



Date: May 13, 2024

To: Directors of the Rochester School Board

From: Kent Pekel, Superintendent of Schools

Subject: Proposal for an Operating Referendum

What Is at Stake

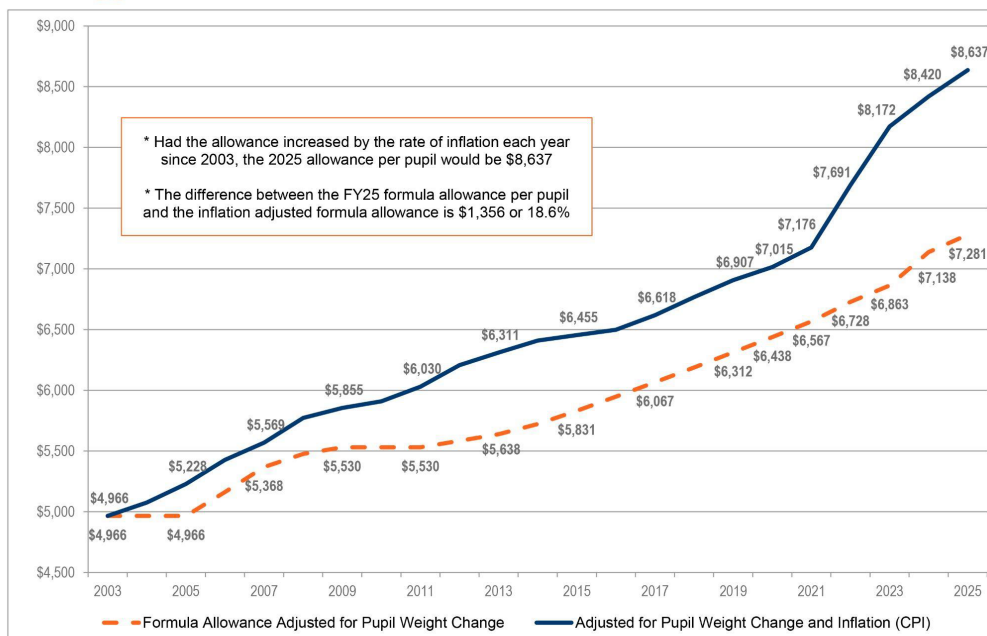
Rochester Public Schools is at a crossroads. Over the course of my first two years in Rochester as superintendent, we cut more than \$20 million from the school district’s General Fund budget, resulting in the elimination of more than 150 valuable staff positions. Following the narrow failure of the capital projects levy in November of 2023, we were forced to announce the closure of multiple schools and major reductions in programs and services for students. Fortunately, Mayo Clinic’s donation of \$10 million and use of our budget reserve have enabled us to avoid making major reductions for the 2024-2025 school year. Unfortunately, neither funding from Mayo Clinic nor use of reserve funds can be used to balance the district’s budget for the 2025-2026 school year and beyond.

The projected budget deficits that Rochester Public Schools and other school districts face in the years ahead are the result of many factors, the most important of which is the fact that funding from the State of Minnesota and the federal government have not kept up with the real rate of inflation that all organizations face in today’s economy. The chart below shows the gap between the funding that school districts in Minnesota have received from the state’s General Fund and the funding those school districts would have received if state funding had kept pace with inflation.



General Education Formula Allowance, 2003-2025

Adjusted for Pupil Weight Change and Inflation (CPI)



As a result of the shortfall in state funding and other factors, school districts across Minnesota have been forced to turn to their local communities to secure funding for programs that many community members consider indispensable. When the amount of voter-approved funding that Rochester Public Schools receives from its local community is compared to the funding that other school districts that serve more than 10,000 students receive, Rochester ranks last.

	2024-2025	2024-2025	2024-2025	2024-2025	2024-2025
	Estimated	Per Pupil	Per Pupil	Per Pupil	Per Pupil
	Adjusted	Dollar Amount of	Dollar Amount of	Dollar Amount of	Dollar Amount of
District	Pupil	Operating	Local Optional	Capital Projects	Local
Name	Units	Referendum	Revenue	Referendum	Support
Bloomington (ISD 271)	10,933	\$2,157	\$724	\$1,036	\$3,917
Minnetonka (ISD 276)	12,363	\$2,203	\$724	\$747	\$3,674
Wayzata (ISD 284)	14,184	\$2,163	\$724	\$771	\$3,658
Minneapolis (SSD 3)	29,185	\$2,304	\$724	\$586	\$3,614
Osseo (ISD 279)	23,232	\$2,181	\$724	\$581	\$3,485
Robbinsdale (ISD 281)	11,522	\$2,149	\$724	\$577	\$3,449
South Washington County (ISD 833)	20,749	\$1,994	\$724	\$241	\$2,959
Rosemount-Apple Valley-Eagan (ISD 196)	31,644	\$1,886	\$724	\$270	\$2,879
Mounds View (ISD 621)	12,471	\$2,089	\$724	\$0	\$2,813
Lakeville (ISD 194)	13,444	\$1,771	\$724	\$292	\$2,787
Elk River (ISD 728)	15,253	\$1,465	\$724	\$0	\$2,189
Anoka-Hennepin (ISD 11)	42,078	\$1,128	\$724	\$142	\$1,994
Saint Paul (ISD 625)	33,457	\$1,131	\$724	\$0	\$1,855
North Saint Paul-Maplewood-Oakdale (ISD 622)	11,192	\$999	\$724	\$0	\$1,723
Rochester (ISD 535)	18,296	\$943	\$724	\$0	\$1,667
Average	20,000	\$1,771	\$724	\$350	\$2,844

In order to continue to offer the high caliber of education that the citizens of Rochester rightly expect from their schools, it is essential to increase the amount of funding that Rochester Public Schools receives from its community. If the district does *not* receive that additional support, we will be required to cut at least \$20 million from the district budget starting with the 2025-2026 school year. Given that the school district has already cut more than \$20 million since I began my tenure as superintendent, we are past cutting through muscle and would face no choice but to cut deeply into the bones of our school system.

As the Rochester community painfully learned following the narrow failure of the technology referendum that was on the ballot in November, 2023, and before Mayo Clinic stepped up with its transformative donation, cutting into bone means taking drastic steps such as:

- Closing schools
- Raising class sizes
- Eliminating staff positions
- Reducing critical supports for students

Rochester Public Schools will also be forced to reduce or eliminate many of the special programs that make our district unique if we do not secure additional funding from our local community, from opportunities to study science out in nature to career and technical education programs that prepare students for jobs in the construction trades, nursing, information technology, and auto mechanics. Still further, we will be unable to sustain some of the most promising new initiatives that have been launched over the past two years as part of the Rochester Public Schools Strategic Plan. Those initiatives include raising the reading skills of all students from early childhood

through high school and ensuring that every student has a plan for success in postsecondary education and a career.

A Proposal to Ensure Stability and Ignite Learning

In order to avoid closing schools and raising class sizes and to preserve what is best about Rochester Public Schools, I recommend that the Rochester School Board place an operating referendum on the ballot in November of 2024 that would generate an estimated net increase in total revenue for the school district of \$19,401,097. If placed on the ballot and approved by the voters, the referendum would generate additional revenue of \$1,133 per pupil unit starting with the 2025-2026 school year and continuing for the next ten school years. I also recommend that the referendum include a provision that would increase funding at the rate of inflation as determined by the U.S. Bureau of Labor Statistics and allowed under Minnesota law.

Preliminary information on the impact that passage of this referendum would have on property owners in Rochester is outlined on a report that is included with this memo. The report was prepared by our school district's financial advisor, Ehlers, and should be seen as preliminary at this stage of the School Board's deliberations. Some changes in information provided on the report may need to be made based upon the results of the 2024 session of the Minnesota Legislature and tax assessments.

Some in the community may ask why I recommend that the operating levy be set at \$19.4 million, while the referendum that RPS placed on the ballot in the fall of 2023 was set at \$10.1 million. The difference in the amount of funding that I recommend RPS seek this year and the amount the district sought last year is based upon differences in two types of referendums. Last year, the district sought funding to support use of technology in our schools through a capital projects levy. Because a capital projects levy can only be used to support the purchase of equipment and material, the school district could only request the amount of funding it needed for those limited purposes. In contrast, an operating levy can be used to support a much wider range of programs and purposes. As such, I recommend that the district set the operating levy at the amount the district needs to achieve significant financial stability. Approval of an operating levy in the amount of \$19.4 million would constitute a quantum leap toward achieving that objective.

Because I believe that the public deserves to know precisely how its resources would be spent, the funding from the operating referendum would be allocated toward the specific positions and programs listed below. While shifts in laws and student needs and other factors might require changes in this list over the course of the ten-year period that the referendum funding would be in place, those changes would be clearly identified and explained to the community. The school district would release an annual report outlining the ways that referendum funds are used each year and the impact that those funds have on the character and quality of the education that students receive.

Taken together, the positions and programs that would be supported through this operating referendum engage students in educational experiences that ignite their love of learning and that provide critical support for student wellbeing. The positions and programs are listed below in descending order of their projected cost in the district's 2025-2026 budget. Estimated costs were calculated by taking the 2023-2024 revised RPS budget and adding 8% to project expenses during the 2025-2026 school year, the first year the new referendum would apply. The informational outreach that we would conduct to inform citizens about the referendum will describe the programs and positions in much greater detail and will explain the ways that they are connected to each other and to the broader mission of Rochester Public Schools.

Proposed Positions and Programs to Receive Referendum Support	Funding Amount
School counselor positions <ul style="list-style-type: none"> • Elementary Schools \$1,698,283 • Middle Schools \$1,266,741 • High Schools \$2,439,498 	\$5,404,522
Industrial technology and other career and technical education classes <ul style="list-style-type: none"> • Accounting • Auto Mechanics • Business Education • Cabinetry & Advanced Woodworking • Construction Trades • Housing & Interior Design • Marketing and Management • Personal Finance & Investing • Small Business Strategies • Work Experience 	\$2,971,848
Advanced learning positions and services (formerly gifted and talented)	\$1,479,770
CTECH career and technical education programming <ul style="list-style-type: none"> • Agriculture • Computer Science & Information Technology • Engineering • Health Science • Hospitality • Law Enforcement Careers • Manufacturing • Teaching as a Profession 	\$1,347,085
Media specialists at elementary schools	\$1,310,770
Funding for integrating deeper learning into all academic subjects (funded through a \$1.2 million grant that ends in 2025)	\$1,200,000

Proposed Positions and Programs to Receive Referendum Support	Funding Amount
Project Lead the Way at the middle school level	\$970,704
The PTECH partnership with RCTC, IBM, and Mayo Clinic <ul style="list-style-type: none"> • Nursing Pathway • Information Technology Pathway 	\$783,427
Community Schools coordinator positions and programming to provide students and families with assistance with housing, food, clothing, and other sources of support	\$808,920
Middle school music positions and support	\$664,173
Reading specialists and curriculum to support implementation of the science of reading from early childhood through high school	\$516,235
The Launching Emerging Adults Program (LEAP)	\$455,822
Project SEARCH at Mayo Clinic	\$258,862
RPS staff and programming at Quarry Hill Nature Center	\$253,567
Strategic plan initiative to ensure all students have strong plans for postsecondary education and a career planning and the knowledge and skills to implement their plans	\$221,000
The CAPE parent education and empowerment program	\$185,760
Create a new position to coordinate submission of grants to state and federal governments and private foundations	\$121,000
Create a new position to seek and coordinate donations from individuals and businesses to support athletics, arts, and other activities and initiatives	\$121,000
Create a new position to coordinate and expand career and technical education programs	\$121,000
Support operation of the Planetarium at Mayo High School	\$90,315
Sustain the driver's education program for low-income students	\$88,317
Implement mental health screening at all schools to identify students who need support	\$27,000
TOTAL	\$19,401,097

Continuing the Conversation

Over the past three years, we have engaged thousands of students, staff, parents and caregivers, and citizens of Rochester in discussion of the future of our schools and our city. That conversation began with the development of the RPS Strategic Plan during the 2021-2022 school year. Through that effort, we decided that it was time to raise the bar and institute a systemic strategy to help every student recognize and realize their purpose in school and in life. The conversation continued through the referendum that narrowly failed in November of 2023, and I hope and believe it will have a positive conclusion during the referendum that I recommend you place on the ballot in November of 2024. I look forward to discussing this proposal with you in the days ahead and to your vote on my recommendation at the regular meeting of the RPS School Board on May 21st.