of existing laws and how they operate.

The second Facts and Issues will examine issues and alternatives as they pertain to the laws. The third Facts and Issues will contain an objective analysis of the impact of the laws on the educational process. The latter two reports in the series will be available in the early fall.

The publications will be distributed to service clubs, the Minnesota Legislature, municipal, county and city officials, citizens organizations, as well as to the general public.

If Boardcaster readers are interested in obtaining copies of the publications, they should contact the LWVMN office at 555 Wabasha, St. Paul, Mn. 55102 or call (612) 224-5445.

We would appreciate it if you could include information about the LWVMN reports and their availability in you next issue of Boardcaster.

Sincerely,

Judy Medelman
Ass't to the President



League of Women Voters Education Fund

memorandum

THIS IS GOING ON DPM

January 1977

TO: State and Local League Presidents
FROM: Veta Winick, Public Relations Chairman
RE: Audio-Visual Transcripts of the '76 Presidential Debates

Although the '76 Presidential Debates are over, their importance to the public is still with us. In light of this, we think you'll find the attached flyer of particular interest.

The League of Women Voters Education Fund has officially endorsed a set of four cassette recordings of the historic meetings. Available for just \$26.00 per set, they can be purchased from the 3R Sound Ltd Company. As we indicated in the Fall '76 Voter, for every set that is sold the League receives \$2.00 to help defray the cost of producing the debates.

If you haven't done so already, you'll want to let friends, neighbors, schools and libraries know of their availability.

#

"... a classic treatment of Republican and Democratic positions."

—Dr. Nelson Polsby, *University of California at Berkeley*

"(The) 1976 Presidential debates, a truly remarkable exercise in democracy."

—Barbara Walters

"Watching the presidential contenders confront each other before 85 million people, we are reminded again how extraordinary is the American democratic political process."

—*Christian Science Monitor*, editorial, Sept. 27, 1976

"... Worthwhile. (The debates) achieved their stated purpose of giving the electorate the chance to see and hear the candidates grapple with key issues."

—Morton Mintz, *Washington Post*, Oct. 24, 1976

"Voters can discern for the first time just what are the philosophical and political differences between the two men... Not since 1960... has a presidential race depended so heavily on a direct confrontation."

U.S. News, Sept. 27, 1976

GREAT DEBATES



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of the*

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*Authorized by the
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The sets are invaluable study aids for researchers, educators, students and concerned citizens seeking a better understanding of the democratic process in the bicentennial year.

All materials are produced under the supervision of 3R Sound, and are guaranteed against defects in material or workmanship.

Now... you can share this great, critical, face-to-face discussion by the great major political party nominees for president and vice-president. Rehear and review their stands on major campaign issues. Now, for the first time, at your personal convenience, you can check a campaign promise kept or unfulfilled. Or, establish the authenticity of a statement made or denied.

Every word spoken is here. The complete debates. The questions. The answers. Every word that went out on the air. Yours, live on tape.

There's never been anything like it. Remember America's other historic confrontations? The magnificent Lincoln-Douglass debates. The controversial Kennedy-Nixon debates. They are part of our printed historical record only, with the latter on videotape but unavailable to the public at large. Not so with the Great Debates of '76. These are available to you today.

Take advantage of this opportunity to claim a part of American history. Send \$26.00 for cassettes plus \$1.50 postage and handling today. Other prices see below.

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TOTAL

1973 PUBLIC EMPLOYMENT RELATIONS ACT
Minnesota Statutes 179.61 to 179.77

179.61 Purpose

... to promote orderly and constructive relationships between all public employers and their employees, subject however, to the paramount right of the citizens of this state to keep inviolate the guarantees for their health, education, safety and welfare.

... legislature has determined that overall policy may best be accomplished by;

(1) granting to public employees certain rights to organize and choose freely their representatives;

(2) requiring public employers to meet and negotiate with public employees in an appropriate bargaining unit and providing for written agreement evidencing the result of such bargaining; and

(3) establishing special rights, responsibilities, procedures and limitations regarding public employment relationships which will provide for the protection of the rights of the public employee, the public employer and the public at large.

179.63 Definitions

"Director" - director of mediation services established by 179.02

"Exclusive representative" - an employee organization which has been designated by a majority of those votes cast in the appropriate unit and has been certified pursuant to 179.67

"Teacher" - any person other than a superintendent or assistant superintendent employed by a school district in a position for which the person must be certificated by the state board of education;

"Principal and Assistant Principal" - any person so certificated who devotes more than 50% of his time to administrative duties.

"Appropriate unit" - unit of employees, excluding...principals and assistant principals, as determined pursuant to 179.71 (3) and in the case of school districts, the term means all the teachers in the district.

"Terms and conditions of employment" - the hours of employment, the compensation therefor including fringe benefits except retirement contributions or benefits, and the employer's personnel policies affecting the working conditions of the employees. In the case of professional employees the term does not mean educational provisions of 179.66 regarding the rights of public employers and the scope of negotiations.

"Meet and confer" 179.65

Public employees who are professional employees (teachers are) have the right to meet and confer with public employers regarding policies and matters not included under 179.63

179.65(6)

...Principals and assistant principals may form their own organizations. An employer shall extend exclusive recognition to a representative of or an organization of principals and assistant principals for the purpose of negotiating terms or conditions of employment...

Negotiation Process

179.65(4)

Public employees through their certified exclusive representative have the right and obligation to meet and negotiate in good faith with their employer regarding grievance procedures and the terms and conditions of employment...

179.66(2)

A public employer has an obligation to meet and negotiate in good faith with the exclusive representative of the public employees in an appropriate unit regarding grievance procedures and the terms and conditions of employment....

Negotiable Items

179.66(L)

A public employer is not required to meet and negotiate on matters of inherent managerial policy, which include, but are not limited to, such areas of discretion or policy as the functions and programs of the employer, its overall budget, utilization of technology, the organizational structure and selection and direction and number of personnel.

179.63(18)

"Terms and conditions of employment" means the hours of employment, the compensation therefor including fringe benefits except retirement contributions or benefits, and the employer's personnel policies affecting the working conditions of the employees. In the case of professional employees, the term does not mean educational policies of a school district.

Negotiation Process

1. Teachers elect exclusive bargaining representative. An organization is certified as the exclusive representative upon receiving a majority of votes cast at an election held by the appropriate unit. (All teachers of a district) (179.67)
2. School board and teacher organization choose negotiating teams. The board and teacher group may choose one of their members or a committee of members to negotiate, or they may hire an outside person specifically for this purpose.
3. Negotiators for each side prepare background material and proposals.
4. Negotiators agree on procedures - such as times and places of meetings, how proposals will be made (in writing or not?), etc.
5. Negotiations are conducted as agreed on.
Such sessions appear to be open to the public - 179.69(2)
"All negotiations, mediation sessions, and hearings between public employers and public employees or their respective representatives shall be public meetings except when otherwise provided by the director."
6. If agreement is reached--
Contract must be executed by employer and employee, and the final draft signed by both parties. 179.69(1)
Before signature, contract must be approved by school board and teacher organization unit (by vote). (This part of the process does not seem to be required by PELRA.)
7. If impasse occurs--
 - (a) Mediation
Either party may request mediation by petition of the director of mediation services, who then institutes procedures he "deems most expedient to bring about a settlement". 179.69(1)
 - (b) Arbitration
Must be certified by the director after determining that impasse has been reached and further mediation is of no use. 179.69(3)
If employer requests arbitration and is certified, proceedings begin within 15 days and are binding on both parties. 179.69(5)
If requested by employee, employer has 15 days to reject request or agree to submit matter to binding arbitration. 179.69(5)
If employer rejects binding arbitration, teachers may strike 179.64(7)

Arbitration procedure -

Public Employment Relations Board constitutes an arbitration panel from a list of qualified arbitrators; may be three members, or only one if both parties agree. 179.72(6)

Each party submits its final position to the panel. 179.69(3)

Panel may subpoena witnesses and evidence relating to the dispute and may examine witnesses. 179.72(8)

Arbitration panel resolves the issues of dispute. Its decision is final and binding. 179.72(7)

If the decision is rejected by the school board, the teachers may strike. 179.68(2,9)

The parties may settle at any time during the arbitration proceeding. 179.72(11)

Grievance Procedures

Contracts are required to include a grievance procedure which provides for binding arbitration. 179.70(1)

"Grievance" means a dispute or disagreement as to the interpretation or application of any term or terms of any contract required by this section. 179.70(6)

If parties cannot reach agreement on a grievance procedure, they are subject to a grievance procedure promulgated by the director. 179.70(1)



FACTS and ISSUES: EDUCATION COLLECTIVE BARGAINING AND TENURE

League of Women Voters of Minnesota

April 1977

Minnesota's Laws

This is the first in a series of three Facts and Issues on Tenure and Collective Bargaining in Education. This issue on Minnesota's laws gives a basic, factual description and explanation of existing laws and how they operate. The second Facts and Issues will examine the "educational establishment's" perception of these laws and the strengths and weaknesses of the way they function. The third Facts and Issues will look at some of the advantages and disadvantages of these laws and some possible modifications or alternatives to them.

COLLECTIVE BARGAINING AND MINNESOTA TEACHERS

Background

Collective bargaining is a relatively recent concept in public employment, although it is a familiar process in private industry. Collective bargaining is described as group action concerned with reaching common points of agreement. Representatives of the employer and employees negotiate to determine terms and conditions of employment, which are then formalized in written contract. Collective bargaining is also a procedure for promoting conflict resolution. In *Educators' Guide to Collective Negotiations*, it says, "... collective negotiation is not a game of winners or losers. It is, in fact, a constructive relationship for mutual problem solving."¹

Traditionally it was assumed that government workers had no right to strike or bargain collectively, since their employer was the public and they were providing an "essential" service. However, as the range of government jobs grew broader, the concept that civil service was basically different from private employment changed. In 1962 President Kennedy issued executive order #10988 providing encouragement for unionization and collective bargaining in the public sector. Public employee unionism has grown rapidly over the last decade and is now a significant factor in local, state and federal government operation.

Teachers, as public employees, have been a part of this growth in public employee unionism. For many years teachers belonged to professional associations, but teacher organizations which function in the same manner as unions are a relatively recent phenomenon. Minnesota teacher organizations have reflected the nationwide change from strictly "professional" associations with little, if any, group impact on wages and working conditions, to skilled bargaining agents for teachers in the state-mandated collective bargaining process.

Several factors can be identified as contributing to the rise of teacher activism. School systems have become larger and often more impersonal in the relationships between administration and teachers. Increased public expectations have caused greater demands on school systems. Educational spending at all levels of government has increased dramatically. Teachers are more highly trained as the requirements for certification have mandated more years of schooling and increasing amounts of post-graduate training. In the years following World War II, when the demand for teachers was high and the economy was relatively stable, teachers began to feel

that their tenure protection did not help them obtain an income comparable to others with equivalent education. Stephen Knezevich, in *Administration of Public Education*, contends that "teacher militancy seems to be related to the desire of teachers to have a more significant role in the operation of educational institutions."²

EARLY LAWS

The first labor relations law concerning Minnesota teachers was the 1951 "No Strike Law." This law prohibited all state and local public employees from striking and provided for adjustment panels to consider employee grievances.

In 1967 the Legislature enacted the "Meet and Confer Law," which established a limited bargaining mechanism for teachers. The law provided that school boards must "meet and confer" with teachers in an effort to reach agreement on conditions of "professional service." If agreement was not reached, an adjustment panel composed of three representatives (one chosen by the teachers, one chosen by the school board and a third chosen by mutual consent) was to act as mediator. If agreement could not be reached by the panel members, a fact-finding report was issued. These findings were only advisory, and all final, binding decisions remained with the school boards.

Several problems which hindered satisfactory negotiations under this law included:

1. the method of determining teacher representation on the negotiating panel. Teacher organizations were represented by a panel of five in proportion to the relative membership of the organization. This was said to lead to either the minority organization's representatives being ignored, or to their sabotage of the majority group's efforts. Competition between the teacher organizations was seen as divisive and leading to increased militancy and antagonistic relationships.
2. Principals and other supervisory personnel were included in the teachers' bargaining unit, although they were more properly part of the management team, and their needs were not necessarily similar to those of the teachers.
3. There was no provision for a formal statement of agreement at the end of the negotiations. Often no written record of what had been agreed upon during the bargaining process was kept. Disputes arose over what agreements meant, and in any event, the agreements had no legal force; they were not binding.
4. Good faith bargaining was not required by law, and each side accused the other of a lack of honest effort to reach agreement.
5. The question of which items are negotiable were not clearly defined by the law, leading to disagreements over what was or was not an educational policy decision.
6. Teachers felt that the law still did not provide a satisfactory balance of power, since the real power to make decisions lay completely with the school boards.

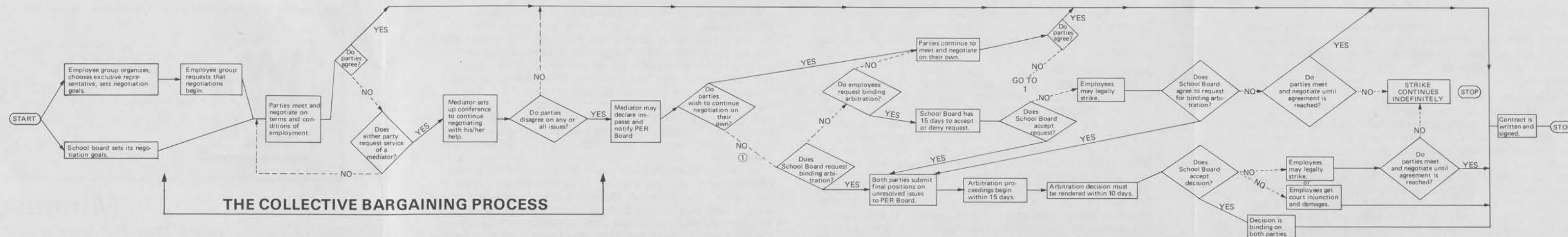
In 1971 the Public Employment Labor Relations Act was passed to give greater structure to public employee labor relations. This act was extensively amended in 1973 and covers all public employees, not just teachers. PELRA made several substantial changes in the teacher-school board negotiating process. It provided for true collective bargaining, with the final settlement being a written contractual agreement approved by both sides. It established a Public Employee Relations (PER) Board and defined unfair labor practices. The PER Board has five members appointed by the governor. They receive per diem expenses for meetings of the board.

School boards are obligated to meet and negotiate with the exclusive bargaining representatives of the district's teachers and with the bargaining representatives of the principals and/or administrators if they have formed bargaining unit(s).

The exclusive bargaining agent represents *all* of the employees in the unit. For example, if the MEA affiliate wins the certification election in a district, it represents *all* of the teachers in the district regardless of whether they belong to the MEA. The law provides that the exclusive bargaining agent may collect a "fair share" fee for its services from non-members. This fee may be up to 85% of the regular membership dues. A number of grievances have been filed with the Director of Mediation Services challenging the assessments made by some bargaining agents, claiming that they have overcharged non-members for their services. To date no decision has been made on these challenges.

The teacher organization elected the exclusive bargaining agent chooses its negotiating team, which may be a single member or committee of members, or an outside person hired specifically to negotiate on its behalf. The school board negotiating team may consist of board members or administrators or a professional negotiator hired to represent them.

What subjects may be discussed during bargaining and then included in the master contract? According to the law, public employers and the exclusive representative of public employees meet to enter "into an agreement with respect to terms and conditions of employment." Specifically, this means the hours of employment, compensation including fringe benefits (but excluding retirement benefits), and "the employer's personnel policies affecting the working conditions of the employees." *Not* negotiable are "matters of inherent managerial policy" including such things as overall budget, organizational structure, and selection, direction and number of personnel. The law further states that "educational policies of a school district" may not be considered as negotiable "conditions of employment." Educational policies must be discussed with teacher organizations on a meet and confer basis at the request of the teacher organization, but they are not



Also negotiable are the details of the grievance procedure which must be part of the contract and which must include binding arbitration.

Most disagreement centers around the definition of "working conditions." Where is the boundary between a teacher's working conditions and an educational policy decision? The issue of "class size" is a good example of this dilemma. Teacher organizations argue that the size of the classes they teach is a vital factor in their working conditions, since larger classes are often more difficult to handle and sometimes even dangerous, e.g., industrial arts. They argue that classes which are too large prevent them from utilizing their best professional skills even more than an antiquated building might.

In general, teachers believe that it is to their advantage to have as many issues as possible included in the master contract, thereby making them subject to grievance procedures. As professionals, teachers believe that they have the competence and the right to be a part of the policy decision making process in their school districts. Conversely, school boards believe that they cannot abdicate their responsibility for making the policy decisions for their school districts.

The Negotiation Process (Refer to the flow chart above)

When the employee group is ready to officially begin negotiations, it formally notifies the school board. This usually takes place in March or April of the year in which the old contract is due to expire. According to PELRA, teacher contracts cover two years beginning July 1 of each odd-numbered year. The duration of contracts with all other employee groups (including principals and administrators) can be negotiated but cannot be longer than three years.

The negotiators for both groups meet and attempt to reach agreement on the terms and conditions of employment for the coming years. These meetings are all considered open public meetings. If the board and teachers fail to reach agreement, mediation is requested. The Director of Mediation Services furnishes a mediator whose function is to bring the two bargaining groups together and try to find common positions on which they can agree. Those meetings are also open unless the Director of Mediation Services closes them.

In the event that a school board and an employee group come to an impasse in their negotiating processes, either party may request that the matter be settled via binding arbitration.

In reaching decisions, arbitrators confine their considerations to matters pertaining to "terms and conditions of employment" as defined in PELRA. The law specifies that arbitrators must carefully consider the financial limitations pertaining to operating a school district as well as the legally defined management rights and obligations of school boards.

The arbitration panel conducts formal hearings and may subpoena witnesses; it administers oaths to and examines witnesses. The district court in the county has authority to help subpoena witnesses.

The arbitration panel must render its decision within 10 days of the beginning of the arbitration proceedings. The final ruling is determined by a majority vote of the three-member arbitration panel. The panel then transmits its orders to the PER Board and to both parties involved in the dispute. The decision of the arbitrator(s) is considered binding. If at this point the school board does not accept this arbitrated agreement, the employees have three alternatives: they may charge an unfair labor practice and receive injunctive relief and/or damages in district court; they may strike; or they may continue to meet and negotiate with the school board. (School boards and employees may continue to meet and negotiate during mediation and arbitration. Even after the arbitration decision has been rendered, they may write their own final contract.)

If the administrators (and others who do not have this right to strike) request arbitration, it must proceed and is binding on both parties.

PELRA permits all school district employees except administrators (who are classified as "essential personnel") to take part in a strike if: 1) during negotiations the mediator declares an impasse, the employee group requests binding arbitration, and the school board rejects; 2) the school board rejects the arbitration panel's decision.

If an illegal strike occurs, an employee who does not report to work is presumed to be on strike. The employee has the right to appeal and prove he/she was not on strike, with the district court having ultimate jurisdiction. The school board may terminate the contract of an illegal striker. It may rehire that person, but he/she will then be on probation for two years. Illegal strikers need not be compensated for days they were not working.

If an employee organization violates the strike laws, it loses its position as exclusive bargaining representative for at least two years, and the school district need not automatically deduct its dues from paychecks of member employees.

One of the most important provisions of PELRA is the requirement that public employers and employees bargain "in good faith." If a school board or employee groups enters the negotiation proceedings with the statement (or intent) that their opening offer is their final one and they do not intend to move from that stated position, this is considered to be an example of "bad faith bargaining."

School boards may not prohibit or discriminate against employees joining an employee organization. Nor can they penalize any employee for exercising his/her legal rights, including the use of the grievance procedures. The school board cannot refuse employee organizations' requests to see budget, finance or revenue information on the district. Nor can it violate negotiating rules established through PELRA.

Employee organizations cannot coerce employees to join an organization or to vote for a particular organization for exclusive bargaining agent. It cannot call or abet in any way an illegal strike, nor can it refuse to comply with an arbitration decision.

Minnesota actually has two teacher "tenure" laws. The first was the Teacher Tenure Act (M.S. 125.17) for cities of the first class passed in 1927. The second, the Continuing Contract Law (M.S. 125.12), was passed in 1953 and applies to all school districts except Minneapolis, St. Paul and Duluth. In the discussion that follows, the general term tenure will refer to both the Teacher Tenure Act and Continuing Contract Law unless otherwise noted. The basic intent and provisions of the laws are similar.

Tenure means that once a teacher has satisfactorily completed a probationary period he/she cannot have his/her contract terminated, or even be demoted (i.e. reduced in rank or transferred to a position carrying a lower salary), except for certain causes specifically spelled out in the law and then only after a hearing if he/she requests one.

Although the language differs slightly between the two laws, the term *teacher* applies to every person regularly employed who is required to hold a certificate from the state department of education. This includes not only classroom teachers, but principals, supervisors (consultants), superintendents, counselors, school librarians, school social workers, etc.

Court decisions have stated the purpose of tenure laws in the following terms:

The purpose of the teacher tenure legislation is to protect the educational interests of the state by preventing arbitrary demotions and discharges which are unrelated to their ability.³

The purpose of teacher tenure laws is to promote the good order and the welfare of the state and school system by preventing removal of capable and experienced teachers by political or personal whim.⁴

The purpose of teacher tenure laws is to protect competent and worthy instructors and other members of the teaching profession against unjust dismissal of any kind — political, religious or personal — and to secure for them teaching conditions which will encourage their growth in the full practice of their profession, unharried by constant pressure and fear.⁵

Inherent in the tenure legislation is the policy that a school board is required to do more than simply appoint licensed instructors. A Minnesota court, in 1974, ruled that tenure was not intended to "place unreasonable restrictions on the powers of school boards."⁶ The law demands that permanent appointments be made only if teachers are found suitable after a qualifying trial.

The probationary period encompasses a teacher's first consecutive years of teaching in a school district. During this period the school system is to evaluate the teacher's performance and determine whether that teacher is competent to receive tenure, a permanent position in the district. The length of the probationary period varies from seven months for teachers who have held tenure in one Minnesota district and are transferring to another Minnesota district outside first class cities to about two and a half years in cities of the first class. Teachers beginning in non-first class city districts have a one and a half year pro

bationary period. Technically the laws state whole years of employment, but because they also specify that a decision not to renew must be received by the teacher by April 1, the district in fact has less than the full time in which to evaluate a teacher's performance. For example, in the instance of the transferring teacher, the time is seven months instead of one year.

School boards have wide discretion regarding whether or not to renew a teacher's contract during the probationary period. If a district decides not to renew a teacher's contract, that teacher must be notified in writing by April 1st and must be given a written statement of the reason(s) for his/her discharge. Under M.S. 125.17 (1st class cities), causes for the dismissal of probationary teachers are the same as for tenured teachers. The difference is that school boards do not have to prove those causes at a hearing as they do in the case of a "tenured" teacher. Under M.S. 125.12 (continuing contract), a statement of reasons for dismissal is given only at the teacher's request along with a statement that adequate supervision was furnished and the nature and extent of that supervision. Courts have *not* upheld a probationary teacher's right to attack the quality or quantity of that supervision.⁷ A probationary teacher who is discharged in this manner cannot appeal this action unless there is some evidence of fraud, malice, or violation of his/her constitutional rights (such as free speech). A school district may not, however, dismiss a probationary teacher simply to avoid granting tenure.

A tenured teacher can be released only for specific causes enumerated in the law. While grounds for dismissal and procedures for release of "tenured" or "continuing contract" teachers are basically the same, there are several technical differences which will be pointed out as applicable.

Once a school board has determined that it believes one of its teachers should be released based on one of the grounds listed above, it must rigorously follow certain procedures in order to dismiss that teacher. This due process was written into the law for the protection of the teacher. In the past, many cases brought against teachers were dismissed because proper procedures had not been followed. This happens less frequently now as school boards and administrators have become more familiar with these requirements. All procedures must be completed by April 1, or the contract will be automatically renewed.

Charges against the teacher must be made in writing and filed with the clerk of the school board. In 1st class cities the school board may disregard charges brought by a person outside the school system if it so chooses.

Notice to Teacher — In Continuing Contract districts the teacher must be given written notice of the specific items of complaint and a reasonable time within which to remedy them. If after this reasonable time the complaint charges have not been remedied, the teacher must be given written notification of the following: 1) that his/her contract is being terminated, 2) the grounds for the proposed termination in reasonable detail, 3) a statement that the teacher may make a written request for a hearing. The teacher must request a hearing within 14 days. In 19 class cities teachers must have notice in writing of a proposed dismissal at least 10 days prior to a hearing for dismissal.

Teachers must be given reasonable time to prepare for hearing. This hearing shall be public or private at the discretion of the teacher. Each party has a right to counsel and to subpoena, examine and cross-examine witnesses. Written transcripts of the hearing must be made available to either party.

Evidence at the hearing must be substantial and competent (no hearsay). This means that testimony of

witnesses must be based on what they have actually *observed* and not what they have heard from others. Witnesses must be competent in the area of their testimony. For example, a principal may or may not be competent to testify about the musical ability of the band director but would be competent to testify about sound educational policy and teaching practice. Many courts now accept superintendents as expert witnesses when making judgments regarding a teacher's competence in educational practice.

For example, if a district wished to prove a teacher guilty of insubordination, they would have to show that: 1) the conduct had actually occurred, 2) a school rule against that conduct existed, 3) the conduct of the teacher violated the rule, 4) the teacher made no attempt to comply with the rule, 5) the teacher's motives were not admirable in breaking the rule, 6) harm actually resulted from violation of the rule, 7) the rule was reasonable, 8) the rule was within the authority of its maker, 9) enforcement of the rule was not discriminatory or biased, and 10) it did not violate the first amendment of the Constitution.

The Decision

If the decision is against the teacher, the decision must be given in writing, stating the grounds on which that decision is based (including the findings of fact based on evidence in the record) within a specific period of time. In any case, notification of termination must be no later than April 1. Termination of a contract is by majority vote of all members of the school board. If the decision is in favor of the teacher, this decision is entered in the minutes of the school board, and all references to the charges and hearings are excluded from the teacher's file.

Grounds for Dismissal

A teacher may be immediately discharged for any of the following reasons after a hearing:

1st Class Cities

- immoral character, conduct unbecoming a teacher, or insubordination
- failure without justifiable cause to teach without first securing the written release of the school board
- affliction with active tuberculosis or other communicable disease (a cause for removal or suspension while teacher is suffering such a disability)
- discontinuance of position or lack of pupils
- inefficiency in teaching or in the management of school (A teacher can be discharged for this reason only during the school year, and then only if the charges are filed at least four months before the close of the school sessions for that school year.)

In addition, there are grounds which do not require immediate discharge of a teacher but which may serve to terminate his/her contract at the close of the school year. In Continuing Contract districts these grounds include: a) inefficiency, b) neglect of duty or persistent violation of school laws, rules, regulations or directives, c) conduct unbecoming a teacher which materially impairs his/her educational effectiveness, or d) other good and sufficient grounds rendering the teacher unfit to perform his/her duties.

Many of these terms are very broad, and there are no precise legal definitions of their meaning. However, there are guidelines which have given some common meaning to many of these terms. Incompetency or inefficiency includes a lack of knowledge in the area to be taught or an inability of a teacher to impart such knowledge effectively to students.⁸ It may also include failure to maintain discipline or physical mistreatment of students. Unprofessional conduct is widely interpreted and determined in large measure by its impact on the school. Such conduct does not necessarily have to be in front of students. Insubordination is a constant or continuing intentional refusal to obey a direct or implied order, reasonable in nature and given by proper authority.

The Continuing Contract Law is very specific regarding the procedure a district must follow when discharging a teacher because of physical or mental disability, particularly when the teacher refuses to consent. Suspension can come only after the teacher has been examined at the school board's expense by a qualified doctor. The examining physician must be the teacher's choice from a list of three provided by the school board. If the teacher fails to submit to an examination, the board may discharge him/her. In the case of mental illness, if the examining physician's statement is unacceptable to the teacher or board, a panel of three physicians or psychiatrists are selected, one by the teacher, one by the board, and one by the two selected doctors. They then examine the teacher. If the teacher is found to have a disability, he/she is suspended for 12 months and may then be reinstated upon evidence from a physician of sufficient recovery. If the teacher does not qualify for reinstatement after 12 months, he/she may be discharged.

Judicial Review

The district court may review the decision of the board only to determine whether the decision was based on substantial and competent evidence and whether proper procedures were followed. The court cannot hear new evidence.

Seniority and Unrequested Leave

Until M.S. 125.12 was modified in 1974, there were no "seniority" rights granted by tenure laws. Court decisions had upheld the right of school boards to determine their own criteria and use their own discretion in determining which tenured teachers would be released because of lack of pupils or discontinuance of positions. While the law has always been clear that all probationary teachers must be released before any tenured teacher qualified to hold that position can be terminated, it has been only recently that the law spelled out in detail how reductions in the tenured teaching force are to be made.

In cities of the 1st class, "any teacher whose services are terminated on account of discontinuance of position or lack of pupils shall receive first consideration for other positions in the district for which she is qualified. In the event it becomes necessary to discontinue one or more positions, in making such discontinuance, teachers shall be discontinued in any department in the inverse order in which they were employed."

In other Minnesota districts teachers' contracts are not immediately terminated because of discontinuance of positions; instead teachers are placed on "unrequested leave" (without pay or fringe benefits). The significance of this unrequested leave status is that, for up to two years, these teachers are to be reinstated to the positions from

All Others

- immoral conduct, insubordination or conviction of a felony, or conduct unbecoming a teacher which requires the immediate removal of a teacher from his classroom or other duties
- failure without justifiable cause to teach without first securing the written release of the school board
- continuing physical or mental disability subsequent to a 12 month's leave of absence and inability to qualify after that time.
- willful neglect of duty or gross inefficiency which the teacher has failed to correct after reasonable written notice

which they have been given leaves of absence or, if that position is not available, to other available positions in the school district in fields in which they are certified, in order of seniority.

Right to Recall

Unless a school district negotiates a different method with its teachers in its master contract, a district must observe the following procedures for determining which teachers are placed on unrequested leave and for which teachers are to be rehired as positions become available.

1) All probationary teachers must be placed on unrequested leave before any continuing contract teacher certified in that area can be placed on unrequested leave. No new teacher may be appointed while a properly certified teacher on unrequested leave is available to fill the vacancy. When positions become available in the district, the teacher on unrequested leave with the highest seniority who is certified in that field must be offered that position. If that teacher fails to notify the district within 30 days that he/she will accept that vacancy, then the teacher on unrequested leave with the next highest seniority certified in that field will be offered the job. That person then has 30 days in which to reply, etc.

2) Probationary teachers *may* be placed on unrequested leave in inverse order of their employment.

3) Continuing Contract teachers *shall be* placed on unrequested leave in fields in which they are certified in the inverse order of which they were employed by the school district. These teachers shall be reinstated to the positions from which they have been terminated or, if not available, to other available positions in fields in which they are *certified* in the order of seniority.

A key distinction in this language is *certified*. Many teachers are certified in fields in which they have not taught, or have not taught recently. If, for example, three math positions were to be cut, the three math teachers with lowest seniority would lose their positions in the math department. Suppose those teachers were Mr. Jones with five years of teaching in the district, Mrs. Smith with four years, and Mrs. Johnson with four years. If Mrs. Smith also happened to be certified in art, regardless of whether she had ever taught it, she could move to the art department and replace Mr. Nelson, who had taught art in the district for three years. Suppose that during the year that Mr. Jones was on unrequested leave, he went back to college and received certification in Special Learning and Behavior Problems (SLBP). With his five years' seniority, he would then be rehired over Miss Olson the following year, who had only been teaching SLBP classes for four years.

4) Teachers being placed on unrequested leave have all the procedural right guaranteed in the dismissal process. A district must grant a hearing to each teacher requesting one and complete the hearing process before April 1 regardless of the number of teachers it is dismissing. This means that placement of 35 teachers on unrequested leaves must begin soon enough to complete all 35 hearings before that deadline.

5) Teachers on unrequested leave are eligible for unemployment compensation if otherwise eligible, or they may take any other teaching or non-teaching job while on unrequested leave without jeopardizing their right to be recalled as positions become available. They do not lose credit for previous years of teaching experience or other continuing contractual rights.

6) The only exception to seniority in the reduction of a district's teaching force is if it is in violation of that district's affirmative action program. In that case, the district may retain the probationary teacher (remember teacher in this sense also means principals, administrators, etc.) or teacher with less seniority. The affirmative action provision is in the Continuing Contract Law (M.S. 125.12) only. The St. Paul school district, a city of the first class, is now in court challenging the retaining of less senior teachers on the basis of affirmative action programs, since this is not written into M.S. 125.17, which governs first class cities.

7) Where teachers have equal seniority, the determination of who will be placed on unrequested leave is negotiable. The Attorney General's office has ruled that seniority is based on the date on which that teacher began employment and not on the date on which he/she signed the contract. Thus all teachers who begin teaching in the district on September 2, 1972, would have equal seniority. Some districts have chosen to use contract signature date or personnel file number in determining seniority rank, but this is not required by law.

It should be noted that seniority is not the same as number of years of teaching experience. A teacher who taught in a district for five years and resigned rather than take a leave of absence, then taught for two years after returning to the district, would have only two years seniority, as would a teacher who had taught for eleven years in one district and only two years in his/her new district. It should also be noted that seniority is based on *when* the teacher was first employed by the district. Therefore, a teacher who had taught half time as a reading tutor for four years would have greater seniority than a classroom teacher who had taught full time for three years.

This Facts and Issues has dealt with the existing laws and how they operate. The second Facts and Issues in this series will examine how members of the educational profession such as school board members, superintendents, and teachers view these laws. The third in the series will describe possible modifications and alternatives to these laws.

Research for this publication was supervised by Betty Shaw. Principal contributors were Connie Hoverson, Lorraine Clugg, Katherine Putnam, Joyce Abramson, Diane Brook, Sue Rosenfeld, Karen Davidman and Jan Bray.

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3. Perry v. Independent School District #696 299 Minn N W 2d 212.
4. Ehret v. Kulpmont School District 333 Pa 518, 5A 2d 188.
5. Million v. Board of Education 181, Kan 230, 310, p 2d 917.
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7. Person v. Independent School District #715, 290 Minn. 400, 188 N.W. 2d 776 (1971).
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Campaigning for Fair School Finance

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Campaigning for Fair School Finance

Techniques That Work

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The Letter of the Law

APR 16 1979

The Education Amendments of 1978 (P.L. 95-56) to Title I of the Elementary and Secondary Education Act

On November 1, 1978, the Education Amendments of 1978, which extend Title I of the Elementary and Secondary Education Act of 1965 through September 30, 1983, were signed into law.

Title I is the largest federal education aid program. Under the new statute, its main purpose remains the same: providing federal funds to local educational agencies (LEAs) in order to help them meet the special educational needs of children from low-income families. Funds are allocated to states through a formula based on poverty, then distributed to LEAs. Most of the nation's local school districts get Title I funds, which must be used to supplement the regular education programs funded with state and local resources. Most Title I funds are spent on basic skills, specifically remedial math and reading.

Safeguards built into the legislation in order to maintain the categorical, compensatory nature of Title I programs have been retained, although LEAs that operate state-funded compensatory programs with goals similar to those of Title I will now have more leeway in spending Title I funds.

The 1978 amendments modify the way funds are distributed to states and within LEAs. They also significantly strengthen parent involvement, state and federal administrative and enforcement requirements and complaint procedures.

Distribution of funds to states

Formula for basic grants Two changes have been made in the way basic grants are distributed to states: 1) Half of the funds in excess of the total fiscal year (FY) 1979 appropriation will be distributed according to a formula using the Census Bureau's 1975 Survey of Income and Education (instead of the 1970 census) to estimate population and one-half of the national median to define poverty (instead of the poverty level); 2) Starting in FY 80, the basic formula will count 100% of the children from families receiving AFDC rather than only two-thirds.

State incentive grants States that establish compensatory education programs directed to school districts with high concentrations of poor children are eligible for additional payments up to 10% of the state's basic Title I allocation or 50% of the state's compensatory education expenditures, whichever is less.

Concentration grants \$400 million is authorized in FY 79 (and such sums as necessary for the four succeeding years) for grants to school districts in counties with concentrations of low-income children above 20%, or with 5,000 or more low-income children. Each state will get at least 1/4 of 1% of the national appropriation, and within each county funds will be distributed to LEAs according to a weighted formula that gives more money to districts with higher proportions of low-income children.

Distribution of funds to school attendance areas

School attendance areas continue to be eligible if they have more than the district-wide average or percentage of low-income families. If the school district's funding level is insufficient to provide programs for all the educationally deprived children in eligible attendance areas, as has been the case since Title I's enactment, then officials must rank all of the eligible areas according to their relative degree of poverty and serve them in the order of their ranking.

However, the 1978 amendments contain the following excep-

tions to the ranking procedure:

☐ If an attendance area is not eligible but the school servicing that area has an actual enrollment of children equal to or greater than the district-wide number or percentage used to determine eligibility, it may be designated as a Title I school.

☐ A hold-harmless feature provides that an area that might be ranked too low to receive funds but that did receive them in either of the two preceding years will retain its eligibility.

☐ A particular attendance area in a school district may be "skipped over" in the priority list for receipt of Title I funds in favor of a lower-ranked area that has more children who need Title I programs (see *Which children are eligible*).

☐ An attendance area may be skipped over if all the educationally deprived children in that area are already receiving, from non federal sources, the same type and quantity of services that Title I would provide.

☐ Under the 1976 regulations, an eligible area was defined as one having 30% of its children from low-income families. Under the new law, any area in which 25% of the children are from low-income families can be targeted to receive funds. But the poverty eligibility can be lowered only if the total amount of funds received from Title I and similar state programs equals or exceeds the amount of such funds spent during the previous year in Title I schools.

☐ An LEA may distribute Title I funds to attendance areas according to educational deprivation rather than according to a poverty measure, but only if the district-wide parent advisory council consents and the state education agency (SEA) agrees that this shift would not substantially impair the delivery of Title I services to educationally deprived low-income children.

Program and administrative requirements for LEAs

Which children are eligible? Title I programs may be provided *only* to those educationally deprived children most in need of services, as identified through a mandated annual educational needs assessment. The needs assessment is also used to determine the areas of instruction for the Title I program. Children who were once identified as the neediest eligible children, but who no longer are, may continue in Title I programs if they are still "educationally deprived." A school district may continue to provide services to a Title I recipient who is transferred in midyear (e.g., for purposes of school desegregation) to a school without a program.

Private school children will continue to be eligible for Title I services. The new law includes a provision requiring equal expenditures for private school children, taking into account the number of children served and their educational needs.

School-wide projects The new law allows a Title I program to serve all children in a school in which at least 75% of the children are from low-income families. To operate such a program, the LEA must develop a comprehensive plan to meet all the special educational needs of the children and must consult with parents, teachers and students. Also, the school's average per pupil expenditure must be at least as great as in the previous year.

Applications and evaluations School districts will no longer have to submit annual applications to the state for fund-

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ing. Instead, they will submit applications for a three-year period and will update them as necessary. Correspondingly, LEAs will be required to evaluate programs only once every three years, rather than annually.

Program and administrative requirements for SEAs

Monitoring local school districts For the first time, SEAs are required to give technical assistance to local school officials. The statute specifies that if an LEA fails to meet statutory requirements, then the state must withhold funds and require the payment of misspent funds. Before approving an LEA application, an SEA must consider the results of federal and state audits and monitoring reports, complaints filed by parents or other individuals and evaluations conducted by the LEA.

Reports to the Office of Education (OE) Each state must submit a monitoring and enforcement plan to OE at least once every three years. This plan must be made available to parents, state and local auditors and others. However, the requirement for filing an annual state Title I plan has been eliminated. Now states may submit a one-time plan with the necessary assurances.

Administrative costs The amount paid to states for administrative costs has been increased from 1% to 1.5% of their allotment. The increased ½% must be used for monitoring, audit resolution, enforcement or similar compliance activities.

State Title I programs With only slight modifications, states will continue to operate programs for migrant children, handicapped children and children in institutions for neglected or delinquent children.

Parent involvement

Besides mandating a role for school boards and teachers in planning and evaluating Title I projects, the new law greatly strengthens parent involvement in Title I programs. The law specifies that parents must be permitted to participate in setting up Title I programs, informed of the programs' goals and given a chance to make recommendations about those goals. Parents also must be advised of their children's progress and must be allowed to assist in carrying out Title I programs.

Parent advisory councils (PACs)

But by far the most significant parent involvement is through parent advisory councils (PACs). The law outlines new requirements on how PACs should be set up and how they should operate. There are two kinds of mandated PACs: district advisory councils (DACs) and school advisory councils (SACs).

Role of PACs DACs and SACs will be responsible for advising school officials in the planning, implementation and evaluation of Title I programs and projects. Each member of a DAC or SAC must be given a free copy of the Title I law, federal regulations and guidelines for Title I and relevant state regulations and guidelines. The SEA must give each DAC a copy of any reports resulting from state or federal auditing, monitoring or evaluation activities in the DAC's school district. Also, if an SEA withholds funds from an LEA, the DAC must be informed.

Training for PACs The new law requires school officials to train PACs for effective participation in Title I programs. The training program, to be developed in full consultation with the PACs, must be described in the LEA application for funding. And Title I funds may now be used for PAC training, including expenses associated with PAC members attending training sessions.

District Advisory Councils (DACs) Each school district receiving Title I funds must establish a DAC that:

- ☐ has as a majority of its members parents of children participating in Title I;
- ☐ includes individuals representing children and schools eligible for Title I but not receiving funding;
- ☐ is composed of members elected by parents in the school district (the regulations will spell out whether the electorate consists of parents from Title I-served schools, project attendance areas or all parents);
- ☐ allows teachers who do not live in the school district but who teach in Title I schools or project areas to be eligible for election to the DAC;

☐ allows parents of children who live in a school attendance area that is eligible for Title I funds, or attend a Title I school, to be eligible for election to the DAC (even if a parent has a different residency).

School Advisory Councils (SACs) Each school or project area that has a Title I project serving more than 40 students and having at least one full-time staff member (or the equivalent) paid with Title I funds must have a SAC that:

- ☐ has as a majority of its members parents of children participating in the project area or school;
- ☐ makes teachers who do not live in the school or project area but who teach there eligible for election to the SAC;
- If a school or project area serves as many as 75 students, then the SAC must:
 - ☐ have at least eight members;
 - ☐ elect members for two-year terms (after which they may be reelected);
 - ☐ elect its own officers after members are elected;
 - ☐ meet a sufficient number of times during the year to carry out responsibilities according to a schedule set up by the SAC and at locations chosen by the SAC.

OE and parent involvement For the first time, OE is mandated to sponsor workshops for local school officials on how to work more effectively with Title I parents and PACs. The National Institute of Education (NIE) will also assess parent involvement, including an examination of training programs for PACs. NIE will report on the results to Congress and make the assessment available to the public.

Complaint resolution

The new law requires LEAs, SEAs, and OE to develop procedures for investigating and resolving complaints. The procedures must include:

- ☐ time limits for complaint resolution, (local limit, 30 days; state limit, 60 days);
- ☐ an opportunity for the complainant (or a representative) to present information about the complaint and question the relevant officials;
- ☐ an appeals process;
- ☐ publicity about and distribution of the procedures;
- OE must develop written procedures for receiving and resolving appeals of complaint decisions, receiving complaints directly and conducting independent investigations. These procedures must include:
 - ☐ a time limit of 60 days for complaint resolution (barring unusual circumstances);
 - ☐ a chance for the complainant (or a representative) and local and state officials to give information about the complaint;
 - ☐ notification to the relevant DAC and SAC, the complainant and state and local officials of both the decision about the complaint and the right to appeal—within 10 days of the decision. The notification must include an explanation of why the complaint was resolved as it was and of the federal complaint procedure.

Federal administration

The new amendments expand OE's authority for enforcement and administration by requiring OE to:

- ☐ adopt procedures to assure the timely and appropriate resolution of audit findings;
- ☐ prepare and disseminate to SEAs, LEAs, PACs and others a Title I policy manual;
- ☐ put in writing specific findings relating to the approval of state applications;
- ☐ report to Congress, in conjunction with the mandated biennial evaluation report, on enforcement of Title I.

In addition to continuing OE's authority to withhold funds, the new law permits OE, alternatively, to enter into compliance agreements with SEAs that are out of compliance with Title I, provided that parents and interested parties do not object.

Researched and written by Marlene Provizer, Human Resources staff coordinator, LWVEF.

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HOW WILL WE PAY FOR OUR SCHOOLS? FINANCING PUBLIC EDUCATION IN MINNESOTA (K-12)

Summer school programs cut

Associated Press

Fewer than 300 Minnesota public school districts

Halstad's language program is the first of its kind in the state. The district is small.

For many summer programs, the district is small.

Feda said lawmakers provided three alternatives that are

Concern grows over variance in funds available to schools

School districts managing finances well, reports show

Schools are setting money



League of Women Voters of Minnesota

HOW WILL WE PAY FOR OUR SCHOOLS?
FINANCING PUBLIC EDUCATION
IN MINNESOTA (K-12)

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HOW WILL WE PAY FOR OUR SCHOOLS?

FINANCING PUBLIC EDUCATION

IN MINNESOTA (K-12)

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HOW WILL WE PAY FOR OUR SCHOOLS?
FINANCING PUBLIC EDUCATION
IN MINNESOTA (K-12)

I. CURRENT STATUS OF PUBLIC FINANCING

A. INTRODUCTION

"The stability of a republican form of government depending mainly upon the intelligence of the people, it is the duty of the legislature to establish a general and uniform system of public schools...(and to) make such provisions by taxation or otherwise as...will secure a thorough and efficient system of public schools throughout the state."

Article XIII, Section 1, Minnesota State Constitution

In response to this mandate, the Minnesota Legislature, like lawmaking bodies in most other states, established a statewide network of school districts. By state law, these districts were run by locally-elected school boards which enjoyed considerable autonomy in how they operated their schools. Quite naturally, their diversity led to an extremely wide range of educational opportunities in the state.

REFORM MOVEMENT

Sporadic efforts at reform were made, but it took the reawakened social consciousness of the mid-Twentieth Century, including the civil rights movement and other social change efforts, to generate a movement to redress unequal educational opportunities. Many people recognized that being black or white made a difference in the education an individual could expect; being rich or poor made a difference; being from a community that valued or did not value education made a difference; living in a property-rich or property-poor school district made a difference. Numerous court challenges reflected the general consensus that an overhaul of school funding was due.

Many Minnesotans saw the need for changes which would bring the state's school financing system more into spirit with the constitutional mandate "to establish a general and uniform system" of education. Due to their efforts, school finance laws in Minnesota underwent major reform as part of the 1971 Omnibus Tax Act. Widely known as the "Minnesota Miracle," the law had as its main goals to equalize tax effort of property owners while at the same time promoting greater equalization of school expenditures throughout the state. In order to achieve these ends, the state Legislature and the Governor assumed the dominant role in reforming the system. The Legislature continues to have a large role in the joint state-local effort to finance schools.

AMENDMENTS TO THE 1971 LAW

In the decade since, numerous amendments to the original Act have reflected significant changes in schools and society not anticipated by those who drafted the 1971 law. Inflation, declining enrollment, the increasing needs of special groups, and, most recently, declining state revenues in a recessionary economy have prompted these amendments.

Some believe the amendments have "fine-tuned" the law; others think the changes have turned the Minnesota Miracle into an unwieldy instrument, unresponsive to present needs.

The League of Women Voters of Minnesota (LWMN) was actively involved in efforts to pass the 1971 law, lobbying from its 1969 position on education. That position, derived from member study of equal opportunity in education was: "Support of increased state responsibility in creating equal public educational opportunities for all Minnesota children through measures to correct racial imbalance and insure adequate financing of public schools."

Details of that position have enabled LWV lobbyists to support many of the changes made in the law during the past decade.

Have these "adjustments" caused a loss of many of the law's original features, those designed to distribute funds equitably and reduce reliance on the local property tax? Educators and the concerned public have begun to ask for a reexamination of Minnesota's school financing system. What was appropriate in 1971 may not be what schools need in the 80's. Only by looking closely at the current law, with all of its adjustments, and judging it against current needs can we determine whether a new "miracle" is necessary to provide equal opportunity for Minnesota's school children.

METHOD OF STUDY

In carrying out this study, the LWV MN research committee read widely and interviewed many state leaders in government and education. They also used the results of interviews conducted by local League members with school personnel and concerned citizens in a cross-section of Minnesota school districts (large and small, rich and poor) to provide a sense of the thinking around the state. A summary of the responses to this survey is in the concluding section of this paper.

The researchers believe that this study fairly presents information about Minnesota's school finance system and possible options for change. Informed Minnesotans must decide what method of paying for public schools can best meet the education needs of the state's children.

NOTE ON FORMAT

Footnotes are indicated by numbers in parentheses, since the computer printer does not print superscripts. Notes and sources for each chapter are listed at the end of that chapter.

Resource people who spoke to the study committee or were interviewed by committee members are listed in Appendix A.

ADDITIONAL COPIES

Additional copies of this paper, as well as a less detailed, typeset version ("Facts & Issues"), may be obtained from:

LEAGUE OF WOMEN VOTERS OF MINNESOTA
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B. MINNESOTA LAW AND SOME PROBLEMS WITH IT

The 1971 Omnibus Tax Act was not passed until October, after a lengthy special session during which the Governor and lawmakers went through an arduous process of compromise. The Act serves as the basis for the current school financing law in Minnesota. According to the State Department of Education (SDE) publication Update, "The shift in financing and the change in emphasis were so great that...a federal bipartisan commission hailed the new law as 'The Minnesota Miracle'." (1)

The main impetus for this drastic change was a growing tax revolt among property owners in Minnesota, similar to the Proposition 13 movement which took place in California in the late '70s. Therefore, equalized tax effort, rather than equalized school expenditures, was the principal thrust of the law. This is perhaps its most "miraculous" feature: in solving our pressing problem, tax inequities, it also solved problems for education.

However, what proved to be a solution to the problems of the early '70s has, a decade later in a period of statewide recession, created funding problems at all the state's political levels, including city, county and school district. Because of the tying together of local and state fiscal fortunes, local units of government have all suffered from the state's revenue shortfalls in the early '80s.

But the problems of Minnesota's financing of education are not solely recession-related. An overview of how the current law works should make this clear.

Schools in Minnesota are financed by a combination of state and local monies (with some additional funds, about 6%, which we will not discuss here, from federal sources). The state share of this money is divided among three aid programs, Foundation aids, categorical aids, and tax relief aids.

THE FOUNDATION FORMULA

The Foundation Formula includes Foundation aid from state tax sources and property tax revenues from local levies. The state portion of this formula, Foundation aid, constitutes 70% of the total state aid to school districts. Local districts are unrestricted in their use of this aid and the related property tax revenues to meet their current operating costs.

The local property tax portion of the formula is based on district ability to pay as measured by property valuation in the district. An equalization factor determines what proportion of the funds comes from state aid and what from property tax in each district. The higher the property valuation, the less a district gets from state aid, and vice versa.

Equalization Concept

According to Minnesota Senate research analyst Joyce Krupey, "The underlying equalization concept of the foundation formula has six characteristics:

"1. The state should guarantee some basic dollar amount for each pupil to be educated in the public schools.

"2. The revenue to fund this basic guarantee should come from a combination of state aid and property tax.

"3. The rate of property taxation for this basic guarantee should be equal among districts.

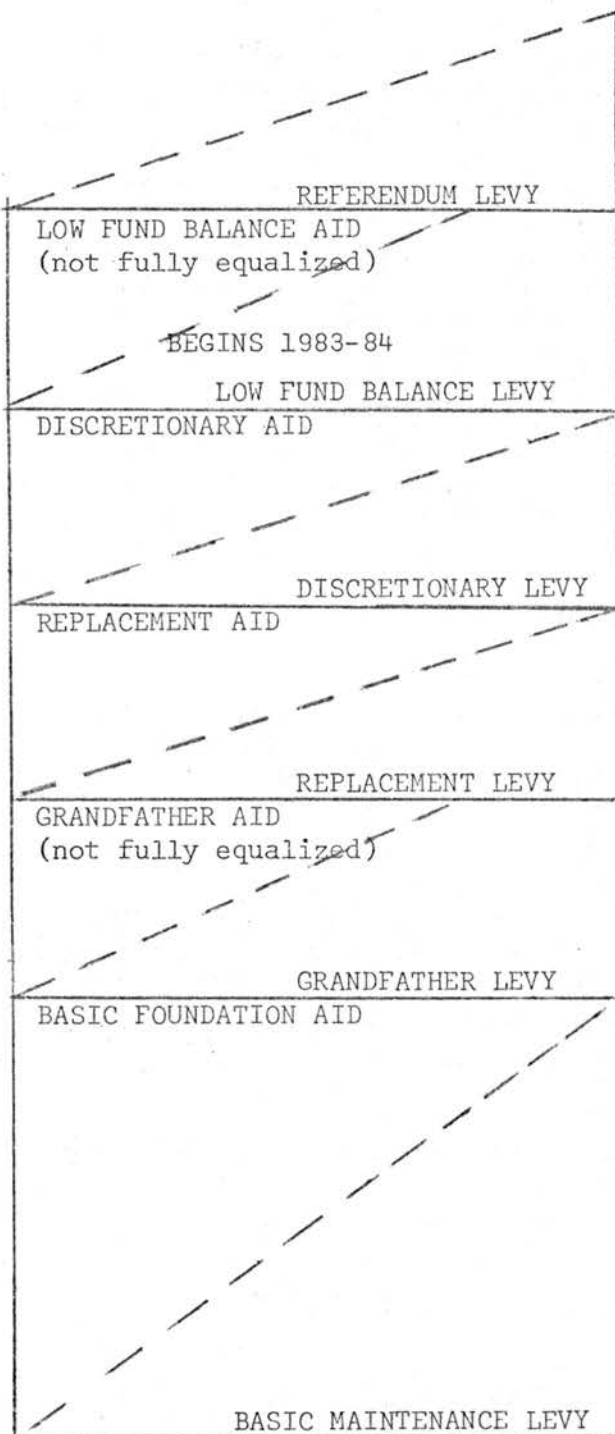
"4. An equal rate of taxation should guarantee equal dollars per pupil unit for at least a portion of the formula.

"5. Property taxes should be based on an equalized property valuation system.

"6. The proportion of state money going toward funding the basic guarantee should depend on the amount raised by a given rate of property tax applied to the equalized valuation.

"Equalization in this context refers to an equal minimum rate of taxation

MINNESOTA'S FOUNDATION FORMULA PROGRAM 1982



Local property tax revenue. Not equalized by the state. No restrictions except what voters want. Set by school board but must be ratified by voters.

Low balance districts qualify for \$60 per pupil unit. The lowest 75% in property values receive proportional state aid. Top 25% raise this component by local levy. Board of eligible district may choose to levy.

Available to any district that wants to levy up to state-set mill rate and dollar yield maximum. Local board may choose to levy; voters have reverse referendum option.

Based on growth, decline and sparsity factors. Local board determines if levied. State shares cost as with basic aid.

Based on high spending in 1971; now frozen at 1980-81 amount. Local board determines if levied. State equalizes for districts with below average property values.

State portion based on equalization factor, so that per pupil unit revenues are equal throughout state. Local contribution based on district's property valuation. Tax rate maximum set by state. Penalty for districts that levy less than maximum.

among school districts which supports a minimum guarantee of equal dollars per pupil unit. Above these minimums both tax rates and dollars per pupil vary greatly among districts depending upon varying student needs, district costs, and district education and tax choices." (2)

Illustration of Formula

There were in 1981-82 five parts to the Foundation Program. All but one could be made up of both state and local monies. Beginning in 1983-84, a sixth part, Low Fund Balance Aid and Levy, will be added. The chart on the next page entitled "Foundation Formula Program," based on one provided by the SDE, illustrates how state aid and tax levies are combined to arrive at the total formula amount for each district.

The illustration is not proportionally accurate. The Basic Foundation Aid and Levy usually represents about 77% of a district's monies. The supplementary components are not equal either. For example, in 1982-83 the local referendum will account for 3.2% of the total Foundation Program statewide, up from under 1% in 1981-82. (That percentage could prove to be even greater in succeeding years.)

The diagonal lines dividing the boxes are not meant to imply that state and local shares of a component are equal. The shares are, of course, different for each district, depending on the district's ability to pay as measured by property valuation. Note that some components are not fully equalized by the state.

Some definitions are necessary for an understanding of the formula and the chart illustrating it:

Levy - money raised from tax on local property.

Aid - state funds from the income and sales taxes added to the local levy so that the total provides equal dollars per pupil unit in all districts (Grandfather and Low Fund Balance components are not fully equalized).

Pupil Units - weighted count of students in a district, taken each year and used as basis for the guaranteed dollar amount of the Foundation Formula. The weighting depends on several factors, including the grade level of the student and whether the student's family receives Aid to Families with Dependent Children. For example, a kindergarten child is considered .5 pupil unit, while a secondary school student is counted as 1.4 pupil units. The weighting is an attempt to take into account the differing costs of educating different children.

Legislature sets allowance and tax rate

The amount of the Basic Foundation Formula is determined by the state Legislature. Increases have been made through the decade, partially in response to inflation, but considerably below the inflation rate. The 1971 average pupil unit cost was \$663, and the formula was set at \$600 for 1971-72. The formula for 1981-82 was set at \$1333.

One of the criticisms of the Foundation Program is based on the somewhat arbitrary means used for arriving at the formula allowance. Education committees of both the House and Senate tend to bargain on this point, arriving at an amount that the state budget will bear which has little direct relationship to the real costs of educating students (although they may take costs into account).

The Legislature also sets a required rate of taxation (mill rate) that must be levied locally to provide the district's tax portion of the basic formula. The 1971-72 rate was 30 mills. In 1981-82 the rate was 21 mills, and the rate for 1982-83 was set at 23 mills plus one optional mill. Aids for 1982-83 are computed using 24 mills. (equalized mills)

Added Components

Because it is recognized that there are cost differences from district to district, adjustments in the total Foundation Program have been made over the last 10 years. Some of the adjustments have made the distribution of funds

more equitable; others have tended to disqualify the distribution. Each of these adjustments has added a component to the basic Foundation Formula.

The first supplement to the basic foundation formula is the Grandfather Aid and Levy. It has become one of the most controversial parts of the law in recent years. In 1971, when the greatest effort was made to equalize spending throughout the state's school districts, those districts that had been spending over the state's average were allowed to continue raising that amount through local property taxes. That additional levy is now equalized with state aid for districts with below average property values. For other eligible districts, the full amount comes from the property tax.

The original intent was to gradually reduce the Grandfather allowance so that high-spending districts would be brought down to the state's average within 40 years. In fact, that reduction never occurred, and districts that were high spenders in 1971 still have the option to maintain a higher spending level today. The disqualifying effect is obvious. In 1981, 177 districts of the state's 432 received a Grandfather allowance of between \$1.00 and \$475.00 per pupil unit. The other districts had no Grandfather allowance.

During the brief 1982 legislative session an attempt was made to combine the state contributions for Replacement aid and Grandfather aid and divide the money equitably among all the school districts. That attempt failed (but the Legislature did adopt the Low Fund Balance allowance in partial response to the problem).

The second supplement to the basic foundation formula is the Replacement Aid and Levy, which is a system of shared state and local funding for the costs associated with sparsity and enrollment change. Prior to 1980-81 aids for these two were computed separately. Declining or growing districts got "phantom pupil units" to average out costs associated with enrollment change over a period of time, while isolated and small districts got special sparsity aid. These aids were fully paid by the state prior to 1980-81, when they became a shared state-local responsibility. The amount comes from aid and levy in the same proportion as the basic foundation formula. This revenue was received by 424 of the 432 school districts in 1981-82. The highest per pupil amount from Replacement revenue was \$284.

Declining enrollment has been one of the major problems to hit the state schools in the last decade. No provisions were made to address costs due to enrollment change in the 1971 Omnibus Tax Act. However, revisions have recognized the funding problems that accompany rapid increases or decreases in enrollment.

Recently many districts have learned that, of the two, decline may be the more difficult to deal with financially. A district may lose a substantial amount of money as its pupil units decline, yet incur no reduction in costs. For example, a district with a K-12 enrollment of 500 students might lose 50 and, therefore, realize a 10% loss in aids. Yet, if those students were lost at the rate of four per class, it is possible that there would be no reduction in staff, no cost savings in equipment and utilities, and little savings in supplies.

When reduction in staff does take place, by Minnesota law the teacher with least seniority (who is, typically, the lowest salaried teacher) is the one to leave. The savings are less than if a teacher getting an average or high salary is lost. The large number of school closings throughout the state in the last few years demonstrates how widespread a problem enrollment decline has become.

The third added component, dating from 1979, is the Discretionary Aid and Levy. Bowing to those who call for more local control, this component is optional, permitting school boards to supplement the basic aid and levy with this additional revenue. High staff costs or expanded program offerings might be reasons why a district would opt for this aid and levy.

The Discretionary component raises per pupil unit per mill the same amount

that would be raised under the basic formula per pupil unit per mill of tax levy, subject to a legislative limit on the number of mills a district may levy. In 1981, 314 of the state's 432 districts used this option. The maximum allowance set by the Legislature for 1982-83 is 2.25 mills guaranteed to raise \$138.52 per pupil unit. The law allows for a reverse referendum by voter petition on this levy.

The fourth supplement to the Foundation Formula, added during the 1982 legislative session but not available until 1983-84, is the Low Fund Balance Aid and Levy. Fund balances in many school districts were depleted following the withholding of school aids during the 1981-82 state deficit crisis. This allowance is the Legislature's attempt to make up for some of that loss.

Only districts with balances below \$316 per pupil unit will qualify. The guaranteed amount will be \$60 per pupil unit, with state aid and local levies contributing proportionately for those eligible districts in the lowest 75% of property values. For the 25% of eligible "high value" districts, this component will be 100% local levy.

The final supplement to the Foundation Program is the Referendum Levy, locally generated and unmatched by state aids. The only limit on this is what the local voters will accept. Ballot proposals are expressed in mills and the amount raised by that millage in the first year, for a specific year or years or ongoing. In 1981, 171 of the state's school districts had money raised from local Referendum levies, passed in that year or earlier, which they used to supplement their Foundation funds. The amounts varied from \$21.20 per pupil unit to \$1411.34 per pupil unit. Since 261 districts had no money raised from referendum levies in 1981 and most districts face financial crises, a large number of districts are likely to hold referenda to ask for additional tax money in the near future.

This, then, is the basic format of the Foundation Formula Program. According to the SDE, "The purpose of the Foundation Program is to establish an equitable partnership between the state as a whole and the individual school districts which operate public schools. It assures that all school districts will have an adequate educational program." (3)

There are several questions one might ask. Is the state really funding an "adequate educational program" under the current structure? Is the Foundation Program with all its "adjustments" equalizing or disqualifying education opportunities? Should changes be made?

CATEGORICAL AIDS

Categorical aids are distributed to local districts to support specific categories of programs agreed upon by the Legislature, the SDE and local districts. Some of these are mandated programs, some are optional. They are designed to address certain problems not dealt with under the original 1971 Omnibus Tax Act. Many of them have been supported by the League of Women Voters.

A percentage of the costs, different for each type of aid, is paid by the state. These aids are akin to the idea of Program-Based Funding (see section on that subject), which is espoused by some who are dissatisfied with the Foundation system of funding by pupil unit. They believe pupil unit funding may distort true cost and need factors.

The major categorical aids are Transportation aid, Special Education aid, and Secondary and Post-Secondary Vocational aid. There are over a dozen other miscellaneous categorical aids, for such programs as Gifted and Talented Students, Indian Education, English As a Second Language, and Community Education.

Transportation aid is a large and growing portion of state aids to local districts. Even though enrollments in both public and nonpublic schools have declined since 1971, the number of students transported has increased every year. These increases are due to desegregation efforts in the three major urban districts, pairing or consolidation between districts, increases in programs for handicapped pupils, increases in shared time between public and nonpublic schools, and high energy costs. Transportation costs for extracurricular activities or field trips are borne solely by the local districts out of their general funds (Foundation monies). The proportion of transportation costs covered by the state was decreased in 1981-82 as part of the legislative response to increasing costs of transportation and decreased state revenues.

Special Education aids go to school districts based on their costs of instruction and supplies (one of the few current programs for which funds are tied to real costs, although the state's percentage contribution was recently decreased). These are mandated programs and they are costly. Districts must provide educational services for the speech impaired, mentally retarded, physically handicapped, hearing and vision impaired, learning disabled, emotionally disturbed, and pupils with special behavioral problems.

Vocational Education aids, both secondary and post-secondary, are also appropriated to districts according to the costs of instruction and equipment. Some of the costs of post-secondary vocational education are met by tuition.

There have been suggestions that the separate Secondary Vocational Education and Industrial Arts programs provide unnecessary and costly duplication of services. Those who support continued separation of the programs argue that one is specifically career-oriented while the other is concerned with more generally applied life skills. There have also been suggestions that post-secondary vocational schools, the Area Vocational-Technical Institutes, ought not be grouped with the K-12 responsibilities of the local school districts but rather should be administered by the other post-secondary educational institutions, i.e. community colleges or the state college or university system.

Although the other categorical aid programs have a minimal impact on total state financing, they address some problems specifically that might otherwise be ignored. Total monies spent on Gifted and Talented Student programs have not been great, but the LWV has been a long-standing proponent of this kind of state aid. Similarly, the special needs of the recent immigrant population in Minnesota schools have been addressed by the English As a Second Language and the Bilingual Education programs.

Some legislators argue that categorical aids, the scope of which has been expanding throughout the past decade, violate the spirit of the 1971 Tax Law. They claim that these aids are disequalizing. Some school officials as well as legislators complain that, in some cases, programs are mandated at the state level that local districts may not want to provide or be able to afford.

TAX RELIEF AIDS

Tax relief aids are non-equalized components which constitute about 15% of the state aid distributions to Minnesota school districts. They provide property tax relief to owners of both homestead and agricultural property. School districts also get aid in lieu of taxes for some types of property within their districts which are exempt from local taxation, e.g., Taconite tax revenues and Attached Machinery aid. A state Minimum aid which guarantees at least \$800 per pupil unit from a combination of aids and credits is paid to eligible school districts with agricultural land comprising 60% or more of the assessed valuation of the district. In 1981-82 no district was eligible for

Minimum aid. The state pays tax relief aids to the school districts at the same time that it distributes Foundation aids.

Tax relief aids reduce the levy certified by a school board; thus districts that are "off the formula" in terms of Basic Foundation aid actually get a considerable amount of state aid for tax relief. The effectiveness of these tax relief aids in guaranteeing equitable tax burdens statewide is debated. It is possible that they will be the next components of the financing formula to undergo "adjustments."

IN SUMMARY

Together the components of the Foundation Formula add up to varying amounts of revenue per pupil unit and varying tax rates, all as a result of historical spending levels, funding needs recognized by legislative decisions, and local decisions on tax levies. Total Foundation revenue per pupil unit in 1981-82 ranged from \$1344 to \$2894, due to differing district entitlements in the components that supplement the Basic Foundation Aid and Levy.

We have provided an overview of the current Minnesota school financing law with a few of its problems. People frequently complain about the complexity of the funding system. But if the complexity is necessary to provide equitable funding, it should not be criticized. Is the complexity necessary? Is the funding system providing equal educational opportunity for Minnesota students?

NOTES

1. as quoted in The Minnesota VOTER, St. Paul: League of Women Voters of Minnesota, January-February 1975.
2. Joyce Krupey, The Foundation Formula, draft of unpublished paper, 1-2.
3. The ABC's of Minnesota School Finance, p. 10.

SOURCES

1. "ABC's of Minnesota School Finance, The," SDE Special Report, 13:4, June 1979, St. Paul: Minnesota State Department of Education.
2. Financing Education--Minnesota 1982-83. St. Paul: Minnesota House of Representatives Education Committee, May 1982.
3. Krupey, Joyce. The Foundation Formula, draft of unpublished paper. St. Paul: Office of Senate Research, June 1982.
4. Minnesota VOTER, The. St. Paul: League of Women Voters of Minnesota, January-February 1975.

C. RECENT DEMOGRAPHIC AND ECONOMIC DEVELOPMENTS

What has happened in our country and state during the last decade that has created problems in school finance? We examine below some significant trends in demographics and economics and their effects on spending for education.

POPULATION CHANGES

School children are becoming a decreasing proportion of the nation's population. During the '70s the percentage of respondents to the Gallup Poll of Public Attitudes toward Public Schools who had children in school dropped from 50% to 32%. Public school enrollments were increasing in Minnesota through the 1971-72 school year, when our current financing law was passed, and have decreased steadily since.

MINNESOTA ENROLLMENT IN PUBLIC SCHOOLS (K-12)		
<u>Year</u>	Number of Students	% Peak Yr.
1971-72 (peak)	916,355	100%
1981-82	736,000	80%
1984-85 (projected)	708,649	77%
1990-91 (projected)	738,757	81%
Source: Minnesota State Department of Education		

The 1980 census shows that "the number of Minnesotans over 65 has increased by 17%, and the state's school-aged population--children 5 to 17--has decreased by 17%." (1) Only the 11 fastest growing counties in the state had increases in school age population between 1970-1980. It is not surprising that the law has not been able to adequately deal with the problems of enrollment decline, which were not foreseen in 1971.

ECONOMIC CHANGES

Political and economic forces affecting the state, both internal and external, have had a generally negative impact. Minnesota was one of nine states to index personal income taxes between 1978 and 1980. Six of these, including Minnesota, experienced a loss in state revenues by the end of 1981. Some critics argue that Minnesota over-indexed, but the most likely cause for this decline in revenues is the severe national recession which began in 1981.

Although Minnesota has traditionally enjoyed some immunity to sharp fluctuations in income levels, as reflected in national average statistics, in 1981 this was not true. The greatest losses in individual personal income in Minnesota occurred in mining and construction, with a 6.2% overall decline, while national income grew 8.3% in this category (largely due to development in the sunbelt).

In all areas of employment, Minnesota personal income grew at a rate that did not keep pace with inflation. Minnesota personal income rose 10.3% in 1980-81, while the national average income rose 11.6%. According to the Consumer Price Index, the most commonly used guide to the inflation rate, there was in 1979-80 a 13.6% and in 1980-81 a 10.4% inflation rate.

At the same time that Minnesotans are experiencing both a reduced personal income and reduced state tax revenues, the New Federalism of the current national administration is creating major cutbacks in federal aid to states and localities. In funding for elementary and secondary education, the federal share of Minnesota's education dollar has generally been around 6%. In 1981-82

the percentage dropped to 5.2 (while the national average was 8.1%). School programs that were federally funded must either be eliminated or their costs must be picked up at the district level, where competition for dollars is growing.

Federal cutbacks in all areas of local and state services have, in 1982, been about 4%. In the previous two years, federal aid to Minnesota had grown 12.2% and 10%, respectively, making the 4% reduction seem even greater in comparison. Indications are that the reduction in federal dollars will continue.

In times of change, state governments find themselves in a critical position between federal and local levels of government. When cutbacks at the federal level occur more rapidly than they can be absorbed at the local level (or when local expenditures increase), the state is in the middle, suffering the major shock. Since states are constitutionally required to maintain balanced budgets, this squeeze may demand some fancy footwork.

School aids represent such a major percentage of the overall state budget that it is no wonder that periods of fiscal crisis for the state impact heavily on school financing. As one school board lobbyist put it, referring to the combined effects of the changes in population and the drop in state revenues, "I can see us being put in the position of fighting for tax dollars with the elderly and the handicapped...Not a pretty picture."

NOTES

1. "Census figures give us picture of ourselves," Minneapolis Tribune, April 18, 1982, pp. 1A and 8A.

SOURCES

1. Adams, Kathleen. "A Changing Federalism: The Condition of the States," Report No. F82-1, Denver: Education Commission of the States, April 1982.
2. "Census figures give us picture of ourselves," Minneapolis Tribune, April 18, 1982, pp. 1A and 8A.
3. Government Finances in 1979, U.S. Department of Commerce, Bureau of the Census; Tax Foundation, Inc.; and Bureau of Economic Analysis, U.S. Department of Commerce. All three quoted in Minnesota State Department of Education Educational Statistics.
4. Interview with Glen Nelson, Dept. of Agricultural and Applied Economic, U of MN, July 1982.
5. Nelson, Glen. Minnesota and the United States: A Brief Comparison of Their Economies. St. Paul: Dept. of Agricultural and Applied Economics, U of MN, October 1981.

D. THE COURTS AND SCHOOL FINANCE REFORM:
LEGAL OPINIONS OF THE LAST DECADE

The 10th Amendment to the U.S. Constitution states that powers "not delegated to the United States...nor prohibited...to the States," including presumably powers to provide for public education, are "reserved to the States...or to the people." Thus, legal responsibility for education rests with the states, specifically with the state legislatures. Generally a state constitution requires the legislature to establish and maintain a thorough and uniform system of free public schools throughout the state.

Local school boards act as agents of the state legislature, wielding only those powers delegated to them. That may come as a surprise to many of us, since local control has become such a significant issue.

Individual states have attempted to meet their obligations for equalization of educational opportunities through the development of some sort of state financial aid plan. More than half of the states have passed school finance reform laws since 1960. Court cases are pending in several others. Pressure from the courts was and is a factor influencing legislators to take action to improve equality of access to good public education in the United States.

The U.S. Constitution, in what is known as the equal protection clause of the Fourteenth Amendment, states that no state shall "deny to any person within its jurisdiction the equal protection of the laws." Thus the protections of the Constitution were made applicable to citizens within the states, superseding state laws. Equal protection to all classes of persons can, in theory, be applied to state education laws, including those which pertain to the financing of public schools.

While it may not be what our nation's founders expected, free education for all has become a foremost article of American democracy, expressed in an official way in court opinions--both majority and dissenting--on cases affecting public school finance.

SERRANO V. PRIEST

"...in a democratic society free public schools shall make available to all children equally the abundant gifts of learning."

Serrano v.

Priest, California, 1971 (487 P.2d1241) (1)

Landmark school finance reform cases were Serrano v. Priest I and II (487 P.2d1241-1971 and 557 P.2d929-1976). The first case invalidated the California system of school finance on constitutional grounds. Relying predominantly on the local property tax, the financing system discriminated against the poor, making the quality of a child's education dependent on the wealth of his or her parents and neighbors. The California Supreme Court called for fiscal neutrality: an equal tax levy must mean equal amounts of money to spend on each pupil in every district.

In Serrano v. Priest II, the California Supreme Court accepted the proposition that a positive correlation exists between expenditures per pupil and the quality and extent of availability of educational opportunities. While some difference in spending levels is necessary because of differing educational needs, the court ruled that the disparity existing then in California violated the state constitution's equal protection clause. The doctrines of fiscal neutrality and equal expenditures to provide equal opportunity were accepted as guides for the reform of school financing systems in several other states.

Minnesota had its own "Serrano v. Priest" case in 1971. In Van Dusart v. Hatfield, U. S. District Court Judge Miles Lord held that the then current Minnesota system of public school financing violated the equal protection guarantee of the 14th Amendment. By financing more than half of school costs from local property taxes, Minnesota made spending per pupil a function of

local wealth rather than the wealth of the state as a whole. The judge ruled that public school education is a "fundamental interest" and thus within the protection of the 14th Amendment equal protection clause. Classification of districts by wealth does not serve a compelling interest of the state, nor is emphasis on local control denied by denying this classification. However, absolute equality of school expenditures is not required, the judge ruled.

John E. Coons was counsel to the plaintiffs in Van Dusart v. Hatfield, and the decision generally parallels Coon's analysis in Private Wealth and Public Education (see section on District Power Equalization) and the California Serrano cases, in which Coons participated.

DECISION OVERRULED?

However, the U.S. Supreme Court decision in San Antonio v. Rodriguez, (411 U.S.1 1973) seems to overrule Judge Lord's decision. Justice Powell held for the majority that, while it is one of the most important services performed by the state, education is not a fundamental right afforded explicit or implicit protection under the U.S. Constitution. If education was a constitutional right, it would be a basic or minimum education, not an equal one. The court held that state laws do not have to choose the most reasonable method for protecting local control of public schools; they need only show that the "challenged state action rationally furthers a legitimate state purpose or interest."

This decision overturned a U.S. District Court ruling that the Texas school finance system, under which 50% of school financing came from state aid, was unconstitutional under the Fourteenth Amendment.

In his dissenting opinion, Justice Thurgood Marshall objected to the majority position as written by Justice Powell, saying, "The majority decision represents an abrupt departure from the mainstream of recent state and federal court decisions." He added, "In my judgment, the right of every American to an equal start in life, so far as the provision of a state service as important as education is concerned, is far too vital to permit state discrimination on grounds as tenuous as those presented by this record."

OTHER COURT DECISIONS

Other decisions have followed, based on wording in each state's constitution or interpretations of the Fourteenth Amendment, with somewhat contradictory assertions of the level of equal opportunity that must be achieved by a state's school finance laws.

In Wisconsin, 1976: since education is a local, not a state nor national matter, local property taxes can be used to finance education only in the district where they have been raised.

In Virginia, 1978: neither education, nor participation in intermural sports, is a fundamental right.

In Colorado, 1979: the objective of public education is to enable persons to achieve the ability to function as contributing citizens in a pluralistic society of ordered liberty.

In Florida, 1979: there is no fundamental U.S. Constitutional right to education, but Florida law requires the education of students.

In No. Car., 1979: children have a property interest in public education.

In Ohio, 1979: the freedom of the community to devote more dollars to educating its children if it wants to and for it to participate in decisions about how those local tax dollars will be spent are reasonable "local control" goals for a state law to protect.

In New York, 1980: once a state chooses to provide public education, the right must be available to all on equal terms.

In Virginia, 1981: the cost to a district for the education of one handicapped child must be reasonably balanced against all the educational needs of the district.

In the most recent ruling, the U.S. Supreme Court held that illegal alien children have a constitutional right to a free public education. The court

announced in June 1982 that a 5-4 majority had upheld two lower federal court decisions which declared unconstitutional a Texas law refusing state funds for the education of the children of illegal aliens.

Associate Justice William Brennan stated for the majority that education is not a right under the U.S. Constitution, but that once a state provides it for some children, it must make education available for all children. Education plays a fundamental role "in maintaining the fabric of our society" and must be given special protection.

In an unusually clear example of the sharp difference of opinion within the court (and among other students of the issue), Chief Justice Warren Burger wrote for the minority, "the Constitution does not provide a cure for every social ill, nor does it vest judges with a mandate to try to remedy every social problem." (1)

Is either wealth or geography permissible base for classifying children for the purpose of determining how much is to be spent on their education? Is wealth or geography so related to maintaining local control over the schools as to be considered "reasonable"?

Conflicts over school finance methods pit beliefs in a democratic society's need for equal opportunity for all of its children to receive the full benefits of education against beliefs in individual freedom and local control of schools. This conflict in values is discussed further in following sections.

NOTES

1. References to court decisions list volume number, court reporter series title, and page for beginning of case. In series title, U.S. stands for the U.S. Supreme Court; P.2d is Pacific Reporter, second series; and F.Supp is Federal Supplement.
2. "Illegal aliens win right to schooling," Minneapolis Star and Tribune, June 16, 1982, p. 1.

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2. Davidek, Robert J. "The School Funding Challenge in Ohio: Board of Education v. Walter," University of Toledo Law Review, Vol. 11, Summer 1980, 1019-1044.
3. Gitlin, Bruce. "The Constitutionality of Public School Financing Laws: Judicial and Legislative Interaction," Fordham Urban Law Journal, Vol. 8, 1979-80, 673-693.
4. "Illegal Aliens Win Right to Schooling," Minneapolis Star and Tribune, June 16, 1982, p. 1; and information on the decision heard on National Public Radio's Morning Edition, June 16, 1982.
5. Johnson, A.B. "State Court Intervention in School Finance Reform," Cleveland State Law Review, Vol. 28, 1979, 325-372.
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8. Wise, Arthur E. "Inequalities of the Benefits and Burdens of Public Education," Financing Public Schools. Boston: Federal Reserve Bank of Boston Conference Series No. 7, 1972, 44-59.
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II. CONFLICTING GOALS: THE LEGAL, LEGISLATIVE AND SOCIAL CONTEXT

A. SCHOOL RESPONSIBILITY FOR SOCIAL CONCERNS

What is the school's responsibility for social concerns, that is, nonacademic programs or services or targeted academic programs which benefit society as well as individuals (examples are drug abuse programs and hot breakfasts)? If there is a limited number of dollars, what is most important for schools to do? Are schools the best place to reach the most children and targeted adults with social service programs? If they are, should basic education funding be separated from the funding for these programs? If so, how?

SHIFTING EMPHASES

During the last 30 or so years, as public concern shifted from technological to social to economic issues in the United States, U.S. education systems responded by changing emphasis. The society of the late 1940s and '50s, caught up in the tensions of the Cold War and the launching of the Russian Sputnik, demanded technological superiority. Thus, Congress in 1958 created the National Defense Education Act. This legislation provided for the training of teachers and the academically elite, especially those in science, math and foreign languages.

By the mid-Sixties, the mood had changed. This time society demanded equal educational opportunities for all. The Congress, in 1965, passed the Elementary and Secondary Education Act (ESEA), which provided a wide range of educational services intended to increase the quantity and quality of education in the United States. It especially reached out to the poor, disadvantaged, and handicapped. This Act, and further legislation given impetus by it, expanded and extended the role of the schools.

Both acts of Congress poured billions of dollars into education. Both made positive strides before the next major shift. In the first instance, students' Scholastic Aptitude Test scores peaked by 1963. In the second instance, 87% of the teenage population in the country is now considered functionally literate. (1)

By the mid-Seventies, the emphasis in education had shifted again. This time the key force was, and still is, economic. Because of inflation and the sagging U.S. economy, people bearing the financial burdens are, in turn, exerting pressures on every level of government and on institutions such as the school system. As Robert S. Zais, Kent State University associate professor of curriculum and instruction, has stated, "personal financial distress is a most effective cure for an acute case of social consciousness." (2)

SOCIAL PROGRAMS IN THE SCHOOLS

The dilemma of education is that the schools have been delegated multiple responsibilities, often without adequate means to carry them out. Schools have been given these tasks because a) the students are a captive audience, hence easy to identify and reach out to; b) the thinking has been to identify and meet the needs of the poor, disadvantaged and/or handicapped early in life, so that they may develop their potential as individuals and fully functioning members of society; and c) they are well known, accessible places in almost every community. And, while there are constituent pressures for the schools to maintain their social programs, there are also pressures to "return to the basics"--reading, writing, arithmetic--and abandon other roles.

Examine the programs and services that many of the schools in Minnesota offer. Some are federal- or state-mandated. Others have been initiated at the local level. They are funded by federal, state, and/or local money. Complex problems of overlap can result, which sometimes lead to objections at the local level about the burdens of administering them.

Some of the programs and services offered in Minnesota's public schools (although not all are in all schools) are:

- special education for handicapped, mandated by federal and state legislation;
- vocational education for students and adults;
- cocurricular and extracurricular activities, including sports, music groups, and many others;
- community education, including classes for adults, summer school, recreation programs, and day care;
- child nutrition, including lunch, breakfast, and milk programs;
- ESEA Title I, the federal program for improvement in basic skills;
- migrant education;
- Indian education;
- pupil personnel services, including counseling, health, and career planning;
- preschool screening for health and developmental problems;
- early childhood and family education programs;
- bilingual education and English as a second language;
- chemical dependency education;
- driver education;
- family life, including sex education.

Title IX is a mandated but not funded federal program to regulate educational equality between the sexes in schools. It requires certain administrative procedures which do represent a cost to a district. For example, at a time when budget cuts in activities are occurring, if a district wants to eliminate a sport where enrollment is largely girls, it has to eliminate a boys' sport in which a comparable number of students is enrolled to maintain equity. If this is not possible, the district may not be able to eliminate either activity.

While not a program in the schools, desegregation as one method to help provide equal educational opportunity has been a social concern of the state. In 1973, the State Board of Education adopted regulations to guide desegregation in Minnesota public schools. A portion of the preamble to the regulations states "... (T)he evidence, taken as a whole, strongly supports the value of integrated education, sensitively conducted, in improving academic achievement of disadvantaged children, and in increasing mutual understanding among students from all backgrounds. The State Board recognizes its duty to aid in the elimination of racial segregation in Minnesota public schools and therefore adopts these regulations..." (3)

To comply with the regulations, Minneapolis and St. Paul school districts instituted measures, including busing, to achieve numerical desegregation (under 50% minority enrollment in any one school). The U.S. District Court modified its desegregation requirements in 1980, and the State Board followed with modified regulations. (4) Three elementary schools in Duluth were out of compliance with the modified rules, and the Duluth school district has adopted measures to address the problem.

While there is no evidence to suggest any return to pre-1974 segregation, some people are concerned about equal educational opportunities as districts face budget constraints. At the present time, schools are being closed and children redistributed within districts. Also, transportation of children has been costly for local districts and the state. In response, the state is now allowing local districts to extend their busing limits or to levy additional mills to maintain the present one-mile limits.

NEW RESTRICTIONS

Some districts also provide educational services for pregnant students. At one time, pregnant teens were considered "temporarily disabled" under Minnesota's definition of the handicapped; thus the young women received an Individual Education Plan. This definition was changed in State Board of Education regulations issued in 1981; and now funding by the state is according to homebound regulations, or only one hour per day. Any additional programming

must be paid for by the district which elects to offer it. (5)

New restrictive regulations (1981) also apply to state-funded special programs for delinquents (those incarcerated) and the chemically dependent. The statute reads, "A student considered as chemically dependent or delinquent cannot be considered to be handicapped for educational purposes solely because the pupil uses chemicals or is considered delinquent." (6)

The above are two illustrations of the reductions being made by the Legislature in aids for special education, through more restrictive definitions of those who qualify. Restrictive definitions on services for the handicapped are being applied on a federal level as well. On June 28, 1982, the U.S. Supreme Court ruled that federal law entitles handicapped children to a public education from which they can derive "some educational benefit." But the court, in a 6-3 decision, added that local districts are not obligated to provide such services as handicapped children may need to reach their full academic potential. The case involved a Westchester County, New York school district asked to provide a sign language interpreter for a deaf fourth grader. The decision may potentially affect four million handicapped children receiving education and special services in the public schools. (7)

GOVERNOR'S TASK FORCE CONCLUSIONS

The main question for the public to deal with at this time is: If there are limited dollars for the public schools, what is most important for them to do? The following are some of the conclusions and recommendations of the Governor's Task Force on Educational Policy (1981) to the Legislature: (8)

The primary purpose of schools is instruction. Therefore a clear distinction must be made between the primary areas of learning for which schools are responsible and the supporting services which public policy determines that schools should also provide.

Any new charge to public schools should be preceded by an impact statement which expresses its effect on the time, staff, and dollars available for instruction.

Schools are asked to fulfill multiple goals as defined by a wide variety of constituent groups. It is likely that the number of required missions will increase. These expanded functions may erode resources available for instruction.

The public school is increasingly being used as a vehicle to deliver social service programs. These programs need to be identified and the most appropriate agencies for their implementation and funding defined.

It is imperative that the instructional role of schools remain primary. A precise definition of the role and purpose of schools involves areas which are beyond the purview of the Governor's Task Force on Educational Policy (e.g. interagency relationships in the provision of support services). The Task Force believes, therefore, that a blue ribbon legislative commission with specifically-designated staff support is the most effective vehicle to develop recommendations to the Legislature.

Can "other agencies" be asked to take over many of the social programs delegated to the schools? Would equal educational opportunity be assured or would the objective be relaxed? Would every child of school age be reached by other agencies? Could social service funds, not education money, be used if these programs are left to the schools to provide? The above recommendations, formulated by a representative body of Minnesota citizens, suggest the trend, in hard times, toward a clearer definition of what we want from our schools and what we can afford.

NOTES

1. A CBS Reports program "Is Anyone Out There Learning?" was critical of the schools, maintaining that 13% of America's teenagers are functionally illiterate. This statistic looks at the positive side of the issue. From Robert S. Zais, "In One Era and Out Another: Anti-School Phillipics and the Sociology of Curriculum Change," NASSP Bulletin, 17.
2. Zais, op. cit., p. 14.
3. Focus on Learning: Volume II: Findings, 124-125.
4. Ibid.
5. Memo from Commissioner of Education to School Superintendents, September 1981.
6. Ibid.
7. Article in Minneapolis Star and Tribune, June 29, 1982, 1 and 4.
8. Focus on Learning: Volume I: Conclusions and Recommendations, 5-11.

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3. Focus on Learning: Volume I: Conclusions and Recommendations. St. Paul: Governor's Task Force on Educational Policy, February 1981, 5-11.
4. Focus on Learning: Volume II: Findings on Educational Services and Programs/Services and School District Organization: I; IIC, D, N, O; IIIA, B, C, D, E, G, H.
5. Interview with Dr. Richard Burkhardt, Director, Hiawatha Valley Special Education Cooperative.
6. Interview with Burnell Manley, Director, Chemical Abuse Program, School District 861.
7. Interview with Donna Rekstad, Director, TAPs Program, School District 861.
8. Legislative Changes: Homebound Educational Services. Memorandum to School District Superintendents from John Feda, Commissioner of Education, September 29, 1981.
9. Zais, Robert S. "In One Era and Out Another: Anti-School Phillipics and the Sociology of Curriculum Change," National Association of Secondary School Principals Bulletin, Vol. 64, April 1980, 9-20.

B. PUBLIC FUNDING OF NONPUBLIC SCHOOLS

Nonpublic schools: How, and how much, do the state and nation finance them? Is this appropriate?

During the 1979-80 school year, 10% of the school-age population in Minnesota attended the nonpublic schools, as compared to 10.9% for the United States as a whole. This is down from a high of 17.8% of total Minnesota school population in 1964-65, but up slightly from the 1974-76 lows of 8.9%. (1)

During the past decade the number of nonpublic schools has increased from 487 to 544, but their average size has declined. Total nonpublic school enrollments in Minnesota fell 48% in a steady decline from a high in 1964-65, through 1978-79. In 1979-80 there was a very slight increase. Since 1974-75, the rate of decline in nonpublic school enrollment has been less than that in public school enrollment. About 91,000 Minnesota students attended nonpublic elementary and secondary schools in 1981.

Proponents of public aid for nonpublic schools claimed in the late '60s that parochial schools in the nation were under financial strain and faced huge tuition increases, which would drive away pupils. Between 1968 and 1973 these schools lost a quarter of their students. Since then nonpublic school enrollments have remained fairly stable nationally as public school enrollments have declined.

FEDERAL LEGISLATION PROVIDES SUPPORT

Since the passage of the Elementary and Secondary Education Act (ESEA) of 1965, public financial support for programs, projects, instruction, services and textbooks in nonpublic schools has increased at both federal and state levels.

ESEA and the other federal legislation that followed aimed to meet the increasingly diverse needs of this country's educational system, yet stay within constitutional limits. These federal programs to increase equal opportunity for children and provide choices for parents could not help but increase public support for the nonpublic school student, because materials and services were to be offered to students of both public and nonpublic institutions. The Courts have upheld the constitutionality of this legislation when it has met the judicial criteria: the materials and services were secular and benefitted the child, not the institution; and the programs did not entangle government with religion.

Examples of federal legislation that broadened government support for education of nonpublic school children are:

1. ESEA, that provided for:
 - a) school library materials, textbooks, and math and reading aid for educationally-deprived children, through several entitlements;
 - b) secular, neutral, and non-ideological services, material and equipment (including remodeling, repair, or construction of public facilities to offer such services, material and equipment) for the nonpublic school student, through Title IV;
 - c) education of the handicapped, through Title VI (Part B)
 - d) improved educational opportunities for children of limited English-speaking ability, through Title VII (Bilingual Education Act)
 - e) services in school nutrition, health, and dropout prevention, through Title VIII
2. National School Lunch Act and Child Nutrition Act of 1966.
3. Special Milk and School Breakfast programs.
4. Environmental Education Act of 1970.
5. Drug Abuse Education Act of 1970.
6. Emergency School Aid Act of 1972.

In concept, expenditures for programs benefitting nonpublic school children are equal to those for the same programs for public school children. The

administration, benefits and services are generally provided through and under the supervision of the State Department of Education (SDE) and the local public school. This supervision is required in order to keep the public funds separate from the sectarian institution.

Not all nonpublic school administrators choose to use every program from which their students could benefit. If it does adopt a program, the nonpublic school is subject to regulations and accountability measures similar to those required in the use of public funds by public schools.

Some of the federal legislation of the 1960s and 1970s has been changed or phased out. The momentum of the 1980s swings toward tuition tax credits, tax vouchers, consolidation of federal and categorical grants, or even the elimination of the federal role in elementary and secondary education. Tuition tax credits are discussed below. (See section on tax vouchers for more information about this option.)

STATE FUNDING

At the time of the federal legislation cited above, similar laws were being passed by the Minnesota Legislature. In 1969, with the passage of grants for transportation and shared time, the Minnesota Legislature laid the foundation for other direct financial aids to nonpublic schools. Each of these statutes was, and is, "provided in order to promote equal educational opportunity for every school child in Minnesota and to assure all Minnesota pupils and their parents freedom of choice." (2)

The first 1969 statute specified that if a district received any transportation aid, it must also bus nonpublic school students to the school of their choice within the district. The scheduling, manner and method of transportation, control, and discipline are under the management of the local public school board. In most areas of the state, the local school board policy is to bus public school children to the nearest school of attendance. However the nonpublic students, according to state statute, must be bused to the school of their choice. In 1979-80, the state reported nonpublic school transportation aids totaling \$9.8 million; the total cost of transportation aids for all students was \$114.2 million.

The second of the 1969 grants to Minnesota's nonpublic schools was for shared time. Under this law, pupils from the nonpublic schools may spend part of the day at the public schools taking such courses as science, mathematics, home economics, or industrial arts. Not all nonpublic schools elect to participate in the shared time offering.

For shared time, the local public school district receives from the state a percentage of the Foundation Aids, computed according to the total minutes for which the nonpublic school pupil is enrolled. For those minutes, the student is considered a part of the public school enrollment. Transportation is provided by the local school district at the discretion of the school board.

The shared time count does add bodies, therefore Foundation Aid, to the public school in this time of declining enrollment. However, the Minnesota Education Association (MEA) contends (3) that these shared time offerings are the more expensive courses to teach and are not reimbursed for fully by the increased Foundation Aid.

In 1975, the state began funding for textbooks, individualized instructional materials and standardized tests for pupils in nonpublic schools. The SDE administers the funds allocated for the purchase of eligible materials, those which are judged to be "secular, neutral, and non-ideological." (4) In addition, the local public school district is given 5% of that amount for administrative costs; and the district then must take applications, make the purchases, and process all of the ordered eligible "loaned" materials for the students in the nonpublic schools.

The books ordered for the nonpublic school students are considered "loaned...for the material's useful life." (5) Hence, the materials are public

school property never used in the public institution. The intent is to free the nonpublic school from government entanglement and also to preserve the separation of public funds from the sectarian institution.

In 1979, health services were made available to pupils in nonpublic schools at a "neutral site," although diagnostic services may be performed at the nonpublic school. An additional chemical health appropriation of \$1.00 per pupil is available if the nonpublic school requests it.

As a result of legislation in 1980, guidance and counseling services are also made available to the students in nonpublic secondary schools. Public school personnel provide the services at a neutral site, and transportation is provided if necessary.

Special education is mandated for all pupils who need it by federal and state statutes. The public schools must provide this service if it is not available at the nonpublic schools.

Like the public schools, nonpublic schools had their appropriations cut back during the special legislative session of January 1982. The allocation per pupil for textbooks was cut from \$36.36 to \$29.15. Health was cut from \$14.08 per pupil to \$11.31; and guidance, from \$59.93 per pupil to \$48.42.

INCOME TAX DEDUCTION

Minnesota is the only state in the nation where parents of nonpublic school children receive a standard deduction on their state income taxes for costs of nonpublic education. Those with children who attend Minnesota, North Dakota, South Dakota, Wisconsin or Iowa elementary or secondary nonpublic schools may deduct up to \$500 for each child in grades K-6 and up to \$700 for each child in grades 7-12, if those amounts are spent for tuition, nonreligious books, or transportation.

This legislation has been upheld as constitutional by the Minnesota Supreme Court, while similar legislation has been declared unconstitutional in other states. The case is being appealed to the U.S. Supreme Court by the Minnesota Civil Liberties Union.

In a 1981 speech (6), Van D. Mueller, past president of the Minnesota Parent-Teacher-Student Association stated that the "expenditure of public funds amounts to an average of \$180 for each of the 90,954 students in the nonpublic schools. The use of funds for the support of nonpublic schools amounts to a little over 1 percent of annual appropriations for elementary and secondary education." He added that during 1979-80, Minnesota spent \$16.4 million in nonpublic school aid, including the \$2.2 million for the tax deduction available to parents whose children attend nonpublic schools.

TUITION TAX CREDITS

Tuition tax credit proposals have been introduced in Congress since the early '50s. Such credits allow eligible taxpayers to subtract from their income tax bills for a given year a designated portion of the tuition they had paid to certain nonpublic schools. Debate on the subject intensified with the 1980 Republican Party platform plank favoring the concept and the Administration's recent proposal.

The President's bill, introduced in Congress in June 1982, would allow parents of private and parochial elementary and secondary students a tax credit equal to 50% of tuition paid, up to a maximum of \$100 per child in 1983, \$300 per child in 1984, and \$500 per child thereafter. Those families with adjusted gross income of up to \$50,000 could claim the full credit; those earning up to \$75,000 would be eligible for part of it. Families with incomes above \$75,000 would not be eligible. The proposal denies credits for schools that practice racial discrimination.

One estimate is that the tax break would cost the Treasury \$100 million in 1983, and the cost would grow to \$1.5 billion in 1987. (7) This would not

appear in the federal budget as an expenditure, since tax credits limit government income.

Credits to special groups have increased over the years, and their cost is considerable. Once in place credits are rarely removed; each has a strong lobby on the lookout for further increases.

The League of Women Voters of the United States has opposed tuition tax credits since 1978 on the grounds that they would thwart equal access to education. The organization is working with other groups in a coalition to defeat the Administration's bill.

QUESTIONS RAISED

The issue of aid to parents of nonpublic school students produces many questions: Who should control education, the family or education professionals? Should taxpayers have to pay more through tuition tax credits to extend the power of choice to families who cannot now afford private education? Is such aid constitutional? Do children rather than religious institutions benefit from these public expenditures?

Private and parochial schools are not bound by federal, state, and local mandates; they control the composition of their student bodies; and they are not officially accountable to the public. Can a public education policy that subsidizes the maintenance of two sets of standards, one for public and one for nonpublic schools, be consistent with democratic principles?

There has been a great deal of litigation over the appropriateness of financial support to those in nonpublic schools. The main argument made by proponents of aid is that parents of nonpublic school students pay for both public and private schooling and should get some relief from this double burden. They also claim that aid promotes competition and quality among all schools by encouraging choice.

The position of the MEA (and other opponents of aid) is that the primary responsibility for public education in Minnesota is granted to the state Legislature by the Minnesota Constitution and that "the only appropriate education expenditure of tax monies is for public education." (8)

The Minnesota Legislature has continued to grant support for nonpublic school students through income tax deductions and categorical aids legislation, a majority believing that the expenditures promote equal educational opportunities. There is a strong lobby for such aid.

Even for some of those who favor state aid to nonpublic schools, unresolved questions remain: What is the best way to administer the loan of equipment to nonpublic schools, a procedure that necessitates state surveillance? Should public school personnel perform their duties on the premises of the nonpublic schools?

As the financial woes of public education increase, so do complaints about the administrative burden on the public schools as they carry out the directives of state and federal laws which provide for the nonpublic school student. According to one administrator, the up-to-5% allowed by state law does not truly cover administrative costs; and a local district's general fund sometimes must cover for a late appropriation (or, as in 1982, a cutback in state allocations). Finally, public school officials find themselves having to pass judgment on what is "secular, neutral, and nonideological."

The challenge of the 1980s is how to maintain equal educational opportunity for all school-age children without incurring religious, political, and administrative entanglements.

NOTES

1. Information on Minnesota's Nonpublic Schools, 1979-80, 1.
2. Minnesota Statutes on Nonpublic School Aids.
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4. Minnesota Code of Agency Regulations: Chapter 41, Definitions, Paragraph

5. Ibid, Inventory Section E.
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7. "Reagan urges tax credits for private schools," Seattle Times, June 24, 1982.
8. Report of MEA Task Force, op. cit, 1.

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4. Interview with Dr. Carroll Hopf, Superintendent of Schools, District 861, Winona.
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C. EQUAL OPPORTUNITY AND QUALITY

What is the philosophical base for our belief in equal opportunity for all children to get a good education? How do we define "equal opportunity"? How do we measure it? How can we balance this goal with the other basic goals with which it may be in conflict?

Equality denotes sameness, uniformity. It generally means things are the same or becoming the same. Equal treatment does not necessarily provide equal ends, since the members of a group (students, school districts, taxpayers, etc.) do not begin at equal places.

Equity is fairness. It means that the potentials are equal. Equal opportunity and equal access refer to equity. In the interest of equity, members of a group may receive unequal treatment.

Crucial to the theory on which our Constitution is based is the idea that individuals have the self-critical ability, developed through education, to choose their own ways of life. Equal opportunity is a core value in American society. The right to an education has been a central and controversial concern of the American judiciary as it attempts to define, elaborate and vindicate the basic rights of individuals in a constitutional democracy. Consequently, equality of educational opportunity has an extensive legal/constitutional literature. (The most recent decisions were cited in the section of this booklet on the courts.) Similarly, the literature describing the moral and sociological arguments on equality of educational opportunity is vast, as is the educational research on the topic.

RESULTS OF RESEARCH

Is it possible to select a reasonable measure of equality of educational opportunity? Some researchers measure equality of educational opportunity in terms of school services, "inputs"; others choose student achievements, "outputs."

Over the past two decades, studies have demonstrated that certain schooling experiences do make a difference for children: money spent on schools contributes to the quality of the school experience offered. In what is probably the most comprehensive survey of research done on equality of educational opportunity through the 1960s, James Guthrie (1971) established several important relationships among socioeconomic status, school funding, school services, and pupil performance (1):

1. Socioeconomic status is an excellent predictor of available school services.

2. A relationship exists between the quality of school services provided to a pupil and his/her academic achievement. Higher quality school services are associated with higher levels of achievement. Also, school staff and children's access to the staff are important (significant in statistical analysis).

3. Post-school opportunities of students are related to their achievement in school.

More recently, studies have attempted to isolate the factors which may produce a quality school experience for children, measured by such outputs as higher test scores and number of college bound students in a school. Declines in test scores closely parallel the enrollment declines in subjects such as regular English, American history, math and science courses. Public high school students spend a small amount of time doing homework when compared to their private school peers (Coleman, et. al., 1981). Yet college-bound students in more traditional courses in public schools do not show the precipitous drop in test scores that has occurred recently among the general

student population. Schools apparently can make a difference, but attention must be paid to their staff, course content and overall morale.

EQUITY AND QUALITY--IN CONFLICT?

When we talk about equity, we must realize that there are many different kinds. Taxpayer equity was what the state legislature had in mind in 1971; others might define what they enacted in the Omnibus Tax Law of that year as fiscal neutrality. A teacher might rather see a focus on salary equity. Tax equity is fairness to taxpayers but not necessarily fairness to teachers or students.

What is student equity? Most likely it is program equity or comparable access to educational programs regardless of local community tax wealth. It is service to students.

Are both equity and quality possible?

"...equity...is not the only value by which our society lives. Do we not aspire to quality, or even the possibility of excellence?...A democratic society built upon a free enterprise system must live with this dilemma, that equality (of opportunity) and quality are perennially in tension one with another. Wisdom resides in understanding that the dilemma can never be fully resolved without destroying what we are." (2)

Others argue that not only is it possible to have equity and quality, it is in fact really not possible to have one without the other. For these people, equity is adequate funding of different costs of providing an equivalent quality education. Unless we plan to fence off our school district from the rest of the world (or our state, if this issue is viewed at the level of federal educational support programs), a loss of equal access to good education for any of our children anywhere diminishes all of us.

NOTES

1. in Schools and Inequality.
2. Tom Sabal, Superintendent of Schools, Scarsdale, New York, speaking about an amicus curiae brief filed with the New York Court of Appeals in Levittown v. Nyquist. Quoted in letter from education chairperson of LWV of Scarsdale, NY.

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3. Jones, Thomas H. "Equal Educational Opportunity Revisited," Journal of Education Finance, 6:4, Spring 1981, 471-81.
4. Letter from education chairperson, LWV of Scarsdale, NY, quoting Tom Sabal, Scarsdale Superintendent of Schools.
5. Richards, David A. "Autonomy, the Right to Education and Minimum Standards," N.Y.U. Education Quarterly, 10:3, Spring 1979, 2-8.
6. Richards, David A. "Equal Opportunity and School Financing: Toward a Moral Theory of Constitutional Adjudication," University of Chicago Law Review, 41 (1973):32.
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D. LOCAL CONTROL

Local control is something many people want more of, but defining what it is and how to attain it is very difficult. Local leeway, local participation in decision-making, local incentive, local governance, local choice, local voice, local responsibility are all terms used synonymously with local control. But all are open to interpretation. Control over taxation and/or control over management of schools may be clearer definitions of "local control."

Questions raised by the concept of local control are many: Who exactly do we mean by "local"? The school board? Parents? All the citizens of the school district? Are school board members representatives of the people who elected them or are they spokespeople for the school district? Does local control mean control of finances, control of school management, or both? How much control is desirable--total, or some degree of leeway within state and federal regulations?

In addition to definition problems, the idea of local control raises perplexing issues of quality and equity. Proponents of local control insist that it would allow more variation and innovation in educational programs, that instead of being rigidly circumscribed by state and federal regulations, each school district could be responsive to local needs and desires. Opponents of local control are afraid that instead of innovation there would be stagnation, and there is concern that some school districts would not offer an adequate curriculum if it were not required.

Fiscally, the question is who pays and why. Central issues today in Minnesota are levy authority and limitation, mandates, collective bargaining, quality education, and equal opportunity.

HISTORY OF LOCAL CONTROL

School districts were indeed locally controlled in the years before the Industrial Revolution. There were thousands of one-room schools that varied from community to community. However, the concept of an independent school district governed wholly by residents of the district and financed totally by revenues raised within that district became unrealistic in the early Twentieth Century.

The industrial revolution had created large disparities among communities, and people moved to find work. The transience of society led people to doubt the wisdom of conferring the benefits of education on the local community only. It was decided that costs should be divided between state and locality because both benefit from an individual's education.

School districts have evolved over the years into entities which influence and are influenced by many other factors. Money to run schools comes from federal and state revenues, as well as local, and schools are required by federal and state laws to provide various course offerings and services.

Local control is not mandated in the Minnesota Constitution. "Local participation in decision-making is a product of statute and tradition" (1). Local boards, local long-range planning committees, and local referendum levies are all permitted by state statutes. However, there are other statutes which limit local flexibility in fiscal management.

TWO FACETS OF CONTROL

The two major facets of local control, finance and governance, are, theoretically, independent of each other. A district could receive all its money from the state and still be totally autonomous in school district operation, or it could receive all its funds from local sources, and yet be governed exclusively by state requirements and regulations.

However, people seem to perceive the two facets to be interrelated. There is a general feeling (which was clearly expressed in the survey conducted by LWMMN; see concluding section of this paper) that increased reliance on local revenues brings increased local control over the governance of the school

district. In practice, this may or may not be true.

A number of Minnesota school districts are "off the formula"; the assessed valuation on their taxable local property is so high that the required mill rate (or less) raises all of their Foundation money. However, these districts are no more free to use the funds in any way they wish than is a district which raises very little of its Foundation revenue locally, and thus receives a great deal of state aid. Each district must conform to state and federal requirements. The Foundation Formula in Minnesota is structured in such a way that the original source of the money (local taxes or state aid) has no practical effect on the governance of the district.

State law also requires that money for operation of the schools be in separate funds. Districts may levy taxes and also receive state aid for transportation, food service, community service, capital expenditures, and debt redemption. However, in general they may not transfer the money received for one fund to another. (Money may be transferred to transportation, food service or community service funds from the general fund; or to the general fund from the transportation fund.)

The excess levies allowed by the state law do provide some amount of local control. These levies are dependent on the approval of local voters, and the funds they raise can be used for the provision of services which a school district considers worthwhile. In many cases, school boards must "sell" the voters on the increased levy with extensive publicity about how the money will be used.

The education aids bill of 1982 included several provisions which increase the areas of local control. Major examples are summer school and transportation funding. Due to the state's economic crisis, summer school and busing of secondary students living within two miles of school were not funded with state aid money. The 1982 bill did not restore the funds, but allowed school districts to levy local taxes to fund these programs. School boards had a choice that involved direct local control -- they could choose to offer summer school and/or restore transportation for secondary students, but to do so required an increase in local property taxes. (Some might consider this an additional local constraint, not a choice.)

Many complaints about lack of local control are not concerned with financing at all, they are expressions of frustration at a perceived excess of federal and state program and reporting requirements. Many local school people feel that they have too little leeway to tailor educational programs to their own needs. Their demands are not necessarily for unrestricted local control, but for more freedom to choose their own options within a basic framework.

PROS AND CONS

Local control of financing has strong arguments on both sides. Those who advocate more local control (more reliance on the property tax) say that it will increase the school's responsibility and responsiveness to local residents. Residents will be more closely involved with schools if they know their taxes go directly to support their own schools. Those from the formerly "high-spending" districts argue that residents should be allowed to support their schools at a high level of spending if they so choose. As a practical matter, proponents of local control say it is more efficient and cost-effective to collect and dispense funds at one level. A new argument for local control of financing has emerged from the recent withholding of state aid, the belief that local taxes would be a more dependable source of income than state funds.

Opposition to local control of financing is based partially on a differing view of the public. Some opponents fear that citizens will not choose to support their schools, or that they will not be sufficiently well-informed to care about funding schools.

Another major argument is that of equity; some districts are more able to support schools adequately than others. The property tax is perceived as an unfair tax. Those concerned about equity are not necessarily opposed to local fiscal control provided that local levies are equalized or "made fair,"

disparities are not great, and the level of support ensures a quality education (see section on District Power Equalization).

Some people who responded to LWMN's survey think more local control would make school boards more responsive, more sensitive to community needs, while others think the boards would be more susceptible to pressure groups. Some spoke of the Minnesota Miracle as "taking the pressure off" school boards; while others consider school boards anachronisms: the state Legislature is "one big school board."

Whether people favor or oppose local control probably depends greatly on how they perceive their own school district and its citizens, and how they perceive state actions on education. Local control is likely to look good or bad according to whether the individual agrees or disagrees with the school district's philosophy and actions.

The issue of local control is complex and very difficult to pin down. At the base of the issue are some fundamental questions: Does every child have a right to some basic level of education? If so, must local control be curtailed to some degree in order to assure that it is provided? At what point does a locality's lack of ability or desire to finance a basic or high quality education mean that its children are disadvantaged simply because they live there?

NOTE

1. The Condition of Education, Minnesota State Department of Education, 1980.

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7. The Condition of Education, Minnesota State Department of Education, 1980.
8. Terrill, Marguerite H. "Issue: The Local Property Tax and the American Schools," Clearinghouse, 384-387.

E. RESPONSIBLE TAXATION

The State of Minnesota raises revenue to finance state and local services by levying several kinds of taxes. Minnesotans pay taxes on individual and corporate income, retail sales, real estate valuation and inheritances, as well as excise taxes on a host of products, and a variety of other fees.

Comparison of Minnesota state and local tax collections to those of other states and localities shows that in 1980 Minnesota relied more on the taxation of income, considerably less on sales, and somewhat less on property taxes than the national average (see Table I). These percentages may not reflect today's reality, since sales taxes have been added and revenues have fallen in several categories.

In 1979-80 Minnesotans paid a larger part of their income as state and local taxes than did residents of 41 other states. (1) In that year Minnesota's state and local tax collections of \$1124.73 per capita ranked ninth highest in the nation. (2)

TABLE I
STATE AND LOCAL TAX REVENUES BY TAX BASE
MINNESOTA AND ALL STATES FOR FISCAL YEAR 1980
(Millions of Dollars)

TAX BASE	MINNESOTA				ALL STATE & LOCAL	
	State*	Local**	Total	% of Total	Total**	% of Total
Individual Income	\$1262.7		\$1262.7	27.5%	\$42,080	18.8%
Corporate Income	381.2		381.2	8.3%	13,321	6.0%
Sales, Gross Receipts	1216.2		1216.2	26.5%	79,927	35.8%
Property Tax	4.3	1317.4	1321.7	28.8%	68,499	30.7%
License Fees	194.5		194.5	4.2%	5,713	2.6%
Death & Gift	41.9		41.9	0.9%	2,035	0.9%
All Other	101.8	65.5	167.3	3.6%	11,888	5.3%
Total	\$3202.6	\$1382.9	\$4585.5		\$223,463	

*U.S. Department of Commerce Bureau of the Census, State Government Finances in 1980, GF 80 No.3.

**U.S. Department of Commerce Bureau of the Census, Governmental Finances in 1979-80, GF 80 No. 5.

Criteria often used to judge the desirability of a tax include the concepts of equity, convenience, certainty, economy and incidence. (3)

EQUITY

Tax equity is often defined as equal treatment of similarly situated taxpayers. Application of this criterion is difficult because it is hard to determine the conditions under which two taxpayers are similarly situated.

Students of taxation have expanded the concept of equity further to include vertical equity; i.e., unequally situated taxpayers should be treated differently. Those with greater ability to pay should pay a larger part of the total taxes. The most commonly used measure of ability to pay is income.

Taxes can be further described in relation to income as being progressive, proportional or regressive:

Progressive Tax: The proportion of income paid for tax increases as income increases.

Proportional Tax: The proportion of income paid for tax remains constant as income increases.

Regressive Tax: The proportion of income paid for tax decreases as income increases.

CONVENIENCE

A tax is deemed convenient if it can be easily assessed, collected, administered and paid by the taxpayer.

CERTAINTY

The taxpayer should know with a reasonable degree of surety how much tax is owed. Historically this criterion has also implied that the taxing unit should be able to predict with accuracy the amount of revenue that will be raised by the tax.

ECONOMY

A good tax should be relatively inexpensive to collect and administer.(4)

INCIDENCE

Consideration must be given to who finally pays the tax. For example, a tax on resources owned and used by a Minnesota farmer, such as the agricultural land tax, may be borne by the farmer or shared by his/her customers in the form of higher product prices. The final allocation depends on the farmer's ability to add on the cost of the tax to the prices he/she charges.

In general the farmer will be able to pass on a larger share if the product is a necessity with few substitutes and if he/she has monopoly power in the market place. The farmer will be unable to pass on the tax if buyers can find alternative products or if the farmer must compete with outstate producers who do not pay the same tax. Tax experts often disagree on the incidence of taxes levied on products, business profits, and resources used in production.(5)

An additional concern in levying state and local taxes must be the effect of the tax on the level of economic activity in the area. Since businesses, property investments and people are mobile, excessively high taxes levied in one locality can often be avoided by moving to another locality. Concerns about the "business climate" in Minnesota are being heard with increasing frequency.

See Table II on the next page for attributes of Minnesota's major taxes.
(6)

WHO SHOULD PAY?

What level of government should support primary and secondary education? The Correspondence Principle of public finance suggests that, ideally, jurisdictional boundaries for governments should be drawn so that the people who participate in the government are the same people who enjoy the benefits and incur the costs of the services provided. Achieving the ideal is, of course, impossible. We would have different taxing units for each public service. Using a limited number of governmental units inevitably results in benefit spillover to those outside the boundaries who receive benefits but do not pay taxes and cost spillover to those within the jurisdiction who pay taxes but receive no benefits.

TABLE II
Attributes of Major Minnesota State and Local Taxes

Tax Base	Equity	Convenience	Certainty	Economy	(Who really pays?)	Effect on Business Climate
					Incidence	
Individual Income	Minnesota's progressive rate structure is made less progressive by deductibility of Federal Income Taxes paid. The individual income tax has the great advantage of relating tax liability to a comprehensive measure of ability to pay and permitting adaptation to personal circumstances of the taxpayer. Among existing taxes, it is the personal tax 'par excellence' and at its best is superior to all other taxes (except a personalized expenditure tax) in implementing horizontal and vertical equity.	Withholding makes payment relatively easy. Law is too complex for average taxpayer.	Unstable source of revenue. Varies with level of economic activity.	Relatively economical to collect.	Very little tax shifting.	High tax rates probably cause migration to avoid the tax.
Corporate Income	Some experts question equity of taxing corporate and non-corporate business profits differently. The formula used to determine the proportion of a corporation's world-wide profits to be taxes in Minnesota is arbitrary and difficult to audit.	Law is complex	Unstable source of revenue.	Relatively economical to collect.	Actual incidence of a corporation income tax is one of the most controversial topics of government finance.	Higher corporate income tax rates will reduce capital investment in the state. Some of the burden may fall on labor if job opportunities are diminished.
Sales Tax	A general sales tax will be horizontally inequitable if families with the same income have differing consumption patterns due to age or other factors. Such families pay different amounts of tax. The tax is regressive as related to income because consumption as a percentage of income declines as income increases. Excluding food makes the tax less regressive.	Paid in continuous small amounts. Considered very convenient.	Unstable source of revenue.	Relatively economical to collect.	Sales taxes are probably shared by buyer and seller. The relative share depends upon the elasticity of supply and demand for taxed goods.	A sales tax may affect location of business and purchases in border areas. Buyers and sellers will choose to transact business in a low tax state if possible.
Property Tax	Property taxes on residential housing are believed to be regressive because housing expenditures represent a higher percent of income for the poor. The regressivity is lessened by homestead credits and circuit breaker rebates on income tax returns. Business property taxes reduce the rate of return on investment and reduce the property value. Ownership is usually concentrated in the hands of the wealthy so business property taxes are generally assumed to be progressive. Horizontal equity depends on fair assessment practices. Tax rates vary among taxing districts so similar parcels may pay vastly different amounts of tax.	Only major tax that requires semi-annual payments. Judged relatively inconvenient.	Stable revenue source.	Relatively economical to collect.	Taxes on business & agricultural property are shared by owner and user. The user may pass some costs on in the form of higher prices. Farmers compete in national markets & it is doubtful that they can pass on higher than average property taxes.	Investments in new construction are particularly mobile and will concentrate in areas where lower tax rates support higher levels of services. The migration of mobile property investments worsens the plight of central cities, which must then further increase tax rates to pay for services. Agricultural land prices tend to adjust in an inverse manner to level of property taxes.

Of particular relevance in determining benefit from primary and secondary education is the mobility of persons educated by any particular school district. If the people educated in Hibbing lived out their lives in Hibbing and were not involved in decisions affecting people living elsewhere, and if outsiders took no responsibility for the wellbeing of Hibbing residents, the collective benefit profile for the Hibbing schools would involve only that community and the surrounding area.

But Hibbing residents are mobile, people educated in Hibbing vote in state and national elections, and their welfare is of concern to those outside the boundaries of the school district. Therefore, the benefit profile extends far beyond the town. The Correspondence Principle suggests that responsibility for basic education should likewise extend beyond the boundaries of the local school district.

PROBLEMS WITH LOCAL FUNDING

Financing education on the local level also presents several practical difficulties, beyond the tax philosophy reasons against it. Local school districts are allowed to use only the local property tax to raise revenue. This tax is perceived by citizens as being one of the "least fair" taxes. (7)

Local financing also invites the problems associated with flight of capital from high tax jurisdictions. "The excise effects of property taxation have a geographical or locational dimension when rates on particular types of property are different in one jurisdiction than in another. If rate differences exist, investors will prefer to locate properties in low tax rather than high tax areas, and a cumulative set of forces may be set in motion that can greatly increase fiscal disparities among different government units. As more and more taxable property leaves high-tax areas, rates in those areas may be forced higher and higher." (8)

PROBLEMS WITH STATE FUNDING

Increased use of state funding also presents difficulties. State revenues are dependent on sales and income tax collections, which tend to fluctuate with the level of economic activity. Recently school districts have been forced to absorb cutbacks in state funding as tax collections responded to recession and declining farm incomes. In times of crisis that diminish the state's ability to support education, the local property tax may be perceived by some as a good base for financing education, despite its drawbacks.

FUNDING EDUCATION IN MINNESOTA

Funds for primary and secondary education in Minnesota have in recent years come primarily from the State. The State uses taxes on income and sales as its primary sources of tax revenue. In 1971 44.9% of school revenue was generated from local property taxes. As Table III shows, the trend toward reduced reliance on local property taxes which began in 1972 continued through 1981-82. Projections for 1982 and beyond indicate a dramatic reversal of this trend due to the state's fiscal problems.

TABLE III

PERCENT OF FUNDS FOR K-12 EDUCATION IN MINNESOTA
FROM STATE AND LOCAL SOURCES*

Year	Total Revenue (in millions)	% State Aids	% Local Property Tax
1971-72	1,181+	55.1	44.9
1972-73	1,222+	63.5	36.5
1973-74	1,302+	64.8	35.2
1974-75	1,435+	67.8	32.2
1975-76	1,542+	66.4	33.6
1976-77	1,656+	67.6	32.4
1977-78	1,782+	64.6	35.4
1978-79	1,877+	66.1	33.9
1979-80	1,961+	66.0	34.0
1980-81	2,085+	68.4	31.6
1981-82	2,235+	73.1	26.9
1982-83	2,265+	63.3	36.7
(1982-83 after property tax shift)	2,265+	57.2**	42.8

*includes post-secondary vocational education; excludes federal revenues. Percentage local property tax reflects amount actually certified and paid by taxpayers after reductions for all credits. (State tax aids to reduce the levy increased 355% over the 11-year period.)

**state aids reduced \$137.6 million (estimate) and same amount of payable 1983 property taxes shifted from FY 1984 to FY 1983 to increase local share of costs. (Total state aids, after the property tax shift, increased 99% over the 11 years.)

Source: Joyce Krupey, Office of Senate Research, State of Minnesota.

NOTES

1. U.S. Department of Commerce Bureau of the Census, Governmental Finances in 1979-80, GF 80 No. 5, p. 94.
2. Ibid., p. 90.
3. Minnesota State Department of Education, The ABC's of Minnesota School Finance, pp. 9-10.
4. Ray M. Sommerfeld, et al, An Introduction to Taxation, 1982, pp. 1/16-1/17.
5. Extensive discussion of tax incidence can be found in any textbook on public finance, including those cited in the next note.
6. Most of the information for this table was taken from Richard A. Musgrave and Peggy B. Musgrave, Public Finance in Theory and Practice; and Wayland D. Gardner, Government Finance, National, State and Local.
7. Survey conducted by Opinion Research Corp. of Princeton, N.J. for the Advisory Commission on Intergovernmental Relations, Washington, D.C. 20575. Annual reports are available.
8. Gardner; op cit. p. 389.

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1. ABC's of Minnesota School Finance, The. St. Paul: Minnesota State Department of Education, June 1980.
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4. Musgrave, Richard A. and Musgrave, Peggy B. Public Finance in Theory and Practice, Third Edition. McGraw-Hill Book Co., 1980.
5. Sommerfeld, Ray M., Hershel M. Anderson, and Horace R. Brock. An Introduction to Taxation. 1982.
6. Survey conducted by Opinion Research Corp. of Princeton, NJ for the Advisory Commission on Intergovernmental Relations, Washington, D.C. 20575 (included data on comparison of taxes as to "fairness").

III. OTHER WAYS TO FINANCE SCHOOLS

A. REFORM IN OTHER STATES 1970-80

During the last decade, more than half the states overhauled their structures for financing elementary/secondary education. Momentum for this came from several directions. Great inequities to the taxpayer and to the student were produced by the link between property taxes and school finances, both within states and between states.

The philosophy behind Great Society programs of the '60s, providing equal opportunity in an effort to overcome poverty, was carried into reform of education. Reformers tried to make schools even more an equalizing force in America. Nevertheless, equalizing legislation failed in the late '60s in such states as California, Michigan and New York because of the resistance of legislators from wealthy school districts that didn't want to transfer funds to poor ones. Court decisions rendered when existing programs were challenged eventually forced legislators to address seriously the correction of inequities.

MAJOR REFORMS

Five major themes characterize the finance reforms enacted during the 1970s:

1) General operating and equalization aid programs were broadened and strengthened. Low wealth districts were "leveled up" by state aids rather than high spending districts being leveled down.

Three types of formulas were used to accomplish this. States which enacted higher level foundation programs, in addition to Minnesota, were Arizona, Florida, Illinois, Indiana, Iowa, Massachusetts, New Mexico, North Dakota, South Carolina, Tennessee, Utah, and Washington. Other states enacted formulas which reward equal local effort with equal revenue yield (see section on District Power Equalization). This is done in Colorado, Connecticut, Kansas, Michigan, New Jersey, Ohio, and Wisconsin.

The third method is a two-tiered equalization formula which combines these approaches. Local districts may choose to add to the basic foundation programs; and both these and the local add-ons are power-equalized. This method is used by Maine, Missouri, Montana, South Dakota and Texas.

As a result of strengthening general aid formulas, state funding has consistently risen. Per-pupil expenditures have increased. Finance reforms, irrespective of the particular method used, have tended to reduce disparities in expenditures per pupil, and have been especially successful in decreasing the link between expenditures per pupil and local district property wealth. Power equalization has been more successful in achieving the goal of decreasing the difference in the amount spent on each pupil than its critics expected. Reform states generally have made greater advances toward equity than non-reform states.

2) New methods of measuring fiscal capacity (beyond property wealth per pupil) have been instituted. A combination of property wealth and income is used in Connecticut, Kansas, Maryland, Missouri, Pennsylvania, Rhode Island and Virginia. Other states are considering this approach.

3) States have dramatically increased their support for high cost programs for special populations, and many have instituted programs for these students. All states have comprehensive programs for students with physical or mental handicaps. In 1979-80, 16 states had categorical programs for economically or educationally disadvantaged students which are supplementary to ESEA Title I programs. Eight states had weightings for compensatory education students in their general aid formulas. Twenty-two states serve bilingual or

bilingual/bicultural students.

4) In addition to programs for special student populations, states have designed formula adjustments and factors to assist school districts with particular characteristics. Examples are sparsely populated districts, districts with one-room schools, districts with a very small pupil population, low wealth districts with high tax rates, urban districts with municipal overburden, and districts with high prices for education resources. Michigan allocates additional state aid to districts in which non-education tax rates exceed the statewide average, for example. Florida uses a cost-of-living index to adjust state aid distribution to local districts.

5) Finally, tax and spending limitations on local school districts have been established in nearly two-thirds of the states. While emergency clauses or other ways to exceed the limits are usually provided, most school districts face constraints on their ability to increase expenditures, budgets, or property taxes. Proposition 13 and the Gann spending limitation in California; Idaho's Proposition I, which slashed property taxes; and Colorado's cap of 7% on state expenditure increases are examples of new limitations which have begun to affect the fiscal condition of education in some states.

LITIGATION CONTINUES

School finance litigation continues in many states. Most cases are brought either on state equal protection or state equal education clauses. In the Colorado and New York cases, arguments were presented on the basis of the federal equal protection clause as well. Also, litigants have expanded the negative standard, the definition of what is not equal treatment. Curtailing of educational expenditures on the basis of property wealth, household income, municipal overburden, education overburden, or local votes to keep property taxes low have all been successfully challenged in court. In addition, positive standards have been developed and used successfully. These court decisions require the education finance system to consider education need and/or to implement some affirmative duty of the state.

In the early 1980's, several states are undergoing reviews of their finance structures. The Arizona legislature appointed a task force to reassess the state's system. It looked at proposals for equalizing revenues per pupil, providing state relief for property tax burden, and for linking basic education, basic skills, and competency testing in some rational way.

In response to Proposition 13, the California legislature in 1979 enacted the state/local public finance system: property tax will be collected and spent mainly by county and city governments, and the schools funded almost entirely by state monies. Tight spending limits for high spending districts are meant to produce approximately equal expenditures per pupil by 1985. The new Gann spending limitations may prevent the "equalizing up" of per pupil expenditures, however.

In a number of states, citizen groups are keeping a variety of general and specific goals alive. The League of Women Voters of the United States is assisting state Leagues in Maryland, Mississippi and Oklahoma to mount statewide campaigns for school finance reform.

REFORM IS SLOWING

In spite of gains made during the '70s, it is clear that school finance systems in the states have not completely met the expectations of all citizens, legislators, or the courts. In a study by the Education Commission of the States (ECS), governors, legislators, and other state policy makers identified as the top two education finance concerns for the '80s basic school finance

reform and changes in tax structures for education. The most important issues will be increasing the state role, reducing local property taxes, enacting general tax limitation measures, and providing state support systems which are sensitive to the fiscal impact of declining enrollments. Also of importance, according to the ECS study, will be defining basic education and improving the quality of education, as well as providing programs for special populations of students and expanding state categorical programs for transportation, energy and capital construction.

Given inflation, dropping enrollments, and declining political support, increases in education expenditures in the '80s are unlikely to match those of the '70s. In addition, school finance reformers in the '80s, as well as educators generally, will face organized opposition from groups bent upon supporting tax and expenditure limitations. Finally, in a period of a declining economy, competition among various levels of government and among various public services for the shrinking public dollar will have an impact on the pace of education finance reform.

Clearly, the job of devising equitable systems of school finance is not complete. Given the gains made in the '70s and the continued interest of citizens, politicians and the courts, the work will continue, albeit at a slower pace, during the '80s.

FINANCING SYSTEM OPTIONS

In the following four sections, some of the financing methods adopted by states or developed by theorists are explored in greater detail. The Foundation Formula approach is exemplified by Minnesota's system, described earlier. We have included here a chart comparing the major alternatives to help clarify the differences among them. Refer to it as you read on.

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2. Carroll, Stephen. The Search for Equity in School Finance: Results from Five States. Santa Monica, CA: The Rand Corp., 1979.
3. Equity in School Finance. Denver: Education Finance Center, Education Commission of the States, Report No. F79-9, October 1979.
4. Finance Facts. Newsletter of the Education Finance Center, Education Commission of the States. Vol. 6, Nos. 1, 2 and 4.
5. From Serrano to Serrano. Education Commission of the States, Report No. FA, April 1975.
6. Pincus, John. ed. School Finance in Transition. Cambridge, MA: Ballinger Publishing Co., 1974.
7. School Finance Reform in the States: 1979. Education Commission of the States, Report No. F79-4., July 1979.
8. School Finance Reform in the States: 1980. Education Commission of the States, Report No. F80-1, April 1980.
9. School Finance at a Sixth Glance, (chart), Education Commission of the States, December 1981.

COMPARISON OF SCHOOL FINANCE STRUCTURES

	<u>Minnesota Foundation Formula</u>	<u>Full State Funding</u>	<u>District Power Equalization</u>	<u>Program- Based Funding</u>	<u>Vouchers</u>
Government level that sets tax rates and type of tax	state: income, sales; state & district: property	state: income, property &/or sales	district: property; may be state limit	state: any state tax (& district if lo- cal supplement is allowed)	state: any; consumer chooses level of school support
Level that collects taxes	state: income, sales; county: property	state	state and dis- trict or local	state and dis- trict or local	state
Level at which policy is made	state & district	state & district	state & district	state standard curriculum; lo- cal options	state standards; each school chooses own
Level at which expenditures are made	district	district	district	district	individual school
Effects	equal minimum resources per pupil unit; ad- ditional local levies, some power-equalized, state pays % of categorical aids; uncapped local option to raise & spend more with non- equalized ref- erendum levy	substantially equal funding per pupil; some extra funding is possible as needed	substantially equal funding per pupil for equal tax effort; if districts choose different tax rates, un- equal funding per pupil results	equalizes services available to students up to a minimum level	consumers choose among schools with different per pupil costs & get equal buying power for equal economic sacrifice

B. FULL STATE FUNDING

The concept of the state taking full responsibility for the funding of elementary and secondary education is not new. Writing in 1930, Henry C. Morrison said that education is a state responsibility and must be made available to all on an equal basis. (1) This is because the standard of performance of students is not of interest just to one district's parents or residents, but to the state and nation because of "spillover" benefits. Localism in the financing of education, according to Morrison, tends to direct too much money to rich districts relative to the amount provided to the slums and poor rural districts.

Full state funding allows money for schools to be collected where taxable income can be found and then redistributed where it is needed to provide an acceptable and uniform standard of education. In 1972, James B. Conant wrote, "...removing consideration of financing from the local level would...allow both parents and school authorities to concern themselves with the real matters of education and make decisions on the basis of educational worth." (2)

S. Michelson pointed out (3) that school finance formulations have traditionally bound revenues and expenditures together because they have accepted the principle of district choices for education. There is no way to achieve a just educational system so long as private individuals compete for limited educational resources. Currently educational resources flow to children not on the basis of need, or how resources should flow in general, but on the basis of individual adult desires to provide children with comparative advantage and on their ability to fulfill that desire.

Completing a two year study of "the Quality, Cost and Financing of Elementary and Secondary Education in New York State," the Fleischmann Commission recommended full state funding for the state of New York in 1972. (4) In the Commission's plan the state would provide nearly all the money for elementary and secondary schools (with the exception of federal aid). Revenues would come either from a statewide property tax or by more intensive use of state income taxes and sales taxes.

HOW IT WOULD WORK

In the Commission's plan, disparities in expenditures between districts would be eradicated by "leveling up" lower spending districts to the 65th percentile in ranking of districts according to their Base Expenditures (general fund expenditures per enrolled pupil minus certain exclusions: debt service, federal funds, transportation, lunch, tuition, cost for regional services and urban aid.)

Districts above the 65th percentile would be allowed to continue to spend an amount per pupil equal to the amount which they were spending in the base year, and that amount would be provided by the state. High spending levels would not be increased until the statewide level of spending had risen to the level of the "saved-harmless" districts.

Equal sums of money would be made available for each student in New York unless a valid educational reason could be found for spending a different amount. Low achieving students would receive extra grants according to a weighting system. Categorical aid for items which vary greatly from district to district, such as transportation, debt service, and services for the handicapped, would be provided above the equalized per-pupil funding. Resource distribution would be determined, in other words, by educational priority rather than as an artifact of assessed valuation per student.

Regional educational centers would distribute certain high cost, specialized services, both instructional and administrative, and would be funded by the state. All local option for supplemental school levies would be terminated to prevent skewing the system of equalization. Statewide collective bargaining for wages and pensions according to a regional salary schedule would replace all local negotiations.

PROS AND CONS

Arguments against full state funding usually begin with the claim of loss of control by local boards of education. The Commission argued that studies have concluded that centralization of financing and decentralization of policy making are not inconsistent concepts. The Commission recommended several specific plans for maintaining and/or increasing local control of policy making, including strong local citizen advisory groups and parent organizations. Local boards of education would continue to hire teachers and plan curriculum.

Some critics believe that the "lighthouse effect" (expenditure by individual districts of large amounts on educational services in order to conduct innovative programs which flow outward and influence the rest of the educational system) would be lost. The Commission stated that innovative programs should not be an "accidental by-product of a system of education finance." State government should establish special funds for experimental and innovative programs which would be available for poor districts, too. (The current "lighthouse" programs weight experimentation and innovation toward the advantaged and may not be appropriate for the disadvantaged schools.)

Finally, what divides supporters of other funding methods from proponents of full state funding:

...is the question of district choice--whether deliberate funding inequality, which is what ensues from district choice, more nearly approaches a "just" system than does some imposed "equality." This debate, in turn, revolves around the extent to which the desires of parents are to be considered in discussing what is justice among children. Most of what passes as debate about finance is really debate about the relationship between children and their parents on the one hand and children and the state on the other... Justice in the allocation of school resources to children is most likely to be achieved if the distribution in question is separated from questions pertaining to revenue (in the local district), then eliminating the potential for decisions based on the desires of adult taxpayers. Accordingly, the needs of children themselves will probably be more determinative when finance decisions are made by a unit of government that is less responsive to direct parental pressure than is the school district. (4)

NO STATE HAS ADOPTED FSF

As of today, no state has gone to the full state funding plan. Hawaii has centralized finance, but operates its schools as one big district, so most authors discount this as being true full state funding. In spite of the comprehensive report and recommendations of the Fleischmann Commission (and a 10-year-old position of the New York League of Women Voters in favor of full state funding), New York State did not adopt this plan.

One possible reason according to one writer (6) was the perception by the legislature that city tax rates would increase too markedly. Full state funding would require policymakers to decide to make massive changes in the tax system in order to accumulate sufficient revenue to both fund education and hold harmless the high spending districts. This would appear to the public as a major increase in state taxes. According to Walter Garms, Minnesota and New Mexico, with their high level foundation plans, come closest to full state funding. (7)

During the past decade in most states the government has increased its role in school funding to provide more equality of treatment for both the student and the taxpayer. Some method for optional additional local expenditures exists in almost all cases. It remains to be seen whether the '80s bring a greater concern for equity than existed in the '70s. Without a greater concern for tax and expenditure equity and a willingness to yield some local decision-making on expenditures, it is unlikely that full state funding in its

purest form will have any more popularity with state legislatures in the future than it did in the last decade.

NOTES

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3. S. Michelson, "What is a 'Just' System for Financing Schools? An Evaluation of Alternative Reforms," Law and Contemporary Problems. Winter-Spring 1974, Vol 38, No. 3, p. 442.
4. The Fleischmann Report. (New York: The Viking Press, 1973).
5. S. Michelson, op. cit.
6. Walter I. Garms, "Measuring the Equity of School Finance Systems," Journal of Educational Finance, Vol 4, No. 4, Spring 1979, p. 199.
7. Ibid.

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4. Conant, James B. "Full State Funding." Financing Public Schools: Selected Papers from a New England School Development Council Conference. Cambridge: Federal Reserve Bank of Boston, January 1972.
5. Fleischmann Report on the Quality, Cost and Financing of Elementary and Secondary Education in New York State. New York: The Viking Press, 1973.
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C. DISTRICT POWER EQUALIZATION

In the book Private Wealth and Public Education, John E. Coons and associates held that the quality of a child's education should not be a function of wealth except the wealth of the state as a whole. (1) The book emphasized the importance of fiscal neutrality with regard to district wealth (2) as a basis for school finance and supported local choice in the level of funding. The authors outlined the theory of district power equalizing and gave some practical applications of this method of funding. By 1980, more than 20 states were using some form of district power equalizing (DPE).

EQUITY AND LOCAL CHOICE

The distinguishing factor of DPE is the attempt to deal simultaneously and constructively with the usually conflicting principles of equity and local choice. Pure DPE allows each district to elect to support its schools at the tax rate it chooses. A type of taxpayer equity is achieved by "neutralizing" the property wealth, or income level (or both, depending on the type of tax or taxes used) of all school districts, theoretically producing equal reward (amount of revenue) for equal effort (locally chosen tax rate). This is viewed as giving each school district equal "power" (ability) to raise revenue. The state guarantees a certain amount of revenue for a given tax rate.

The following chart is an example of a DPE schedule for a state which has chosen a uniform tax base (reflecting the wealth of the state or of a "key" district) of \$50,000 in property valuation. The state-guaranteed amount per pupil depends on the tax rate chosen by each district using the given tax base. If a district cannot raise the guaranteed amount from its own property tax revenue, the state pays the balance. The state can adjust the tax base to control the amount of state funding.

HYPOTHETICAL DPE SCHEDULEDISTRICT WITH \$30,000 ACTUAL
PROPERTY VALUATION

<u>EFFORT</u> <u>(TAX RATE IN MILLS)</u>	<u>GUARANTEED</u> <u>SPENDING LEVEL PER PUPIL</u>		<u>FROM</u> <u>PROPERTY TAX</u>		<u>FROM</u> <u>STATE AID</u>
10	\$500	=	300	+	200
15	750	=	450	+	300
20	1000	=	600	+	400
25	1250	=	750	+	500
30	1500	=	900	+	600
35	1750	=	1050	+	700
40	2000	=	1200	+	800

EQUAL OPPORTUNITY AND "RECAPTURE"

DPE "equalizes" the ability of each school district to raise dollars for education. The state guarantees to both property-rich and property-poor school districts the same dollar yield per pupil or other task unit (weighted measure of need and cost factors, such as programs, teachers, classrooms) for the same property tax rate. In property-poor school districts, the state makes up the difference between what is raised locally and what the state guarantees. In property-rich districts, where the given tax rate would raise more than the guaranteed amount, excess funds may or may not be "recaptured" by the state and redistributed to the poorer districts.

Recapture enhances the equity principle where there are wide disparities among districts in actual tax base, and it can help offset state costs. This feature tends to be unpopular with wealthy districts. In Wisconsin, a court ruled recapture to be in violation of the uniform tax provision in the constitution of that state. Equity in DPE may also be enhanced by reorganizing districts to create ones with more nearly equal tax bases.

DPE COMPARED WITH FOUNDATION AID: WI AND MN

DPE and foundation formula programs both try to achieve fiscal neutrality, but by different means. Distribution of state aid is in inverse proportion to each district's tax base in both methods. However, foundation aid differs from DPE in the treatment of the tax rate: foundation aid mandates a uniform tax rate, while DPE allows each district to determine its own tax rate.

A recent study which compared the Wisconsin school finance program (Guaranteed Tax Base, or GTB) with the Minnesota Foundation Formula program concluded that "GTB formulas are more complicated (than foundation aid formulas) and cost controls can reduce their effectiveness, but...are capable of improving fiscal equity (especially power equity) with less infringement on local district autonomy and less state funding." (3) The study defined absolute equity as equal expenditures per pupil. While equal expenditures do not necessarily guarantee equal services per pupil, they serve as a rough proxy for services, especially when pupil count is weighted to reflect some of the factors that cause expenditures to vary.

The study concludes that power equalizing schemes work effectively to gain absolute equity, which is not really their objective. Wisconsin showed significantly greater absolute equity than Minnesota. Phasing in of the Minnesota plan and use of the Grandfather Levy and Referendum Levy are suggested as possible reasons for Minnesota's not achieving more absolute equity. Wisconsin showed better results in achieving taxing power equity than did Minnesota, but this was due to differences in goals, not differences in success in achieving them.

Minnesota actually achieved more wealth neutrality (no systematic relationship between wealth of a district and expenditures per pupil) than Wisconsin. Although the Wisconsin GTB plan led to an improvement in wealth neutrality, a significant positive relationship between spending and property valuation per pupil persisted. This may be due to local decisions on spending levels rather than on the actual tax base. It seems to be easier for high wealth districts to decide to tax themselves at a high rate than it is for low wealth districts, even though more of the money comes from the state for the low wealth district with a high tax rate. The authors questioned whether GTB is an effective method of implementing court mandates that educational opportunity not be a function of local wealth.

DPE AND FULL STATE FUNDING: OPPOSITE OR SIMILAR?

DPE and Full State Funding are usually characterized as opposites: local choice of tax rate and spending versus uniform tax rate and uniform offering. In practice, however, the two methods could be similar if modified forms were used.

Though an unlikely possibility, if tax rates under DPE were chosen to be the same, then local taxes would be similar to a statewide tax, as in full state funding. A modified DPE program which included an expenditure floor with a minimum statewide tax rate and a spending limit would produce results similar to a uniform base program with a limited amount of local leeway to supplement the state program.

The choice between the two plans focuses on: 1) the magnitude of funding of the base program, and 2) how much local leeway would be allowed and how it would be equalized.

POWER-EQUALIZED REFERENDUM LEVY

Power equalizing is used not only as a major method of school finance, but also as a supplement to other finance systems. For example, in addition to offering Foundation aid, Minnesota could power equalize its referendum levy, making it more "wealth neutral." Currently Minnesota's Discretionary Levy is power equalized, although there is a limit to the tax rate a local district can adopt (up to 2.25 mills for 1982-83). The state determines a guaranteed amount of revenue, proportionate to the mill rate chosen by the district.

SUMMARY

DPE offers both taxpayer equity and local taxing discretion. A state can impose constraints consistent with statewide goals; however, equity and local control may be undermined by too many restrictions. If a state adds many constraints, the formula can become extremely complex.

Achieving true wealth neutrality has proved difficult under DPE programs in use today, mainly because of 1) political and judicial opposition to recapture provisions, and 2) cost controls imposed by legislators who fear high state expenditures.

NOTES

1. John E. Coons, William H. Clune III, and Stephen D. Sugarman. Private Wealth and Public Education. Harvard Belknap Press, 1970.
2. Fiscal neutrality concepts: 1) Ex ante: the ability of a district to support schools should not depend on its wealth; 2) Ex post: actual level of educational support must not correlate with wealth.
3. Judith Collins and Marvin Johnson, "Fiscal Equity and School Aid Formulas: The Wisconsin and Minnesota Experiences," North Central Journal of Agricultural Economics, Vol. 2, No. 2, July 1980, p. 160.

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2. Collins, Judith and Marvin Johnson, "Fiscal Equity and School Aid Formulas: The Wisconsin and Minnesota Experiences," North Central Journal of Agricultural Economics, 2:2, July 1980.
3. Coons, John E., William H. Clune III, and Stephen D. Sugarman. Private Wealth and Public Education. Harvard Belknap Press, 1970.
4. Garms, Walter I., James W. Guthrie, and Lawrence C. Pierce. School Finance: The Economics and Politics of Public Education. Prentice-Hall, Inc., 1978.
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8. ----- "Inequality and the Referendum Levy," U of MN Dept. of Ag. and Applied Econ. Staff Papers Series P81-2. St. Paul: U of MN Institute of Agriculture, Forestry and Home Economics, 1981.
9. ----- Personal interview, February 1982.

D. THE VOUCHER SYSTEM

Many voucher systems have been suggested as ways to distribute state education funds directly to families, "leaving to parents to obtain the education where and how they pleased" (Nineteenth Century philosopher John Stuart Mill, *On Liberty*). Mill suggested this as a means to diversity in education. Conservative economist Milton Friedman suggests vouchers as a route away from centralized government control. Jesuit priest and professor of political science Virgil C. Blum liked vouchers (and tuition tax credits) as a way to give financial support to Catholic schools. And six southern states have tried vouchers to maintain racially segregated schools. Under the Nixon administration, the Office of Economic Opportunity hoped to use a version of vouchers in a large-scale experiment aimed at improving the education offered to poor and minority children. (1)

Now the most frequently discussed voucher system would bring the goals of district power equalization down to the individual family. It would supply public dollars to power equalize each family's decision on how much to spend on their children's education. Coons, Sugarman, and Clune, the originators of DPE, have lobbied steadily for a voucher system as a means of empowering poor families and encouraging new ways of educating.

HOW IT WOULD WORK

Their voucher system would create school offerings at several different levels of per pupil cost. Schools, public and/or private, would compete for the business of education consumers. These consumers would have been given equal buying power for equal "economic sacrifice" through vouchers. Vouchers would be handled so that anyone could go to any school within the system for an equivalent economic sacrifice for every family choosing that school, regardless of family income. A sliding scale (based on financial need) would determine how much the voucher would cost (like food stamps). Thus vouchers with the same market value would have different purchase prices depending on the consumer's income. Proponents of a voucher system maintain that schools would offer a variety of educational programs with differing costs, thus providing choice and incentive for a quality education.

It is not easy to see how relative purchase prices of vouchers would be determined. Keeping prices progressive and available to the poor but not excessive for middle and high income families would be of prime importance.

It has been suggested that even for the wealthiest family, the tax liability should not exceed twice the per pupil cost of the most expensive school in the system. Since the total tax liability would not vary by size of family, the wealthiest family with two children would thus break even by staying within the voucher system. Although a ceiling on the tax liability seems at variance with the idea of equal economic sacrifice, proponents of vouchers believe it is a necessary concession to prevent the rich from going to private schools.

Supporters envision that the public schools would be administered by a state superintendent and board. Private schools would have to meet state minimum standards to be part of the system. Per pupil costs and family tax rates would be set by the superintendent. Every school would have to have an account kept of the number of dollars per student enrolled.

A statewide income tax could still provide major funding for the schools.

A modified voucher system could be combined with property taxes, to enable education consumers to express their preferences for different services. Property tax revenues could provide a basic voucher at no additional charge. The state could establish a minimum amount and finance it by a statewide property tax. For those who wanted a higher priced education, add-on vouchers could be purchased with cost equalized and paid for on state income tax forms.

If private schools were included in the voucher system, public cost would most probably rise substantially in areas with higher private school usage.

Total costs to poor families would be reduced and to wealthy families increased, as with college financial aid.

Under a power-equalized voucher system one would expect to see income redistributed from higher to lower income groups, and from the public to the private system. The local tax base would be irrelevant in determining educational expenditure.

Opponents argue that under a voucher system, social, racial and religious segregation might increase. In the competition for students, schools that stress achievement might tend to select only good students and promote academic segregation.

Some people question whether the voucher system would have any validity in small rural school systems. Is it only for the large urban and suburban systems? Choice becomes pointless if there is little diversity. And, it is argued, if the system were implemented in the metropolitan area only, where there are sufficient options to allow a "marketplace" approach, it would create divisions between metropolitan and rural districts.

CITIZENS LEAGUE STUDY

In the spring of 1982, the Citizens League, a nonpartisan public affairs research and education group in the Twin Cities, issued a report entitled Rebuilding Education to Make It Work. The scope of this report is considerably broader than school financing, but the portion that deals with finances urges the implementation of a voucher system. In line with the organization's more general vision of decentralized decision-making, greater flexibility, and removal of barriers that block innovation, the report recommends that, "Public educational dollars should follow parents' choices about which schools or educational services should be utilized." (2)

Two members of the research group issued minority reports disagreeing with the voucher recommendation. They are concerned that "social and economic inequities will increase under the proposed system." (3)

NOTES

1. Chapters were devoted to each of these advocates of vouchers in George R. La Noue, ed., Educational Vouchers: Concepts and Controversies, part I, "The Unregulated Voucher," 2-47.
2. Citizens League Report, p. 33.
3. Ibid., p. 47.

SOURCES

1. Benson, Charles S. et al. Planning for Education Reform: Finance and Social Alternatives. Dodd Mead & Co., 1974.
2. Financing the Public Schools, Revised Edition. Phi Delta Kappa, Commission on Alternative Designs. Bloomington, Indiana: Phi Delta Kappa, 1975.
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4. Rebuilding Education to Make it Work. Minneapolis: Citizens League, May 1982.

E. PROGRAM-BASED FUNDING
(Foundation Service Program)

A report produced in 1981 for the Minnesota Senate Education Committee (1) outlined a new method, the Foundation Service Program (FSP), which would fund by program rather than by pupil. This is not a total school financing system; it says nothing about how the money for public schools would be raised, or whether there would be local options to spend above the FSP level.

Program-based funding, as visualized in the study, would include the following concepts:

1) Foundation revenue provided to a school district would be the dollars necessary to fund a standard set of instructional and support services for that district. FSP would not require that the local district follow that standard curriculum exactly. Rather, the local school board, working within the dollar limits of this funding method, could put curricular emphasis where it believed it was needed. (A program-based system could, however, require that all or part of the standard curriculum be offered by the school in order to get state funding.)

2) Assuming that the basic cost of providing such a standard program is people cost, the FSP is described in terms of full-time equivalent (FTE) professional staff by program area that are required for each 1,000 students. The standards used were not hypothetical ideals but were based on what was actually happening in Minnesota schools in 1977-78.

The researchers looked at 345 districts, all those with enrollments below 2,000, to arrive at a standard for service capability for secondary subject areas, administrators, counselors, and librarians. The mean of 18 average districts was taken for a standard for kindergarten through sixth grades. The standards could be changed by the Legislature as state revenues or the public's desire for educational quality shifted.

The ratio of staff to each 1,000 pupils would not change gradually, but in class jumps. As enrollment dropped (or increased), funding would change in a stairstep pattern, not a smooth slope. A decline spread over several grade levels would not add up to a staff drop under FSP.

3) A "training/experience index" for teachers and regional salary schedules were developed and used to determine differences in amounts that would be distributed to local schools. The training/experience index was adopted from a Washington state model in which an index of 1 represents a teacher with a bachelor's degree at step one in the salary scale. The number of FTE staff needed to supply the model curriculum multiplied by the overall training/experience index for the individual school district multiplied by the regional salary base would determine the revenue allocated to a particular district for licensed regular instruction.

Looking at actual practice in the state, the researchers found that Minnesota students did not have comparable access to school-provided professional services as of 1977-78. Wide variations among districts were found in, for example, ability to deliver instruction in such special service subjects as art and foreign languages. Implementation of FSP in 1977-78 would have required a 12% overall increase in licensed instructional staff and a 7% increase in funding.

One of the most interesting and controversial parts of the FSP is its use of teacher training and experience levels to determine how much state funding flows to a particular school district. The present Minnesota funding formula does not take this into account. Under the Foundation Service Program districts with more experienced teachers would receive more dollars to help cover higher salary costs.

A teacher training/experience index could, of course, be used as part of any funding method, not only a program-based one; but this idea is intimately tied to the objective of providing a level of curriculum, not a level of dollars, for each child. Does the use of a training/experience index to which revenues are tied provide equity? To believe so, one must assume that service from a new teacher equals service from an experienced teacher.

Variations of the program-based funding system outlined above are possible, of course. An example is funding of a minimum program with no weighting for statewide salary differences and allowing a power-equalized levy for any amounts above the minimum.

PROS AND CONS

Some of the arguments for the use of a program-based school financing method using FTE teachers per 1,000 pupils as the funding unit are:

- 1) Funding would be sensitive to enrollment change.
- 2) Service capability is a better measure of quality than pupil units, number of electives, or class size.
- 3) It shifts emphasis from dollars per pupil unit to services available to students, enabling us to achieve more easily "a uniform system of public schools" (Minnesota Constitution) by funding comparable instructional support services to students.
- 4) Emphasis on licensed professional services to students is closer to the real purpose of schools than attention to unit revenues and expenditures. Information on revenues and expenditures may be valuable for school management but are these data indicators of equal access to educational opportunity?
- 5) Significant curriculum control would be left at the local level.

Arguments against program-based funding are:

- 1) If based on a pupil/teacher ratio of 20/1, the program would result in substantial statewide staff increases which would be expensive.
- 2) It would be expensive to develop the specialized data base necessary to manage the system.
- 3) For small school districts of under 300 students, it would be difficult to supply a full program of services using the FSP formula, unless the ratios were adjusted downward, resulting in substantially greater cost statewide.
- 4) The public might not accept the inclusion of local cost differences in the funding formula. Some of the major beneficiaries of the program would be those districts which have the most experienced teachers, districts often thought to be over-advantaged already.
- 5) If a previous year's data on teacher training/experience levels and regional salary scales are used to determine the current year's funding, existing cost differentials might be perpetuated.

NOTE

1. Foundation Service Program Study. Education Committee Minnesota Senate, 1981. This study was conducted under the direction of Joyce Krupey, Senate research analyst and LWV member, with technical assistance from Charles H. Sederberg and Vernon L. Hendrix of the Center for Educational Policy Studies, College of Education, University of Minnesota.

SOURCE

1. Krupey, Joyce, Director. Foundation Service Program Study., St. Paul: Education Committee, Minnesota Senate, 1981.

IV. IMPORTANT OPTIONS THAT AFFECT FINANCING

A. THE CONTINUOUS LEARNING YEAR

One school system in Minnesota, Mora, has opened its schools to year-around, regular use. Students attend classes for four 45-day sessions throughout the year, with 15-day breaks between the sessions and a five-week summer break. At any one time about 75% of the district's students are actually "in" school.

For Mora, it has been highly cost effective, saving considerably on energy. (1) Throughout the country, 739 schools are using some kind of continuous learning year.

Usually the continuous learning year is a last resort for school districts that are overcrowded and unable rapidly to add on new school facilities. In Minnesota's current fiscal difficulties, it might merit more general consideration for the following economic and educational reasons:

1. It could reduce operational costs through better use of school space.
2. It could enable districts to close obsolete facilities or convert them to other uses, or sell them and return them to the tax rolls.
3. It could reinforce continuity in education and cut down on review time, allowing for enhancement of the educational program. Learning gains would not disappear over the long summer vacation.
4. Teachers would have the option of year-around employment.
5. Given the cutbacks in summer schools and lack of summer job opportunities, the continuous year offers an attractive method of keeping students usefully occupied during summer months.

Opponents maintain, among other things, that:

1. There would be no summer session during which students could make up work.
2. Family vacations might be disrupted.
3. Students who need the earnings from summer jobs would not have the opportunity to work.
4. Students from farm families are needed at home during the summer (the traditional reason for suspending school during summers).

NOTE

1. Phone conversation with Dr. Pius Lacher, Mora Superintendent of Schools, June 22, 1982.

SOURCE

1. Phone interview with Dr. Pius Lacher, Mora Superintendent of Schools, June 22, 1982.

B. STAFF SALARIES

A discussion of school finance that considers only revenues and legislative attempts to equalize them is incomplete. In most school districts nearly 80% of income is used to pay salaries and benefits. When there is such a wide range of staff salary differences among districts, equal dollars per pupil unit are not a guarantee of equality.

In 1980-81, average professional staff salaries in Minnesota ranged from \$11,308 to \$25,370 among the school districts. The reasons for this range include staff maturity, staff level of postgraduate achievement, and the effectiveness of contract negotiations.

Solutions to the problem of vastly differing salary costs from district to district are beyond the scope of this study. Several studies have been undertaken by educational research organizations to examine the delivery of educational services. (1)

Legislative efforts in Minnesota to deal with staff salary disparities have led to some of the adjustments referred to earlier in the current Foundation Formula; e.g. the Grandfather component recognizes that one of the factors in high-cost districts may be high-cost staff. Further efforts to equalize staffing costs may be made. A change from pupil unit funding to any base that is more cost-related would help.

Incentives for greater movement of mature staff could be provided, so that a teacher could transfer from one district to another without loss of seniority. Promoting a better mix of beginning and experienced staff in all school districts would have educational benefits that are more than financial. Some people have suggested regional or even statewide salary schedules.

There is little likelihood that current practice in settling teacher salary negotiations will bring about anything but larger cost differentials among districts. The Public Employment Labor Relations Act (PELRA), passed in 1971 and amended in 1974 and 1980, has given teachers a stronger voice in contract negotiations. In 1981-82 there were 35 teacher strikes in Minnesota. If contract settlements exceed what the local district can really afford, either local taxpayers must make up the shortage, or cuts must be made in educational services or staffing or both.

As we attempt to provide equal opportunity in education, a labor-intensive business, Minnesotans cannot overlook the disparities in labor costs among districts. Equal dollars do not necessarily deliver equal services throughout the state.

NOTE

1. Studies are underway by the Carnegie Foundation and the National Academy of Education.

SOURCES

1. Collective Bargaining and Tenure, Facts & Issues: Education. St. Paul: League of Women Voters of Minnesota, April 1977.
2. Interview with Minnesota State Rep. John Tomlinson, July 23, 1982.
3. Telephone interview with W.A. Wettergren, Executive Secretary, Minnesota School Boards Assoc., July 1982.
4. Tomlinson, John. School Finance Letter No. 13, St. Paul: Minnesota House of Representatives, February 27, 1979.

C. SCHOOL DISTRICT REORGANIZATION

"It is the policy of the state of Minnesota to reorganize school districts into local units of administration which will afford better educational opportunities for all pupils, make possible a more economical and efficient operation of the schools, and insure a more equitable distribution of public school revenue."

This was the initial policy statement of SF 156, introduced in 1977 by Dr. Jerald Anderson, former state senator from North Branch. The remaining sections of SF 156 dissolved all school districts and reestablished 92 county-sized districts. Senate staffers who remember this bill claim that it generated a greater flood of mail in opposition to its passage than any other bill before or since. It seems that Senator Anderson had "hit a nerve" in the education-sensitive Minnesota voter. Those who claim to know about public reaction to the consolidation issue were not surprised at the outrage evoked by this bill.^{2,66}

1947-71 CONSOLIDATION

But Minnesotans have consolidated school districts without all this fuss: from 1947 to 1971 the total number of school districts in Minnesota was reduced from 7606 to 440. The 1947 Legislature appointed a Commission on School Reorganization. At the state level there was an Advisory Commission whose task was to guide school survey committees and local school planning groups. The Commission stated their three principal aims: "1) better educational opportunities for all the pupils and inhabitants of the county; 2) more equitable, efficient and economical administration of public schools; and 3) more equitable distribution of public school revenues and costs of education." These 1947 aims don't sound much different from the policy statement in SF 156, drafted 30 years later. Yet the reaction to the Reorganization Commission and SF 156 were markedly different.

Three significant differences between the two reorganization efforts may explain the two reactions, and these are essential points to consider if reorganization of districts seems to be one of the solutions to the state's current financial problems.

1. The Point of Departure. When the 1947 legislature initiated reorganization there were 7606 independent school districts statewide. Some of these districts did not even have a school! Most that did had only an elementary school. Many were the old one-room country schoolhouses.

By the time the Commission completed its work in 1971, almost every child in Minnesota lived in a school district that offered at least a 1-12 program. There was no doubt that educational opportunities for Minnesota's children had been vastly improved. In 1977 problems weren't quite as vast, and the financial and enrollment problems Dr. Anderson predicted were still five years away.

2. The Time Frame. It took the Commission on School Reorganization 24 years to consolidate. SF 156 proposed that its reorganization take two years. Considering the vast scope of the change proposed, that was hardly sufficient time.

3. The Method Used. This was probably the most important difference. The 1947 Legislature provided the impetus, broadly sketched in the guidelines, but the real decisions were made by local school survey committees and local school planning groups. It was not done by legislative fiat. Experience has shown that change must be directed by the local citizens affected by it. It cannot be imposed on them from outside.

Although the Commission on School Reorganization seems to have succeeded in its mission, there was one piece of unfinished business. That was, according to the commission, the "merging of inefficient secondary districts into stronger units of operation." Since 1971 there has been little progress in

that direction. Now, more than a decade later, that unfinished business may need to be tended to.

IS REORGANIZATION AN ANSWER?

To determine whether or not reorganization is an answer to some of the financial problems facing the Minnesota educational system in the 1980's, let us look again at the three aims of the 1947 Legislature, which were restated in the 1977 Senate bill.

1. Does consolidation offer "better educational opportunities"? Reorganized districts reported to the Commission several advantages, including the following: expanded curriculum, better trained faculty and improved holding power, i.e. more students graduate. Optimum size studies conducted by the State Department of Education (SDE) argue that a minimum basic program would require a secondary teaching staff of 12 to 14. To support such a staff, the enrollment would have to be at least 200 secondary students. There are several school districts in Minnesota that have fewer than 200 students, K-12.

The explosion of knowledge that has occurred in the mid-Twentieth Century makes greater demands than ever before on both students and faculty. There are no easy career choices any more and a limited secondary curriculum puts our high school graduates at a disadvantage that is not only unfortunate but may be challenged in court.

2. Does reorganization offer "more economical and efficient operation"? Although the best answers to this may have to await the results of a study undertaken by the Blue Earth County districts on this specific question, a partial answer can be derived from reports to the SDE on paired districts. In 1977 the Legislature adopted MS 122.85, Experimental Pairing (probably as a viable alternative to SF 156) and in 1979 the Legislature expanded the pairing option to all districts. These two statutes enable two or more districts to enter into a pairing agreement and permit them to discontinue some grades and to cooperate on programs and services. Sometimes this pairing leads to consolidation.

Two districts in Minnesota, Echo #893 and Wood Lake #896, were the first districts to agree in 1977 to pair and to eventually involve the entire student population. In a report sent to the SDE in June, 1981, the superintendent reported that:

Should the two districts discontinue the pairing agreement, total staff additions (to maintain the same level of program) would be 2.6 additions in administration and 13 more full-time equivalent professional teaching staff. With 21 FTE currently serving the combined districts, this constitutes an increase of over 60%. In a labor-intensive field such as teaching, the savings realized in this pairing agreement is significant. There are, of course, some increases in costs due to pairing, the largest of these is increased transportation costs.

Other paired districts report similar savings. Another benefit to the pairing is that additional elective choices are available. A superintendent reported to the SDE that 32 additional electives were available to the tenth through twelfth grades of his paired district.

3. Will reorganization ensure a "more equitable distribution of school revenues"? Under the current "per-pupil unit" funding, the size of the school district does not affect the distribution of state funds. There are certain categorical aids, however, that would be more equitably distributed if smaller districts were reorganized.

If, for example, there are too few pupils in a Limited English Proficiency program or in a Special Education Program to fund at least one full-time equivalent position, then either the program cannot be offered (in which case the needs of these disadvantaged students are not being met) or a funding floor allows any district to receive at least a minimum number of dollars. This is,

of course, inequitable distribution of revenues--all in the name of equitable opportunity for students. Should the state ever move to program-based funding rather than pupil unit funding, smaller districts would have to reorganize or they would be receiving a far greater proportion of state funds than their enrollment would warrant.

Finally, reorganized districts, i.e. larger districts, would tend to even out the highs and lows in district property values so that property tax revenue collections would tend to equalize. This may have provided the greatest impetus for districts to reorganize. When district finds that by combining with a neighboring district its too-high property taxes might be reduced or that its share of state aids might be increased if the neighboring district has a low equalization factor, then the consolidation idea is far more appealing.

OPPOSING ARGUMENTS

Those who have opposed consolidation usually rely on four general arguments:

1. The school is the "heart of the community", often serving as the center of the town's social activities. Therefore, to lose the school would be to destroy the community.

2. There are virtues of "smallness," and students who attend small schools are given greater opportunities to lead and participate in extra-curricular activities.

3. Long bus rides are detrimental to children's health, the time spent limits their participation in activities, and extra maintenance and energy costs are incurred.

4. Local control over schools must not be lost; consolidation would weaken local control.

Proponents could certainly cite the arguments mentioned earlier in defense of reorganization. But no arguments are likely to entirely win over all opponents, and any changes that are proposed in Minnesota's district organization must respect such local concerns.

SOURCES

1. Description and Evaluation of the Effects of the Grandfather and Replacement Levy Limitations and Aids. St. Paul: Minnesota State Department of Education.
2. Education in Rural America: A Reassessment of Conventional Wisdom. ed. Jonathan P. Sher. Boulder: Westview Special Studies in Education, 1977.
3. Interview with Janet Kielb, Minnesota State Department of Education, May 1982.
4. Interview with State Rep. Carl Johnson, May 5, 1982.
5. Reports of the State Advisory Commission on School Reorganization to the Legislature of the State of Minnesota, 1953 to 1971. St. Paul: Minnesota Legislature.

V. CONCLUSIONS

A. SURVEY RESULTS

Minnesotans interviewed in spring of 1982 by members of local Leagues of Women Voters in a cross-section of state school districts do not seem fundamentally dissatisfied with the way we currently finance public schools. A fairly large percentage of the education professionals and interested citizens questioned think the system provides a basis for equal educational opportunity for our children, and that is what they believe a school finance system should do.

Committees from local Leagues gathered responses to six questions from school superintendents, finance directors, school board members, teachers and knowledgeable residents as part of this study. The LWMN research committee considered it imperative to have some current information on how people actually involved in our public schools view the finance system.

We cannot derive valid statistical data from the survey; the sample is too small for that. However, the answers were surprisingly consistent and the study group believes they give a good sense of thinking around the state. Following are the major responses to each question.

1. "In what ways have current school financing laws affected your district?"

Answers to the first question reveal the tradeoffs that accompanied the reforms of 1971. A large number of people said that they have less control now, that they have lost local discretion. Dependence on state funds has cost them the means to make long-range plans. At the same time, a similar number of people said that they do have more money now, that things are better--or at least they were until the state's recent fiscal troubles.

A substantial number do not believe they are better off, however. They are generally in large districts that had generous budgets before 1971. The common responses from people in these districts were that they have lost programs, used up their reserves, and been penalized for having high quality programs before 1971. As might be expected, satisfied respondents live in districts that were relatively "low-spending" prior to the law. Many respondents, both satisfied and unsatisfied, also mentioned that under the current system property taxes have been reduced and the tax burden has become less unequal.

2. "What are the major problems of the current state school financing structure?"

There were four major problems mentioned, three of which refer to the difficulty of adapting the formula to changes. The most-mentioned problem was that the current structure is too dependent on the state's economy, unable to adapt to inflation. The other two problems are similar: that the formula does not deal adequately with declining enrollment, and that it does not take costs of providing an educational program into account.

The related fourth problem, mentioned second most often, is the inadequate results of attempts to change the formula to deal with these problems. Many respondents said there are too many inequities, too many special aids, too much unequal distribution of money.

3. "Does the current financing structure provide a basis for all Minnesota children to obtain an equal educational opportunity?"

A fairly large number believe that the system does provide a basis for equal educational opportunity. Those who think it does not most often mentioned current inequities, such as too much "extra" aid to some districts or variations in ability to obtain excess levies. Respondents from small

districts also often mentioned inequities of scale; they simply cannot possibly offer the educational program opportunities of large districts. There were also some who questioned the concept of equal funds providing equal opportunity.

4. "What should be the aim of the school financing system?"

Answers to question 4 brought out a good deal of theoretical discussion of the meaning of "adequate," "equal," and "basic" education. In general, respondents want equal educational opportunity. Many of them pointed out that "equal education" is not an achievable objective, but they think children should have access to essentially equal programs, at least in the basic subjects.

5. "What are the advantages and disadvantages of greater reliance on the local property tax to finance schools?"

Question 5 was aimed at obtaining reactions to the current trend toward greater reliance on local property taxes. Respondents saw both benefits and dangers, and many of them brought up both. There are two major benefits, the first obviously directly related to the current state fiscal crisis. Large numbers of people said that an advantage of reliance on the property tax is that it provides a stable source of income.

The second benefit mentioned was "local control." Although it is not easy to define what they mean by local control, respondents clearly believe that they have more discretion over money raised locally. One board member said, "You could determine your own destiny."

The first disadvantage stated arises from the nature of the property tax. It is considered less fair; it would increase the burden on low-income residents and poor districts. Respondents from districts which include many farms often mentioned the unfairness: farmers' land may have very high assessed valuations, but their actual income may be low.

The second disadvantage seen by many respondents is the possible danger of having to rely on local voters for support of the schools. Local residents may not be willing to pay more taxes, and they may not be sympathetic to the schools' needs. One school board member said, "Greater reliance on local property taxes appeals to the 'local control' advocates, but it is a high-risk strategy."

6. "How is your district going to weather the funding cutbacks?"

Question 6 elicited many answers, the majority of them falling into the categories of program and personnel cuts. A number said there might not be visible cuts but they would be using up their reserves or were planning to ask for an excess levy.

GENERAL IMPRESSIONS

Some general impressions can be noted. There does not seem to be a fundamental dissatisfaction with the Minnesota Miracle. Complaints center around its inability to respond to current fiscal problems and its possible lack of "equity." Those who think it is inequitable now generally want to tinker with it so that they get at least as much as everybody else.

There is deep-seated resentment of districts which have high "grandfather levies" by residents of those who do not. One comment was, "The Grandfather formula was to keep wealthy districts wealthy and it has done just that!"

Strong support was evident for some basic educational program available to all children and funded by the state, with local districts free to pay with local levies for "extras" which their communities desire.

A district finance director countered with the following thought-provoking questions when asked what the aim of the school financing system should be:

"Should people be allowed to quit supporting schools? Who steps in as an advocate for the child?"

B. SUMMARY

The purpose of this study has been to reexamine The 1971 Omnibus Tax Act and its amendments to determine its current effectiveness. We have also investigated some options to the current school financing system.

The 1971 law made extensive changes in both educational finance and state taxes. These reforms were widely acclaimed as the "Minnesota Miracle." In the decade since then, the additions have been called "fine tuning" by some, "disequalizing" by others. Each addition, attempting to address a problem, seems to create new problems. Also, both the state and nation have undergone an economic recession, endured a high inflation rate, and experienced large population shifts that have had great impact on our schools.

When asked about the adequacy of current financing methods in state government, U.S. Rep. Martin Sabo, former Speaker of the Minnesota House of Representatives, said, "One cannot separate the structural questions from the financial." What this study has attempted may be an impossibility, for it has addressed the financial questions with little attention to the structure. Taxes, educational policy, and education finance are all so inextricably bound together that one cannot avoid distortions when cutting one issue from the pack in order to try to understand and evaluate it.

However, the whole education picture was beyond the committee's charge. At times, the study group has ventured into some of these related areas, but exigencies of space, time, and energy have drawn us back to our central issue.

To study public school finance in Minnesota was our task. It is now the task of other Minnesota citizens to educate themselves on this issue and either reconfirm their satisfaction with the financing law we have or determine the next step: more reform? a new financing scheme? a new "miracle"?

APPENDIX A

ACKNOWLEDGEMENTS

Those who spoke to the LWVN School Finance Study Committee:

Nancy Atchison, school board member and former LWVN Education Study Chair
 Joe Graba, former State Representative
 Joyce Krupey, Office of Senate Research, State of Minnesota
 Gene Mammenga, Minnesota Education Association lobbyist
 Mary Roberts, Executive Director, Metropolitan School Boards Association

Those who were interviewed by the LWVN School Finance Study Committee:

Governor Al Quie
 Lt. Governor Lou Wangberg
 Wendell Anderson, former Governor of Minnesota
 Clyde E. Allen, Minnesota Commissioner of Revenue
 Tom Deans, Counsel for Minnesota School Boards Association
 Senator Neil Dieterich, Chair of Education Aids Subcommittee of Education
 Committee
 Don Hill, President of MEA
 John Feda, Commissioner of Education
 Representative Carl Johnson, Chair, House Education Committee
 Harry Kaiser, Dept. of Agricultural & Applied Economics, University of Minnesota
 Representative Connie Levi, House Education Committee
 Representative Sally Olson, House Education Committee
 Peter Popovich, Attorney, Counsel for Minnesota School Boards Association
 Representative John Tomlinson, Chair of Revenue Division, Tax Committee
 Mike Lovett, State Dept. of Education, Statistics
 John Maas, former Deputy Commissioner of Education
 Glen Nelson, Dept. of Agricultural & Applied Economics, University of Minnesota

 and other legislators, local school board members, local teachers' groups and
 administrators.



FACTS and ISSUES: EDUCATION HOW WILL WE PAY FOR OUR SCHOOLS? FINANCING PUBLIC EDUCATION IN MINNESOTA (K-12)

League of Women Voters of Minnesota

August 1982

I. Current Status of Financing of Public Education

A. Introduction

Reform Movement

The social consciousness of the mid-Twentieth Century generated a movement to redress unequal educational opportunities in this country. Many people recognized that being black or white made a difference in the education an individual could expect; being rich or poor made a difference; being from a community that valued or did not value education made a difference; living in a property-rich or property-poor school district made a difference. Numerous court challenges reflected the general consensus that an overhaul of school funding was due.

In Minnesota the Governor and Legislature initiated changes which brought the state's school financing system more into spirit with the constitutional mandate "to establish a general and uniform system" of education. Widely known as the "Minnesota Miracle," the 1971 Omnibus Tax Act had as its main goals to equalize tax effort of property owners while at the same time promoting greater equalization of school expenditures throughout the state. The Legislature continues to have a large role in the joint state-local effort to finance schools.

Amendments to the 1971 Law

In the decade since, numerous amendments to the original Act have reflected significant changes in schools and society not anticipated by those who drafted the 1971 law. Inflation, declining enrollment, the increasing needs of special groups, and, most recently, declining state revenues in a recessionary economy have prompted these amendments. Some believe the amendments have "fine-tuned" the law; others think the changes have turned the Minnesota Miracle into an unwieldy instrument, difficult to understand and unresponsive to present needs.

The League of Women Voters of Minnesota (LWVMN) was actively involved in efforts to pass the 1971 law, lobbying from its 1969 position on equal opportunity in education. Details of that position have enabled LWV lobbyists to support many of the changes made in the law during the past decade.

Have these "adjustments" caused a loss of many of the law's original features, those designed to distribute funds equitably and reduce reliance on the local property tax? Educators and the concerned public have begun to ask for a reexamination of Minnesota's school financing system. What was appropriate in 1971 may not be what schools need in the '80s.

B. Minnesota Law and Some Problems With It

Schools in Minnesota are financed by a combination of state and local monies (with some additional funds, about 6%,

which we will not discuss here, from federal sources). The state share of this money is divided among three aid programs, Foundation aids, categorical aids, and tax relief aids.

The Foundation Formula

The Foundation Formula includes Foundation aid from state tax sources and property tax revenues from local levies. The state portion of this formula, Foundation aid, constitutes 70% of the total state aid to school districts. Local districts are unrestricted in their use of this aid and the related property tax revenues to meet their current operating costs.

The local property tax portion of the formula is based on district ability to pay as measured by property valuation in the district. An equalization factor determines what proportion of the funds comes from state aid and what from property tax in each district. The higher the property valuation, the less a district gets from state aid, and vice versa. Some districts, with high local property valuation, raise all their Basic Foundation amount from the local property tax: they are, thus, "off-the-formula."

"Equalization . . . refers to an equal minimum rate of taxation among school districts which supports a minimum guarantee of equal dollars per pupil unit. Above these minimums both tax rates and dollars per pupil vary greatly among districts depending upon varying student needs, district costs, and district education and tax choices."

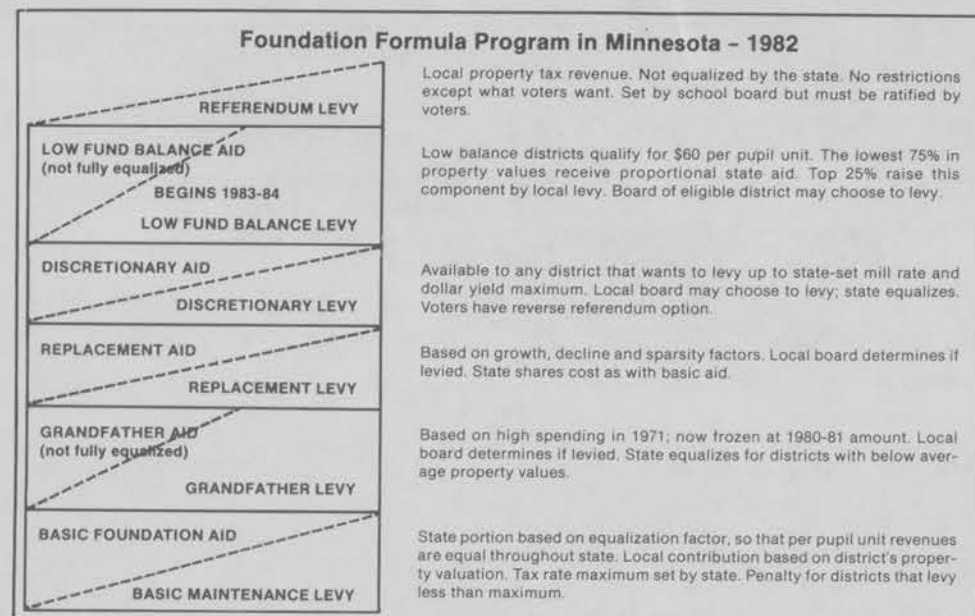
Illustration of Formula

There were in 1981-82 five parts to the Foundation Program. All but one could be made up of both state and local monies. Beginning in 1983-84, a sixth part, Low Fund Balance Aid and Levy, will be added. The accompanying chart entitled "Foundation Formula Program," based on one provided by the State Department of Education (SDE), illus-

Method of Study

In carrying out this study, the LWVMN research committee read widely and interviewed many state leaders in government and education. They also used the results of interviews conducted by local League members with school personnel and concerned citizens to provide a sense of the thinking around the state. A summary of the responses to this survey appeared in the June-July 1982 *Minnesota VOTER* and is included in the more detailed version of this study published by LWVMN in August 1982. The more extensive version also includes the sources of information for the study. Additional copies of this paper, as well as the more detailed, computer-printed version may be obtained from:

League of Women Voters of Minnesota
555 Wabasha St.
St. Paul, MN 55102
(612) 224-5445



trates how state aid and tax levies are combined to arrive at the total formula amount for each district.

The illustration is not proportionally accurate. The Basic Foundation Aid and Levy usually represents about 77% of a district's monies. The supplementary components are not equal either. For example, in 1982-83 the local referendum will account for 3.2% of the total Foundation Program statewide, up from under 1% in 1981-82.

The diagonal lines dividing the boxes are not meant to imply that state and local shares of a component are equal. The shares are, of course, different for each district, depending on the district's ability to pay as measured by property valuation.

Some definitions:

Levy - money raised from tax on local property.

Aid - state funds from the income and sales taxes.

Pupil Units - weighted count of students in a district, taken each year and used as basis for the guaranteed dollar amount of the Foundation Formula. The weighting depends on several factors, including the grade level of the student and whether the student's family receives Aid to Families with Dependent Children. The weighting is an attempt to take into account the differing costs of educating different children.

Legislature sets allowance and tax rate

The amount of the Basic Foundation Formula is determined by the state Legislature. Increases have been made through the decade, partially in response to inflation, but considerably below the inflation rate. The 1971 average pupil unit cost was \$663, and the formula was set at

\$600 for 1971-72. The formula for 1981-82 was set at \$1333. For 1982-83, districts were to be guaranteed \$1346 per pupil unit, until the 1982 Legislature required a 1.5% budget cut because of the state's fiscal problems.

One of the criticisms of the Foundation Program is based on the somewhat arbitrary means used for arriving at the formula allowance. Education committees of both the House and Senate tend to bargain on this point, arriving at an amount that the state budget will bear which has little direct relationship to the real costs of educating students (although they may take costs into account).

The Legislature also sets a required rate of taxation (mill rate) that must be levied locally to provide the district's tax portion of the basic formula. The 1971-72 rate was 30 mills. In 1981-82 the rate was 21 mills, and the rate for 1982-83 was set at 23 mills plus one optional mill. Aids for 1982-83 are computed using 24 mills applied to equalized property valuations (adjusted for varying assessment practices around the state).

Added Components

Because it is recognized that there are cost differences from district to district, adjustments in the total Foundation Program have been made over the last 10 years. Some of the adjustments have made the distribution of funds more equitable; others have tended to dis-equalize the distribution. Each of these adjustments has added a component to the basic Foundation Formula.

The first supplement to the basic foundation formula is the *Grandfather Aid and Levy*. It has become one of the most controversial parts of the law in recent years. In 1971, when the greatest effort was

made to equalize spending throughout the state's school districts, those districts that had been spending over the state's average were allowed to continue raising that amount through local property taxes. That additional levy is now equalized with state aid for districts with below average property values. For other eligible districts, the full amount comes from the property tax.

The original intent was to gradually reduce the Grandfather allowance so that high-spending districts would be brought down to the state's average within 40 years. In fact, that reduction never occurred, and districts that were high spenders in 1971 still have the option to maintain a higher spending level today. The disequalizing effect is obvious. In 1981, 177 districts of the state's 432 received a Grandfather allowance of between \$1.00 and \$475.00 per pupil unit. The other districts had no Grandfather allowance.

The second supplement to the basic foundation formula is the *Replacement Aid and Levy*, which is a system of shared state and local funding for the costs associated with sparsity and enrollment change. These aids were computed separately and fully paid by the state prior to 1980-81. The amount comes from aid and levy in the same proportion as the basic foundation formula. This revenue was received by 424 of the 432 school districts in 1981-82. The highest per pupil amount from Replacement revenue was \$284.

Declining enrollment has been one of the major problems to hit the state schools in the last decade. Recently many districts have learned that decline may be more difficult to deal with financially than increased enrollment. A district may lose a substantial amount of money as its pupil units decline, yet incur no reduction in costs. For example, a district with a K-12 enrollment of 500 students might lose 50 pupils and, therefore, realize a 10% loss in aids. Yet, if those students were lost at the rate of four per class, it is possible that there would be no reduction in staff, no cost savings in equipment and utilities, and little savings in supplies.

When reduction in staff does take place, by Minnesota law the teacher with least seniority (who is, typically, the lowest salaried teacher) is the one to leave. The savings are less than if a teacher getting an average or high salary were dropped.

The third added component, dating from 1979, is the *Discretionary Aid and Levy*. Bowing to those who call for more local control, this component is optional.

High staff costs or expanded program offerings might be reasons why a district would opt for this aid and levy.

Under the Discretionary component a mill of tax levy is equalized by the state to provide the same number of dollars per pupil unit as would a mill raised under the basic formula, subject to a legislative limit on the number of mills a district may levy. In 1981, 314 of the state's 432 districts used this option. The maximum allowance set by the Legislature for 1982-83 is 2.25 mills guaranteed to raise \$138.52 per pupil unit. The law allows for a reverse referendum by voter petition on this levy.

The fourth supplement to the Foundation Formula, added during the 1982 legislative session but not available until 1983-84, is the *Low Fund Balance Aid and Levy*. Fund balances in many school districts were depleted following the withholding of school aids during the 1981-82 state deficit crisis. This allowance is the Legislature's attempt to make up for some of that loss. Only districts with balances below \$316 per pupil unit will qualify.

The final supplement to the Foundation Program is the *Referendum Levy*, locally generated and unmatched by state aids. The only limit on this is what the local voters will accept. Ballot proposals are expressed in mills and the amount raised by that millage in the first year, for a specific year or years or ongoing. In 1981, 171 of the state's school districts had money raised from local Referendum levies, passed in that year or earlier, which they used to supplement their Foundation funds. The amounts varied from \$21.20 per pupil unit to \$1411.34 per pupil unit. Since 261 districts had no money raised from referendum levies in 1981 and most districts face financial crises, a large number of districts are likely to hold referenda to ask for additional tax money in the near future.

Categorical Aids

Categorical aids are distributed to local districts to support specific categories of programs agreed upon by the Legislature, the SDE and local districts. Some of these are mandated programs, some are optional. They are designed to address certain problems not dealt with under the original 1971 Omnibus Tax Act. Many of them have been supported by the League of Women Voters.

A percentage of the costs, different for each type of aid, is paid by the state. These aids are akin to the idea of Program-Based Funding (see section on that subject), which is espoused by some who are dissatisfied with the Foundation system of funding by pupil unit.

The major categorical aids are Transportation aid, Special Education aid, and Secondary and Post-Secondary Vocational aid. There are over a dozen other miscellaneous categorical aids, for such programs as Gifted and Talented Students, Indian Education, English As a Second Language, and Community Education.

Transportation aid is a large and growing portion of state aids to local districts. Even though enrollments in both public and nonpublic schools have declined since 1971, the number of students transported has increased every year. These increases are due to desegregation efforts in the three major urban districts, pairing or consolidation between districts, increases in programs for handicapped pupils, increases in shared time between public and nonpublic schools, and high energy costs. Transportation costs for extracurricular activities or field trips are borne solely by the local districts out of their general funds (Foundation monies). The proportion of transportation costs covered by the state was decreased in 1981-82 as part of the legislative response to increasing costs of transportation and decreased state revenues.

Special Education aids go to school districts based on their costs of instruction and supplies (one of the few current programs for which funds are tied to real costs, although the state's percentage contribution was recently decreased). These are mandated programs and they are costly. Districts must provide educational services for the speech impaired, mentally retarded, physically handicapped, hearing and vision impaired, learning disabled, emotionally disturbed, and pupils with special behavioral problems.

Vocational Education aids, both secondary and post-secondary, are also appropriated to districts according to the costs of instruction and equipment. Some of the costs of post-secondary vocational education are met by tuition.

Although the *other categorical aid programs* have a minimal impact on total state financing, they address some problems specifically that might otherwise be ignored. Total monies spent on Gifted and Talented Student programs have not been great, but the LWV has been a long-standing proponent of this kind of state aid. Similarly, the special needs of the recent immigrant population in Minnesota schools have been addressed by the English As a Second Language and the Bilingual Education programs.

Some legislators argue that categorical aids, the scope of which has been ex-

panding throughout the past decade, violate the spirit of the 1971 Tax Law. They claim that these aids are disequalizing. Some school officials as well as legislators complain that, in some cases, programs are mandated at the state level that local districts may not want to provide or be able to afford.

Tax Relief Aids

Tax relief aids are non-equalized components which constitute about 15% of the state aid distributions to Minnesota school districts. They provide property tax relief to owners of both homestead and agricultural property. School districts also get aid in lieu of taxes for some types of property within their districts which are exempt from local taxation, e.g., Tac-onite tax revenues and Attached Machinery aid.

Tax relief aids reduce the levy certified by a school board; thus districts that are "off the formula" in terms of Basic Foundation aid actually get a considerable amount of state aid for tax relief. The effectiveness of these tax relief aids in guaranteeing equitable tax burdens statewide is debated. It is possible that they will be the next components of the financing formula to undergo "adjustments."

In Summary

Together the components of the Foundation Formula add up to varying amounts of revenue per pupil unit and varying tax rates, all as a result of historical spending levels, funding needs recognized by legislative decisions, and local decisions on tax levies. Total Foundation revenue per pupil unit in 1981-82 ranged from \$1344 to \$2894, due to differing district entitlements in the components that supplement the Basic Foundation Aid and Levy.

We have provided an overview of the current Minnesota school financing law with a few of its problems. According to the SDE, the Foundation Program "assures that all school districts will have an adequate educational program."² Is each district's educational program "adequate"?

People frequently complain about the complexity of the funding system. But if the complexity is necessary to provide equitable funding, it should not be criticized. Is the complexity necessary? Is the funding system providing equal educational opportunity for Minnesota students?

Notes

1. Joyce Kruepy, *The Foundation Formula*, draft of unpublished paper, (St. Paul: Office of Senate Research, June 1982), 1-2.
2. "ABC's of Minnesota School Finance, The," *SDE Special Report*, 13:4, June 1979 (St. Paul: Minnesota State Department of Education), p. 10.

C. Recent Demographic and Economic Developments

School children are becoming a decreasing proportion of the nation's population. During the '70s the percentage of respondents to the Gallup Poll of Public Attitudes toward Public Schools who had children in school dropped from 50% to 32%. Public school enrollments were increasing in Minnesota through the 1971-72 school year, when our current financing law was passed, and have decreased steadily since.

Minnesota Enrollment in Public Schools (K-12)

Year	Number of Students	Percent of Peak Year
1971-72 (peak)	916,355	100%
1981-82	736,000	80%
1984-85 (projected)	708,649	77%
1990-91 (projected)	738,757	81%

Source: Minnesota State Department of Education

Economic Changes

Political and economic forces affecting the state, both internal and external, have had a generally negative impact. Minnesota was one of nine states to index personal income taxes between 1978 and 1980. Six of these, including Minnesota, experienced a loss in state revenues by the end of 1981. Some critics argue that Minnesota over-indexed, but the most likely cause for this decline in revenues is the severe national recession which began in 1981.

Minnesota personal income rose 10.3% in 1980-81, while the national average income rose 11.6% and there was a 10.4% inflation rate. At the same time that Minnesotans are experiencing both a reduced personal income and reduced state tax revenues, the New Federalism of the current national administration is creating major cutbacks in federal aid to states and localities.

In funding for elementary and secondary education, the federal share of Minnesota's education dollar has generally been around 6%. In 1981-82 the percentage dropped to 5.2 (while the national average was 8.1%). School programs that lose federal funding must either be eliminated or their costs must be picked up at the district level, where competition for dollars is growing.

Federal cutbacks in all areas of local and state services have, in 1982, been about 4%. In the previous two years, federal aid to Minnesota had grown 12.2% and 10%, respectively, making the 4% reduction seem even greater in comparison. Indications are that the reduction in

federal dollars will continue.

When cutbacks at the federal level occur more rapidly than they can be absorbed at the local level (or when local expenditures increase), the state is in the middle, suffering the major shock. Since states are constitutionally required to maintain balanced budgets, this squeeze may demand some fancy footwork.

School aids represent such a major percentage of the overall state budget that periods of fiscal crisis for the state affect school financing greatly. As one school board lobbyist put it, referring to the combined effects of the changes in population and the drop in state revenues, "I can see us being put in the position of fighting for tax dollars with the elderly and the handicapped . . . Not a pretty picture."

D. The Courts and School Finance Reform: Legal Opinions of the Last Decade

Pressure from the courts was and is a factor influencing legislators to take action to improve equality of access to good public education in the United States. Curtailing of educational expenditures on the basis of property wealth, household income, municipal overburden, education overburden, or local votes to keep property taxes low have all been successfully challenged in court. Some court decisions require a state to consider education need and/or to implement some affirmative duty.

Serrano v. Priest

" . . . in a democratic society free public schools shall make available to all children equally the abundant gifts of learning."

Serrano v. Priest, California, 1971

Landmark school finance reform cases were *Serrano v. Priest I and II* (487 P.2d1241-1971¹ and 557 P.2d929-1976). The first case invalidated the California system of school finance on constitutional grounds. Relying predominantly on the local property tax, the financing system discriminated against the poor, making the quality of a child's education dependent on the wealth of his or her parents and neighbors. The California Supreme Court called for fiscal neutrality: an equal tax levy must mean equal amounts of money to spend on each pupil in every district.

In *Serrano v. Priest II*, the California Supreme Court accepted the proposition that a positive correlation exists between expenditures per pupil and the quality and extent of availability of educational

opportunities. While some difference in spending levels is necessary because of differing educational needs, the court ruled that the disparity existing then in California violated the state constitution's equal protection clause. The doctrines of fiscal neutrality and equal expenditures to provide equal opportunity were accepted as guides for the reform of school financing systems in several other states.

Other Court Decisions

Other decisions have followed, based on wording in each state's constitution or interpretations of the Fourteenth Amendment, with somewhat contradictory assertions of the level of equal opportunity that must be achieved by a state's school finance laws.

In the most recent ruling, the U.S. Supreme Court held that illegal alien children have a constitutional right to a free public education. The court announced in June 1982 that a 5-4 majority had upheld two lower federal court decisions which declared unconstitutional a Texas law refusing state funds for the education of the children of illegal aliens.

Associate Justice William Brennan stated for the majority that education is not a right under the U.S. Constitution, but that once a state provides it for some children, it must make education available for all children. Education plays a fundamental role "in maintaining the fabric of our society" and must be given special protection.

In an unusually clear example of the sharp difference of opinion within the court (and among other students of the issue), Chief Justice Warren Burger wrote for the minority, "the Constitution does not provide a cure for every social ill, nor does it vest judges with a mandate to try to remedy every social problem."²

Is either wealth or geography a permissible base for classifying children for the purpose of determining how much is to be spent on their education? Is wealth or geography so related to maintaining local control over the schools as to be considered "reasonable"?

Conflicts over school finance methods pit beliefs in a democratic society's need for equal opportunity for all of its children to receive the full benefits of education against beliefs in individual freedom and local control of schools. This conflict in values is discussed further in following sections.

Notes

1. References to court decisions list volume number, court reporter series title, and page for beginning of case. In series title, P.2d is *Pacific Reporter*, second series.
2. "Illegal aliens win right to schooling," *Minneapolis Star and Tribune*, June 16, 1982, p. 1.

II. Conflicting Goals: The Legal, Legislative and Social Context

A. School Responsibility for Social Concerns

What is the school's responsibility for social concerns, that is, nonacademic programs or services or targeted academic programs which benefit society as well as individuals (examples are drug abuse programs and hot breakfasts)? If there is a limited number of dollars, what is most important for schools to do? Are schools the best place to reach the most children and targeted adults with social service programs? If they are, should basic education funding be separated from the funding for these programs? If so, how?

Since the mid-Seventies, the emphasis in education has been on cost containment. Because of inflation and the sagging U.S. economy, people bearing the financial burdens are, in turn, exerting pressures on every level of government and on institutions such as the school system. As Robert S. Zais, Kent State University associate professor of curriculum and instruction, has stated, "personal financial distress is a most effective cure for an acute case of social consciousness."

Social Programs in the Schools

The dilemma of education is that the schools have been delegated multiple responsibilities, often without adequate means to carry them out. Schools have been given these tasks because a) the students are a captive audience, hence easy to identify and reach out to; b) the thinking has been to identify and meet the needs of the poor, disadvantaged and/or handicapped early in life, so that they may develop their potential as individuals and fully functioning members of society; and c) they are well known, accessible places in almost every community. And, while there are constituent pressures for the schools to maintain their social programs, there are also pressures to "return to the basics"—reading, writing, arithmetic—and abandon other roles.

Some of the programs and services are federal- or state-mandated. Others have been initiated at the local level. They are funded by federal, state, and/or local money. Complex problems of overlap can result, which sometimes lead to objections at the local level about the burdens of administering them.

They include:

- special education for handicapped, mandated by federal and state legislation;
- vocational education;

- cocurricular and extracurricular activities, including sports, music groups;
- community education, including classes for adults, summer school, recreation programs, and day care;
- child nutrition, including lunch, breakfast, and milk programs;
- ESEA Title I, the federal program for improvement in basic skills;
- migrant education;
- Indian education;
- pupil personnel services, including counseling, health, and career planning;
- preschool screening for health and developmental problems;
- early childhood and family education programs;
- bilingual education and English as a second language;
- chemical dependency education;
- driver education;
- family life, including sex education.

Title IX is a mandated but not funded federal program to regulate educational equality between the sexes in schools. It requires certain administrative procedures which do represent a cost to a district.

Desegregation as one method to help provide equal educational opportunity has been a social concern of the state. To comply with state regulations, Minneapolis, St. Paul, and Duluth school districts have instituted measures, including busing, to achieve numerical desegregation. While there is no evidence to suggest any return to pre-1974 segregation, some people are concerned about equal educational opportunities as districts face budget constraints.

Reductions are being made by the Legislature in aids for special education, through more restrictive definitions of those who qualify. Restrictive definitions on services for the handicapped are also being applied by the federal level. On June 28, 1982, the U.S. Supreme Court ruled that federal law entitles handicapped children to a public education from which they can derive "some educational benefit," but that local districts are not obligated to provide such services as handicapped children may need to reach their full academic potential. The decision may potentially affect four million handicapped children receiving education and special services in the public schools.³

Task Force Conclusions

The main question for the public to deal with at this time is: If there are limited dollars for the public schools,

what is most important for them to do? The following are some of the conclusions and recommendations of the Governor's Task Force on Educational Policy (1981) to the Legislature:³

"The primary purpose of schools is instruction. Therefore a clear distinction must be made between the primary areas . . . and the supporting services which public policy determines that schools should also provide . . .

"Any new charge to public schools should be preceded by an impact statement which expresses its effect on the time, staff, and dollars available for instruction . . .

"Schools are asked to fulfill multiple goals as defined by a wide variety of constituent groups. It is likely that the number of required missions will increase. These expanded functions may erode resources available for instruction.

"The public school is increasingly being used as a vehicle to deliver social service programs. These programs need to be identified and the most appropriate agencies for their implementation and funding defined.

"It is imperative that the instructional role of schools remain primary. A precise definition of the role and purpose of schools involves areas which are beyond the purview of the Governor's Task Force on Educational Policy (e.g. interagency relationships in the provision of support services). The Task Force believes, therefore, that a blue ribbon legislative commission with specifically-designated staff support is the most effective vehicle to develop recommendations to the Legislature."

These recommendations, formulated by a representative body of Minnesota citizens, suggest the trend, in hard times, toward a clearer definition of what we want from our schools and what we can afford.

Notes

1. Robert S. Zais, "In One Era and Out Another: Anti-School Philanthropy and the Sociology of Curriculum Change," *NASSP Bulletin*, Vol. 64, April 1980, (National Association of Secondary School Principals), 17.
2. Article in *Minneapolis Star and Tribune*, June 29, 1982, 1 and 4.
3. *Focus on Learning: Volume 1: Conclusions and Recommendations*, 5-11.

B. Public Funding of Nonpublic Schools

Nonpublic schools: How, and how much, do the state and nation finance them? Is this appropriate?

During the 1979-80 school year, 10% of the school-age population in Minnesota

attended the nonpublic schools, as compared to 10.9% for the United States as a whole. About 91,000 Minnesota students attended nonpublic elementary and secondary schools in 1981.

Proponents of public aid for nonpublic schools claimed in the late '60s that parochial schools in the nation were under financial strain and faced huge tuition increases, which would drive away pupils. Between 1968 and 1973 these schools lost a quarter of their students. Since then nonpublic school enrollments have remained fairly stable nationally as public school enrollments have declined.

Federal Legislation Provides Support

Since the passage of the Elementary and Secondary Education Act (ESEA) of 1965, public financial support for programs, projects, instruction, services and textbooks in nonpublic schools has increased at both federal and state levels.

ESEA and the other federal legislation that followed (for school lunch and breakfast programs, for example) aimed to meet the increasingly diverse needs of this country's educational system, yet stay within constitutional limits. Materials and services were offered to students of both public and nonpublic institutions. The Courts have upheld the constitutionality of this legislation when it has met the judicial criteria: the materials and services were secular and benefitted the child, not the institution; and the programs did not entangle government with religion.

The administration, benefits and services are generally provided through and under the supervision of the State Department of Education (SDE) and the local public school. This supervision is required in order to keep the public funds separate from the sectarian institution.

Not all nonpublic school administrators choose to use every program from which their students could benefit. If it does adopt a program, the nonpublic school is subject to regulations and accountability measures similar to those required in the use of public funds by public schools.

Some of the federal legislation of the 1960s and 1970s has been changed or phased out. The momentum of the 1980s swings toward tuition tax credits, tax vouchers, consolidation of federal and categorical grants, or even the elimination of the federal role in elementary and secondary education.

State Funding

At the time of the federal legislation cited above, similar laws were being passed by the Minnesota Legislature. Each of these statutes was, and is, "provided in order to promote equal educa-

tional opportunity for every school child in Minnesota and to assure all Minnesota pupils and their parents freedom of choice."¹ The state now appropriates money for busing of nonpublic school students; shared time; textbooks, individualized instructional materials and standardized tests; health services; guidance and counseling services; and special education. Most of these services are provided at the public school or at a neutral site.

Income Tax Deduction

Minnesota is the only state in the nation where parents of nonpublic school children receive a standard deduction on their state income taxes for costs of nonpublic education. Those with children who attend Minnesota, North Dakota, South Dakota, Wisconsin or Iowa elementary or secondary nonpublic schools may deduct up to \$500 for each child in grades K-6 and up to \$700 for each child in grades 7-12, if those amounts are spent for tuition, nonreligious books, or transportation.

This legislation has been upheld as constitutional by the Minnesota Supreme Court, while similar legislation has been declared unconstitutional in other states. The case is being appealed to the U.S. Supreme Court by the Minnesota Civil Liberties Union.

In a 1981 speech,² Van D. Mueller, past president of the Minnesota Parent-Teacher-Student Association stated that the "expenditure of public funds amounts to an average of \$180 for each of the 90,954 students in the nonpublic schools. The use of funds for the support of nonpublic schools amounts to a little over 1 percent of annual appropriations for elementary and secondary education." He added that during 1979-80, Minnesota spent \$16.4 million in nonpublic school aid, including the \$2.2 million for the tax deduction available to parents whose children attend nonpublic schools.

Tuition Tax Credits

Tuition tax credit proposals have been introduced in Congress since the early '50s. Such credits allow eligible taxpayers to subtract from their income tax bills for a given year a designated portion of the tuition they had paid to certain nonpublic schools. Debate on the subject intensified with the 1980 Republican Party platform plank favoring the concept and the Administration's recent proposal.

The President's bill, introduced in Congress in June 1982, would allow parents of private and parochial elementary and secondary students a tax credit equal to 50% of tuition paid, up to a maximum of \$100 per child in 1983, \$300 per child in

1984, and \$500 per child thereafter. Those families with adjusted gross income of up to \$50,000 could claim the full credit; those earning up to \$75,000 would be eligible for part of it. Families with incomes above \$75,000 would not be eligible. The proposal denies credits for schools that practice racial discrimination.

One estimate is that the tax break would cost the Treasury \$100 million in 1983, and the cost would grow to \$1.5 billion in 1987.³ This would not appear in the federal budget as an expenditure, since tax credits limit government income.

Credits to special groups have increased over the years, and their cost is considerable. Once in place credits are rarely removed; each has a strong lobby on the lookout for further increases.

The League of Women Voters of the United States has opposed tuition tax credits since 1978 on the grounds that they would thwart equal access to education. The organization is working with other groups in a coalition to defeat the Administration's bill.

Questions Raised

The issue of aid to parents of nonpublic school students produces many questions: Who should control education, the family or education professionals? Should taxpayers have to pay more through tuition tax credits to extend the power of choice to families who cannot now afford private education? Is such aid constitutional? Do children rather than religious institutions benefit from these public expenditures?

Private and parochial schools are not bound by federal, state, and local mandates; they control the composition of their student bodies; and they are not officially accountable to the public. Can a public education policy that subsidizes the maintenance of two sets of standards, one for public and one for nonpublic schools, be consistent with democratic principles?

There has been a great deal of litigation over the appropriateness of financial support to those in nonpublic schools. The main argument made by proponents of aid is that parents of nonpublic school students pay for both public and private schooling and should get some relief from this double burden. They also claim that aid promotes competition and quality among all schools by encouraging choice.

The position of the Minnesota Education Association (and other opponents of aid) is that the primary responsibility for public education is granted to the state Legislature by the Minnesota Constitution and that "the only appropriate edu-

cation expenditure of tax monies is for public education."⁴

The Minnesota Legislature has continued to grant support for nonpublic school students through income tax deductions and categorical aids legislation, a majority believing that the expenditures promote equal educational opportunities. There is a strong lobby for such aid.

As the financial woes of public education increase, so do complaints about the administrative burden on the public schools as they carry out the directives of state and federal laws which provide for the nonpublic school student. According to one administrator, the up-to-5% allowed by state law does not truly cover administrative costs; and a local district's general fund sometimes must cover for a late appropriation (or, as in 1982, a cut-back in state allocations). Finally, public school officials find themselves having to pass judgment on what is "secular, neutral, and nonideological."

The challenge of the 1980s is how to maintain equal educational opportunity for all school-age children without incurring religious, political, and administrative entanglements.

Notes

1. *Minnesota Statutes on Nonpublic School Aids*.
2. Van D. Mueller, "Are Nonpublic Schools a Threat to the Survival of Public Schools in Minnesota?," speech, 1981.
3. "Reagan urges tax credits for private schools," *Seattle Times*, June 24, 1982.
4. *Report of MEA Task Force on Nonpublic Schools*, Minnesota Education Association, 1981, 1.

C. Equal Opportunity and Quality

What is the philosophical base for our belief in equal opportunity for all children to get a good education? How do we define "equal opportunity"? How do we measure it? How can we balance this goal with the other basic goals with which it may be in conflict?

Equality denotes sameness, uniformity. It generally means things are the same or becoming the same. Equal treatment does not necessarily provide equal ends, since the members of a group (students, school districts, taxpayers, etc.) do not begin at equal places.

Equity is fairness. It means that the potentials are equal. Equal opportunity and equal access refer to equity. In the interest of equity, members of a group may receive unequal treatment.

Crucial to the theory on which our Constitution is based is the idea that individuals have the self-critical ability, developed through education, to choose their own ways of life. Equal opportunity is a core value in American society.

Results of Research

Is it possible to select a reasonable

measure of equality of educational opportunity? Some researchers measure equality of educational opportunity in terms of school services, "inputs"; others choose student achievements, "outputs."

Over the past two decades, studies have demonstrated that certain schooling experiences do make a difference for children: money spent on schools contributes to the quality of the school experience offered. In what is probably the most comprehensive survey of research done on equality of educational opportunity through the 1960s, James Guthrie established several important relationships:¹

1. Socioeconomic status is an excellent predictor of available school services.
2. A positive relationship exists between the quality of school services provided to a pupil and his/her academic achievement. Also, school staff and children's access to the staff are important.
3. Post-school opportunities of students are related to their achievement in school.

More recently, studies have attempted to isolate the factors which may produce a quality school experience for children, measured by such outputs as higher test scores and number of college bound students in a school. Declines in test scores closely parallel the enrollment declines in subjects such as regular English, American history, math and science courses. Public high school students spend a small amount of time doing homework when compared to their private school peers (Coleman, et al., 1981). Yet college-bound students in more traditional courses in public schools do not show the precipitous drop in test scores that has occurred recently among the general student population. Schools apparently can make a difference, but attention must be paid to their staff, course content and overall morale.

Equity and Quality—In Conflict?

When we talk about equity, we must realize that there are many different kinds. Taxpayer equity was what the state Legislature had in mind in 1971. A teacher might rather see a focus on salary equity. Most likely student equity is program equity, or comparable access to educational programs regardless of local community tax wealth.

Are both equity and quality possible? "... equity ... is not the only value by which our society lives. Do we not aspire to quality, or even the possibility of excellence? ... A democratic society built upon a free enterprise system must live with this dilemma, that equality (of opportunity) and quality are perennially in

tension one with another. Wisdom resides in understanding that the dilemma can never be fully resolved without destroying what we are."²

Others argue that not only is it possible to have equity and quality, it is in fact really not possible to have one without the other. For these people, equity is adequate funding of different costs of providing an equivalent quality education. Unless we plan to fence off our school district from the rest of the world, a loss of equal access to good education for any of our children anywhere diminishes all of us.

Notes

1. in *Schools and Inequality*, (Boston: MIT Press, 1971).
2. Tom Sabal, Superintendent of Schools, Scarsdale, New York, speaking about an *amicus curiae* brief filed with the New York Court of Appeals in *Levittown v. Nyquist*. Quoted in letter from education chairperson of LWV of Scarsdale.

D. Local Control

Local control is something many people want more of, but defining what it is and how to attain it is very difficult. Local leeway, local participation in decision-making, local incentive, local governance, local choice, local voice, local responsibility are all terms used synonymously with local control. But all are open to interpretation. Control over taxation and/or control over management of schools may be clearer definitions of "local control."

Questions raised by the concept of local control are many: Who exactly do we mean by "local"? The school board? Parents? All the citizens of the school district? Are school board members representatives of the people who elected them or are they spokespeople for the school district? How much control is desirable—total, or some degree of leeway within state and federal regulations?

Fiscally, the question is who pays and why. Central issues today in Minnesota are levy authority and limitation, mandates, collective bargaining, quality education, and equal opportunity.

Local control is not mandated in the Minnesota Constitution. "Local participation in decision-making is a product of statute and tradition."¹ Local boards, local long-range planning committees, and local referendum levies are all permitted by state statutes. However, there are other statutes which limit local flexibility in fiscal management.

Two Facets of Control

The two major facets of local control, finance and governance, are, theoretically, independent of each other. However, there is a general feeling (which was clearly expressed in the survey con-

ducted by LWVMN) that increased reliance on local revenues brings increased local control over the governance of the school district. In practice, this may or may not be true.

A number of Minnesota school districts are "off the formula." However, these districts are no more free to use the funds in any way they wish than is a district which raises very little of its Foundation revenue locally, and thus receives a great deal of state aid. Each district must conform to state and federal requirements.

State law also requires that money for operation of the schools be in separate funds. In general they may not transfer the money received for one fund to another.

The Referendum Levy allowed by the state law does provide some amount of local control. In many cases, school boards must "sell" the voters on the increased levy with extensive publicity about how the money will be used.

Many complaints about lack of local control are not concerned with financing at all, they are expressions of frustration at a perceived excess of federal and state program and reporting requirements. Many local school people feel that they have too little leeway to tailor educational programs to their own needs. Their demands are not necessarily for unrestricted local control, but for more freedom to choose their own options within a basic framework.

Pros and Cons

In addition to definition problems, the idea of local control raises perplexing issues of quality and equity. Proponents of local control insist that it would allow more variation and innovation in educational programs, that instead of being rigidly circumscribed by state and federal regulations, each school district could be responsive to local needs and desires. Opponents of local control are afraid that instead of innovation there would be stagnation, and there is concern that some school districts would not offer an adequate curriculum if it were not required.

Some districts are more able to support schools adequately than others. The property tax is perceived as an unfair tax. Those concerned about equity are not necessarily opposed to local fiscal control provided that local levies are equalized or "made fair," disparities are not great, and the level of support ensures a quality education.

Whether people favor or oppose local control probably depends greatly on how they perceive their own school district and its citizens, and how they perceive state actions on education. Local control is likely to look good or bad according to

whether the individual agrees or disagrees with the school district's philosophy and actions.

Does every child have a right to some basic level of education? If so, must local control be curtailed to some degree in order to assure that it is provided? At what point does a locality's lack of ability or desire to finance a basic or high quality education mean that its children are disadvantaged simply because they live there?

Note

1. *The Condition of Education*, Minnesota State Department of Education, 1980.

E. Responsible Taxation

The State of Minnesota raises revenue to finance state and local services by levying several kinds of taxes. Minnesotans pay taxes on individual and corporate income, retail sales, real estate valuation and inheritances, as well as excise taxes on a host of products, and a variety of other fees.

Comparison of Minnesota state and local tax collections to those of other states and localities shows that in 1980 Minnesota relied more on the taxation of income, considerably less on sales, and somewhat less on property taxes than the national average. These percentages may not reflect today's reality, since sales taxes have been added and the Legislature has shifted some of the burden of funding education and local government back to the property tax.

In 1979-80 Minnesotans paid a larger part of their income as state and local taxes than did residents of 41 other states.¹ In that year Minnesota's state and local tax collections of \$1124.73 per capita ranked ninth highest in the nation.²

Criteria often used to judge the desirability of a tax include the concepts of equity, convenience, certainty, economy and incidence.³

Tax equity is often defined as equal treatment of similarly situated taxpayers. Application of this criterion is difficult because it is hard to determine the conditions under which two taxpayers are similarly situated. Students of taxation have expanded the concept of equity further to include vertical equity; i.e., unequally situated taxpayers should be treated differently. Those with greater ability to pay should pay a larger part of the total taxes. The most commonly used measure of ability to pay is income.

Taxes can be further described in relation to income as being progressive, proportional or regressive:

Progressive Tax: The proportion of income paid for tax increases as income increases.

Proportional Tax: The proportion of income paid for tax remains constant as income increases.

Regressive Tax: The proportion of income paid for tax decreases as income increases.

A tax is deemed *convenient* if it can be easily assessed, collected, administered and paid by the taxpayer.

The taxpayer should know with reasonable *certainty* how much tax is owed. Historically this criterion has also implied that the taxing unit should be able to predict with accuracy the amount of revenue that will be raised by the tax.

A good tax should be relatively inexpensive to collect and administer (*economy*).

Consideration must be given to who finally pays the tax (*incidence*). For example, a tax on resources owned and used by a Minnesota farmer, such as the agricultural land tax, may be borne by the farmer or shared by his/her customers in the form of higher product prices. Tax experts often disagree on the incidence of taxes levied on products, business profits, and resources used in production.⁴

An additional concern in levying state and local taxes must be the effect of the tax on the level of economic activity in the area. Since businesses, property investments and people are mobile, excessively high taxes levied in one locality can often be avoided by moving to another locality. Concerns about the "business climate" in Minnesota are being heard with increasing frequency.

Who Should Pay?

What level of government should support primary and secondary education? The Correspondence Principle of public finance suggests that, ideally, jurisdictional boundaries for governments should be drawn so that the people who participate in the government are the same people who enjoy the benefits and incur the costs of the services provided. Achieving the ideal is, of course, impossible. We would have different taxing units for each public service. Using a limited number of governmental units inevitably results in cost and benefit spillovers.

Of particular relevance in determining benefit from primary and secondary education is the mobility of persons educated by any particular school district. The people educated in Hibbing do not live out their lives in Hibbing and are involved in decisions affecting people living elsewhere; outsiders are responsible for the wellbeing of Hibbing residents. Therefore, the benefit profile extends far beyond the town. The Correspondence Principle suggests that responsibility for basic education should likewise extend

Percent of Funds for K-12 Education in Minnesota from State and Local Sources*

Year	Total Revenue (in millions)	% State Aids	% Local Property Tax
1971-72	1,181+	55.1	44.9
1972-73	1,222+	63.5	36.5
1973-74	1,302+	64.8	35.2
1974-75	1,435+	67.8	32.2
1975-76	1,542+	66.4	33.6
1976-77	1,656+	67.6	32.4
1977-78	1,782+	64.6	35.4
1978-79	1,877+	66.1	33.9
1979-80	1,961+	66.0	34.0
1980-81	2,085+	68.4	31.6
1981-82	2,235+	73.1	26.9
1982-83	2,265+	63.3	36.7
(1982-83 after property tax shift)	2,265+	57.2**	42.8

*includes post-secondary vocational education; excludes federal revenues. Percentage local property tax reflects amount actually certified and paid by taxpayers after reductions for all credits. (State tax aids to reduce the levy increased 355% over the 11-year period.)

**state aids reduced \$137.6 million (estimate) and same amount of payable 1983 property taxes shifted from FY 1984 to FY 1983 to increase local share of costs. (Total state aids, after the property tax shift, increased 99% over the 11 years.)

Source: Joyce Krupey, Office of Senate Research, State of Minnesota.

beyond the boundaries of the local school district.

Problems With Local Funding

Financing education on the local level also presents several practical difficulties, beyond the tax philosophy reasons against it. Local school districts are allowed to use only the local property tax to raise revenue. This tax is perceived by citizens as being one of the "least fair" taxes.⁵

Local financing also invites the problems associated with flight of capital from high tax jurisdictions. "If rate differences exist, investors will prefer to locate prop-

erties in low tax rather than high tax areas, and a cumulative set of forces may be set in motion that can greatly increase fiscal disparities among different government units. As more and more taxable property leaves high-tax areas, rates in those areas may be forced higher and higher."⁶

Problems With State Funding

Increased use of state funding also presents difficulties. State revenues are dependent on sales and income tax collections, which tend to fluctuate with the level of economic activity. Recently school districts have been forced to

absorb cutbacks in state funding as tax collections responded to recession and declining farm incomes. In times of crisis that diminish the state's ability to support education, the local property tax may be perceived by some as a good base for financing education, despite its drawbacks.

Funding Education in Minnesota

Funds for primary and secondary education in Minnesota have in recent years come primarily from the State. The State uses taxes on income and sales as its primary sources of tax revenue. In 1971 44.9% of school revenue was generated from local property taxes. As the table shows, the trend toward reduced reliance on local property taxes which began in 1972 continued through 1981-82. Projections for 1982 and beyond indicate a dramatic reversal of this trend due to the state's fiscal problems.

Notes

1. U.S. Department of Commerce Bureau of the Census, *Governmental Finances in 1979-80*, GF 80 No. 5, p. 94.
2. Ibid., p. 90.
3. Minnesota State Department of Education, *The ABC's of Minnesota School Finance*, pp. 9-10.
4. Ray M. Sommerfeld, et al, *An Introduction to Taxation*, 1982, pp. 1/16-1/17.
5. Survey conducted by Opinion Research Corp. of Princeton, N.J. for the Advisory Commission on Intergovernmental Relations, Washington, D.C. 20575. Annual reports are available.
6. Wayland D. Gardner, *Government Finance, National, State and Local* (Prentice Hall, 1978), p. 389.

III. Other Ways to Finance Schools

A. Reform in Other States 1970-80

During the last decade, more than half the states overhauled their structures for financing elementary/secondary education. Reformers tried to make schools even more an equalizing force in America for both taxpayers and students. Five major themes characterize the finance reforms enacted during the 1970s:

1. **General operating and equalization aid programs were broadened and strengthened.** Low wealth districts were "leveled up" by state aids rather than high spending districts being leveled down. To accomplish this, 13 states, including Minnesota, enacted *higher level foundation programs*. Seven states enacted formulas which *reward equal local effort with equal revenue yield* (see section on District Power Equalization). Under a method which *combines these approaches*, local districts in five states may choose
2. **Income has been added to property wealth in seven states as a measure of fiscal capacity.**
3. **States have instituted or dramatically increased support for high cost programs for special populations** (the physically or mentally handicapped, economically or educationally disadvantaged).
4. **States have also designed formula adjustments and factors to assist school districts with particular characteristics**, such as sparse population,

to add to the basic foundation programs; and both these and the local add-ons are power-equalized.

As a result of strengthening general aid formulas, state funding has consistently risen, per pupil expenditures have increased, and disparities in expenditures per pupil have been reduced. Reform states generally have made greater advances toward equity than non-reform states.

one-room schools, few pupils, low wealth with high tax rates, municipal overburden, or high-priced education resources.

5. **Tax and spending limitations on local school districts have been established in nearly two-thirds of the states.**

Litigation Continues But Reform is Slowing

School finance litigation continues in many states. Most cases are brought either on state equal protection or state equal education clauses. Several states are undergoing reviews of their finance structures. Citizen groups are keeping a variety of general and specific goals alive. Clearly, the job of devising equitable systems of school finance is not complete.

Given inflation, dropping enrollments, and declining political support, however, increases in education expenditures in the '80s are unlikely to match those of the '70s. Competition among various levels of

government and among various public services for the shrinking public dollar will also have an impact on the pace of education finance reform.

Financing Options

The next four sections explore briefly some of the financing methods adopted by states or developed by theorists that

are different from Minnesota's Foundation Formula approach. The accompanying chart, which compares the major alternatives, will help clarify the differences among them.

Comparison of School Finance Structures					
	Minnesota Foundation Formula	Full State Funding	District Power Equalization	Program-Based Funding	Vouchers
Government level that sets tax rates and type of tax	state: income, sales; state & district: property	state: income property &/or sales	district: property; may be state limit	state: any state tax (& district if local supplement is allowed)	state: any; consumer chooses level of school support
Level that collects taxes	state: income, sales; county: property	state	state & district or local	state & district or local	state
Level at which policy is made	state & district	state & district	state & district	state standard curriculum; local options	state standards; each school chooses own
Level at which expenditures are made	district	district	district	district	individual school
Effects	equal minimum resources per pupil unit; additional local levies, some power-equalized, state pays % of categorical aids; uncapped local option to raise & spend more with non-equalized referendum levy	substantially equal funding per pupil; some extra funding is possible as needed	substantially equal funding per pupil for equal tax effort; if districts choose different tax rates, unequal funding per pupil results	equalizes services available to students up to a minimum level	consumers choose among schools with different per pupil costs & get equal buying power for equal economic sacrifice

B. Full State Funding

Full state funding allows money for schools to be collected where taxable income can be found and then redistributed where it is needed to provide an acceptable and uniform standard of education. In 1972, James B. Conant wrote, "... removing consideration of financing from the local level would ... allow both parents and school authorities to concern themselves with the real matters of education and make decisions on the basis of educational worth."¹

After completing a two-year study, the Fleischmann Commission recommended full state funding for the state of New York in 1972.² According to the Commission's plan, revenues would have come either from a statewide property tax or more intensive use of state income taxes and sales taxes.

Pros and Cons

Arguments against full state funding usually begin with the claim of loss of control by local boards of education. The Commission argued that studies have concluded that centralization of financing and decentralization of policy making are not inconsistent concepts. The Commission recommended several specific plans for maintaining and/or increasing local control of policy making, including strong local citizen advisory groups and parent organizations. Local boards of education would continue to hire teachers and plan curriculum.

Supporters of other funding methods debate proponents of full state funding over: ... "whether deliberate funding

inequality, which is what ensues from district choice, more nearly approaches a 'just' system than does some imposed 'equality.' This debate, in turn, revolves around the extent to which the desires of parents are to be considered in discussing what is justice among children ... the needs of children themselves will probably be more determinative when finance decisions are made by a unit of government that is less responsive to direct parental pressure than is the school district."³

As of today, no state has adopted full state funding. Hawaii has centralized finance, but operates its schools as one big district, so most authors discount this as being true full state funding. According to Walter Garms, the high level foundation plans of Minnesota and New Mexico have come closest to full state funding.⁴

Without a greater concern for tax and expenditure equity and a willingness to yield some local decision-making on expenditures, it is unlikely that full state funding in its purest form will become popular with state legislatures.

Notes

1. James B. Conant, "Full State Funding," *Financing Public Schools: Selected Papers from New England School Development Council Conference*, (Cambridge: Federal Reserve Bank of Boston, January, 1972.)
2. The Fleischmann Report on the Quality, Cost and Financing of Elementary and Secondary Education in New York State, (New York: The Viking Press, 1973).
3. S. Michelson, "What is a 'Just' System for Financing Schools? An Evaluation of Alternative Reforms," *Law and Contemporary Problems*, Winter-Spring 1974, Vol 38, No. 3, p. 442.
4. Walter I. Garms, "Measuring the Equity of School Finance Systems," *Journal of Educational Finance*, Vol 4, No. 4, Spring 1979, p. 199.

C. District Power Equalization

In the book *Private Wealth and Public Education*, John E. Coons and associates held that the quality of a child's education should not be a function of wealth except the wealth of the state as a whole.¹ The book emphasized the importance of fiscal neutrality with regard to district wealth² as a basis for school finance and supported local choice in the level of funding. The authors outlined the theory of district power equalizing and gave some practical applications of this method of funding. By 1980, more than 20 states were using some form of district power equalizing (DPE).

Equity and Local Choice

The distinguishing factor of DPE is the attempt to deal simultaneously and constructively with the usually conflicting principles of taxpayer equity and local choice. Pure DPE allows each district to elect to support its schools at the tax rate it chooses. A type of taxpayer equity is achieved by "neutralizing" the property wealth, or income level (or both, depending on the type of tax or taxes used) of all school districts, theoretically producing equal reward (amount of revenue) for equal effort (locally chosen tax rate). This is viewed as giving each school district equal "power" (ability) to raise revenue. The state guarantees a certain amount of revenue for a given tax rate.

In property-poor school districts, the state makes up the difference between what is raised locally and what the state guarantees. In property-rich districts, where the given tax rate would raise more

than the guaranteed amount, excess funds may or may not be "recaptured" by the state and redistributed to the poorer districts.

Recapture enhances the equity principle where there are wide disparities among districts in actual tax base, and it can help offset state costs. This feature tends to be unpopular with wealthy districts. Equity in DPE may also be enhanced by reorganizing districts to create ones with more nearly equal tax bases.

A state can impose constraints consistent with statewide goals; however, equity and local control may be undermined by too many restrictions. If a state adds many constraints, the formula can become extremely complex. Achieving true wealth neutrality has proved difficult under DPE programs in use today, mainly because of 1) political and judicial opposition to recapture provisions, and 2) cost controls imposed by legislators who fear high state expenditures.

Power-Equalized Supplements

Power equalizing is used not only as a major method of school finance, but also as a supplement to other finance systems. For example, in addition to offering Foundation aid, Minnesota could power equalize its Referendum Levy, making it more "wealth neutral." Currently Minnesota's Discretionary Levy is power equalized, although there is a limit to the tax rate a local district can adopt (up to 2.25 mills for 1982-83). The state determines a guaranteed amount of revenue, proportionate to the mill rate chosen by the district.

Notes

1. John E. Coons, William H. Clune III, and Stephen D. Sugarman, *Private Wealth and Public Education*, (Harvard Belknap Press, 1970).
2. Fiscal neutrality concepts: 1) *Ex ante*: the ability of a district to support schools should not depend on its wealth; 2) *Ex post*: actual level of education support must not correlate with wealth.

D. The Voucher System

The most frequently discussed voucher system would bring the goals of district power equalization down to the individual family. It would supply public dollars to power equalize each family's decision on how much to spend on their children's education. Coons, Sugarman, and Clune, the originators of DPE, have lobbied steadily for a voucher system as a means of empowering poor families and encouraging new ways of educating.

Their voucher system would create school offerings at several different levels of per pupil cost. Schools, public and/or private, would compete for the business of education consumers. These consumers would have been given equal buy-

ing power for equal "economic sacrifice" through vouchers. Anyone could go to any school within the system. Every family choosing a particular school would make an equivalent economic sacrifice, regardless of family income. A sliding scale (based on financial need) would determine how much the voucher would cost (like food stamps). Thus vouchers with the same market value would have different purchase prices depending on the consumer's income.

Proponents of a voucher system maintain that schools would offer a variety of educational programs with differing costs, thus providing choice and incentive for a quality education. Opponents argue that under a voucher system, social, racial and religious segregation might increase. In the competition for students, schools that stress achievement might tend to select only good students and promote academic segregation.

Some people question whether the voucher system would have any validity in small rural school systems. Choice becomes pointless if there is little diversity. And, it is argued, if the system were implemented in the metropolitan area only, where there are sufficient options to allow a "marketplace" approach, it would create divisions between metropolitan and rural districts.

E. Program-Based Funding (Foundation Service Program)

A report produced in 1981 for the Minnesota Senate Education Committee¹ outlined a new method, the Foundation Service Program (FSP), which would fund by *program* rather than by *pupil*. This is not a total school financing system; it says nothing about how the money for public schools would be raised, or whether there would be local options to spend above the FSP level. Program-based funding, as visualized in the study, would include the following concepts:

1. Foundation revenue provided to a school district would be the dollars necessary to fund a standard set of instructional and support services for that district. However, the local school board, working within the dollar limits of this funding method, could put curricular emphasis where it believed it was needed. (A program-based system could, however, require that all or part of the standard curriculum be offered by the school in order to get state funding.)
2. Assuming that the basic cost of providing such a standard program is people cost, the FSP is described in terms of full-time equivalent (FTE) professional

staff by program area that are required for each 1,000 students. The standards used were not hypothetical ideals but were based on what was actually happening in Minnesota schools in 1977-78.

3. A "training/experience index" for teachers and regional salary schedules would be developed. The number of FTE staff needed to supply the model curriculum multiplied by the overall training/experience index for the individual school district multiplied by the regional salary base would determine the revenue allocated to a particular district for licensed regular instruction.

Looking at actual practice in the state, the researchers found that Minnesota students did not have comparable access to school-provided professional services as of 1977-78. Wide variations among districts were found in, for example, ability to deliver instruction in such special service subjects as art and foreign languages. Implementation of FSP in 1977-78 would have required a 12% overall increase in licensed instructional staff and a 7% increase in funding.

Variations of the program-based funding system outlined above are possible, of course. An example is funding of a minimum program with no weighting for statewide salary differences and allowing a power-equalized levy for any amounts above the minimum.

Pros and Cons

Some of the arguments for the use of a program-based school financing method using FTE teachers per 1,000 pupils as the funding unit are that funding would be sensitive to enrollment change. Service capability is a better measure of quality and equal opportunity than number of electives, class size, or dollars per pupil unit. Significant curriculum control would be left at the local level.

Arguments against program-based funding are that developing the specialized data base necessary to manage the system and increasing staff levels to achieve a pupil/teacher ratio of 20/1 would be expensive. For small school districts of under 300 students, it would be difficult to supply a full program of services using the FSP formula, unless the ratios were adjusted downward, resulting in substantially greater cost statewide. The public might not accept the inclusion of local cost differences in the funding formula. Some of the major beneficiaries of the program would be those districts which have the most experienced teachers, districts often thought to be over-advantaged already. Finally, if a previous year's data on teacher training/experi-

ence levels and regional salary scales were used to determine the current year's funding, existing cost differentials might be perpetuated.

Note

1. Joyce Krupey, director, *Foundation Service Program Study*. (St. Paul: Education Committee, Minnesota Senate, 1981).

F. Policies That Affect Financing

Disparities in Staff Salaries

A discussion of school finance that considers only revenues and legislative attempts to equalize them is incomplete. In most school districts nearly 80% of income is used to pay salaries and benefits. In 1980-81, average professional staff salaries in Minnesota ranged from \$11,308 to \$25,370 among the school districts. The reasons for this wide range include staff maturity, staff level of postgraduate achievement, and the effectiveness of contract negotiations.

Solutions to the problem of vastly differing salary costs from district to district are beyond the scope of this study. But, as we attempt to provide equal opportunity in education, a labor-intensive business, Minnesotans cannot overlook the disparities in labor costs among districts. Equal dollars do not necessarily deliver equal services throughout the state.

School District Reorganization

To determine whether or not reorganization is an answer to some of the financial problems facing the Minnesota educational system in the 1980s, let us look at the three aims of the advisory commission which guided local groups in the consolidation of school districts following 1947 legislation. These goals were restated in a 1977 bill which would have dissolved present districts and established 92 county-sized school districts. (That proposal was strongly opposed and soundly defeated.)

1. Does consolidation offer "better educational opportunities"? Reorganized districts reported to the Commission on School Reorganization appointed by the 1947 Legislature several advantages, including the following: expanded curriculum, better trained faculty and improved holding power, i.e. more students graduate. Optimum size studies conducted by the State Department of Education (SDE) argue that a minimum basic program would require a secondary teaching staff of 12 to 14. To support such a staff, the enrollment would have to be at least 200 secondary students. There are several school districts in Minnesota that have fewer than 200 students, K-12.

Although the Commission on School Reorganization seems to have succeeded in its mission, there was one goal unfulfilled in 1971, when the work was finally completed. That was, according to the commission, the "merging of inefficient secondary districts into stronger units of operation." Since 1971 there has been little progress in that direction. Now, more than a decade later, that unfinished business may need to be tended to.

The explosion of knowledge that has occurred in the mid-Twentieth Century makes greater demands than ever before on both students and faculty. There are no easy career choices any more, and a limited secondary curriculum puts high school graduates at a disadvantage that is not only unfortunate but may be challenged in court.

2. Does reorganization offer "more economical and efficient operation"? Although the best answers to this may have to await the results of a study undertaken by the Blue Earth County districts on this specific question, a partial answer can be derived from reports to the SDE on paired districts. Statutes enable two or more districts to enter into a pairing agreement and permit them to discontinue some grades and to cooperate on programs and services. Sometimes this pairing leads to consolidation. Paired districts report savings from fewer staff and administrators, while additional elective choices are available. There are, of course, some increases in costs due to pairing, the largest being for transportation.
3. Will reorganization ensure a "more equitable distribution of school revenues"? Under the current per pupil unit funding, the size of a school district does not affect the distribution of state funds. There are certain categorical aids, however, that would be more equitably distributed if smaller districts were reorganized.

At present, if there are too few pupils in a program to fund at least one FTE position, either the program cannot be offered (and needs are not met) or a funding floor allows any district to receive at least a minimum number of dollars. This is, of course, inequitable distribution of revenues—all in the name of equitable opportunity for students.

Reorganized districts, i.e. larger districts, would tend to even out the highs and lows in district property values, so property tax revenue collections would tend to equalize.

Opposing Arguments

Those who have opposed consolidation usually argue:

1. The school is the "heart of the community", often serving as the center of the town's social activities. Therefore, to lose the school would be to destroy the community.
2. There are virtues of "smallness," and students who attend small schools are given greater opportunities to lead and participate in extracurricular activities.
3. Long bus rides are detrimental to children's health, the time spent limits students' participation in activities, and bus maintenance and energy costs are increased.
4. Local control over schools must not be lost; consolidation would weaken local control.

Proponents of changes in Minnesota's district organization must respect such local concerns even as they cite what they consider are overriding advantages of reorganization.

Summary

The purpose of this study has been to reexamine The 1971 Omnibus Tax Act and its amendments to determine its current effectiveness. We have also investigated some options to the current school financing system.

What this study has attempted may have distorted the education picture somewhat. Constraints of space, time and energy forced the committee to address the financial questions with little attention to the related issues of taxes and educational policy.

To study public school finance in Minnesota was our task. It is now the task of other Minnesota citizens to educate themselves on this issue and either reconfirm their satisfaction with the financing law we have or determine the next step: more reform? a new financing scheme? a new "miracle"?

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- 1) Statement of support must be returned to the coalition.
- 2) The appointment of two members of your organization to serve on the coalition to:
 - a) Attend all coalition meetings.
 - b) Personally lobby and recruit others.
 - c) Speak and vote in the name of your group on all appropriate matters.
- 3) Commitment of whatever funds and in-kind services your organization can give.
- 4) Agreement to give the coalition's Executive Committee the power to act in the name of the coalition.