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Skeen v. State of Minnesota **The School Finance Lawsuit**

This information brief summarizes the Minnesota Supreme Court's opinion in Skeen v. State of Minnesota, the state school finance lawsuit decided on August 20, 1993. In a 5-2 decision, the state supreme court reversed the trial court and held the state's school finance system, including the referendum levy, the debt service levy and supplemental revenue, constitutionally permissible.¹ The court's ruling is binding on all state courts and, to the extent that the ruling interprets the state constitution, it can not be appealed to the U.S. Supreme Court. What follows briefly describes the circumstances leading up to the court's final ruling and discusses the ruling by focusing on three points of particular relevance to the legislature.

Background of Skeen

In 1988, 52 outer ring suburban and rural school districts representing 25 percent of the state's K-12 enrollment filed a lawsuit in the Wright County district court claiming that Minnesota's school finance system was unconstitutional because the finance system was not uniform and school districts received disparate amounts of government aid.

The plaintiff school districts challenged the constitutionality of the referendum and debt service levies that are based upon local property taxes and the training and experience and supplemental revenues that are fully equalized state aid components of the general education revenue program.

¹ Also see Skeen - Minnesota's School Finance Case, information brief, November 1992.

Twenty four school districts, including inner ring suburban districts and several districts from greater Minnesota, together representing 17 percent of the state's K-12 enrollment intervened in the lawsuit as additional parties. The intervenor districts supported the constitutionality of the state's school finance system. The Minneapolis, St. Paul and Duluth school districts and most of the state's small, rural school districts were not parties to the lawsuit.

In 1991, the trial court judge ruled the referendum and debt service levies and the supplemental revenue unconstitutional, on the basis that education in Minnesota is a fundamental right and that property tax wealth is a suspect class.² He ruled the training and experience revenue component of the school finance system constitutional. In 1992, the defendants -- the state of Minnesota, the Commissioner of Education, and the state Board of Education -- appealed the district court decision and the state supreme court agreed to take accelerated review of the case.

Final Ruling in Skeen v. State of Minnesota

The Minnesota Supreme Court declared the issue in the case to be "whether the state's present system of education finance is sufficient to meet the state constitutional requirement that the legislature 'establish a general and uniform system of public schools' and provide sufficient financing to 'secure a thorough and efficient system of public schools throughout the state.'"

The court ruled that education in Minnesota is a fundamental right and that the current system of education finance satisfies that right. The court found that "all plaintiff [school] districts are provided with an adequate level of education which meets or exceeds the state's basic educational requirements and . . . are given sufficient funding to meet their basic needs." The court used the term "adequate" or "adequacy" to mean the measure of need that must be met, and not some minimal floor. The court's ruling establishes the minimum standard the state must meet in designing an education funding system that is constitutional.

² Courts use one of two legal standards to decide whether a government's distinction between groups of people based upon the groups' characteristics is constitutionally permissible: a "compelling state interest" standard that triggers strict judicial scrutiny and places a heavy burden on a government to justify a classification; and a "rational basis" standard that places a lesser burden on government. Courts apply a "compelling state interest" standard of review when a government denies a group a fundamental right, such as freedom of expression, the right to travel or the right to vote, or distinguishes between groups based on a suspect classification, such as race, gender or ancestry. Other classifications are judged according to a less stringent standard ("rational basis") of whether or not a classification is rationally related to a legitimate government interest.

From the legislature's perspective, the Skeen opinion contains three points of particular relevance:

- (1) while students have a fundamental right to a general and uniform system of public education, that right does not extend to any particular funding scheme;
- (2) the state has a legitimate interest in encouraging school districts to supplement the basic revenue component because it must balance the competing interests of equality, efficiency and limited local control; and
- (3) absent glaring disparities, the responsibility for devising a school funding system is best left to the legislature.

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Under the state's education clause, the legislature's obligation is to "establish a general and uniform system" of education and provide sufficient funding for the system, which must be "thorough and efficient." The court wrote that because the drafters of the constitution distinguished between the creation and the financing of the system, the court would do so also. The court declared that it would apply a strict scrutiny analysis to determine whether the legislature ensured students' fundamental right to "a general and uniform system of education," and a lesser rational basis standard to determine that the education finance system was "thorough and efficient."

The plaintiff school districts argued that the state school finance system burdened a suspect class of poor plaintiffs and therefore that the finance system should be subject to strict judicial scrutiny. The trial court found wealth to be a suspect class and that the state equal protection clause demanded some form of strict (though not absolute) economic equality.³ The supreme court ruled that the plaintiffs were "unable to demonstrate that they have been subject to a history of purposeful unequal treatment or that they have been relegated to a position of political powerlessness." The court then stated that "while there is a fundamental right to a 'general and uniform system of education,' that fundamental right does not extend to the funding of the education system, beyond providing a basic level of funding to assure that a general and uniform system is maintained."

³ When a government distinguishes between groups based on a suspect classification such as race or ancestry, it must have a compelling state interest to justify that classification or a court will declare the classification impermissible. The government faces a considerable burden of proof in such instances. See footnote 2.

According to the court, the constitution requires the state to give districts sufficient funding to meet the state's basic education requirements. An adequate level of education is met when districts meet or exceed the state's basic education requirements. Students who receive an adequate education have their fundamental right to an education satisfied. The court wrote that it would "not strike down the legislature's financing of such a system [of education] unless the resulting disparities dilute the adequacy of the constitutional entitlement to a 'general and uniform system' of education. Because the state does not require strict economic equality under the equal protection clause, it can not be said that there is a 'fundamental right' to any particular funding scheme, although . . . there is a fundamental right to the basic level of funding needed to achieve a general and uniform education system. Where the state constitution merely requires that the funding of education 'secure a thorough and efficient system,' the particular means employed to finance state education are left to the legislature's determination."

The state has a legitimate interest in encouraging school districts to supplement the basic revenue component because it must balance the competing interests of equality, efficiency and limited local control.

The plaintiff school districts argued that Minnesota's school finance system was unconstitutional because it was not uniform and districts received disparate amounts of government aid. Among other things, the plaintiff districts challenged the constitutionality of the referendum and debt service levies and supplemental revenue. The districts argued that low-wealth plaintiff districts suffered a relative harm because they have fewer financial and educational resources available than high-wealth districts. The court responded by noting that unlike cases in other states, this case did not involve a challenge to the adequacy of education in the state; parties to the lawsuit conceded that all plaintiff school districts met or exceeded Minnesota's educational requirements.

The court observed that the legislature had recently equalized more of the state funding, "with the percentage of uniform basic revenue rising roughly from 67.5% in 1984 to 90% by 1990." The court also observed that the legislature has attempted to equalize and limit the impact of the referendum levy, which comprises 6.3 percent of overall education funding. In responding to plaintiffs' claim that the referendum levy creates unequal funding levels and thereby violates the uniformity requirement of the state constitution, the court ruled that construing "uniform" to mean "identical" or "nearly identical" is inconsistent with a plain reading of the education clause. The court emphasized the importance of the fact that "plaintiff districts are receiving an adequate level of basic education;" "local funding levies would be permissible as long as the underlying basic needs have been met."

The court found that the uniformity requirement obligates the state to provide enough funds to ensure that each student in the state receives an adequate education. Beyond that, local districts have the capacity to supplement those amounts. The court wrote that "[t]he challenged statutes provide an adequate level of education to all students, and local districts

merely have the capacity to supplement these amounts once the baseline level of funding has been provided. The state has a legitimate interest in encouraging local districts to supplement the basic revenue component, and allowing localities to augment the state contribution is rationally related to furthering this goal and is one which sufficiently balances the competing goals which have challenged and troubled states and municipalities throughout their history."

Absent glaring disparities, the responsibility for devising a school funding system is best left to the legislature.

The Minnesota Supreme Court stated that it believes that the legislature so far has done an "excellent job in designing an education funding system" and has taken significant steps to reduce financial disparities among districts. However, it said that its decision should not be read to mean that the school finance system is without fault or does not require further legislative improvements. The court stated that "[i]n holding that the present education funding system is constitutional, we do not mean to suggest that it would be impossible to devise a fairer or more efficient system of educational financing. Instead, we believe that any attempt to devise such a system is a matter best left to legislative determination. We merely hold that the present system withstands constitutional scrutiny."

The court recognized that education is a "delicate area" that is "in a constant state of flux." It declared that the legislature has reacted "fairly and intelligently" to fluctuating conditions and is attempting to meet the constantly changing needs of school districts throughout the state. In short, the court said that in the absence of glaring disparities, decisions affecting the school finance system must be legislative decisions because such decisions involve balancing the competing interests of equality, efficiency and limited local control.

Summary

In summary, the Minnesota Supreme Court found the challenged state education funding statutes constitutionally permissible under the state education clause and the state equal protection clause.⁴ The court's opinion makes clear that it is the legislature's constitutional duty to provide for a "general and uniform system of public schools," which means to provide an adequate education for all Minnesota K-12 students that meets all state standards.

⁴ The court wrote that "while the present [education funding] system may not be perfect, we conclude that it clearly satisfies the state's constitutional duty to provide a 'general and uniform system of education' to all students in the state. We therefore hold that the challenged statutes are constitutional under both the education clause and the equal protection clause of the Minnesota Constitution."