



February 14, 2023

The Honorable Cheryl Youakim
443 State Office Building
St. Paul, MN 55155

Dear Chair Youakim and Members of the House Education Finance Committee:

Thank you for the opportunity to offer written testimony on HF 439 (Norris).

The Minnesota Business Partnership is comprised of more than 100 CEOs and senior executives of Minnesota's largest employers. Homegrown businesses and their employees are central to Minnesota's economic success and high quality of life, providing good-paying jobs, improving lives through innovation, supporting our schools and cultural institutions, and strengthening our communities.

Our organization supports fiscal policy that will strengthen Minnesota's competitiveness and grow our economy. Policymakers should create sustainable state budgets that align state spending with long-term economic growth. However, with few exceptions, spending growth in recent state budgets has substantially outpaced economic growth.

The proposal in HF 439 to link the general education formula to inflation limits the ability of policymakers to biennially review the impact of spending proposals on Minnesota's competitiveness and overall tax burden. For example, the Consumer Price Index for All Urban Consumers (CPI-U) has increased 6.5 percent over the last 12 months. HF 439 would dictate the general education formula increase by a corresponding percentage plus an additional one percent, resulting in a price tag of over \$557 million for the next fiscal year. Although Minnesota currently has a budget surplus sufficient to support increases, much of this surplus is limited to one-time funding. Future legislatures will likely be forced to substantially increase revenues to fund these automatic increases, thereby constraining their ability to align state spending and revenue.

Moreover, the automatic increase in general education spending limits the ability of the legislature to engage in robust conversation about accountability and how state general education funds are being used to improve education achievement and student outcomes.

For these reasons, we urge this committee to carefully consider how automatically including inflation on the general education formula may impact the ability of future legislatures to not only manage the state budget but also have important conversations about the impact and use of education funding. Thank you.

Sincerely,

A handwritten signature in black ink that reads 'Amy Walsten'.

Senior Policy Director
Education and Workforce Development
Minnesota Business Partnership