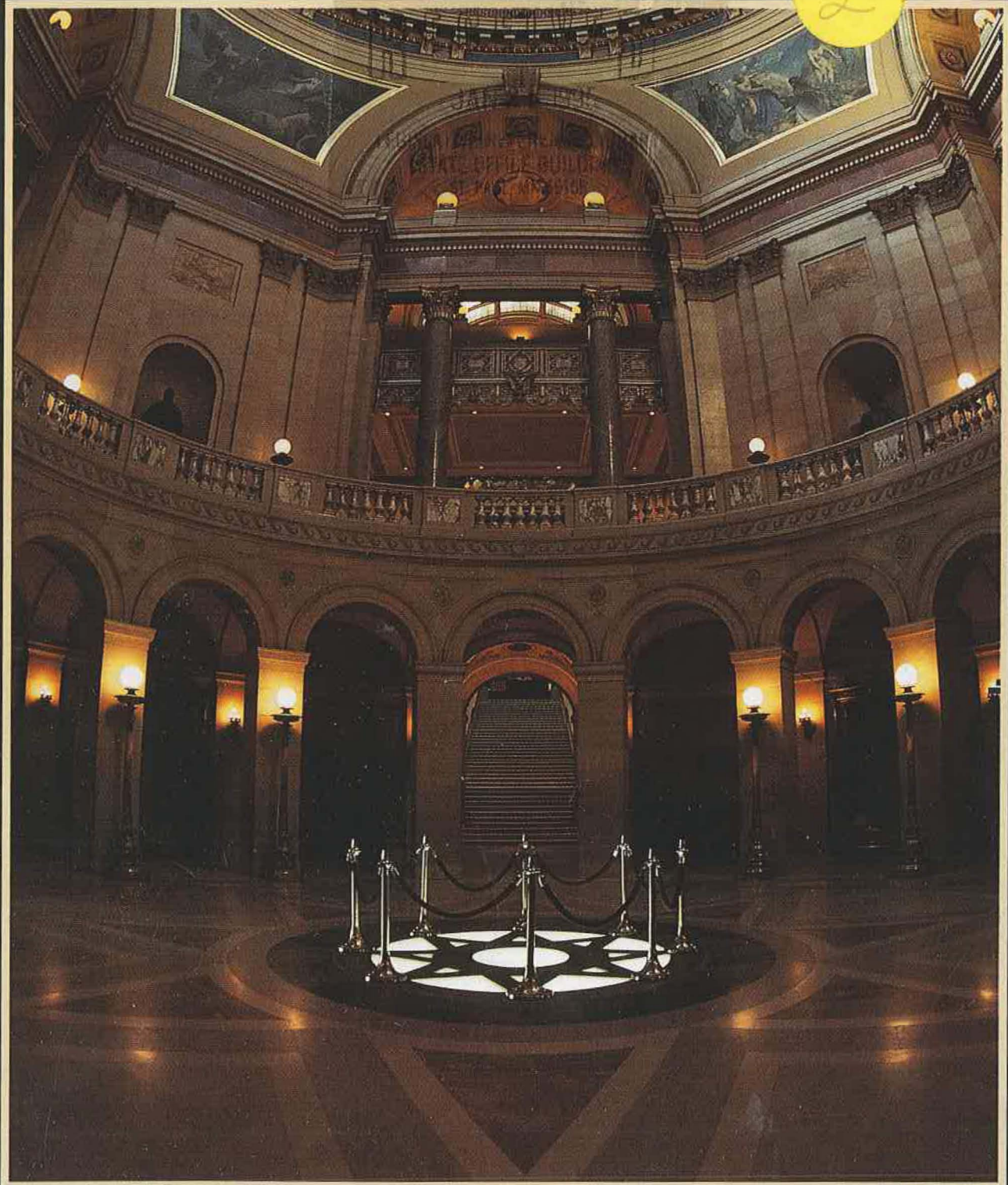


Perspectives

A Publication about the Minnesota Senate

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On the cover: The empty rotunda of the Capitol building will soon be the site of all types of activity relating to the Legislative session. Photo by Mark M. Nelson.

Editor: Karen L. Clark

Writers: Carol Gardener
Jim Hoskyn
Catherine Ryan

Layout and Design: Carol Gardener

Photographs: David J. Oakes



A wide array of legislative information is now available over the Internet.

Gopher it!

By Karen L. Clark

A wealth of legislative information is now available on-line for those Minnesotans with computer modems. By accessing the Internet or simply by dialing the University of Minnesota, Minnesotans can now access a legislative "gopher." The Internet "gopher" protocol, developed at the U of M, allows any organization to become an information provider to the world. The Minnesota Legislative Gopher makes information about the Minnesota legislative process more easily available in the Capitol area, throughout the state, and around the world.

An experimental Legislative Gopher containing the text of House bills, the full text of the Minnesota Statutes and other information about the House was established in 1993. On October 11, 1994, a new improved gopher was unveiled that contains information about the Minnesota House of Representatives, the Minnesota Senate, the Legislative Reference Library, the Revisor of Statutes and several joint legislative commissions. The goal of the new service is to provide as much information about the

Legislature as possible in a way that increases citizen awareness and participation in the legislative process.

The new Legislative Gopher includes the full text of House and Senate bills, House and Senate Journals, a glossary of legislative terms, biographies of members of the Legislature, daily and weekly committee schedules, the full text of Minnesota Statutes, legislative staff directories, information about the Legislature and the legislative process, press releases, links to other state and federal government information on the Internet and tips on participating in the legislative process. The Legislative Gopher is a dynamic entity and more items are being added. A joint project of the House, Senate, Legislative Reference Library and the Revisor of Statutes, the Legislative Gopher makes an incredible amount of information instantly available to anyone who has computer on-line capabilities.

There are several ways to access the Legislative Gopher. The simplest method is via dial access through the University of Minnesota. Users without gopher client software need only dial 612-626-2400 (the U of M Gopher) and

at the prompt "access>" type consultant.micro.umn.edu, login: gopher. Then follow this path through the menus: Other Gopher and Information Servers, North American, U. S., Minnesota, Minnesota Legislature. It is also possible to telnet to consultant.micro.umn.edu and login: gopher.

Gopher administrators just point your gopher to URL:gopher://gopher.revisor.leg.state.mn.us:70/1. This is the root server for the House and Senate Legislative Gopher.

For individuals or systems with gopher client software, point your gopher client to gopher.revisor.leg.state.mn.us. (Port 70).

Also, several of the commercial on-line services feature access to gopher server sites, including the Minnesota Legislative Gopher. Check with the commercial service to see if gopher access is supported.

In addition, the Minnesota Senate plans to implement a moderated Internet Listserv by which daily and weekly committee meeting schedules will be automatically sent to subscribers. Listservs are message-management systems that enable thousands of people to participate in a single forum through Internet e-mail. However, in the case of the Senate committee schedule listserv, communication will be essentially one-way. Users will be able to subscribe to the listserv and then, whenever the daily or weekly committee schedules are posted, the schedule will be sent automatically to the subscribers. Subscribers, though, will not be able to post messages or conduct e-mail forums through this particular listserv. Information on subscribing will be available at the end of the daily and weekly schedules posted on the Legislative Gopher. Be sure to check the Legislative Gopher for more information about the listserv during the early weeks of the session.

The Senate's foray into the on-line world of the Internet is an evolutionary process. The Legislative Gopher will continue to develop, over time, in order to meet the changing needs of users. Items will be added to the Legislative Gopher to provide even more information about the Senate and the Legislature. Be sure to explore the Legislative Gopher and check out the world of information that is instantly available.



Sen. Roger D. Moe

Moe: Legislature will heed voters' election message

by Sen. Roger D. Moe
Senate Majority Leader

The voters made it clear in Minnesota and across the nation that they want government spending trimmed, and their tax dollars spent as efficiently as possible on our most-essential needs. The Democrats in the Senate heard the message and intend to heed it by balancing the budget without additional taxes.

The primary mission of the Legislature in 1995 will be responding to the basic needs of Minnesotans, such as educating our children and assuring the economic security of the entire state.

Despite pre-session forecasts of a "business-as-usual" state revenue

picture, legislative leaders understand that deep cuts will be needed to balance the budget for the coming two years.

The budget constraints we face, based on any objective analysis of the revenue picture, demands an unusually austere approach to spending in the next biennium. So, the severely restricted financial realities we confront as legislators are in sync with the mood of the citizenry.

Most of the real financing problems we face in the Legislature are connected to funding gaps created by artificial caps on programs. These caps have the effect of triggering reduced services. While some of these reductions might be appropriate, others must be questioned.

The cap-gap amounts to more than \$700 million, a significant portion of the state budget. These caps ignore normal cost increases, based on inflation and changes in the wage market.

More than half of the gap can be found in K-12 education -- a disproportionate share of the burden. The next-highest total comes from higher education. The education of our young people is an essential part of the foundation of our state, the cornerstone of Minnesota's economic strength.

If we choose to ignore the \$439 million gap in K-12 education funding, we are resigning ourselves to larger class sizes and less individual attention to each student. The number of children in our schools is growing. We cannot, in good conscience, tell schools to carry out their mission to educate with the same number of dollars, even though there are more students to teach.

The state has been saddled with a new \$327 million debt, based on a ruling favoring banks returning a now-defunct tax levied in the late 1970s and early 1980s. This recent liability is another reason why the Legislature will have to tighten its belt for the next four years, including \$180 million in reductions for the coming biennium.

Reforming the welfare system is high on the agenda of all lawmakers. While there is general agreement that the system is seriously flawed, no clear consensus exists on how to deal with the problem. If we enact visionary changes that encourage productivity over dependence, we will be headed in the right direction.

Simply cutting off benefits without a plan that creates opportunities for dependent families will result in higher costs in the long run. We must avoid simplistic quick fixes that might be politically appealing, but unhealthy for the future of our state.

Although welfare reform will be a highly visible legislative priority in 1995, it is important to remember that the largest share of social service costs goes to meeting medical needs through programs such as Medical Assistance. Despite failure on the federal level to deal with health care issues, we must continue our nationally recognized efforts in Minnesota to limit costs and broaden coverage. We are beginning to realize truly significant cost savings in this area.

We have enjoyed a remarkably
continued on page 6

Johnson: IRs rejuvenated by November election results

By Dean E. Johnson
Senate Minority Leader

Political pundits might suggest that the Legislature doesn't really need to meet in 1995, citing that with virtual full employment, Minnesota's economy has seldom been better. Unemployment has not been this low in years and there are no major new social problems that must be resolved. However, political-types are seldom right, and as a result we will meet on schedule January 3, 1995. All 23 present members of the Senate IR Caucus are looking forward to the occasion and in our view, there is much to be done.

As Independent-Republicans, we feel rejuvenated by the November election results and see that many long-standing proposals such as reform of the workers' compensation, welfare, and health care systems are now viable goals.

Republicans, however, are united in our pledge not to increase general taxes and have dedicated ourselves to three principles involving our present government system: reform, restructure, and reduce in order to make state and local government accountable to the taxpayers of Minnesota. We want government to produce services for less money and at a higher rate of efficiency at all levels. Legislation will be scrutinized carefully to see if it reduces the size of government, restructures government, or reforms government. We will oppose new taxes to pay for new programs and will focus on cutting spending.

The most discussed issue facing the 1995 Legislature is going to revolve around the relationship of property taxes and funding for schools and local government. Independent-Republicans know and believe that the present system involving state subsidies of local government services must be changed. We realize that property taxes are at a maximum level in most Minnesota cities and counties, and in some places, rebellion is about to take place.

It is obvious that the current funding system for schools and local government is not working in the best interests of the taxpayer, but Republican alterna-

tives to this problem do not include tax increases. It is our objective to restructure and reform the system with the dollars presently available. Major changes in funding of local services will definitely take place.

Funding for higher education is also going to be discussed during 1995 because of the merger of the State University System, the Community Colleges, the Technical Colleges into one super board on higher education. This merger was proposed to save taxpayers money. Instead, the Higher Education Board is suggesting a massive appropriation increase which has come as a surprise to most legislators and the Governor.

Other major issues to be discussed will be highway funding, emission testing, term limits, extension of the

sales tax reduction on used agricultural machinery, health care, workers' compensation reform, new sentencing standards for sexual predators, and various issues relating to gambling.

In my view, the 1995 Legislative Session is going to be one of the most action-packed and important sessions in my 16 years of legislative service. I'm looking forward to helping solve the problems of Minnesota without increasing taxes. It should be an extremely interesting year as we search for innovative ways to fund an effective level of government service with only the money that is currently available. Some programs will perhaps be dropped, others refined, and others continued. But I think 1995 is going to be unique as we set the stage to enter the 21st Century.



Sen. Dean E. Johnson

**Majority Leader Roger D. Moe and
Minority Leader Dean E. Johnson
negotiate in the Senate Chamber.**

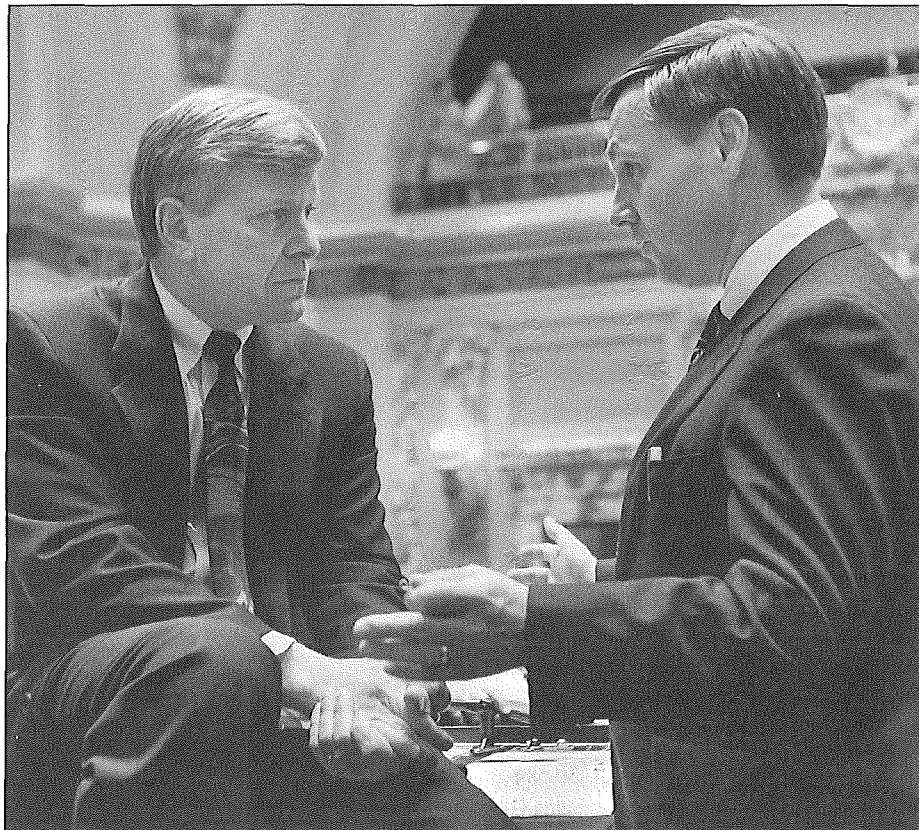
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strong Minnesota economy in recent years, far outstripping the economic performance of the nation as a whole. The Legislature has been responsive to competitive concerns of the business community, passing a capital equipment replacement tax phase-down in 1994, along with a variety of sales tax exclusions designed to stimulate our state's economy.

New business-oriented measures are certain to surface in 1995, including workers' compensation reform. The Senate passed a workers' compensation bill last year that did not become law, so the issue is certain to be considered again. The goal is to set Minnesota workers' compensation rates that are competitive with surrounding states, while fairly balancing the interests of businesses and injured workers.

A whole host of additional issues will confront legislators during the 1995 session. Before the final gavel sounds in mid-May, legislators will almost certainly consider bills that:

- Toughen criminal sentences for sexual predators;
- Stabilize neighborhoods and communities in our metropolitan areas;
- Set clear high school graduation standards, and
- Reform the election system to encourage increased participation in



political parties and primaries.

On the financial side, measures will be offered to:

- More-adequately fund law enforcement and prisons in response to ever-growing crime concerns;
- Provide child care funds to waiting-list families who are eager to go to work;
- Restore higher education funding for the University of Minnesota and other public post-secondary institutions; and
- Provide transportation funding for projects on hold because revenue has trailed off since the last gas tax hike in 1988.

Of course, financial limitations and political realities will make it impossible for the Legislature to accomplish all of these goals. We will be challenged to set our priorities intelligently, and channel our resources to those programs that are vital to the future prosperity of our state. By setting priorities, some spending systems will be

reduced or eliminated.

While this approach is painful and difficult, it is much more prudent than taking a cleaver and using an across-the-board approach to cutting the budget.

Additionally, it would be irresponsible to simply cut funds to schools and local governments, but then deny that the state is to blame for triggering huge property tax increases. Residential property taxes -- which have typically seen double-digit increases over the past three years -- are unfairly smothering lower- and middle-income households. It isn't a fair burden, and it isn't honest to ignore the problem.

The issues mentioned above are only a handful of the major topics we'll be tackling at the Legislature during the upcoming session. In 1995, the state budget will be set for the next two years, so the financial bottom-line will dominate the deliberations during the entire session. This is only appropriate, given the mood of the electorate and the financial constraints we'll be confronting between now and the end of session in mid-May.



Sen. Kenric Scheevel is sworn in by Chief Justice A.M. Sandy Keith

As we begin: two new Senators look ahead

By Catherine Ryan

The deep freeze of a blustery Minnesota winter means one thing to policy wonks and political animals: the start of a new legislative session. New issues, new agendas, and this year, new faces will appear at committee tables and in the Senate Chamber.

As we went to press, two of the newcomers are yet to be determined. Special elections are set for Dec. 29, 1994 to fill the seats of Sen. Joanne Benson (IR-St. Cloud) and Sen. William Luther (DFL-Brooklyn Park), both of whom won races in the Nov. general election.

But two new freshman are ready to fill the role of Senator.

Senator-elect Mark Ourada (IR-Buffalo), who replaces Sen. Betty Adkins (DFL-St. Michael) in District 19, will be sworn in Jan. 3. Adkins retired after finishing her fourth term.

In District 31, Sen. Duane Benson

(IR-Lanesboro) retired from his seat in order to lead the Minnesota Business Partnership in his new role as executive director. His replacement, Sen. Kenric Scheevel (IR-Preston), was sworn into office Dec. 8.

Talking about his decision to run, Scheevel said that the special election provided him with extra incentive to pursue a seat in the Legislature. "A special election is probably the best opportunity for the average person to be elected," Scheevel said. "It's very difficult to unseat an incumbent," he added. "They come into an election with such advantages," Scheevel continued, "whereas in special elections, there is equal footing."

Scheevel earned a degree in Mechanical Engineering, after studying math and science at Northwestern College in Orange City, Iowa and at South Dakota State University. Just after college, he taught high school for a couple of years, and then worked

briefly in industry.

Finally, about eight years ago, he returned home. "When my father decided to retire, I just couldn't resist," Scheevel said. Today, he and his wife, Karen, operate the family dairy farm, where they live with their two children, Brandon and Alison.

Although rural development is a keen interest, Scheevel said that his primary focus is the economy. "I'm especially concerned with improving Minnesota's economic opportunities," he said.

Specifically, Scheevel said that he wants to see changes in workers compensation, adding that he'll push for implementation of a plan similar to the Wisconsin model. "We need to be competitive with the surrounding states," Scheevel continued, "our costs here are significantly higher--for example in agriculture, costs can be as much as 100 percent higher."

Agriculture is the other major issue

Scheevel intends to address in this year's session. "We are at a crossroads here and the viability of farming itself needs to be examined," he said. On the national level, corporate farming is getting to be a big force, diminishing the ability of the family farms to compete, he said. "There is a real transformation occurring," said Scheevel, "and we need to find a middle ground."

A former teacher and member of the Preston School Board, Scheevel said that his interest in education remains strong, in spite of his departure from the classroom.

As a first-time legislator, Scheevel will be faced with new challenges. "With any change, there is apprehension and anticipation," Scheevel acknowledged. Acquainting himself with the Capitol, and all that it entails, will be the first hurdle to clear, he said.

On the legislative level, Scheevel said that the test is for members to be agile fiscal managers. "This fall's message is that the electorate wants better management of our resources, a more conservative fiscal policy."

So far, Scheevel is pleased with his experience at the Capitol. "It's been a real pleasure," Scheevel said. "People have been extremely pleasant, very receptive and helpful," he added. "It's a privilege to be here, to be given the opportunity to serve in the Legislature-- I'm really looking forward to it."

So is his new colleague, Sen. Mark Ourada. "This is a bit of a dream come true for me," said Ourada. "Serving in the Legislature is something I've wanted for a long time," Ourada said, "and I'm really excited about it."

After graduating from Buffalo High School, Ourada pursued his interest in public affairs, studying Political Science at St. John's University in Collegeville. "I ran in 1982, and lost, but Vin Weber gave me the extra push I needed to get into the race this year." Personal and business circumstances meshed with the practical act of running a campaign, and Ourada moved forward to catch his dream.

"My main focus is to reexamine the role of government," Ourada said, "especially state government." He said that the message coming from the voters last fall was that people want more influence over their own affairs, and less government. "Especially at the local level, people want more authority and control," Ourada said.

Equally important, Ourada said, is

his goal to improve the economic landscape in Minnesota. "A big priority for me is creating a better business climate--making some reforms that favor business--especially in the area of workers comp," said Ourada. "People don't understand that workers comp costs us jobs in the state of Minnesota. An average home here costs a lot more--about \$2,000 more-- than it does elsewhere, because of various regulations, and workers comp," Ourada stated. "If we have a better business climate, then we can have good paying jobs."

Ourada presently works as part of the quality control division at Buffalo Bituminous, a blacktop manufacturing business. As a lab technician, "full-time" means 60-65 hours a week, so Ourada said that he expects to be scaling back his involvement there to take on his new duties in St. Paul. "The company and I are presently working out an arrangement that'll benefit us both," he said.

Hoping for committee assignments that pair the concerns of his district with his background and expertise, Ourada said that transportation would be his number one choice. "I have a background in it and some practical knowledge," Ourada pointed out. "This is a fast-growing district with lots of transportation needs, many main highways run through it, so transportation is an issue that concerns the area I represent."

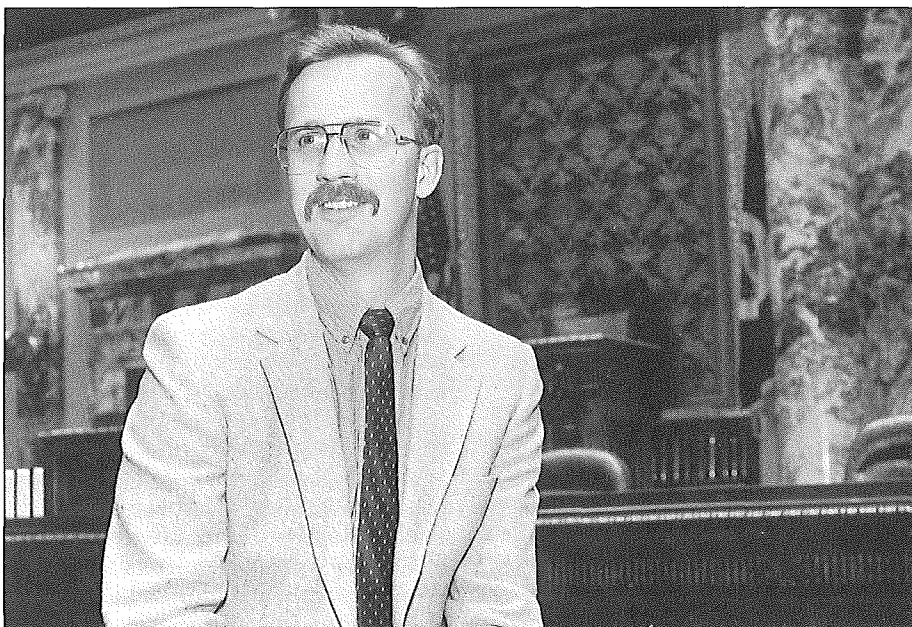
Ourada and his wife, Christi, live in Buffalo, approximately 50 miles from

the Twin Cities. He also has two daughters from a former marriage, Erin and Alexandra, who live midway between home and the Capitol, in Maple Grove. Ourada is planning to commute, at least initially, and is preparing himself for the crunch of the legislative session. Having experienced the political arena while working for Vin Weber, Ourada knows the harsh reality of precious little time for family and for pursuit of personal interests.

"I love to read, especially personal development and motivational books," Ourada said. And although he knows he'll be doing lots of reading in the upcoming months, Ourada said that he knows the reading will be of an entirely different nature. No more action fiction.

"I haven't served in local government and I'm at a bit of a disadvantage for not having worked in those programs," Ourada acknowledged. "That's going to be a challenge, because people expect you to know a lot about many different things, and to know it now." Undaunted however, Ourada added "it just means I'll have to work harder."

Both Ourada and Scheevel are ready to work and look forward to the upcoming session with enthusiasm. Ourada recalled a meeting with Senate personnel last month: "Kenric and I were down here to meet with some people, and it was a real special feeling walking into the Senate Chamber, knowing that in a couple of months we were going to be sworn in--it was really something."



Sen. Mark Ourada



Welfare reform will be in the spotlight for the 1995 session.

Welfare reform pushes forward

By Carol Gardener

Welfare reform has been propelled to the top of the legislative priority list by public opinion, by ever-tightening budgets, and by a virtual consensus among legislators that the Aid to Families with Dependent Children program needs an overhaul if it is to succeed in its goal of helping recipients attain self-sufficiency.

Public welfare encompasses several programs -- General Assistance, Work Readiness, and Medical Assistance among them -- but the terms "welfare" and "welfare reform" are often used to refer to the AFDC program. While AFDC accounts for roughly 13.5 percent of Minnesota's expenditures on income maintenance programs, the dollar amount -- \$319 million in state and federal dollars spent each year on AFDC -- is still high enough

to get the attention of Legislators and taxpayers in these tight financial times.

Sen. Don Samuelson (DFL-Brainerd), chair of the Health Care and Family Services Finance Division, said that public attitude is the primary factor that has brought welfare reform to the fore. "I think that across the country, people -- both those on public assistance and those who are not -- think that public assistance is not working and needs to be changed," Samuelson said.

Samuelson stressed that Minnesota is taking a non-punitive approach to welfare reform.

"The attitude that we have in Minnesota is not to drive people off public assistance but to help families by making it easier to get off public assistance and better their families," Samuelson said.

"Our program is unlike those

suggested in some states where they say, "you've got six months to a year and we're going to drop you," he said. "All that does is transfer the burden somewhere else, such as to counties or private organizations that are already overburdened."

Although there is a virtual consensus that change is needed, change doesn't come easily in this area. Because the federal government defines the limitations under which the states must operate their public assistance programs, public assistance is one of the policy areas in which change is slowest and most difficult to effect.

Changes made on the federal level in the early years of Ronald Reagan's presidency were intended to get people off AFDC if they could work. The seemingly logical and politically popular move to get people who could work off the welfare rolls, according to

one longtime Senate staffer, ultimately resulted in more, not less dependency on AFDC. The changes made in the early 1980s created a situation where many recipients were effectively given a choice between living on their below-subsistence wages or living on AFDC.

Addressing the problem of low wages, Samuelson said that the state should try to help people make the transition off AFDC into work. And, although he finds providing subsidies to recipients who are working but not making enough to support their families an imperfect solution, he believes they may be necessary. Because most AFDC recipients move into low-paying jobs, it is difficult for them to get off AFDC and into the working life when the working life means a minimum wage job with no medical benefits.

Samuelson said he dislikes wage subsidies because they can be seen as subsidizing businesses that do not pay a living wage, but he said he is willing to support some type of subsidy "if it helps people make it while they are bettering themselves." Samuelson said, "I think that we should try to help people in transition, and if it means some kind of subsidy to try to make up that difference, that's the approach we may have to take."

Samuelson, who has been traveling around the state this fall discussing welfare reform ideas with Minnesotans said he believes Minnesotans are willing to support subsidies too, "if that's what is required to help people while they move toward being self-supporting."

Low wages are not the only obstacle

facing AFDC recipients who are moving into jobs.

There is broad agreement among Senators that lack of health care coverage is a major obstacle to families who are trying to get off AFDC. But early reports on the effectiveness of the state's MinnesotaCare program indicate that the program is easing the transition to the working life for some recipients.

Sen. Sheila Kiscaden (IR-Rochester), a member of the Family Services Committee, said, "One of the strongest barriers for people to getting off public assistance is lack of health care coverage. People tend to move off AFDC into low-paying jobs that do not provide health care coverage." Kiscaden said MinnesotaCare is playing a key role in reducing the need for AFDC. "Our MinnesotaCare program is instrumental in facilitating health care reform," Kiscaden said. "Recent figures on the effectiveness of MinnesotaCare show that we have moved 2,000 families off AFDC."

Samuelson said this year's welfare reform bill will have three central objectives: to encourage work instead of welfare; to discourage teen mothers from forming AFDC families; and to strengthen current efforts to prevent fraud and abuse.

Toward those ends, Samuelson said the legislation will provide new incentives to make work pay and will modify current programs to toughen the requirements that AFDC recipients seek and accept available jobs. One provision in the bill will require unmarried minor teen parents who are on AFDC

to remain at home with their parents or another adult relative, or in an adult-supervised living arrangement in order to be eligible for benefits. For these teen parents, AFDC benefits will be paid to the supervising adult rather than directly to the teen.

Another set of provisions centers around requesting waivers of federal requirements, some of which are now seen as impediments to reform. One such federal rule limits the hours recipients can work to 100 per month. Another rule places a low limit on the value of cars recipients may own, which often creates a barrier for people who need reliable transportation to find and keep jobs.

The bill will also initiate a waiver request that allows the state to provide new recipients with vouchers for rent and other essential expenses instead of cash payments. In addition, Samuelson said the bill will provide for extending MFIP (Minnesota Family Investment Program), a work-oriented pilot program that is currently under way to include Ramsey County.

Chances for passing a welfare reform package of some kind in the 1995 session appear good. Kiscaden, one of the key IR members of the Family Services Committee, said, "I think there really is a public consensus that welfare reform is needed. And I think that we demonstrated last year that there is bipartisan support for the governor's approach to welfare reform. The bill we will be seeing this year is a result of many hearings last year and the bipartisan agreements reached last session."

A similar bill introduced by Samuelson last year gained the unanimous support of Senators, but was ultimately bogged down in parliamentary maneuvering.

Sen. Pat Piper (DFL-Austin), chair of the Family Services Committee, presided over numerous hearings on the welfare reform issue in the 1994 session. Piper supported the bill Samuelson introduced in the 1994 session. She cautioned, however, that welfare reform has been a popular catch phrase that oversimplifies a multifaceted policy area. She said, "I think when people talk about welfare reform, they should be very cautious about what they are talking about, because much of that aid goes to elderly people."

Piper and others urge those who would make drastic changes under the mantle of "welfare reform," to analyze programs like AFDC with reason and an



Sen. Pat Piper

accurate sense of proportion. Piper pointed out that although many people seem to believe that mothers on AFDC make living on public assistance a way of life, the average length of time on AFDC in Minnesota is three years.

Piper also said that although the focus of attention is usually on the mother, male responsibility should receive more attention. Pointing out that in Minnesota there is \$500 million in unpaid child support each year, Piper said, "If that were paid, it would be a great help in reducing the need for AFDC."

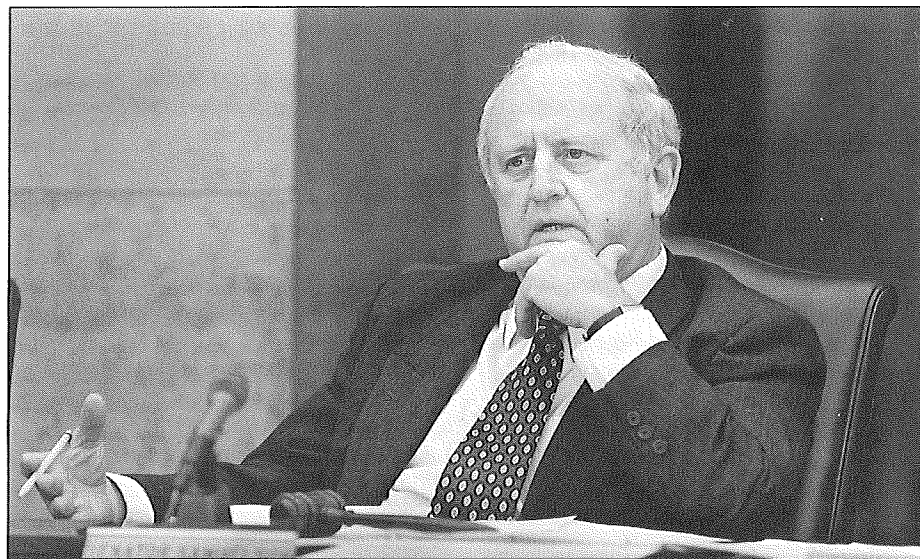
Piper said that from a financial standpoint, the \$319 million in federal and state dollars spent on Minnesota's AFDC program each year pales in comparison to the \$2.5 billion spent on Medical Assistance.

Piper urges legislators and other policymakers to use the same framework to think about AFDC and other programs that benefit children that they use to analyze programs for elderly people. She pointed out that few would begrudge elderly persons assistance for housing, health care, personal care, transportation, nutrition and other basic needs, but that meeting children's corresponding needs through programs like AFDC consistently draws attention and controversy.

"We have already chosen in our society to provide these things to the elderly," Piper said. "But we have not done so well by the children." Piper was quick to say that she does not advocate taking benefits away from elderly people, but said, "I also would like society to be as sensitive to the other end of the scale -- the children."

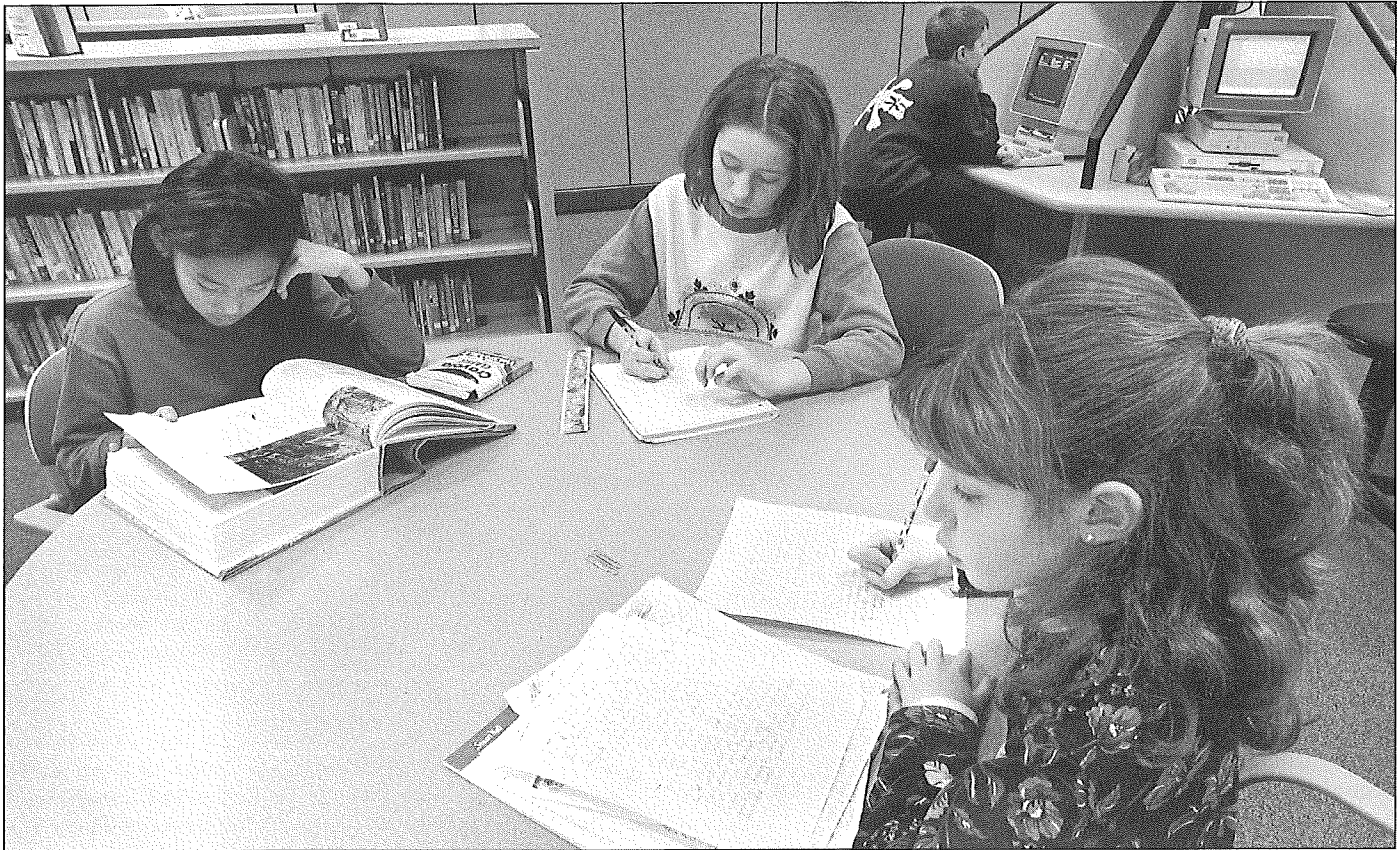
Piper said, "Children are not treasured in our society. We are the only country in the industrialized world that has a fragmented system for the support of young children. Every other country provides family support to raise the children because they know that those children are the future," Piper said. "We know that the first five years of life are critical. That's where you have a chance at crime prevention, a chance to turn the tide."

Piper summed up her reasons why legislators and others should not be too quick to use the much-maligned "welfare" label to justify slighting the needs of children who benefit from AFDC: "We cannot neglect the future generation," she said. "We cannot afford to."



Top: Sen. Sheila Kiscaden

Above: Sen. Don Samuelson



The largest single category in the state's budget is K-12 education.

Dynamics of K-12 funding present concerns, challenges for 1995 session

By Jim Hoškyn

Lowering student-to-teacher ratios, helping schools meet the needs caused by growing enrollment, not to mention providing additional resources to defray the impact of inflation on school district budgets are among many of the challenges for the Legislature in determining how much of the state's budget will be earmarked for the state's K-12 education systems.

Complicating the decision-making process is the dynamic that exists between the sources that provide districts with their revenue -- a blend of state aid with revenue generated from local property taxes.

It is within this realm that lawmakers will work once again when they set out towards accomplishing their primary task for the 1995 session. Their discussions and decisions over the

coming months will lead to setting the state's biennial budget for the two year period which starts July 1, 1995 and ends on June 30, 1997.

Over the course of the coming session, legislators may find their budget discussions, particularly those related to how much funding will be made available for the state's public K-12 system, to be a bit more intense than in past years.

The Dept. of Finance has forecast that about \$17.9 billion will be available for the state's budget. If the Legislature spends that amount, the budget will be about \$1.1 billion more than was appropriated for Fiscal Years (FY) 1994 and 1995, a 6.6 percent increase. The Dept. of Finance also projects a budget surplus of \$190 million at the end of the biennium.

The largest single category in the FY 94-95 budget is dedicated to K-12

education. Under the budget forecast, if the funding provisions now in current law are unaltered during the 1995 session, K-12 education spending will increase by 8.9 percent or \$458 million, to \$5.6 billion over the next two years.

The responsibility for deciding how that funding will be appropriated, first and foremost, with the 15-member Senate Education Funding Division. In the weeks and months ahead, those Senators will hear from the state's teachers' unions, representatives of various education organizations, parents and other members of the Senate, all with their particular views and suggestions as to how this apparent boost in spending can be used.

But budget forecasts are just that, said Sen. Lawrence Pogemiller (DFL-Minneapolis), the chair of the Education Funding Division, and they may not display the full budget picture.

He said that the forecasts are misleading because they give the appearance that additional money is available. Pogemiller commented that, of the factors that drive how much is needed in the K-12 education budget, student enrollment is the most significant and it is that factor which leads to his concerns that more money will be necessary.

"I believe that we need additional resources," Pogemiller said, "The assumptions made in the forecast do not include the entire amount that it would take to fund the increases in enrollment. Just to do that, we need to get about \$720 million to do what needs to be done just to fund the increase in enrollment. If we want add any adjustment to this for inflation, we probably would need to raise the amount to \$930 to \$950 million."

Sen. Gen Olson of Minnetrista, the ranking IR Senator on the Education Funding Division, also believes providing additional resources will be difficult for legislators to do. "There will be little additional money available," she said, "The budget was hit by one whammy when the Supreme Court ruled we will have to repay \$327 million to the banks for a tax we had assessed.

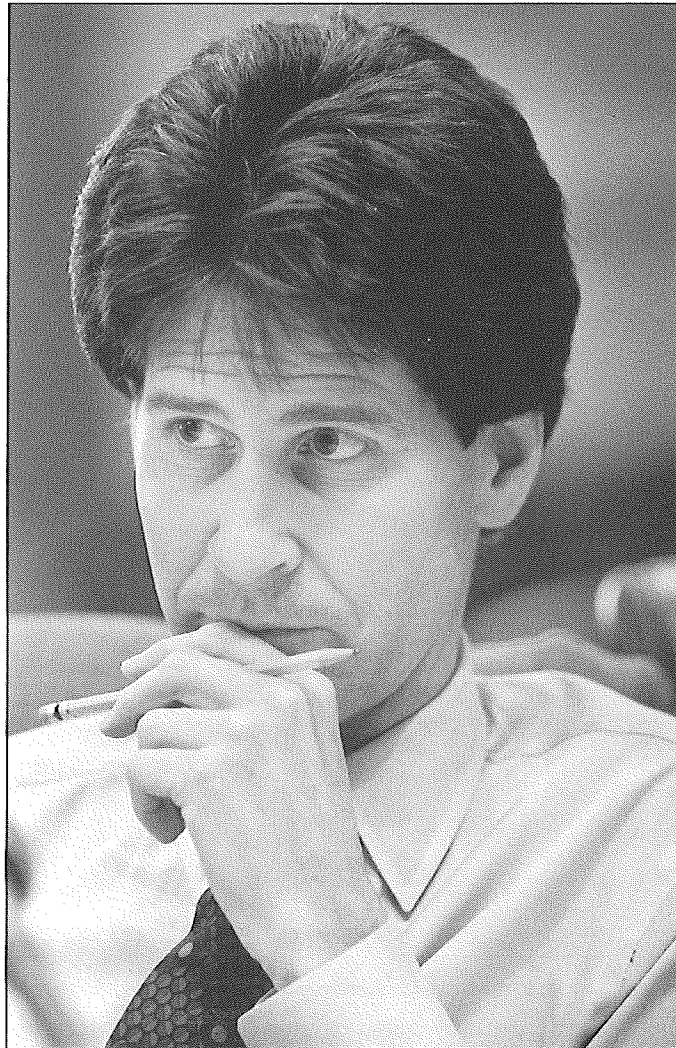
"The caps on enrollment-based spending [imposed by the 1993 legislature] are viewed by some as another whammy on education funding," Olson said.

The Legislature is charged by the state constitution 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".

From that constitutional responsibility, the Legislature has provided for one of the largest publicly-supported enterprises in Minnesota. During FY 94 and FY 95, the state's elementary and secondary school systems received more than \$9.5 billion in revenue through a combination of state aid and local property tax levy.

The portion of revenue doled out to school districts from the state amounted to just more than \$5.5 billion, which represents more than 30 percent of state's budget.

The lion's share, nearly 75 percent, of all the revenue school districts receive is allocated through the use of a general education funding formula. This formula determines how much revenue schools will have in operating funds



Sen. Lawrence Pogemiller

based on the number of pupils enrolled. It is also used to calculate what portion of these operating funds the districts will be provided through state aid and how much must be generated by local levy.

For the 1993-94 school year, the Legislature set the general education formula amount at \$3,050 per pupil. During the 1993 session, the Legislature approved an increase in the formula to \$3,150 for the 1994-95 school year.

For most school districts, a combination of state aid and local levy is used to provide them with the \$3,150 per pupil. At the same time that the Legislature sets the formula amount, a property tax rate is also established that determines what will be a local district's contribution towards the per pupil formula.

In FY 94, local school boards were authorized to levy up to 30.7 percent of their district-wide net tax capacity and apply that revenue towards the formula amount. That percentage of local contribution towards the formula was

increased to 34.9 percent for FY 95, and then lowered to 34.1 percent for FY 96.

When the amount of local levy that the tax rate generates has been certified, then state aid is used to make up the difference between the levied amount and the per pupil formula.

For example, a district that generates \$1,000 per pupil through the use of its local levy will then receive \$2,150 per pupil in state aid.

School districts with low property values generally receive more aid than levy, because of their tax capacity. By the same token, districts with high-valued properties receive a smaller percentage of state aid.

A state aid-local levy mix driven by enrollment also determines how much is spent in other areas of the K-12 budget - compensation revenue, pupil training and experience revenue, pupil transportation, special education, facilities and equipment and community education.

As a way to control future spending



Sen. Gen Olson

in enrollment-driven areas, the 1993 Legislature adopted, albeit reluctantly, a governor's recommendation to cap how much funding would be made available for those programs.

Those caps, Pogemiller said, are creating a gap between the numbers in the budget forecast and what districts actually will need.

Calling this gap "a hole in the budget," Pogemiller asserted that he is looking to the governor to provide the additional resources that the Legislature will need to help districts accommodate enrollment growth and to adjust their spending to keep pace with inflation.

"I think that the faculties, staff and administrators in our schools are doing as well as they can with what they have," he said, "I think that we need to do the best we can by not only providing them with as much funding as we can, but by working to get rid of rules and mandates, lowering their student-teacher ratios, providing technology for the classrooms, and supporting programs like staff development. Anything that we can do will help them to be more

efficient in how they use their resources."

If the resources are available, Pogemiller said he would prefer to use the funds to continue lowering student-teacher ratios and to make technology more available in classrooms.

But the question of "how much" may not be the only education finance issue on Legislators' minds this session. Several proposals suggesting changes in the education funding mechanisms are expected to be introduced this session.

Discussions as to whether those mechanisms need to be changed and if so, what changes would be made are not new. Recent legislative history has seen a number of changes in the K-12 funding mechanisms, providing more state aid to districts with the lowest property values. How K-12 education is funded was also the subject of lawsuit involving districts with low property values and the state. The state Supreme Court eventually upheld the constitutionality of the current funding mechanism with the newer equity provisions.

But the changes to the education funding system will certainly continue. The proposals that are expected this session may suggest alternatives to the use of property taxes as part of the K-12 funding stream. It is these kinds of proposals, as well as a reform of the property tax system as a whole, that Olson sees as the Legislature's challenge this session.

"We aren't going to have the resources to augment current spending levels," she said. "The challenge for us will be not just in funding education, but in funding relief from the use of property taxes while providing that needed support for schools."

Olson argued that the current property tax system has been the cause of inequity in education funding, and that mechanisms within that system have continued to effect the ability of all school districts to generate revenue.

"I'm not interested in nit-picking on the details," she said of the education finance system. "If we don't deal with the underlying causes of the funding problems by changing the property tax system, we will continue to have injustices."

Olson said that legislators need to think of education funding in a new paradigm. She said she would support efforts to alter the form that property taxes now have, based on an assessed value, to some other means to determine those taxes. She said that she would also like to see a means for local investment in the schools.

She admits, "This kind of investment is hard to envision, but it should not be property-value based, and perhaps it could be locally-determined."

Pogemiller agreed that there are changes that need to be made to the property tax structure. "I think that there are inequities that need to be corrected," he said, "and I'll think we'll make them."

But he added that changes in the property tax structure may not have a balancing result on school finance. "Some are arguing that by fixing the inequities in the system, it will make everything better for school funding," Pogemiller said. "Fixing the system doesn't change the basic dynamic that exists between using local property taxes and state funding for education. But I'm certainly open to any proposals that are presented and we will hear them when they come up."



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