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In This Issue:

2023 Session: Land of Opportunity

With $17.6 billion available and single party control over the legislative and executive branches, 2023 is shaping up to be a memorable legislative session combining big agendas and some equally big balancing acts.

For Minnesota state government and politics, it was a November to remember. Election day brought some big surprises, especially the Senate's unexpected flip to DFL control. A major sports upset is the metaphor that likely came to mind, but the best analogy for what happened might be the 1970's game show "Let's Make A Deal." Legislators had negotiated a supplemental budget framework that included $4 billion in tax relief agreed upon by both parties. But agreements couldn't be reached in several other areas leaving the state's budgetary fortunes to the fate of what Carol Merrill would reveal behind the electoral curtain. For Republicans it was the ultimate zonk: DFL control over all branches of government.

The November economic forecast generated more shock, if not awe. A big number was guaranteed given the 2022 session rollover, but $17.6 billion elicited double takes even among the most watchful budget monitors. The available balance's invulnerability to a forecasted recession combined with an out-biennium predicted to have another structural balance in the multiple billions was as attention-getting as the size of the current balance itself.

The result is a 2023 session still primed for pursuing big ideas. A look at the landscape and how last year's agenda may evolve.

The Playing Field: Where Will the Goal Posts Be Set?

Table 1 presents a biennium-on-biennium perspective on general fund revenue and spending changes based on current law. Notably, projected state revenue growth in the coming biennium is a relative non-contributor to the resources made available to decision-makers in the 2023 session. Tax revenues in FY24-25 are forecasted to grow by a lackluster 0.9% and total current resources by an even more anemic 0.6%. While the anticipated recession is a contributing factor, adjustment of state income tax brackets

Table 1: FY 2022-23 and FY 2024-25 General Fund Budgets, November 2022 Forecast ($000)

Budget Area	FY 22-23	FY 24-25	Change	
			Amount	Percent
Balance Forward	7,025,957	15,175,340	8,149,383	116.0%
Tax Revenues	57,303,180	57,817,734	514,554	0.9%
Non-Tax Revenues	2,115,521	2,266,266	150,745	7.1%
Other Resources	509,254	196,624	-312,630	-61.4%
Subtotal - Current Resources	**59,927,955**	**60,280,624**	**352,669**	**0.6%**
Total Resources Available	**66,953,912**	**75,455,964**	**8,502,052**	**12.7%**
E-12 Education	20,223,386	21,251,951	1,028,565	5.1%
Higher Education	3,534,554	3,505,828	-28,726	-0.8%
Property Tax Aids and Credits	4,648,600	4,472,595	-176,005	-3.8%
Health and Human Services	15,233,653	17,811,341	2,577,688	16.9%
Public Safety & Judiciary	2,671,055	2,676,504	5,449	0.2%
Transportation	481,469	271,460	-210,009	-43.6%
Environment	403,012	359,165	-43,847	-10.9%
Econ Dev, Energy, Ag, & Housing	1,285,122	640,110	-645,012	-50.2%
State Government & Veterans	1,821,092	1,500,098	-320,994	-17.6%
Debt Service	1,140,185	1,146,757	6,572	0.6%
Capital Projects & Grants	351,444	337,352	-14,092	-4.0%
Estimated Cancellations	-15,000	-20,000	-5,000	33.3%
Total Expenditures & Transfers	**51,778,572**	**53,953,161**	**2,174,589**	**4.2%**
Balance Before Reserves	**15,175,340**	**21,502,803**	**6,327,463**	**41.7%**
Cash Flow Account	350,000	350,000	0	0.0%
Budget Reserve	**2,852,098**	**2,852,908**	196,353	7.4%
Stadium Reserve	**368,060**	**684,265**	316,205	12.6%
Budgetary Balance	**11,605,182**	**17,615,630**	**6,010,448**	**64.6%**

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for high inflation is also expected to take a roughly $400 million bite out of FY 24-25 individual income tax collections. Meanwhile, projected current law spending in E-12 education (driven by higher compensatory aid and special education spending) and HHS (driven primarily by state Medicaid) are once again more than enough to offset the one-time supplemental spending that occurred in this biennium resulting in an expected 4.2% growth in biennium-on-biennium spending before "decision one" gets made next year.

These numbers will change somewhat with the all-important February forecast which sets the budget playing field for the 2023 session. However, legislators themselves may be making an adjustment to that forecast before its release next year. DFL lawmakers have long advocated for a return to a state policy that briefly existed for 11 years from 1991-2002: taking the MMB inflation estimate reported in every forecast and formally including it into the expenditure line item. With the DFL now controlling all branches of state government, it would not be surprising to see an early DFL bill to make this change. All else equal, the effect would be to reduce the February's revised available budget balance by $1.55 billion as lawmakers begin their tax and spending deliberations.

Assuming the current $17.6 billion remains largely intact in the February forecast, a $1.55 billion cut might not trigger big budget decision-making repercussions or major political squabbling that could be expected in other years. But as **Table 2** shows, such a change can dramatically alter public perceptions about the state of state finances and the decision-making baseline lawmakers use to balance a new biennial budget. In two of the previous three biennial budget years, the available resources for the coming biennium – some of which already resided in state bank accounts – would have been cut by two thirds. In 2019 lawmakers would have needed to tackle a small budget deficit.

When forecast inflation was first formally included in the early 1990s, the Department of Finance (now MMB) specifically noted, "The inclusion of discretionary inflation is not intended to suggest that inflation will be built into the FY 1994-95 budget base." Rather, the intention was to provide lawmakers with an "**upper bound** (emphasis ours) on the state's current law obligations."

Today, that idea has largely been replaced by the assertion that inflation's inclusion communicates the "true cost" of providing current levels of services and the additional funding needed to maintain those services. Even the state's Council of Economic Advisors states without any caveats or qualifications, "the omission of inflation (in the forecast) understates the cost of maintaining current services levels as provided by law in FY 24-25 by roughly $1.552 billion…" It may surprise a lot of taxpayers to learn that every drop of efficiency, enhanced productivity, reform, and innovation in service delivery has been squeezed out of state government.

Even though the formal return of inflation into the forecast expenditure line item doesn't commit the state to inflationary adjustments, it's unclear how the causes of efficient, transparent, fiscally responsible government are advanced by having a balanced budget decision-making context framed and negotiations proceed from an official baseline where the majority of government discretionary spending is formally indemnified against inflation. It would create a $1.55 billion pool of "pre-booked" spending – a potentially potent budgeting tool allowing hundreds of millions of dollars of new and expanded government spending never to be recognized as such (with the accompanying tails and own future inflationary pressures.) It would also reduce whatever minimal pressures or incentives exist in state government to scrutinize base budgets.

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If lawmakers want to get a meaningful handle on understanding and addressing inflationary pressures and their impact on the state budget, what would really be helpful is an annual report documenting where the greatest cost inflation pressures resided in state government by purchased expenditure class/object (e.g. goods, services, compensation structures and elements including "off general fund" pension obligations), an examination of cost inflation pressures in those elements going forward, and – most importantly – an inventory of state statutes, regulations, and related factors that limit governments' ability and flexibility to respond to inflationary pressures with various operating adjustments. That might be perceived by some forecast inflation advocates as a little too much injection of reality into the inflation debate, especially since formally applying a general CPI number satisfactorily serves the primary interest: managing public perceptions about the adequacy of tax revenues.

Table 2: Forecasted Available Budget Balances (Budget Deficit) for the Last Three General Fund Budgeting Sessions

Available Budget Balance (Budget Deficit)	FY 18-19	FY 20-21	FY 22-23
Without Inflation	$1.65 billion	$1.05 billion	$1.57 billion
With Inflation	$540 million	($45 million)	$528 million

Source: MMB February Economic Forecast for years 2017, 2019, and 2021

The Agenda: How Will it Change

Last session, in a departure from traditional mid-biennium supplemental adjustments, the Governor and the DFL House both proposed $5.6 billion in new spending for the FY 24-25 general fund. Exactly how much of that was one time spending over the three year "triennium" versus permanent spending is not exactly clear but several major initiatives clearly qualified as the latter. The DFL House's and Governor's tax relief and aids proposals bumped the total fiscal 24-25 impact up to $7.2 billion and $6.0 billion respectively.

Now with single party rule, the question arises how much of this tax and spending agenda laid out by DFL lawmakers and the Governor early in 2022 will remain intact in 2023. The answer at first glance appears to be "a lot." It has been difficult to keep track of all the different legislative and budget initiatives DFL legislative leadership and the Governor have labeled "priorities" since the election. Several are policy matters with no fiscal impact, but a $17.6 billion available balance can accommodate another run at anything wearing a price tag.

What may alter the agenda in 2023? For starters, regular biennial budget year appropriations for existing agency operations – including some accommodation of inflation – will be part of the calculus this year taking away some of the fuel for new programming. Heightened sensitivity to forecast uncertainties may cause some reevaluation. Governor Walz has already gone on record expressing concern about economic uncertainties saying, "I think we're going to have to focus heavily on one-time spending." Similarly, Speaker Hortman has reflected on the importance of being mindful of the volatility of the state tax system and the positive peculiarities of the COVID economy in the rearview mirror as justifying a larger emphasis on one-time infrastructure spending. The ability to sidestep the super-majority requirement for general obligation bonding is obviously another consideration in play.

"Single party control" may give the appearance of smoother budget sailing but lying within the election results are lot of potential complications. At the top of the list are the slim margins. Senate Majority Leader Kari Dziedzic may have her hands full this session, since each member of her caucus effectively holds a veto over any proposal for which there is no Republican support. In the House the six seat DFL majority provides a little more cushion but will still likely require an effort to work across the aisle on budget items.

New faces and diversity within the DFL caucuses magnifies this issue. Many DFLers and their supporters are ready to strike while the opportunity exists and pursue a budget advancing strong progressive policies and interests. (Recent commentary from one the state's progressive policy organizations stated "raise more revenue" should be the top budget priority for the DFL majority in 2023.) However, the DFL owes its hat trick to the party's performance in the suburbs where results appear to have been driven as much or more by reactions to the threat on abortion rights and general MAGA-messaging exhaustion rather than an embrace of the details DFL's fiscal policy agenda. Notable differences of opinion on budget and policy priorities within the DFL are likely to materialize in the 2023 session – including in the area of state tax policy. Under the leadership of new House Tax Chair Aisha Gomez (Minneapolis) and Senate Tax Chair Ann Rest (New Hope), the eventual 2023 tax bill side-by-side will almost certainly have some notable divergences and disagreements to iron out.

It will be interesting to see how the DFL's budget proposals attempt to balance the expectations of its more progressive membership base and major financial backers with attempting to secure gains it has made in the politically more moderate suburbs and the dwindling number of outstate areas where the DFL still has a foothold. Perhaps no issue reflects type of interest-juggling challenges awaiting lawmakers in 2023 than the fate of the full Social Security exclusion. Following the election and the forecast release, DFL leadership and the Governor expressed new reservations about the centerpiece of 2022's ill-fated tax agreement. These reservations were met with a press release from several new DFL lawmakers reaffirming their commitment to the full exclusion and whose electoral success was likely heavily influenced by their support for it.

Meanwhile, Republicans in the House and Senate, stripped of their offensive gameplan, are relegated to playing defense while looking to leverage and exploit whatever opportunities slim legislative margins and rifts in the DFL policy world may yield. One example that that has already arisen is a decided warming to the possibility of a tax rebate. What was once a described by as an election year gimmick and an obstacle to permanent cuts may now be seen as the best chance to deliver tax relief to more Minnesotans while also depriving some of the oxygen to DFL spending interests. From all indications, the Governor remains interested in providing rebates while DFL legislative leadership remains cool to the idea creating another interesting political development to watch.

Put it all together, the 2023 session promises lots of intrigue and unpredictability. We wouldn't bet on it but an argument could be made that 2023 will turn out to be the "year of the moderate" – a legislative landscape in which the prospects suggested by full DFL control is counterbalanced by slim margins and intra-caucus differences giving more influence and power to those who can work to bridge partisan divides. ■

What Does "Full Funding" of Education Mean?

"Full funding" of K-12 education has been deemed a top priority in the 2023 session, but what that idea actually means and entails is an open debate. Trends in state education support may inform it. But as two investigations from twenty years ago revealed, understanding both the costs to deliver educational outcomes and the opportunities to pursue system efficiencies are needed to achieve it.

Entering the 2023 session, DFL lawmakers have declared "full funding" of K-12 education to be one of their top priorities. Although reporters have tried in vain to get a more precise understanding of what that phrase means and what the budget implications would be, we do have some sense of the magnitude of proposals that are likely forthcoming. In 2022 the DFL controlled Minnesota House proposed $3.3 billion of new spending over the next three years. Heading into last year's session, Education Minnesota argued public education required a $4.3 billion increase over the next two-year biennium.

Do numbers like these satisfy the objective of full funding? On what basis? Two decades ago, a couple of investigations attempted to inject substance into this abstract idea in support of better education finance policy-making and budgeting. The findings and issues raised in these reports deserve to be revisited, especially in light of the limitations and ambiguity in the way the sufficiency of education resources is currently evaluated.

Our Current Measure: Keeping Up With The Past

The typical way "full funding" is now informed and evaluated is by comparing current levels of state support against what the state has historically provided to education. This requires a starting point in state history to track both the changes in the amount of state support and the change in the state's share of education finance responsibility along with some adjustment for inflation to calculate the change in real school revenue over time.

The starting point is wholly subjective, although 2003 in Minnesota has become the unofficial anno domini moment of state education finance. It marks "year one" of the state takeover of the general education levy and is the starting point for most Department of Education finance history spreadsheets. 2003 is almost always the reference year used by education finance advocates in testimony before the Legislature.

An adjustment for inflation might seem straight forward, but in government nothing is ever that simple. Two different inflation index measures – both imperfect – are available, and arguments over which one is more appropriate to use has been a frequent subject of state debates in the past. It's proof that there truly is no topic, no matter how technical or mundane, that can't be politically controversial under the right circumstances.

The first is the familiar Consumer Price Index (CPI) which is based on the change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The second is "implicit price deflator for state and local government" or IPD for short. The federal Bureau of Economic Analysis calculates the IPD based on aggregate state and local government spending across the nation.

Because it is based on actual government purchases, the IPD is often considered a better measure of government inflation. However, two issues arise with its use. The first is that, unlike the CPI which offers robust data for specific regions of the United States and selected large metropolitan areas such as Minneapolis- St. Paul, the IPD is based on aggregate national data with large states like California, New York, and Texas having a much bigger influence on the index. The mix of government purchases and the prices paid for those inputs reflected in the national index can be quite different from Minnesota's experience. Second, government has the ability to manage and exercise influence over the price of its primary education input and the largest component of the IPD: labor spending. As a result, the IPD is highly self-referential – government decisions can result in higher reported rates of inflation that in turn are used as a discount rate to evaluate then adequacy or inadequacy of government support.

We found 45% of Minnesota school districts were overcompensated for their costs, 42% were undercompensated, and 13% correctly compensated.

Table 1 highlights how the choice of starting points (using 2006 just to illustrate), inflation measure used, and revenue included can create dramatically different perspectives and messaging on the support for education and the adequacy of resources available for education delivery.

The final piece of the puzzle is what the appropriate state share of education funding should be. This too is subjective. After the state took over the general education levy in 2003 the state's share of total combined state and local education revenue per pupil was at an all-time high of 91.9%. By FY 22 it had fallen to 81.4%. It might be a coincidence, but Education Minnesota's $4.3 billion estimate to fully fund public education appears to be derived from a calculus like this. If you assume the state today should still be responsible today for 91.9% of combined state and local revenue for K-12 education as it was in 2003, the additional state aid required adjusted for the IPD measure of inflation over 19 years comes out to $2.18 billion of additional state support per year or $4.36 billion per biennium.

Aside from the inherent subjectivity issues, the obvious problem with evaluating funding adequacy in this way is that it offers no connection or relationship whatsoever to educational outcomes nor recognition of the socio-economic, technological, and other changes that influence educational delivery over time. Another problem is that sufficiency of educational resources is an intensely district specific condition, in part because of the wide variety of environmental factors affecting education delivery over which a district has no control. How well aggregate resources get distributed is no less critical to concept of full funding than the total resources made available.

Cost-Based Estimates: What Does It Take To Deliver An Adequate Education?

An alternative way to approach the full funding question is from the ground up – by determining the cost of providing an ade-

Table 1 – Per Pupil Change in Revenue Support for K-12 Education Under Alternative Assumptions

Starting Year for Trend Analysis	Inflation Measure Used	Revenue Included	Change in Real Dollars Per Pupil*
2003	IPD	State Aids Only	-12.0%
2006	IPD	State Aids Only	-2.5%
2003	CPI	State Aids Only	2.2%
2006	CPI	State Aids Only	7.5%
2003	IPD	Combined Levy and Aid	5.7%
2006	CPI	Combined Levy and Aid	16.6%

* Per Pupil = Average Adjusted Daily Membership
Source: MN Department of Education Revenue Trends: End of Session 2022 Forecast

quate education for students. Any cost estimation is based on some type of deliverable. For a service like education delivery, the deliverable is achieving some chosen level of proficiency on some chosen set of education performance standards. Such funding evaluations based on cost estimations of achieving "education adequacy" has been a centerpiece of legislative activity and education finance lawsuits across the country for now over half a century.

It's been a while since Minnesota has embarked on an effort to put a per pupil number on delivering an adequate education in Minnesota and build an education finance system around it. Back in 2003 Governor Pawlenty assembled a task force to develop recommendations for reforming the education finance system. The centerpiece of the task force recommendations was a formula-based Instructional Services Allocation (ISA), or in the words of the final report "an annual revenue amount sufficient to cover full dollar costs of ensuring all Minnesota public school students have an opportunity to achieve state specified academic standards." The report, "Investing in Our Future: Seeking a Fair, Understandable and Accountable, Twenty-First Century Education Finance System for Minnesota" can be found here: *https://www.lrl.mn.gov/docs/2004/other/040378.pdf*.

Several methods have been used across the country for generating such per pupil cost estimates, all having different strengths and weaknesses. The Minnesota task force employed "professional judgment panels" – an approach which uses the judgments of experienced education professionals to specify, under various conditions, the financial resources necessary to deliver desired levels of achievement. It involved quantifying necessary inputs, determining their prices, and summing up costs in several different educational environments school districts may face. Three different panels generated adequacy cost estimates for elementary, middle and high school pupils under different scenarios. The task force concluded follow up study and analysis were needed to determine the accuracy of input requirements and their costs. Such a follow-up was undertaken independently in 2006 with the support of three major state education organizations. That report concluded state education finance was underfunded to the tune of about $1 billion per year.

The idea of a having a robust understanding of the true per pupil costs to meet education performance standards and inform education finance decision-making is conceptually appealing. However, this idea failed to gain acceptance and pass political muster for a couple of reasons. Some questioned the potential for bias in conclusions of professional judgement panels, comprised of educational professionals, managed by educational consultants, and paid for by educational organization stakeholders. But the chief concern was that the education system as currently comprised and constructed would be the analytical foundation and baseline for such estimates, and that potential innovations and reforms in system design and delivery offering the ability to meet standards and close achievement gaps at lower cost and with greater efficiency would not be recognized.

Efficiency: The Missing Consideration

> *"It is the duty of the legislature to establish a general and uniform system of public schools. The legislature shall make such provisions by taxation or otherwise as will secure a thorough and efficient system of public schools throughout the state."*
>
> — Article XIII Section 1
> Minnesota State Constitution

Over its long history the language of the Education Clause of the Minnesota Constitution has received considerable scrutiny. Words like "general" "uniform" and "thorough" have received the majority of attention and dissection in court cases, legislative hearings, and policy commentaries. But the idea of efficiency and what an efficient system of public schools entails requires attention in full funding debates because it brings together the ideas of achieving desired outcomes in a cost effective way.

in 2003 the MCFE contracted with Dr. John Ruggerio to study the relationship between Minnesota district spending levels and education performance to derive relative district efficiency scores and generate estimates of the cost of educational adequacy for all Minnesota school districts. Performance measures included Minnesota Comprehensive Test scores, Minnesota Basic Skills test scores, and graduation rates.

The study employed an advanced mathematical technique called "data envelopment analysis" (DEA). DEA is a technique that has been used for evaluating the relative performance of a wide variety of public and private service organizations like hospitals, bank branches, and police departments. It is particularly useful for evaluating organizations where the presence of multiple types of inputs and outcomes make direct comparisons between organizations difficult – making it well-suited for school districts. DEA is a benchmarking approach that compares each district to actual best performing districts or groups of districts in the state – districts getting the same or better educational outcomes at lower levels of spending. A district is "inefficient" if it has the same or more favorable environmental conditions as other districts but either 1) produces the same or lower educational outcomes with higher levels of spending, or 2) spends the same or more but produces lower educational outcomes. Importantly, environmental cost factors (e.g. special needs populations, free and reduced lunch populations, minority populations, district size and income, etc.) are incorporated into the benchmarking analysis so that the approach does not unfairly penalize districts for having these characteristics. (The report can be found on our website here: *https://www.fiscalexcellence.org/our-studies/cost-of-adequacy-in-education-final.pdf*).

Our findings for the 2001-2002 school year found Minnesota school districts scored quite high on measures of relative efficiency, especially compared to DEA studies of school districts in other states. At the same time the study offered insights into contributing factors to district inefficiencies and how the efficiency of Minnesota education finance system could be improved.

State Aids and Aid Distribution – Minnesota provides a wide variety of general education aids and program aids to offset the higher costs districts face because of environmental cost factors beyond their control. We found 45% of Minnesota school districts were overcompensated for their costs, 42% were undercompensated, and 13% correctly compensated. We concluded the state generally compensated for the "correct" collection of environmental cost factors but the amounts and distribution formulas for these aids needed to be reexamined. Not only would equity be improved but the reallocation could help move underperforming districts toward achieving adequacy standards at no extra cost to the state.

These results reflect the challenges that inherently exist when education finance works from politically-driven distributions of total state support among various aid types rather than constructed from an understanding of how environmental conditions affect the cost of delivering educational outcomes. Perhaps counterintuitively, simplifying the system by consolidating and reducing the number of separate aid programs addressing individual environment cost factors could improve education finance adequacy and efficiency since strong correlations often exist between many of these cost factors.

Correlates of District Inefficiency – Perhaps the most interesting findings of the study concerned district characteristics that were found to contribute to district inefficiency. For example, each of the following were found to be statistically significant factors related to district inefficiency at the 95% confidence interval or higher:

- District administrative expenditures per pupil
- Percentage of minority students
- Teacher tenure and percent of teachers with masters degrees – long tenured teachers and teachers with advanced degrees had a relatively small yet highly statistically significant relationship with district inefficiency indicating higher compensation spending based on these features does not result in commensurate improvement in educational outcomes.
- Index of adjusted net tax capacity – wealthier school districts on average did not generate commensurate educational returns for their spending all else being equal.
- Index of state revenue – the more a district relied on state sources of revenue, the more likely it would be inefficient in its spending, all else being equal. Two additional observations on this finding deserve note. First, this factor demonstrated the strongest relationship to district inefficiency compared to all the other explanatory variables tested. Second, this result stems from analysis of district spending before the state took over the general education levy and made education finance even more dependent on state revenue.

Such findings have implications for what also needs to be considered in the pursuit of fully funding education. For example, they call into question whether an examination of additional school district consolidation or establishment of central administrative shared service cooperatives is needed. They call into question the resistance and general phobia regarding greater reliance on property taxation to support schools. Given this finding, the decline in state's share of total combined state and local education revenue per pupil from 91.9% to 81.4% may be interpreted as less of a problem than is often conveyed. As the Lincoln Institute of Land Policy has concluded, "school funding through locally controlled property taxes promotes civic engagement, local accountability, and can make spending more efficient." [1]

They call into question the traditional "steps and lanes" single salary schedule, the foundation of all district compensation in the state. In 2023, this compensation structure based on tenure and attainment of educational credits is celebrating its 102nd birthday. Many alternative models exist – that have garnered the support of teacher unions – to repurpose compensation in ways that more directly reward the acquisition of skills, knowledge, and connections to educational performance. That includes alternative methods of recognizing and compensating experienced teachers in team leadership positions and as mentors and developers of younger teaching professionals. Minnesota's Q Comp program was established as a sort of "bolt on" effort to support this type of thinking. However, lawmakers have capped Q Comp funding indefinitely. As a result, no new school districts, charter schools, or intermediate/cooperative districts have been approved for funding since school year 2016-2017 and existing aid is being prorated.

System Overhaul

Fully funding anything demands knowledge of the costs involved in achieving a desired outcome, how cost structures can differ depending on environmental conditions, and how operational changes can reduce costs. Minnesota's "historical plus incremental" approach to education finance is largely untethered to these three requirements. While the complex state aid system recognizes the existence of cost factors in education delivery beyond a district's control, appropriations and distributions are rooted in political negotiation rather than an empirical understanding of a factor's influence on the cost of achieving educational outcomes.

It is difficult to overstate the type of transformation required across the education finance and delivery system to budget for a fully funded educational system designed around the costs of meeting state educational standards. It starts inside government. The Department of Education is currently not organized or staffed to conduct professional judgment, statistical modeling, DEA performance benchmarking, evidence-based, or any of the other approaches to determine the cost of providing an education that meets performance standards and addresses achievement gaps. The reason is simple: right now, nobody wants or needs to know. One idea that has been proposed to address inherent concerns about political influence in the development and administration of such influential estimates is to create something analogous to the state's Public Utilities Commission for another public good: education.[2] The PUC is an independent executive branch that employs professional financial, economic and policy expertise to establish utility rates based on reviews of utility cost structures.

It includes reforms in the area of collective bargaining and bargaining outcomes. Almost every aspect of teachers work and school operations is negotiated in union contracts leading one scholar to note union contracts are the most important policy document governing school operations.[3] Labor accounts for nearly 80% of all school general fund spending, so the concept of "full funding" inevitably involves the intersection of compensation constructs, workforce rules, and related issues in labor agreements and their influence on the delivery of education performance standards in different educational cost environments. As an education author specializing in studying schools that achieve extraordinary educational out-

[1] *Rethinking the Property Tax/School Funding Dilemma*, Kenyon, Paquin and Reschovsky, Lincoln Institute of Land Policy, Policy Focus Report, 2022

[2] "Minnesota's Education System is Unconstitutional: Will Someone Bring a Compelling Case, Van Korff, Mitchell Hamline Law Review, Volume 44, Issue 2, 2018

[3] How Do Teachers' Unions Influence Education Policy? What We Know and What We Need to Learn, Cowen and Strunk, Working Paper #42 Michigan State University Education Policy Center, April 2014

comes with challenging demographics has observed, "as long as schools are organized in traditional ways, schools will be entirely dependent on the social capital students bring to their schooling. Schools serving low-income students will for the most part be low performing; schools serving middle and upper middle class families will appear to be reasonable successful." [4]

[4] *Schools that Succeed: How Educators Marshal the Power of Systems for Improvement,* Chenoweth, 2017

The state's takeover of the general education levy placed education in greater direct competition with other general fund obligations, including health and human services and the bulging demographic it supports. It will be interesting to see if the education finance debate centers on simply restoring historical revenue trends perhaps supplemented with more new spending initiatives to try to close achievement gaps, or if $17.6 billion serves as a catalyst for exploring system reforms that link provision of resources to performance standards. Both paths are available but only one leads to the promise of fully funding education. ■