

March 2009
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AMSD Calendar

March 13, 2009

Board of Directors Meeting, 7 a.m., TIES Building, St. Paul
Guest Speakers: Sen. Tom Bakk and Rep. Ann Lenczewski

April 3, 2009

Executive/Legislative Committee Meeting, 7:30 a.m., TIES Building, St. Paul

April 17, 2009

Board of Directors Meeting, 7 a.m., TIES Building, St. Paul

April 24, 2009

Executive/Legislative Committee Meeting, 7:30 a.m., TIES Building, St. Paul

AMSD's Mission

To advocate for state education policy that enables metropolitan school districts to improve student learning.



**Association of
Metropolitan School Districts**

History repeats itself in school budget anguish



With 75 percent of the district's general fund dollars being spent on direct classroom expenses, it is getting more difficult to keep cuts from affecting students.

Anoka-Hennepin faces difficult choices

“If no reductions were made to decrease the projected deficit...the problem would increase itself to catastrophic proportions the next year.” These words describe the financial condition in which the Anoka-Hennepin School District would find itself if the school board had failed to cut expenditures for the next school year. However, they were not spoken by the district's current superintendent or finance director or by any current board member.

They are the words David Wettergren, deputy superintendent at the time, used to characterize the district's financial picture 27 years ago. The state of Minnesota was facing a budget crisis and, because public education depends on the state for most of its revenue, school districts throughout the state faced their own budget crises. As the old saying goes, history repeats itself. It certainly has in

(Continued on page 4)

From the Chair

Education funding in Minnesota has often been compared to a roller coaster. One year there is a funding increase and the next there may be a freeze. Since 1991 education's net formula allowance has seen six years of 0 percent increases, four years with more than 4.5 percent, and seven years between 1 to 3 percent.

The overall average for the past 17 years is a 2.1 percent annual increase. (See chart on Page 3). Whichever inflation factor you would like to use, it is clear that education has been starved for funding. Equally important is the fact that the funding has not been consistent year to year.

Anyone who has struggled to lose weight knows what happens on a roller coaster diet. It is very hard to accomplish your goals. Minnesota's K-12 education system has at times declined and at other times been given "catch up" money. This creates a difficult environment for high achievement. Imagine feeding an athlete this inconsistently and expecting Olympic-level performance.

(Continued on page 3)

Reports raise questions about state spending and revenue

In January 12, the State Budget Trends Study Commission released its report to the Legislature. On February 13, the Governor’s 21st Century Tax Reform Commission released its report titled: “Minnesota’s Millennium.” Both of these commissions raise some serious questions about the future of government revenue and spending.

The Budget Trends Study Commission reviewed both sides of the state’s economic ledger. Some of its major findings include:

- Minnesota is currently experiencing a major, long-range demographic shift.
- Minnesota’s economy has underperformed recently relative to the nation.
- Health care growth will become the most important factor in controlling rising state expenditures.
- Minnesota’s current tax structure has significant volatility.
- Minnesota’s statutory budget reserve ceiling has not grown to an appropriate level to adequately manage the underlying risks in Minnesota’s tax system over time.

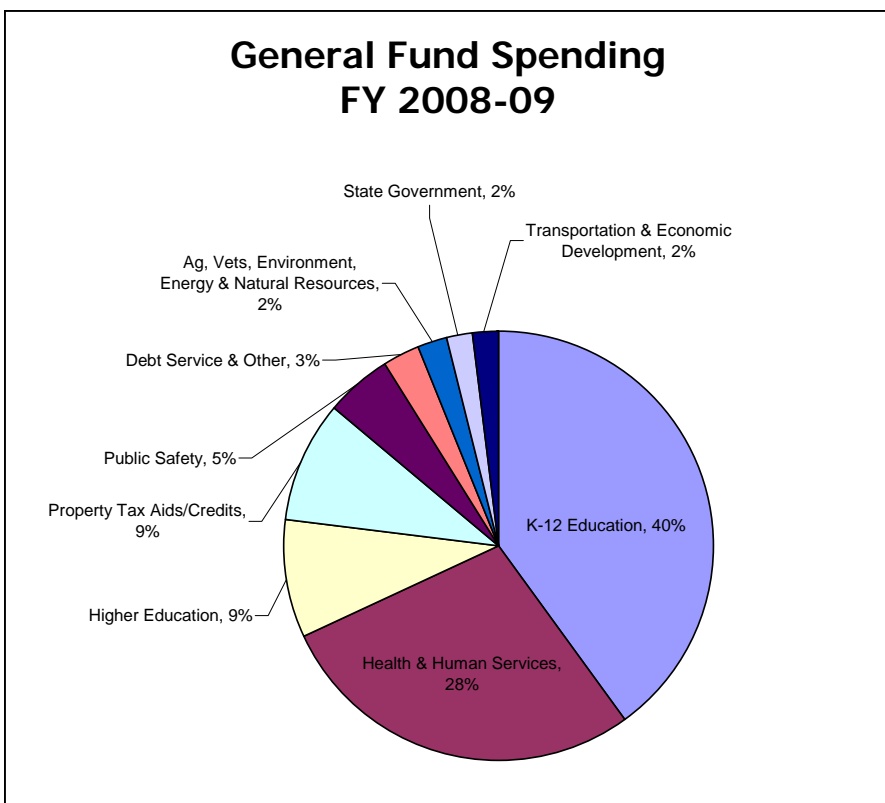
Many of the Commission’s recommendations are similar to those of earlier study reports:

- Create a permanent long-range planning function in state government (*Carlson Report, 1992*)
- Financial forecasts should be based on current law and inflation (or deflation) of both revenues and expenditures to provide an accurate planning perspective (*Department of Finance Report, 1986; Carlson Report, 1992*)
- Minnesota Management & Budget (MMB) should determine the size of the budget reserve necessary given the volatility of state revenues (*Department of Finance Report, 1986; Carlson Report, 1992*).

The Minnesota’s Millennium report recommendations are as follows:

Reduce business tax burdens

- Repeal the state corporate income tax.
- Exempt 20 percent of active “pass-through” business income from taxation.



- Conform to federal tax write-off provisions for business-related assets.
- Replace the capital equipment sales tax refund with an upfront exemption.
- Extend the capital equipment exemption to businesses that produced services subject to sales tax.

Improve the transparency of business taxation

- Simplify the state property tax system.
- Require a biennial “benefits-received” report of Minnesota business taxation.

Promote investments in innovation, entrepreneurship and emerging/high tech companies

- Overhaul the R&D Tax Credit.
- Enact the Small Business Investment Act.
- Enact an Early-Stage Investment Tax Credit.
- Encourage low-income entrepreneurship and business creation loans.

(Continued on page 3)

Research: Recommendations should be implemented now

(Continued from Page 2)

Paying for reform

- Extend the sales tax base to a broader range of consumer products and consumer services.
- Increase the excise tax on cigarettes.

Both of these reports have created quite a bit of dialog about the state's budgetary issues. Unfortunately, these discussions have been overpowered by the magnitude of the current state budget deficit and the federal stimulus. At some point the Governor and the Legislature must take a longer-term perspective and implement some of the rec-

ommendations made by the experts tasked to provide input.

The time has come to listen to our doctors and take our medicine, or we will continue to bounce from one crisis to the next. The long-term health of our state is at risk.

To view the full reports, visit: www.mmb.state.mn.us/doc/budget/trends/report-09.pdf, and: www.taxes.state.mn.us/mntaxreform/reports/TRC_report_2009.pdf

From the Chair: The education funding diet doesn't get results

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For many years some have stated that there is too much "fat" in education and that it needs to go on a diet. But for a diet to be successful it must be done in good measure. The old adage that one must eat less and exercise more is important. However, if you are starved, it is hard to train consistently. And without proper nutrition, it is hard to perform at top levels.

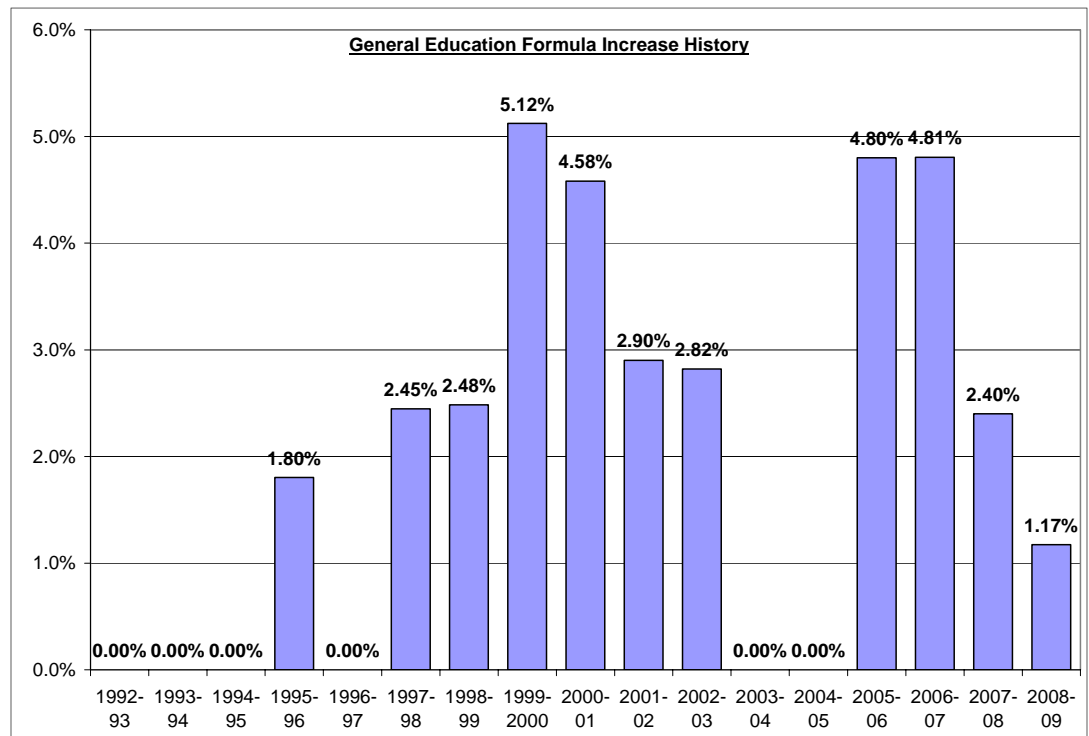
For many years, politically, everyone seems to have been chasing the equivalent of fad diets. No one seems to want to take the hard look in the mirror and admit that we have been under funding education for years, while at the same time increasing expectations. Much like the dieter who goes from one unsuccessful New Year's resolution to another, at some point and in some legislative session, we must face reality.

If we want to see stellar results from our students we must make sure that proper and consistent funding is provided. Only then will we see the success we all desire.

As difficult as it may be to admit there is a prob-

lem, continuing to ignore the problem does not position Minnesota for a competitive future. It is time we stop studying this issue and put our house in order. The proposed "New Minnesota Miracle" framework would provide the consistent and adequate education funding Minnesota needs to ensure a better future.

Pat Gleason, school board member from Wayzata, is chair of the Association of Metropolitan School Districts.



District struggles to make cuts that won't effect education quality

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this case, and it seems to repeat itself every 10 to 12 years.

I remember the 1982 budget crisis well because I was a reporter covering the Anoka-Hennepin School District. I wrote extensively about the budget crisis, the public meetings, the comments from citizens, the long lists of proposed reductions. Those months of anguish over the budget made a strong impression on me. So strong that I clipped all those stories and saved them. I had saved very few of the stories I had written during my 12 years as a reporter, but these seemed particularly important to me and I kept them and brought them with me to the school district when I began my new job in 1983.

Looking back, I believe that budget crisis remained fixed in my mind because it was the first I experienced since I had begun covering the school board in the early 1970s. I vividly recall the passion of all those involved: the elementary music teachers who spoke eloquently about the vital importance of music in the development of young people; the parents who asked the board to avoid increasing the size of classes or eliminating athletic programs or reading specialists; the administrators who had to pare down the list of possible cuts to those that would have the least impact on the programs students experience; and the school board members who had to make the ultimate difficult decisions.

It wasn't easy then. It isn't easy today. People are just as passionate. It's clear that public education is important to them, to their children, and to their communities. And it's clear they want a solid education that will equip today's young people to compete in an increasingly competitive job market.

For that reason, once again Anoka-Hennepin citizens have asked the school board to keep cuts "away from the classroom." Whenever the board has had to make cuts, it has tried to avoid those that impact the classroom directly. But since the vast majority of the district's general fund dollars – 75 percent – are spent on direct classroom expenses it is getting harder and harder to do. As board

member Michael Sullivan stated when the board voted on \$15.8 million in reductions, "... the low-hanging fruit have been picked in this district. Kids are walking to school, swimming pools have closed. They are not available to close that gap this time."

Sullivan was referring to some of the \$10 million in cuts made in 2002. At that time the district made its largest cuts in transportation. As a result, students who lived between one and two miles from school no longer receive free transportation. Now, they either find their own way to school or parents pay a fee of approximately \$200 a year for bus service. As a result of those 2002 cuts, swimming has been eliminated from the middle school curriculum and pools remain closed. In addition, the district also cut 103 teacher positions, 11 administrative positions, changed kindergarten to a full day, every-other-day program and substantially increased fees for high school activities. Most of the teaching positions were added back the following year after passage of a referendum levy. The other cuts, however, remain in place.

The School Board recently approved the first year of a two-year cost cutting plan with approximately \$15.8 million in reductions next year and another \$18 million the following year. While 135 teaching positions were eliminated, the greatest share of the cuts was made in non-classroom teaching positions. Without the cuts, the district's unreserved/undesignated fund balance would plunge to -\$18 million by June 30, 2010 and more than -\$30 million the following year.

While the cuts made for next year are painful, the board and administration feel good that no programs have been eliminated. Class size will increase a bit, but students will continue to take Advanced Placement courses, remedial programs will remain in place for students who need additional support and time to learn, and the art, music, physical education and media programs our community has long cherished remain in place.

This month's member feature was submitted by Mary Olson, Director of Communications and Public Relations for Anoka-Hennepin School District.

AMSD Members: Anoka-Hennepin, Bloomington, Brooklyn Center, Burnsville, Columbia Heights, Eastern Carver County, East Metro Integration District 6067, Eden Prairie, Edina, Elk River, Fridley, Hopkins, Intermediate District 287, Intermediate District 917 (Associate Member), Inver Grove Heights, Mahtomedi, Minneapolis, MSU Mankato Center for Engaged Leadership (Associate Member), Minnetonka, Mounds View, Northeast Metro Intermediate School District 916 (Associate Member), North St. Paul/Maplewood/Oakdale, Orono, Richfield, Robbinsdale, Roseville, Rosemount-Apple Valley-Eagan, Shakopee, South St. Paul, Spring Lake Park, St. Anthony/New Brighton, St. Louis Park, St. Paul, TIES (Associate Member), Wayzata, West Metro Education Program, and West St. Paul