This report documents the factors involved in the consideration of two bills by the Minnesota legislature in 1977. The first bill, designed to increase the level of state foundation aid to education, was affected by public concern over inflation and property tax rates and by the impact of enrollment decline. Lobbying efforts by organizations of teachers, administrators, and school boards were limited in effect as a result of these public concerns. While the first bill passed, the second, intended to consolidate the state's 438 school districts into 92 countywide districts, failed to get out of committee due to strong opposition. Issues involved in consideration of the second bill included local control, salary equalization, and the continued existence of at least one major teachers' union. (Author/PGD)
Educational Politics and Declining Enrollment:

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Abstract

The 1977 session of the Minnesota legislature faced the financial problem of declining enrollment in public schools. The problem was exacerbated by inflation and public opposition to high taxes. In two particular areas, those of foundation aids and district reorganization, interest groups were particularly active preceding and during the session. Political realities dictated the legislature's response in both areas.
Inflation and growing public opposition to higher taxes have exacerbated the problem of financing public education during a period of declining enrollment. Yet state legislatures must face the issue of declining enrollment in virtually all areas of educational finance. Reported here is the Minnesota legislature's confrontation with the issue in two specific areas, foundation aids and district reorganization.

**Background Information**

Minnesota was one of the first states to undertake an extensive program to equalize financial burdens among local governments. By the late 1960s, many citizen groups, educators and local government officials were calling for a complete reform of educational finance in the state. Although it had been revised periodically, the foundation program was clearly inadequate. The local cost of supporting schools was rising, with regressive property taxes indicating increasingly little relation to a community's financial ability. In 1957-58, the difference between state foundation aid and median district maintenance cost per pupil unit was $26; by 1966-67, it was $130; and by 1970-71, it was $332.\(^1\)

In 1970, the Democratic-Farmer Labor candidate for governor, Wendell Anderson, seized upon educational finance as a major issue, linking it to his proposal for major tax revision.\(^2\) Once in office, he secured sufficient support from conservative and liberal legislators (at the time, the legislature was nominally non-partisan) to create an equalization program that placed at the state level the major task of public school funding. The basic goal was to equalize tax effort rather
than expenditures, while giving special consideration to the problems of urban areas.

Minnesota became one of the most educationally centralized of states. Between 1969 and 1971, the amount of foundation aid rose from $563,234,602 to $1,280,299,000. By 1973-74, the difference between the per pupil unit foundation aid level and median maintenance cost had fallen to $45. The state portion of support for public schools rose from 52.9% in 1970-71 to 69.5% in 1972-73. The evident success of the reform led the Advisory Commission on Intergovernmental Relations to describe it as "a model for other states to follow." 

### New Problems

Within a short time, inflation and property tax valuation increases began to have an impact on the new program. The state share of support had reached its peak in 1972-73, and thereafter began to decline. In 1974-75, it had dropped to 65.1%. The local cost rise accelerated in 1975 with the legislature's removal of a 5% ceiling on annual increases in residential property assessments and its replacement with a 10% ceiling that in some cases would be allowed to rise much further. Public criticism of property taxes became more vociferous, despite the existence of homestead credits. The criticism was not significantly alleviated even by the reduction of the local tax levy from 30 mills to 29 mills and the creation of a "circuit breaker" providing graduated income tax credits to home owners for property taxes exceeding a certain percentage of household income. In 1977 the governor's tax advisor predicted additional property taxes of 20% per year each in 1978 and 1979 under the
existing program. In a letter to the legislative tax committee chairman, he noted that the tax increase would, among other things, be "a major problem for our candidates" who were running for office in 1978.

The problem was further compounded by the continued disparities in expenditures by districts. The new funding program had led to a decrease in overall school expenditures in the state, but expenditure disparities were not reduced. The lack of reduction resulted from several factors, including unlimited leeway options for raising revenue, a hold-harmless provision for higher spending districts, and increased weighting for children under Aid to Families with Dependent Children (AFDC).

Enrollment had declined swiftly beginning in 1970. Between 1970 and 1975, the K-12 population in public schools had dropped by 45,921. An increase in secondary school population was smothered by the decline in elementary and kindergarten pupils. The future was bleak: From 1975 to 1980, K-12 population was expected to decline by 139,980, and from 1975 to 1985, by approximately 202,500. In smaller districts, enrollment decline was especially notable, with 59% of districts with fewer than 300 students experiencing a decline of 6% or more between 1970-1971 and 1974-1975. A similar decline was evident in 51% of districts with 300-799 students, in 33% of districts with 800-1,799 students, and 25% of those with 1,800 or more students.

As enrollment declined, the cost of goods and services needed by schools continued to climb. Despite lower enrollments and the subsequent lessening of state aid, the number of teachers in the state increased 1.7% between 1974 and 1977, largely the result of the proliferation of special education teachers. At the same time, the total monetary
benefits of all teachers were rising by approximately 9½ a year. The cost problem was accentuated by the need of districts to release teachers who were low on salary schedules.

**Areas of Confrontation**

**The Foundation Program**

The current $960 per pupil unit aid was clearly inadequate. Governor Perpich requested that it be raised to $1,025 for 1977-1978 and $1,095 for 1978-1979. Simultaneously, he recommended a drop in the general school levy from 29 mills to 28 mills. Perpich appeared to consider the advice of the State Department of Education, the State Finance Department, and others, but he had no overall plan for meeting educational problems in 1977. Indeed, no overall plans existed in the state. Although several studies had been made of state finance, they seemed to have no common base or goals. Perpich, the lieutenant governor under Wendell Anderson, had assumed the office of governor in late December, 1976, when Anderson vacated the office to take a seat in the United States Senate. Perpich’s lack of pressure on the legislature with respect to the issue reflected a major deviation from the style of his predecessor, although it was a response common to governors when no immediate crisis is perceived.13 Certainly, all political figures in the state realized that the problems of educational support and taxation would eventuate in a major crisis. Yet many believed that the crisis could be averted for a few years.

The legislature, however, had to face the immediate problem of school finance, and it was in the legislature that the major battles over
funds occurred. Both houses were politically liberal, overwhelmingly dominated by the Democratic-Farmer Labor Party which had emerged from the 1976 election with a 49-18 majority in the Senate and a 103-31 majority in the House.14

From the Senate Education Committee came a recommendation of $1,025 per pupil unit for the first year and $1,075 for the second. The House Education Committee recommended $1,025 for the first year and $1,105 for the second. Meanwhile the tax committees recommended millage cuts from the current 29 mills to 28 for 1978 taxes and 27 for 1979 taxes. Emerging from conference committees and enacted into law were bills providing for the millage cuts and per pupil unit state aid of $1,030 for the first year and $1,090 for the second. Immediate relief for declining enrollment was provided with an allocation of $55,000,000 to be distributed according to one of two options: The first, already used, allowed districts to receive foundation aid for 6/10 of each pupil lost each year, in effect letting them retain on paper 6/10 pupil unit that had been lost the previous year. The second option, more beneficial to many districts, allowed foundation aid to be based on a three year average of pupil enrollment.15

The bills had produced hundreds of hours of hearings. Although the provisions for immediate aid for declining enrollment and lower millage rates received little opposition, the debate over amounts to be provided for foundation aid elicited vitriolic battles. The differing demands of educational interest groups merit special attention.

During the legislative session, the leaders of the Minnesota Education Association (MEA) expressed considerable anger, contending that
neither the governor nor the legislature gave adequate attention to the needs of the public schools. The organization had requested $1,050 for the first year and $1,125 for the second year. The leaders of the MEA were realistic enough to know that, despite their demands, they would not achieve their public goals. Yet they were clearly surprised that the legislature made no concession to them for practically the entire session. The organization became increasingly militant. Although several legislative positions contributed to the militancy—for example, remuneration for striking teachers and types and scope of arbitration in collective bargaining—the unwillingness of political leaders to offer more money for the public schools was the major cause.

In April, 1977, the executive committee of the MEA's political arm, IMPACE, announced that the organization would not contribute to the annual Jefferson-Jackson Day fundraiser for the Democratic-Farmer Labor Party (DFL). This was the first time the organization had declined to contribute to the event. In the previous year it had donated $2,500, and in the current non-election year it had already budgeted $3,000. In May, MEA President Don Hill commented, "We know how much the MEA has contributed to the majority party and we may have been as well off if we had put the money in the Red Cross." The organization held a large rally of public school teachers at the Capitol, calling for the enactment of its proposed legislation.

The MEA had reason to expect more from the DFL. In the preceding campaign it had been among the highest organizational spenders. IMPACE had contributed $150,000 to various DFL candidates. For some time, the organization's strength had been acknowledged by legislative leaders, who
saw its wealth and its numerous members as a potent political weapon.\textsuperscript{19} It was by far the most powerful educational interest group in the state. With approximately 46,000 members, it was more than twice as large as the rival Minnesota Federation of Teachers. Nevertheless, in this session the legislature's need to attack the taxation problem reduced the organization's influence. Curiously, in May the Independent Republican (IR) caucus in the senate announced that it supported the MEA's position on foundation aids. The support was anomalous in view of the party's support for a decrease in taxes and its general history of greater opposition than the DFL to increased governmental expenditures. The Republicans probably were attempting to curry favor with the MEA, which had generally favored DFL candidates.

Although the MEA tended to join no coalitions of any duration, it was joined in 1977 by the Minnesota Association of School Administrators (NASA) in its campaign for the foundation aids of $1,050 and $1,125. Public school administrators as a group were powerful a decade previously when they held leadership positions in the MEA. In the 1970s, however, despite the personal influence that certain individual administrators had with particular legislators, as a group the administrators were viewed by the legislators as weak.\textsuperscript{20}

Like the MEA, the Minnesota Federation of Teachers (MFT) lobbied strongly. Minnesota legislators have considered the 20,000-member organization to be weaker not only than the MEA, but the Minnesota School Boards Association as well.\textsuperscript{21} Yet the MFT was not powerless, and its influence had been enhanced by its strength in the metropolitan area and its association with the AFL-CIO, which was closely tied to the DFL. The MFT publicly asked for a first year increase to $1,100 per pupil unit aid.
Given the attitude of legislators, the figure could not have been taken seriously even by members of the organization. It would appear that for competitive reasons the MFT had to ask for more money than did the MEA.

The Minnesota School Boards Association (MSBA) lacked the resources of the teacher organizations, but legislators had been impressed with it as representative of grassroots political views. The status of board members as political officials gave the MSBA considerable status with legislators. In the mid-1970s, legislators had ranked the organization second—the massive MEA was first—in influence among the educational interest groups in the state. In 1976 and 1977 the MSBA requested less foundation aid than any of the other major educational organizations. Its goal was $1,037 for the first year and $1,110 for the second year. These amounts, according to a delegate at the MSBA Convention, were defensible: "We obviously could use more money, but $1,037 is realistic... something we could defend." The MSBA was careful, moreover, not to suggest relaxation of limits on local property taxes. At a pre-convention meeting, delegates had voted down or withdrawn five proposals for relaxing limits on local taxes.

As noted previously, the legislature eventually allocated $1,030 for the first year and $1,090 for the second year as part of an overall financial package that included increased aid for districts with declining enrollment and lowered millage requirements. It will be recalled that the MEA (and the MASA) had requested $1,050 for the first year and $1,125 for the second; the MFT had requested $1,100 for the first year and had left the second year open; and the MSBA had requested $1,037 for the first year and $1,110 for the second. After the aid...
bills were passed, leaders of all educational groups, as well as several DFL leaders, publicly expressed their satisfaction. Each group's leaders appeared to suggest that their own activities had contributed to education's receiving more aid than had been expected. Leaders of the MEA expressed complete satisfaction. Privately, however, many organizational leaders conceded, as did the IR house leader publicly, that the bill was merely a "band-aid."25

Reorganization

Reorganization of school districts as a means of saving money and expanding educational opportunities had been discussed by educators and politicians for several years, and in 1977 the Advisory Council on Fluctuating Enrollments, a body created to advise the legislature on the problem of declining enrollments, had recommended consideration of voluntary reorganization. Within the state were 438 school districts, down from 1,250 in 1967 and 7,606 in 1947. Despite periodic consolidations, many people believed that Minnesota had too many small, rural districts whose programs were both inadequate and excessively expensive. In 1975 the legislature had attempted to alleviate the problems of small districts by creating organizations called "Educational Cooperative Service Units" that allowed districts to join together in securing various services. This program was still too new to be judged intelligently, however, and for reasons noted previously with reference to the foundation program, many small districts were in serious financial trouble.

Nevertheless, the strong opposition to consolidation by representatives of small districts made few people, including
legislators, believe that any move to reduce the number of districts would take place during the session. Consequently, when a DFL senator who was recognized as one of the senate's experts on finance introduced a bill calling for reorganization, most legislators and lobbyists were surprised.

The author stressed that the bill would combine districts, not classrooms, and that it was a means of "reorganization," not necessarily consolidation. Districts would be merged into county administrative units. In some cases only two or three districts would be combined, but there would be numerous instances of the combination of six or more districts. The new districts would be governed by newly elected boards of nine or eleven members, depending on the size of the county unit. Existing boards would be phased out. Nothing in the bill would mandate the closing of any school, the shifting of any attendance area, or the termination of any personnel. Presumably, however, the new boards would look at the counties as a whole without the particularistic interests of present school boards and therefore would be expected to eliminate some unnecessary schools or programs.

The sponsor of the bill claimed that some financial benefits would be immediate. Six million dollars would be saved, he asserted, because of the reduction of school superintendents from 438 to 92. Moreover, some school buildings now planned could be forgotten. The expenses as well as the effort of bargaining would be reduced because only 92 bargaining units would exist.

He argued that to wait for voluntary reorganization would be disastrous, given the financial condition of many districts. By allowing counties to oversee the schools, the most effective reorganization would
take place. He noted that seniority would be determined on the basis of a combined list for all teachers in the district. Superintendents and other administrators would be included in the same lists as teachers.

He realized certain political difficulties in the bill. Consequently, he omitted from the plan St. Paul, Minneapolis, and Duluth, the three largest cities in the state. He admitted that this exclusion had nothing to do with any special advantages these areas now had. The exclusion was made in recognition of political realities. To break up the large city areas by including some immediate suburbs would mean “pushing segregation problems out into the suburban areas, and that would raise strong opposition to the bill.”

Opposition to his plan came immediately from numerous legislators and interest groups. He had a serious problem in getting a co-sponsor from one of the non-metropolitan areas, and chairmen of the major committees withheld support. Among interest groups opposing the bill were the Minnesota Association of School Administrators, the Minnesota School Boards Association, the Association of Metropolitan School Districts (an organization of school districts in counties immediately surrounding the counties in which Minneapolis and St. Paul were located), and real estate and farm groups. Joining the opposition later was the Minnesota Federation of Teachers. A major criticism of the bill was that it really did not address the issue of rising salaries, viewed by many as the main problem facing the schools in all types of districts. Some of the opponents of the bill acknowledged that the reorganization might be beneficial to some areas, but not those they themselves represented. Spokesmen for suburban areas, for example, noted that rural areas needed
reorganization, but their own areas, regardless of financial problems, did not. One important criticism, first brought up by spokesmen for the MSBA, involved the cost of bringing all teachers up to the highest salary range in each county. They pointed out that the cost would be beyond the capabilities of many counties or, for that matter, even the state. For example, in one county, elimination of five superintendents would save $109,000, but the new county-wide district would have to pay $587,000 in additional teachers' salaries.

Other criticisms were equally trenchant. Rural groups and legislators stressed the importance of community, and charged that the plan would be the destruction of community. Many critics asserted that the reorganization would simply produce another layer of bureaucracy and, if Minneapolis and St. Paul constituted any criterion, would cost more than did the presently organized districts in rural and suburban areas. A special problem was that of seniority; a county-wide seniority system would probably cause the elimination of virtually all newer teachers in some counties, thereby having serious impact on the quality of education. Despite the lack of any accepted goal for the quality of product in Minnesota schools, the issue of quality of product was brought up frequently. Several critics pointed to data from a recent National Institute of Education study indicating that size had little bearing on quality.28

In the past, the MFT had supported consolidation in principle, but the proposed county-wide reorganization did not appear in a favorable light. Organizational security undoubtedly played some part in the MFT's opposition. Because the MEA dominated most districts, if consolidation were to occur the smaller MFT locals would probably be submerged by the MEA.
The MEA announced that it could support the bill if some changes were made. In the first place, no teachers' salaries could be lowered. In the second place, there would have to be preservation of some form of local control and "the integrity of the teaching profession." Moreover, separate seniority lists for teachers and administrators would have to be developed for both the old and the new districts. Finally, present tenure status of teachers would continue. The MEA's leaders asserted that if such conditions were met, the proposal might be a good means of "leveling up" teachers' salaries.

But overall opposition to the bill was such that it never emerged from committee, although it received surprisingly strong support from senators and was briefly revived at the end of the session. Its introduction did produce some substitute measures, including one that allowed school districts to contract with other districts for services and facilities and another that allowed districts to specialize in particular grade levels. These bills, too, died before the session ended.

Conflict characterized the discussion of the bill, even more than had characterized the foundations legislation, although the actors most affected by each issue were often different. It did bring into the open the immense problems of school support, however, and the intertwined social, economic and political factors that are involved in any attempt at solution.
Conclusion

The problems of declining enrollment in Minnesota, compounded by inflation and public resistance to higher taxes, cannot be solved with finality. They can be met only piecemeal, given political and economic constraints in the state. The preservation of a reasonable degree of equality—so difficult to approach initially—is extremely difficult today. Perhaps one of the most significant facts to emerge from the controversies over both foundation aids and district reorganization is that the consequences of any policy are not clear. The problem is not merely one of failing to understand a complex formula—in response to a senator who said that he "had survived nineteen years in the legislature without explaining school aids to anybody," the DFL majority leader replied, "I survived fourteen years in the legislature without understanding them"—but one of not really knowing what the public schools do and why.

Increasingly, legislators and representatives of many educational groups have noted that no one really knows what produces a particular output in terms of students' learning. The quest for money has become pro forma, almost removed from the question of school output. Empirical evidence is lacking with respect to the value of money or of reorganization in terms of quality, despite numerous studies by experts. Money is needed by districts to fend off bankruptcy or the elimination of many programs and by school personnel to keep up with inflation. But it may have no relation to the product of the school.
NOTES


6. Ibid.


17. IFO Reporter, 7 April 1977.


20. Ibid., pp. 206-207.

21. Ibid.

22. Ibid.

23. Ibid.


27. Ibid.