



Coalition of
Minnesota Businesses

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#2 The “New Minnesota Miracle”?

Closing the achievement gap and raising student achievement to world-class levels is essential to creating good jobs in Minnesota. But given the challenges posed by retiring baby boomers and an increasingly diverse student body, a "New Minnesota Miracle" - which boosts K-12 funding by a third without changing HOW we spend the money - isn't a solution. It's just more of the same.

Projected FY2010 General Fund Spending



✓ **What does it cost?** Fully funded, the plan would cost the state \$2.5 billion a year - more than a 30% increase in state spending on K-12 education.

Additional district revenue	\$2.1 billion
Property tax relief	<u>\$400 million</u>
Total annual cost to state	\$2.5 billion

✓ **How much is \$2.5 billion?**

- ◆ Full-time tuition for all 225,000 students attending the University of Minnesota and the Minnesota State Colleges and Universities System (MNSCU).
- ◆ 2 MacBooks and a couple of ipods for every K-12 student, teacher and administrator in Minnesota.
- ◆ 8 University of Minnesota 10-year bioscience initiatives.
- ◆ Full-time preschool in a licensed center for half of Minnesota’s 425,000 children 0-5 years old.

The “New Minnesota Miracle”

- ✓ **How would we pay for it?** Fully implemented, the plan would require a 15% increase in general fund tax revenues in 2010-11. Where would it come from?
 - ◆ A 30% surtax on personal income taxes? Or
 - ◆ Quadruple the corporate income tax rate to 40%? Or
 - ◆ Raising the sales tax rate to 10%? Or
 - ◆ Expanding the sales tax to clothing, gasoline, prescription drugs and a long list of services?

Source: CMB analysis of the May 2008 Price of Government.

- ✓ **How long could we afford it?** The bill calls for annual, automatic inflationary increases just as the baby boom generation begins to retire.
 - ◆ The number of Minnesotans age 65 and older will jump 40% between 2010 and 2020.
 - ◆ State taxes paid by a married couple earning \$65,000 a year drop by 58% after they retire.

Source: Minnesota State Demographic Center

Spend Smart Questions for the New Minnesota Miracle

- ✓ **What would Minnesotans get in return for the New Minnesota Miracle?** The bill says nothing about improved student performance, closing the achievement gap or changing how schools and districts operate.
 - ◆ Will we eliminate the achievement gap? If so, when? If not, then what?
 - ◆ Will 30% of high school graduates going on to higher education still need remedial classes?
 - ◆ Will the new money be used to pay teachers differently? Or will it be spread across the existing steps-and-lanes system?
 - ◆ Will school boards have more flexibility and accountability for managing budgets within projected revenues?
 - ◆ Will this actually end the debate over referendum levies? Or will we need another Minnesota Miracle in five years? Ten years?