



Minnesota **Addressing Inequality: 2007 Legislative Session Still Leaves Many Children Behind**

In Minnesota – so the line goes – all the women are strong, all the men are good looking and all the children are above average. The reality is that while many of Minnesota’s children do excel, there are many others facing great challenges arising from factors well beyond their control. For some, it is geography that creates limitations. According to the most recent numbers, in Minnesota nearly one out of every four students lives in a rural school district where children often do not have access to the same opportunities as their counterparts in urban and suburban areas.¹ Growing income inequality means that today, 12% of Minnesota’s children live families whose income falls below the poverty line – up from 10% in 2001.² And our public health and educational services are struggling to effectively meet some of the unique needs of communities of color and immigrant populations. These challenges become more pressing as the faces of our public health and education systems continue to change rapidly. For example, more than one out of every ten children in the state speaks a language other than English at home.³

The 2007 Legislative Session began with great expectations, hopes that the state could move forward on addressing growing geographic, economic and racial disparities and their negative effects on our children in Minnesota. The challenges are even greater when these disparities interact with each other. For example, students of color are the fastest growing population in rural Minnesota.⁴ The opportunities for positive change during the last session, however, were constrained by competing demands for limited resources and the lack of political will to raise additional resources.

Policymakers entered the 2007 Legislative Session with approximately \$2 billion in additional general fund resources. The state’s real financial picture, however, was not as rosy as the headlines made it seem. About half of that surplus was only available for one-time uses and the remaining half was just sufficient to cover the estimated costs of inflation.

Many legislators argued that the available funds would not be sufficient to address the state’s unmet needs in funding K-12 education, higher education, transportation and many other areas of the budget. Both the House and Senate advanced proposals to raise additional revenues through increased income taxes on the wealthiest Minnesotans. Governor Pawlenty, however, vetoed all tax increases that reached his desk. Therefore, with no additional financial resources to work with, any significant new funding initiatives that succeeded in the 2007 Legislative Session meant we would not have the resources to maintain existing services in other areas of the budget.

There were significant changes in the make-up of the Legislature in 2007. The 2006 election resulted in the Republicans losing their majority in the Minnesota House of Representatives. The changeover inevitably resulted in some turmoil throughout the session as the Governor, House and Senate struggled to figure out the new dynamics of this shift in political power. And the turnover also meant there were many fresh faces in the legislature – 35 new House members and 18 new Senate members – who had to learn to navigate their new responsibilities.

The outcomes of the 2007 Legislative Session were heavily influenced by the politics of these transitions. In areas where there was bipartisan agreement on policy issues – such as the environment or mental health – there were some important successes. On most major budget issues, however, the Governor, House and Senate had significant policy differences that made compromise difficult.

¹ Martha McMurry and Barbara Ronningen, *Rural Education in Minnesota*, Rural Minnesota Journal, September 2006, www.mnsu.edu/ruralmn/pages/Publications/rmj/RMJ2-06/rmj2-06mcmurry.pdf.

² U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2006*, August 2007, www.census.gov/prod/2007pubs/p60-233.pdf. In 2006, the poverty line for a family of four was \$20,000.

³ Martha McMurry and Barbara Ronningen, *Rural Education in Minnesota*, Rural Minnesota Journal, September 2006.

⁴ Ibid.

Efforts to address inequality in Minnesota suffered in this environment. During the 2007 Legislative Session the Governor, House and Senate put forward proposals that would have made important progress in overcoming geographic, economic and racial disparities. However, with no agreement to raise additional revenues and the final rounds of budget negotiations requiring significant compromises, policymakers were only able to make small improvements.

Safeguarding the Health of Our Children

For any child, success in life begins with adequate access to affordable health care and other important services. Less than nine percent of Minnesotans do not have health insurance – one of the lowest rates of uninsured in the nation.⁵ However, this still means that nearly one in 12 Minnesotans lack health care coverage – and the number of uninsured has been increasing. The Minnesota Department of Health has found that families living in poverty were the most likely to be uninsured – nearly one in five poor families had no health insurance in 2007. And Black, American Indian and Hispanic/Latino Minnesotans are disproportionately uninsured.⁶

The Governor, House and Senate each proposed very different approaches to improving access to affordable health care for children in Minnesota. The Governor’s plan, called **Healthy Connections**, would have insured 13,000 additional children in Minnesota by expanding eligibility for MinnesotaCare, the state’s public health insurance program. The Healthy Connections proposal also emphasized expanding health care coverage for others by directing them to private health care options. The House proposal, called “**Cover All Kids**,” focused on covering all of the estimated 70,000 uninsured children and tens of thousands more who are undersinsured in Minnesota by expanding eligibility in public health care programs. The proposal would also have removed some of the barriers that make it difficult for children to access and maintain the public health care coverage they are eligible for. The Senate proposal emphasized more broadly **rolling back some of the reductions in public health care programs** for both children and adults that were made during the deficit years. The Senate also proposed directing extensive resources to **improve outreach efforts** to inform people of their eligibility for public health care programs.

The final bill (House File 1078) agreed to by the legislature and signed by the Governor made some improvements in health care coverage for children. The legislation expands **outreach efforts** for public health care programs – an important step forward since many are unaware that they are already eligible for coverage. The agreement also improves access to health care by eliminating frequent income reviews and verification processes. These reviews create **barriers to coverage** since parents often lost coverage when they are unable to keep up with overly burdensome paperwork requirements. In addition, a scheduled **premium increase** in MinnesotaCare is eliminated. Changes were also made to assure children a more smooth transition from **Medical Assistance** to **MinnesotaCare** as their parents’ income increases. There are also significant reforms to the state’s **mental health system** that will benefit both children and their parents.

Despite the progress that was made, there are still issues of access to health care in rural areas, culturally appropriate care in immigrant communities and remaining financial barriers to adequate health care for low- and moderate income families in Minnesota.

Early Childhood Education

A great deal of attention has been focused on the importance of quality early childhood experiences in preparing all children for kindergarten. Particular attention has focused on its benefits in closing significant disparities between children of color and their white counterparts in academic performance once they begin school, a phenomenon commonly called the “achievement gap.” Providing adequate educational opportunities for students of color throughout their academic career can prevent the gap from forming. Studies find that providing quality early childhood care can have a substantial impact on a child’s

⁵ U.S. Census Bureau, *Income, Poverty, and Health Insurance Coverage in the United States: 2006*, August 2007. This figure represents the 2004-2006 average.

⁶ Minnesota Department of Health, *Health Insurance Coverage in Minnesota, Preliminary Results for 2007*, January 2008, www.health.state.mn.us/divs/hpsc/hep/publications/coverage/inscovprelim2007.pdf.

readiness to start kindergarten. In 2005, the Minnesota Department of Human Services found that children in accredited child care centers were twice as likely to be rated as “proficient,” or ready to start school. Most significantly, low-income and children of color in these centers performed at the same level as higher-income and white children, putting them on a more equal footing as they began kindergarten.⁷

Unfortunately, early childhood programs did not fare well when the state faced budget deficits earlier this decade. Early Childhood Family Education (ECFE), Head Start and School Readiness experienced significant funding cuts, After School Enrichment was eliminated, and the Basic Sliding Fee Child Care Assistance program was cut by 50%. By the start of the 2007 Legislative Session, funding for most of these early childhood programs still had not returned to funding levels that were in place before the budget cuts of 2003. In the meantime, rising inflation has also reduced the purchasing power of the existing funding – meaning fewer Minnesota children have access to affordable and high quality early childhood learning opportunities.

Recent research indicates that three out of four Minnesota families that are eligible for child care assistance are not receiving it.⁸ There are a number of reasons why eligible families are not using child care assistance, but recent funding cuts at the state level created at least two significant barriers. First, increases in parental co-pays and reductions in the reimbursement rates paid to child care providers shifted more of the costs onto families unable to afford the additional expense. Second, the reductions in funding for the program have limited the number of children that can be served, resulting in eligible families sitting on waiting lists – nearly 4,000 families as of last November.

The Governor’s early childhood proposal did not directly address any of these barriers, and instead focused on **incentives for selected child care providers** serving high concentrations of low-income children to ensure more stable child care situations and access to higher quality care. His proposal also included some funding for **early childhood teacher training** for non-licensed teachers and **school readiness improvement grants** to improve educational offerings in school readiness programs and child care centers. However, the Governor’s most significant proposal in this area was an **early childhood scholarship program** that proposed scholarships of up to \$4,000 for low-income four-year-old children to attend approved early childhood programs.

The Senate proposal made several changes to the state’s **child care assistance program** (including reducing parental co-pays and increasing the reimbursement rate paid to child care providers) that would have helped improve access to quality child care opportunities for low-income families. The Senate also included additional funding for **Early Childhood Family Education (ECFE)**, restoring it to 2003 funding levels. The Senate also proposed a far more expansive **early childhood scholarship program** than the Governor’s that would have provided scholarships for every 3 and 4-year-old in Minnesota to attend a quality early childhood program, with scholarship amounts ranging from \$200 to \$4,000 depending on family income.

The House proposal also recommended changes to the **child care assistance program**, reducing parental co-pays and increasing the reimbursement rate paid to child care providers. The House also included funds to reduce the **waiting list for child care**, enabling more low-income families to access this critical work support. The House recommended a significantly more limited **early childhood scholarship demonstration project** that offered income-targeted scholarships in a few selected communities. Instead, the House focused more resources on increasing funding for existing programs that prepare children (and their parents) for school, including **ECFE, School Readiness and Head Start**. The House also proposed **After School Community Learning Grants**, reviving an out of school time program that was eliminated in a round of budget cuts during the 2003 Legislative Session.

Ultimately, policymakers approved a bill which partially funds the **incentives for selected child care providers** and reduces **parental co-pays** in the child care assistance program. The final bill as

⁷ Minnesota Department of Human Services, *School Readiness in Child Care Settings*, February 2005, <http://edocs.dhs.state.mn.us/lfsrver/Legacy/DHS-4362-ENG>.

⁸ Minnesota Policy Research & Analysis Network, *Bridging the Gaps: Key Points About Minnesota*, 2007, www.mncn.org/bp/btg.htm.

approved by the legislature and signed by the Governor funds an **early childhood scholarship pilot project** offering a \$4,000 allowance for 1,500 low-income children in Minneapolis, St. Paul, and Blue Earth and Nicollet counties. The final bill also includes additional funding for early childhood programs like **EFCE, School Readiness** and **Head Start** and establishes the **After School Community Learning Grants**.

The resources directed towards early childhood programs as a result of the 2007 Legislative Session will improve opportunities for low-income families to access high quality child care and other early child education programs. However, the initial recommendations from the House and Senate would have gone further to make up ground in the child care assistance program which endured significant budget cuts during the state's years of budget deficits.

K-12 Education

Minnesota's K-12 schools are educating an increasingly diverse population. During the first half of this decade, the percentage of students of color enrolled in the state's school system increased from 17 percent to 21 percent.⁹ One out of every ten students in Minnesota speaks a language other than English at home; in some schools, this statistic rises to as high as two out of every five students.¹⁰ In the 2004-05 school year, seven percent of all students in Minnesota were limited English proficient students.¹¹

Children of immigrant families face many additional challenges. They must struggle to learn the English language while their parents may find it difficult to communicate with teachers and are likely unfamiliar with the local educational system and the opportunities it offers.

Although many of Minnesota's students are performing well above the national average, our difficulties in addressing the unique needs facing some populations means that Minnesota has developed one of the most pronounced achievement gaps in the country. Minnesotans can narrow that gap and ensure that all children succeed in school by providing more opportunities to succeed, but that requires deliberate action.

One of the challenges facing school districts struggling to adapt to changing times is simply resources. Historically, Minnesota has made investments in education a state priority. However, recent budget deficits and legislative actions have damaged that reputation. After subtracting building debt and special education expenditures, inflation-adjusted school district revenue per student has only grown by 1.4 percent per year since 1984.¹² A secondary concern is how those limited resources are distributed. Is sufficient funding being directed towards programs that can help reduce the achievement gap, such as funding for special education, limited English proficiency instruction, services for low-income and children of color, and access to opportunities in rural communities?

Initial budget proposals from the Governor, House and Senate did include some elements that would have begun to address some of these needs.

The Governor's proposal included a two percent per year increase for most areas of K-12 funding, including the **basic formula, limited English proficiency programming** and **special education**. His proposal also included increased funding for at-risk students participating in **extended time** programs, increased funding for the **Collaborative Urban Educator** program to recruit and train teachers to serve urban school populations and established the **Minnesota Reading Corps** to work to close the literacy achievement gap among young children. The Governor also proposed significant investments in **teacher development** and **technology improvements**.

Most of the Governor's initiatives, however, focused on providing financial bonuses to high achieving schools, leaving schools serving many low-income and students of color to struggle without these extra

⁹ Martha McMurry and Barbara Ronningen, *Rural Education in Minnesota*, Rural Minnesota Journal, September 2006

¹⁰ Ibid.

¹¹ US Department of Education, *Minnesota: Rate of LEP Growth 1994/1995-2004/2005*, August 2006.

¹² House Fiscal Analysis Department, *School District Revenue History*, February 2006, www.house.leg.state.mn.us/fiscal/files/06edrevhist.pdf.

resources. The Governor's **Successful Schools Program** would have provided one-time bonus funding to schools that achieved a three star or higher rating on the State School Report Card. Another one of the Governor's initiatives – "**3R high schools**" – emphasized the 3Rs of rigor, relevance and results. All high schools in the state would have been required ensure that all high school students take one year of post-secondary education while in high school through Advanced Placement (AP), International Baccalaureate (IB), or other options. High schools that were able to achieve the remaining five components of the 3R program would have gotten bonus funding. To support schools in implementing the first component of the 3R program, the Governor proposed increasing funding for **AP and IB programs** by 170% for the FY 2008-09 biennium.

The Senate proposal included a two percent per year increase in the **basic formula** for funding K-12 schools. The Senate also directed a significant amount of new resources – about \$500 million – into **special education**, which has been chronically underfunded at both the federal and state level, placing a growing financial burden on local school districts. Under the Senate proposal, the special education formula would have been fully funded to make up for the "cap gap" that has built up since 2003 budget changes limited growth in funding. The Senate also restored the inflationary growth factors for special education so that future funding will more closely keep pace with rising costs.

The House proposal included a three percent per year increase in the **basic formula** and proposed just over \$100 million in increased funding for **special education**. The House also included one-time funding for **technology aid**, additional funding for **gifted and talented** programs and recommended increasing funding for the **AP and IB programs** by 180%. The main initiative in the House K-12 proposal, however, was a significant expansion of **all-day kindergarten**, making it available to nearly all children in the state.

Policymakers ultimately approved a K-12 education bill (HF 2245) that includes a two percent increase in the first year and a one percent increase in the second year in the **basic formula**, an increase that will be insufficient to keep up with inflation. The bill also includes one-time funding for **technology and other operational costs**, additional funding for **gifted and talented programs**, increased funding for **AP and IB programs** and new funding for **early childhood literacy** and the **Minnesota Reading Corps**. The final bill also provides significant additional funds for the **special education** "cap gap" and establishes the 4.6 percent growth factor for regular special education and two percent growth factor for the excess cost formula. The bill also includes some funding to allow limited expansion of **all-day kindergarten**.

Some youth have a more difficult time than others transitioning to adulthood. A significant level of funding in the K-12 budget was aimed at high-achieving students through gifted and talented programs, as well as rigorous college preparatory coursework. However, fewer resources were directed at their "at-risk" peers who are in danger of not completing their high school education due to a variety of challenges, including homelessness, chemical dependency or a disability. The Governor's budget did not recommend any additional funding for services aimed at helping these youth and actually allowed state funding to end for the **Minnesota Youth Program** and the **Minnesota Youthbuild Program**. These programs help these at-risk youth turn their lives around by providing employment training, counseling, mentoring and other support services.

The House and Senate proposals, on the other hand, invested resources in the **Runaway and Homeless Youth Act** to provide comprehensive services for the estimated 22,400 runaway and homeless youth in our state. Both proposals also restored some funding for the **Minnesota Youth Program** and **Minnesota Youthbuild Program**. In the final agreement, policymakers approved some funding for all three of these programs.

The results of the 2007 Legislative Session include significant additional funding for **special education** programs. Additional resources were also directed at **AP and IB programs**. Students of color, however, are still underrepresented in these college-preparatory programs. The significant additional investments in these programs will not help overcome the opportunity gaps unless students of color are encouraged at an earlier stage to pursue that track.

Conclusion

Addressing the disparities between those Minnesotans who are doing well and those who are struggling is not an easy task. The 2007 Legislative Session offered some opportunities to make progress, but did little to act on them. The possibilities for the 2008 Legislative Session appear more limited. The state once again faces a budget deficit and many policymakers continue to oppose raising the additional revenues needed to address growing inequality.

Many Minnesotans benefit today from the decisions made by previous generations of policymakers. For example, heavy investments in education created a highly skilled workforce that enabled Minnesota's economy to outpace most of the nation for decades. As many current community leaders understand, "Reducing disparities is not just the right thing to do, it is the smart thing to do. 'Minding the gap' is crucial to preserving the region's strong economic position."¹³

Generations to come will look back at the choices being made by current policymakers. Can we once again demonstrate a vision that not only meets the challenges of growing diversity and a changing economy – but turns them to our advantage?

¹³ Rebecca Sohmer, *Mind the Gap: Disparities and Competitiveness in the Twin Cities*, October 2005, www.brookings.edu/reports/2005/10cities_sohmer.aspx. This report was supported by the Itasca Project, a collaboration of more than forty community leaders.