CITIZENS LEAGUE REPORT

No. 168

Minneapolis Public Schools
Voter Referendum on a 3.4 Mill Increase

October 1964
TO: Board of Directors

FROM: Minneapolis School Millage Committee, Earl F. Colborn, Jr., Chairman

SUBJECT: Voter Referendum on the Minneapolis Board of Education's Proposed 3.4 Mill Increase in the Maximum Tax Levying Authority for School Purposes

SCOPE OF THE REPORT

The voters of Minneapolis at the November 3 general election will be asked to approve or disapprove a 3.4 mill increase in the maximum tax levy authorized for school purposes. If the proposal receives an affirmative vote of 53% of those voting on the issue, the higher levying authority will become effective in 1965, and the new limit will become permanent and not subject to further referendum. If less than 53% of those voting on the issue vote affirmatively, the present maximum levying authority of 59.6 mills, exclusive of any levy for pensions and debt service, will continue to govern, and the Board of Education will have to keep within this maximum in establishing its levy for the 1965 year.

The scope of this report is as follows:

1. Review the proposed increase in the tax levying authority and the justification made in its behalf, evaluate the need for the proposed increase, and report the committee's findings and recommendations to the voters of Minneapolis.

2. Review the proposed school expenditures for 1965 and the revenues available to finance these expenditures, and report to the Minneapolis Board of Education our findings and recommendations on the amount of the actual levy needed for the 1965 year.

RECOMMENDATIONS

1. Based on our review of the financial data provided us by the Minneapolis school administration staff, we find that: (a) Presently available revenues will be insufficient to finance the proposed level of expenditures for the 1965 year. (b) The proposed level of expenditures does not appear to be excessive, based on the assumption that present policies and programs should be maintained for the 1965 year. (c) Sources of substantial revenue other than the property tax, desirable as these sources might be, cannot be made available for the 1965 year.

We, therefore, support the proposed 3.4 mill increase in the maximum tax levying authority for school purposes and urge a "Yes" vote on November 3.

2. The issue the voters must decide on November 3 is whether the Board of Education's tax levying authority should be increased by 3.4 mills. The voters are not being asked to decide whether the full amount authorized should actually be levied for 1965. The Board of Education should
not levy its proposed legally authorized maximum if it determines that its 1965 expenditures can be financed by a lesser levy.

Our review of the 1965 revenue and expenditure estimates leads us to the conclusion that the proposed 1965 school program can be financed in full by a levy of at least one mill less than the 3.4 mill increase in the levying authority.

We therefore urge the Minneapolis Board of Education to levy for 1965 only that part of the 3.4 mill increase which is needed to finance 1965 expenditures.

BACKGROUND AND RECENT DEVELOPMENTS

In April of this year, the Minneapolis Board of Education adopted a resolution stating its intention to increase by 5 mills its maximum tax levying authority for school purposes. The Board set the date of June 9 for a public hearing on the proposed increase. The Citizens League appeared at this public hearing and urged the Board of Education to reduce the increase from the proposed 5 mills to 3 mills. The Board, following the hearing, adopted a resolution setting a new maximum tax levying authority 3.4 mills above the current maximum. Under the modified Independent School District Act, which governs Minneapolis school procedures, this proposed increase must be submitted to voter referendum if a petition containing the names of not less than 5,000 Minneapolis registered voters is filed requesting that a referendum be held. Such a petition has been filed and, in accordance with law, a referendum will be held in conjunction with the general election on November 3.

COMMITTEE MEMBERSHIP

Committee members who actively participated in the development of this report included: Earl F. Colborn, Jr., Chairman, Clyde O. Bezanson, Sam Bloom, Mrs. Ralph Bruce, Jr., Robert Einsweiler, Wilbur P. Ensign, Harold Field, Jr., Mrs. Ralph Forester, Donald S. Freeman, Charles J. Frisch, David Graven, James L. Hetland, Jr., R. L. Kozelka, Mrs. F. William Kuether, Grser Lockhart, Mrs. M. D. McVay, Lawrence Perlman, John Pulver, Bernard G. Rice, Gerald Rising, Royce N. Sanner, Richard Schall, Philip F. Sherman, Lawrence W. Tuller, H. E. VanderBoom and Robert Williams.

No minority report is being submitted. However, Bernard Rice and Philip Sherman have asked to be recorded as opposed to the recommendation supporting the 3.4 mill increase. Those committee members who were absent at the committee meeting at which this report was finally approved have been sent copies of the report with the request that they communicate any disagreement they might have. To date, no communications have been received.

The committee was assisted on a staff basis by Verne C. Johnson, the League's Executive Director.

COMMITTEE PROCEDURE

The Citizens League's Board of Directors, anticipating the likelihood of a proposed increase in the tax levying authority for school purposes, authorized the establishment of this committee and defined its assignment on April 1 of this year.
The committee held its first meeting on May 13 and has met nine times in developing this report. Most of these meetings have been lengthy evening sessions.

The committee has had the benefit of personal appearances by Rufus A. Putnam, Superintendent of Schools; Andrew Eckert, Director of Business Affairs; Donald Wahlund, Director of Finance; and representatives of each of the two Minneapolis teachers organizations, the Minneapolis Federation of Teachers and the City of Minneapolis Education Association.

The sessions with school administration staff officials were lengthy and proved to be exceedingly helpful to the committee. For example, Donald Wahlund spent four hours with the committee on May 20. Dr. Putnam and Wahlund were also present at a four-hour session with members of the committee on July 9. Then, Dr. Putnam, Andrew Eckert and Don Wahlund spent an additional three hours with committee members on September 17. In addition, many contacts were made with these administrative officials between sessions for the purpose of obtaining supplementary information and to review and verify financial statistics. The committee is most appreciative to the school administration staff members for their splendid cooperation.

**DISCUSSION**

**In General**

Since voter approval of the legislative act establishing a special independent school district for Minneapolis in June 1959, the Board of Education has proposed increases in its maximum tax levying authority on three separate occasions. The first was a proposed five-mill increase in 1960, with a pledge that only part of the five mills would be levied in 1960 and that the balance would be levied for the 1961 year. A referendum was held on this proposed increase and it was approved by the voters of Minneapolis. A six-mill increase was proposed in 1962, again with the pledge that the full six mills would not be levied during the first year. Petitions were circulated, but were found to be insufficient in number to require a referendum. The Board of Education levied to the full extent of its tax levying authority for the 1963 year. During the spring of 1964 the Board determined that its present levying authority would be inadequate to meet proposed expenditures for 1965 and the voters of Minneapolis will determine on November 3 whether a proposed 3.4 mill increase in the maximum levying authority will be approved.

The proposed expenditure level for 1965 totals $37,220,990. This is an increase of $1,496,957 (up 4%) over the 1964 expenditure level. This increase compares, for example, with a $1,582,000 increase during the current year over the 1963 level of expenditures, and a $1,935,000 increase in 1963 over the 1962 level of expenditures. The vast proportion of these required increases has gone to meet the need for salary increases and for the hiring of additional employees.

Enrollment in the Minneapolis school system during the past several years has been relatively stable. There has been a slight downturn in enrollment in the elementary schools and an offsetting increase at the secondary level. However, according to school administration projections, the 1964-65 school year will see a slight downturn in total enrollment, a trend which is expected to continue for at least several years.
1965 Expenditures - Areas of Major Increase

Following are the major areas of proposed increased expenditures contained in the 1965 school budget:

1965 impact from 1964 salary increases for certificated personnel $450,000
1965 impact from proposed 1965 salary increases for certificated personnel 325,000
Salaries for new positions 227,000
Salary increments for certificated personnel 106,400
Proposed 1965 salary increases for civil service personnel 125,000
1965 salary increments for civil service personnel 25,000
Textbooks 146,000

TOTAL $1,405,000

The only area where any substantial decrease in the expenditure level is contemplated for 1965 is for janitorial services. School administration officials contend that a reduction in the total number of janitors and a reduction in the number of hours of overtime worked will result in annual savings of $153,000.

1965 impact from 1964 salary increases for certificated personnel - The Board of Education, earlier this year, granted salary increases to certificated personnel at a total cost of $775,000 annually. Because these increases became effective on July 1 for administrative personnel and on September 1 for teachers, only $325,000 of this total cost is reflected in the 1964 budget. The remaining $450,000 will become an obligation in the 1965 budget.

These 1964 salary increases were comparable in total dollar cost to those granted in 1963. For example, adjustments in the salary schedule for Minneapolis teachers during the past two years have been as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>B.A. Minimum</th>
<th>M.A. Minimum</th>
<th>B.A. Maximum</th>
<th>M.A. Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>1962</td>
<td>$4,700</td>
<td>$5,100</td>
<td>$7,775</td>
<td>$8,275</td>
</tr>
<tr>
<td>1963</td>
<td>4,900</td>
<td>5,400</td>
<td>8,175</td>
<td>8,875</td>
</tr>
<tr>
<td>1964</td>
<td>5,150</td>
<td>5,600</td>
<td>8,475</td>
<td>9,275</td>
</tr>
</tbody>
</table>

Committee Reaction: These salary increases have already been granted. The funds to finance the 1965 impact must be found.

1965 impact from proposed 1965 salary increases for certificated personnel - The 1965 proposed budget envisions salary increases for certificated personnel, in terms of the total dollar amount, comparable to those granted for 1964. The policy...
decision on how to allocate the $775,000 will not be made until some time in 1965. If this contemplated level of salary increases is granted in 1965, the 1965 impact will total $325,000. An additional $450,000 will have to be found during the 1966 year. School administration officials are guessing that suburban school districts neighboring Minneapolis will grant increases to their teachers during 1965 comparable to those granted in 1964. It will be necessary, according to school administration officials, to match the increases granted to suburban teachers.

Committee Reaction: We are in no position to speculate on what suburban school boards will grant in 1965 in the way of salary increases for certificated personnel. If the general pattern of increases in these suburban districts during recent years is followed in 1965, then Minneapolis school administration predictions could well be accurate. On the other hand, we have detected some resistance among school board members in a number of suburban districts and it is possible that the amount of salary increases granted in 1965 could be somewhat less than in recent years.

Current salary levels for beginning teachers in the Minneapolis system are comparable to those in suburban districts. Minneapolis maximums, both for teachers with bachelor's degrees and those with master's degrees, are several hundred dollars less than for comparable teachers in suburban districts. (See Appendix I for comparative salary schedules.) However, Minneapolis School Superintendent Rufus Putnam states that, because of the superior retirement program for Minneapolis teachers, the total compensation level for Minneapolis teachers at the maximum is comparable to that for suburban teachers. For example, the value of the Minneapolis teachers retirement program has been estimated recently to be up to $1,100 a year higher than the value of the retirement program for suburban teachers. Dr. Putnam stated to our committee that increases at the maximum above those granted in suburban districts in 1965 are neither contemplated nor needed.

The issue of comparability of compensation for teachers among competing school districts was given considerable attention by the committee. Of particular concern was our attempt to assign a meaningful dollar value to the superior Minneapolis retirement program. Because of inadequate statistical data, the committee has been unable to arrive at precise and meaningful conclusions and recommendations. Therefore, we have no alternative but to accede to the general principle of granting salary increases to certificated personnel comparable to those granted in competing school districts.

We wish to reiterate and re-emphasize at this time previous Citizens League recommendations stating that (1) specific and comparable dollar values can be allotted to the teachers' retirement program, (2) the value of this important fringe benefit must be considered when comparing compensation of Minneapolis teachers with that of suburban teachers, and (3) the Board of Education should take steps to assure that the necessary actuarial study is made and the results made public.

Salaries for new positions - The 1965 budget is up $227,000 for salaries of new positions for certificated personnel. About 40 new positions will be added, mostly teachers at the elementary level to continue the program of reducing the pupil-teacher ratio. State policy, in conjunction with distribution of state aids,
requires that no elementary class have more than 30 pupils. Although this policy has never been enforced through curtailment of state aid payments for oversize classes, the pressure to do so appears to be mounting. According to Minneapolis school administration officials, approximately half the elementary school in Minneapolis have classes with more than 30 pupils.

Committee Reaction: We strongly support the objective of reducing the pupil-teacher ratio at the elementary level to the point where no class has more than 30 pupils. We commend the Minneapolis Board of Education and the school administration for its persistent progress toward achieving this important objective. We have found, for example, that the following progress has been made during recent years:

<table>
<thead>
<tr>
<th>Pupil Teacher Ratios</th>
<th>(As of September)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Level</strong></td>
<td><strong>Est. 1965</strong></td>
</tr>
<tr>
<td>Grades 1 - 6</td>
<td>29.7</td>
</tr>
<tr>
<td>Junior High</td>
<td>24.3</td>
</tr>
<tr>
<td>Senior High</td>
<td>26.5</td>
</tr>
</tbody>
</table>

We were further told by the school administration that the Minneapolis school system expects to reach a pupil-teacher ratio of 28.5 at the elementary level by the 1967 school year. This will be accomplished largely because of the trend of declining enrollments, through the addition of only 19 teachers and the expenditure of only $100,000 in instructional costs. According to school administration officials, a pupil-teacher ratio of 28 should result in few, if any, classes with more than 30 pupils.

The progress made to date and these projections of further progress during the next few years in lowering the pupil-teacher ratio are most encouraging. Further, the committee is impressed with the way in which the school administration has defined its objective and has established a timetable for the attainment of this objective.

Salary increments for certificated personnel - The 1965 budget contains $106,400 for salary increments for certificated personnel. The Minneapolis school system has a 12-step schedule for teachers' salaries, extending over a period of 12 years. These increments are automatic and are granted annually to each teacher who has not reached the maximum. Once the 12th step is reached, no further increments are granted, and the teacher at the maximum salary level must look to increases in the schedule itself for annual salary adjustments.

Committee Reaction: These salary increases have already been granted. The funds to finance the 1965 impact must be found.

Proposed 1965 increases for civil service personnel - The 1965 budget includes $125,000 for salary increases for civil service personnel. This category of employees includes all non-certificated personnel and it has been general Board of Education policy to set a compensation level equal to that of other comparable employees. In the case of custodial employees, this means comparability with similar
employees in suburban school districts. For clerical employees, this means comparability with similar employees working for other city agencies and in private employment. For building trades employees this means comparability with similar employees working in other city agencies and in private employment in the Minneapolis area. The budgeted figure of $125,000 will allow the same dollar value of salary increases for these employees as was granted in 1964 and is based on the expectation that the employees on whom the comparability is based will be granted increases in 1965 equal to those granted in 1964.

Committee Reaction: Our committee has been unable to undertake the complex task of evaluating whether civil service employees in the Minneapolis school system presently do receive compensation comparable to these other similar employees. However, we do know that, at least in the case of building trades employees, the Minneapolis Board of Education is nearing completion of a five-year program of equalizing the compensation level. This is being accomplished by granting less each year to school building trades employees than is granted similar employees in private employment.

We urge that less than the budgeted amount be spent, unless there is a clear showing that it is needed to achieve or maintain comparable compensation levels.

1965 salary increments for civil service personnel - These increments are automatic for all employees who have not yet reached the maximum salary schedule. $25,000 is the amount these increments are expected to cost in 1965.

Committee Reaction: These salary increments have already been granted. The funds to finance the 1965 impact must be found.

Textbooks - The 1965 budget includes an increase of $146,000 over 1964 for purchase of textbooks. Approximately $93,000 of this amount would normally have been spent in 1964, but the purchase was postponed until 1965.

Committee Reaction: According to school administration officials, the budgeted amount for textbooks varies from year to year, with certain years being heavy acquisition years. 1965 is such a year. We have been told that 1966 will be a lighter year, perhaps as much as $100,000 less than in 1965.

The committee accepts this explanation.

Reduced expenditures through economies in janitorial services - School administration officials state that, largely through reducing the number of janitors and reducing the amount of overtime, savings amounting to $153,000 are reflected in the 1965 budget. They further told our committee they are confident economies can be made in this area which, within the next 3-4 years, will result in annual savings of at least $450,000. They state that the $153,000 in savings reflected in the 1965 budget is the first part of a long-range plan of effecting these economies.

Committee Reaction: School administration officials declined to discuss specific details of the kind of economies to be made during the next 3-4 years, on the grounds that public discussion at this time would defeat the objective. However, they stated categorically to our committee that savings in the amount projected will be made. We will
watch developments with every expectation that this pledge will be carried out.

A review of the 1965 proposed budget indicates that expenditures for janitorial services are about $52,000 less than in 1964. We understand that the balance of the $153,000 savings has been offset primarily by wage increases granted to janitors.

The 1965 Financial Situation

In June of this year the Minneapolis Board of Education, in explaining its needs for an additional 3.4 mills of taxing authority for 1965 made public the following general budgetary figures:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated balance, January 1, 1965</td>
<td>$ 453,253</td>
</tr>
<tr>
<td>Estimated 1965 receipts</td>
<td>34,911,182</td>
</tr>
<tr>
<td>Total</td>
<td>$35,364,435</td>
</tr>
<tr>
<td>Estimated 1965 disbursements</td>
<td>$37,220,900</td>
</tr>
<tr>
<td>Balance, December 31, 1965 (deficit)</td>
<td>-$1,856,555</td>
</tr>
</tbody>
</table>

Of this anticipated deficit, approximately $810,000 resulted from the cutback in state aids ordered by the Governor of Minnesota. The Board of Education, in reducing its proposed increase in the levy maximum from the previously indicated 5 mills to 3.4 mills, changed its assumption of 1965 income by counting on restoration of the second half of the 5% cutback ordered by the Governor. This resulted in a $405,000 increase in revenue estimates for 1965 and reduced the projected deficit to $1,451,555.

Since June, certain additional financial information has become available. There has been no change in proposed expenditures. They continue at $37,220,900. None of the revenue estimates has been decreased. Each change will produce more revenue than was projected in the earlier budget figures. An additional $295,591 of revenue will be forthcoming in 1965, based on the current mill levy, because the total valuation of Minneapolis real and personal property has increased by approximately $5 million over the projected level. An additional $40,500 of revenue will be provided by a partial restoration of the first half payment of state aids. The Governor reduced the 5% cutback to 4.5%. School administration officials have recently revised their estimate of the December 31, 1964 balance of funds on hand, resulting in an increase of $37,359. These three items will result in a total of $73,450 of additional revenue above the amount budgeted.

By using the revenue, balance of funds on hand, and expenditure figures provided us by school administration officials, and based on levy of the 3.4 mills, we project the 1965 Minneapolis school financial picture as follows:
Balance of funds on hand, January 1

<table>
<thead>
<tr>
<th></th>
<th>1964</th>
<th>1965</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated receipts:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property tax collections</td>
<td>24,374,971</td>
<td>26,060,000</td>
</tr>
<tr>
<td>Other revenue - local sources</td>
<td>839,000</td>
<td>839,400</td>
</tr>
<tr>
<td>Revenue from County</td>
<td>47,000</td>
<td>47,000</td>
</tr>
<tr>
<td>Non-revenue receipts</td>
<td>165,551</td>
<td>168,900</td>
</tr>
<tr>
<td>State aid</td>
<td>9,546,700</td>
<td>9,867,050</td>
</tr>
<tr>
<td>Federal funds</td>
<td>32,500</td>
<td>17,500</td>
</tr>
<tr>
<td>Total receipts</td>
<td>35,005,722</td>
<td>36,999,350</td>
</tr>
<tr>
<td>Available revenues</td>
<td>36,277,696</td>
<td>37,530,462</td>
</tr>
<tr>
<td>Disbursements</td>
<td>35,783,943</td>
<td>37,220,900</td>
</tr>
<tr>
<td>Balance of funds on hand Dec. 31</td>
<td>493,753</td>
<td>309,562</td>
</tr>
<tr>
<td>Revised addition to carryover</td>
<td>37,359</td>
<td></td>
</tr>
<tr>
<td>Balance of funds on hand Dec. 31</td>
<td>531,112</td>
<td>309,562</td>
</tr>
</tbody>
</table>

All of the figures used in the above financial statement are based upon financial data and projections provided by the Minneapolis school administration. Although, as we have stated earlier in this report, certain of the revenue projections are overly conservative, the committee has accepted school administration figures for purposes of presenting the above financial statement. It should be noted by way of explanation that:

1. The figure for disbursements is the total of the proposed 1965 budget which the Board of Education has pledged not to exceed irrespective of any additional revenues which might become available.

2. The revenue estimate of $26,060,000 for 1965 from property tax collections includes the amount which will be derived from levying the full 3.4 mills of additional taxing authority requested by the Board of Education. A collection rate of 97.5% was used in making the computations, which is a rate slightly lower than the average rate of collection during the most recent four years.

3. The 1964 estimated revenue from state aids includes the $40,500 which has been restored from the previously announced 5% cutback in the first half payment. If the remaining 4.5% of the 5% cutback is restored at some later date, the projected revenues from state aids for either 1964 or 1965 will be increased by $365,000 above that shown.

4. The 1965 estimate of revenues from state aids, totalling $9,867,050, assumes full restoration of the announced 5% cutback for 1965. This assumption was made by the Board of Education in June when it projected additional revenue needs for 1965 of 3.4 mills.

5. It should be understood that school administration revenue estimates admittedly and quite properly are overly conservative. School administration officials, for example, state they will be quite surprised if their estimates of revenue are not exceeded, and perhaps by as much as several hundred thousand dollars.
Increased Millage Needed to Continue Current School Programs

Budget Reflects Continuation of Program for 1965 - The proposed level of expenditures for 1965 generally reflects a continuation of current school programs, policies and procedures. No major new programs are being proposed. On the other hand, neither is any curtailment envisioned of any existing program. If anything, the 1965 expenditure level is intended to provide for modest expansions and improvements in a number of areas. As has been the case in past years, the vast majority of the additional revenues which will be required in 1965 will go for salary increases to match comparable increases granted to similar employees by suburban school districts, other governmental agencies or private industry in the Minneapolis area.

Existing Revenues Inadequate - It seems clear that existing revenues will be inadequate to finance the proposed expenditure level during 1965. Although projected revenue estimates are clearly on the conservative side, there appears to be no possibility that these estimates are sufficiently conservative to make up the difference between proposed expenditures and estimated revenues. The difference is unlikely to be much, if any, less than $800,000 (2 mills) and could be as high as 2.4 mills. Therefore, unless additional revenue, amounting to about $800,000, is provided for 1965, it will be necessary to make some cutback in existing programs.

The Board of Education has given no indication of where these cutbacks would be made, should the additional revenue not be forthcoming. The best information we have been able to obtain from school administration officials is that no single program would bear the brunt of any necessary cutback. No matter where the cutbacks are made, it seems certain that some important school programs would be adversely affected.

No Other Source of Revenue for 1965 - The Board of Education has no sources of revenue legally available to it from which it might obtain any such needed amount as $800,000, other than to increase the tax on real and personal property. Much as we have deplored the already high level of the property tax, we would not sacrifice a vitally needed public service, such as our schools, in order to hold the line on the property tax.

Suggested Program Revisions Not Appropriate Now - Naturally, during the course of the penetrating review of Minneapolis school programs made by Citizens League committees during the past several years, we have reached some rather strong conclusions about areas where we believe economies can be effected. We have reached equally strong conclusions about areas where additional funds should be directed. But we have no reason to believe that a shortage of funds would necessarily produce economies in these areas, nor that any additional revenues which might be provided would be directed to those areas where we believe the need is of the highest priority. Under these circumstances, we consider it most prudent to continue current programs during 1965.

It will be more appropriate for us to make specific suggestions for program revisions at some later date when they can be considered on their own merits and apart from the basic decision of the total amount of revenues necessary to finance the 1965 school program.

Voters Have Only Two Choices November 3 - The voters, on November 3, will have only two choices available to them. They must either vote to increase the current taxing authority for school purposes by 3.4 mills or to deny any increase in the present taxing authority. There is no middle choice, such as increasing the taxing
the taxing authority by some amount less than 3.4 mills.

A "yes" vote will assure that the current school programs will be maintained at the present level during 1965. A "yes" vote does not necessarily mean that the full 3.4 mills of additional taxing authority will actually be levied for 1965 or, if levied, that the entire amount will be spent. In fact, if the school administration revenue estimates are accurate, the Board of Education has pledged itself not to spend the entire amount. We have been given unqualified assurance that the expenditure level will not exceed the $37,220,900 contained in the proposed budget, irrespective of any additional revenues which might be available.

A "no" vote, for the reasons we have cited, will doubtless compel some curtailment in current school programs.

As between these two alternatives, we wholeheartedly favor providing the additional taxing authority and we urge the voters of Minneapolis to vote "yes" on November 3.

Full 3.4 Mill Levy Not Needed in 1965

Since June, when the Board of Education, as required by law, had to make its decision with respect to any possible increase in its taxing authority, events and new information have clearly indicated that substantial additional amounts of revenue will be available to the School District in 1965, which could not have been known about in June.

1. Increased property tax values for 1965 - The Minneapolis Assessor has estimated that the total valuation of Minneapolis real and personal property for 1965 will total $418,526,000. This new valuation is just under $5 million higher than for the current year. This increased valuation will produce an additional $295,591, based on the current school levy of 59.6 mills, above that contained in the June budget estimates. This higher valuation figure also means that approximately $17,000 more than was previously estimated would be produced from an additional 3.4 mill levy. Thus, the combined additional revenue which would be derived in 1965 from a 63 mill levy would total about $312,000.

2. Aids cutback reduced - The Governor's earlier decision to cut back state aids by 5% during 1964 and 1965 has been modified slightly. The first of the two-year cuts, instead of being 5%, has been modified to 4.5%. The additional revenue, not previously budgeted, from this partial restoration of aids will amount to $40,500.

3. Year-end carryover - School administration officials have recently revised their 1964 year-end carryover estimates to reflect an additional $37,359 above that previously budgeted.

4. Bank excise tax - School administration officials have told us that their 1964 estimate of $250,000 from the bank excise tax will be exceeded by at least $20,000 and perhaps by as much as $50,000.

5. Tuition fees and fees for community use of buildings - School administration officials have declared that increases will be made during 1965 in the fees for tuition programs and in the fees charged for community
use of school facilities later this year. This will produce additional revenue, none of which is included in present revenue estimates.

There is no new information which in any way would justify a downward estimate in any revenue area.

It appears clear, based on these upward revenue projections that a minimum additional $400,000 will be forthcoming for 1965 use above that contemplated by the Board of Education in June when it decided to request an additional 3.4 mills. The question becomes one of determining what should be done because of this additional revenue.

First, it should be made perfectly clear that the Board of Education is under no obligation to levy the full amount of the increased taxing authority if the 3.4 mill increase is authorized by the voters on November 3. The Board of Education has complete discretion to levy any amount it chooses, so long as it does not exceed the new tax limitation. It could even, for example, levy none of the requested 3.4 mills if it determined that no additional revenue was necessary for the 1965 year.

Second, there has been no indication that the proposed 1965 expenditure level of $37,222,990 will prove inadequate. There are no curtailments of existing school programs. The projected budget allows for a continuation of the program of reducing pupil-teacher ratios, and includes contemplated pay increases for all school employees, certificated and non-certificated, in 1965, comparable to those granted in 1964.

Third, the board and school administration officials have publicly pledged themselves not to spend in excess of the budget level, irrespective of any additional revenues which might become available, so that the projected $400,000 or more of newly found revenues, assuming the levy of full additional 3.4 mills, would be carried over from 1965 into the 1966 school budget.

The Board of Education still has to make its policy decision on the amount of the actual levy to be made for the 1965 year. The formal notification to the City normally is made in October, but this year will have to await the outcome of the November 3 referendum. However, there is no reason why, as it has done in the past, the Board could not, prior to making the formal levy, announce its precise intentions.

For example, in 1960, after commencing the machinery to request a 5-mill increase in taxing authority, when it became clear that property value increases for 1961 meant that 3.4 mills would provide the same budgeted amount as the Board had thought it would require 5 mills to provide, the Board pledged to the public that it would levy only the 3.4 mills and hold the 1.6 mills additional taxing authority for possible levy in a future year.

There appear to be four possible arguments why the Board might wish to levy the full 3.4 mills requested additional authority in 1965. Following are the four principal arguments and our reaction to each:

1. Contention - There is no assurance that the second half announced cut-back in state aids will actually be restored. If not, the revenue estimates must be decreased by $405,000. The new higher revenue projections will eliminate any risk resulting from possible failure to restore these funds. If, as expected, the $405,000 of state aid is restored, the amount levied would not be spent.
Committee Reaction - There appears to be general agreement that the $405,000 will be restored by the Legislature. In fact, there is more reason to believe that the remaining $365,000 first-year cutback will also be restored, in which event the schools would have $365,000 additional revenue in 1965 not now provided for in the budget. The conservative leadership of the Legislature has publicly committed itself to full restoration of the entire $770,000. Thus, the likelihood that revenue estimates will have to be revised downward seems sufficiently remote to justify taking the calculated risk. In any event, the Board of Education itself made the decision to take this risk when it decided upon the 3.4 mills, and there seems no reason for it to change its position at this time.

2. Contention - The 1965 expenditure estimates contemplate salary increases for certificated personnel, which will result in an annual additional cost of $775,000. Only $325,000 of this amount will be felt in 1965. The 1966 budget will have to be increased by $450,000 to reflect the impact during that year of this salary increase. Therefore, by levying the full 3.4 mills, an amount to meet this future obligation can be raised during 1965 and placed in reserve.

Committee Reaction - When the Board made the decision to ask for an additional 3.4 mills in June, it knew that the 1965 budget contemplated these salary increases and knew that an additional $450,000 impact would be felt in 1966. If the contention that such a reserve be provided is sound, then the Board of Education would presumably have requested a larger mill increase initially, in order to provide for this reserve. Moreover, if the Board levies less than the 3.4 mills of additional revenue available to it in 1965, it will have the authority in 1966 to levy the additional mill to cover the impact of these salary increases.

3. Contention - A year-end balance of approximately $400,000 is not unreasonable, considering the fact that the expenditure level for schools is in excess of $37,000,000. By levying the full 3.4 mills, a balance of this size or greater will be assured.

Committee Reaction - The Board of Education has the legal authority, and in fact uses it each year, to borrow funds in anticipation of expected revenues. Therefore, it is not necessary to levy additional taxes in order to keep a substantial balance of funds on hand at all times during the year. Based on the practice followed by the Board of Education during recent years, it is to the financial advantage of the School District to borrow in anticipation of receipts, rather than to maintain a sufficient balance of funds on hand to avoid such borrowing. This unusual situation results from the fact that the District can borrow money at a lower interest rate and loan out the money at a higher interest rate until it is actually needed.

For example, the District typically borrows at least $8 million every January, even though its peak cash needs do not arise until late May and then later in the fall. In the meantime, the borrowed money loaned out is earning net interest income for the schools.

Furthermore, provisions added to the Minneapolis school law at the
Board's request in 1963 provide for some carryover of this borrowing process into the new calendar year, so that the District need not be short of funds at year end.

Under these circumstances, we can see no need for maintenance of any appreciable balance of funds on hand at any given period during the year.

4. **Contention** - By levying the full 3.4 mills in 1965 and setting the surplus amount aside, it is less likely that the Board of Education will have to establish a higher taxing authority for the 1966 year. This would avoid the possibility of having to go through the referendum procedure again in 1965.

**Committee Reaction** - While we have sympathy with, and can readily understand, the reluctance to face the possibility of annual referenda, we are not convinced that levying the revenues in one year to be held in reserve for use in a subsequent year is either desirable or necessary. The Board of Education has an obligation, it seems to us, not to take money from the taxpayers in order to accumulate reserves for succeeding years.

The primary responsibility of the Board of Education in establishing its tax levy for the year is to provide sufficient revenues to meet the proposed expenditure level for that year. The expenditure level for 1965 can be financed by a levy of less than the full 3.4 mills.

Furthermore, we are not at all convinced that a levy of less than the full 3.4 mills in 1965 will require, or even make likely, a request for additional taxing authority for the 1966 year. We have considered a number of factors which should tend to lessen the pressure for higher tax levying authority in 1966 and succeeding years. These factors include:

- **Janitorial services** - School administration officials have categorically stated that janitorial economies will produce savings totalling at least $450,000 annually within the next 3-4 years. Only $153,000 of this total is included in the 1965 projections. Therefore, beginning in 1966 increasing amounts upwards to $300,000 annually should be saved from this program alone.

- **Maintenance efficiency** - A study of the efficiency of the current program of school maintenance and use of school building trades employees for capital improvements is currently under way and will be presented to the Board of Education by year end.

- **Other business economies** - The Board has recently authorized the school business department to proceed with effecting economies in other areas under its purview, notably transportation and lunchrooms.

- **Teacher salary level** - The general salary level of Minneapolis teachers, in the opinion of school administration officials, compares favorably with that of suburban teachers at the present time. It seems probable that the amount of increases to be
granted by suburban districts in 1965 and succeeding years will diminish somewhat over the amounts granted during the past few years. To the extent that this is true, there will be lessened pressure on budgets in future years.

(e) School population decline - The number of pupils in the Minneapolis school system is beginning to decline and is expected to continue decreasing slightly during the next several years, at least, thereby removing some of the pressure for annual increased costs resulting from higher enrollments. This trend facilitates the lowering of pupil-teacher ratios without the expenditure of large amounts of funds for additional teachers.

(f) State aids - Based on past experience, the 1965 session of the State Legislature is likely to grant at least some increase in the level of state aids. The Legislature has done so at each session in the recent past. Any increases would produce additional revenue, beginning with the 1966 year.

(g) Property value trends - The total valuation of Minneapolis real and personal property increased by $5 million this year. The Minneapolis Assessor has completed this year a 3-year program of downward revisions in personal property taxes. This program resulted in decreases in the total valuations for personal property of over $12 million in 1963 and $4 million in 1964. But this program has been completed without any decrease in total valuations in real and personal property combined. In fact, the value of real property has increased approximately $9 million in 1963 and about the same amount in 1964. With the property tax valuation adjustments completed, it is reasonable to assume that the trend of yearly increased combined property valuations will continue and perhaps even accelerate. This would mean, of course, that with increased values, the same number of mills would produce higher annual revenues for the school district every year.

In addition to the above-listed factors, there is the previously noted strong possibility of restoration of the 1964 4.5% aids cut by the Legislature, which would result in $365,000 additional revenue to Minneapolis schools. There is also the promise of additional funds in 1965 from increased fees from tuition programs and from larger fees for use of school facilities by community groups. None of these factors is now included in the projected 1965 budget.

Conservative revenue projections by the schools are absolutely necessary. However, experience in recent years has indicated that late in the year more revenue is realized than originally was anticipated. For example, in 1963 between September 20 and November 27, there was a net increase of revenue receipts over the amounts budgeted of $458,422. Certain upward adjustments, but of a considerably lesser amount, are taking place this year, and it is reasonable to assume, based on past experience, that year-end 1965 also will show some net increase of revenue over the amounts that can be anticipated at this time.

It is our considered conclusion, based on a review of all the relevant factors, that a levy of less than the full 3.4 mills of added taxing authority requested will produce sufficient revenues to meet the full budget the Board of Education has presented for 1965. We doubt that a levy in excess of 2.4 mills seems indicated under the circumstances. We therefore urge the Board of Education to carefully review current revenue estimates prior to setting its operating levy for 1965, and to levy only the amount necessary to meet its projected expenditures for 1965.
## 1964-65 School Year Salaries

<table>
<thead>
<tr>
<th>City</th>
<th>B.A. Min</th>
<th>B.A. Max</th>
<th>M.A. Min</th>
<th>M.A. Max</th>
<th>Top Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomington</td>
<td>5100</td>
<td>9275</td>
<td>5700</td>
<td>10300</td>
<td>10900</td>
</tr>
<tr>
<td>Brooklyn Center</td>
<td>5100</td>
<td>9050</td>
<td>5700</td>
<td>9965</td>
<td>10840</td>
</tr>
<tr>
<td>Eden Prairie</td>
<td>5100</td>
<td>8100</td>
<td>5600</td>
<td>8600</td>
<td></td>
</tr>
<tr>
<td>Edina Morningside</td>
<td>5150</td>
<td>9013</td>
<td>5768</td>
<td>10506</td>
<td>11706</td>
</tr>
<tr>
<td>Golden Valley</td>
<td>5000</td>
<td>8700</td>
<td>5750</td>
<td>10350</td>
<td>10800</td>
</tr>
<tr>
<td>Hopkins</td>
<td>5100</td>
<td>9125</td>
<td>5700</td>
<td>10300</td>
<td></td>
</tr>
<tr>
<td>Minnetonka</td>
<td>5050</td>
<td>8832</td>
<td>5700</td>
<td>10501</td>
<td>11001</td>
</tr>
<tr>
<td>Mound</td>
<td>5050</td>
<td>9090</td>
<td>5606</td>
<td>10090</td>
<td>10701</td>
</tr>
<tr>
<td>Orono</td>
<td>5050</td>
<td>8550</td>
<td>5650</td>
<td>9650</td>
<td>10175</td>
</tr>
<tr>
<td>Osseo</td>
<td>5150</td>
<td>8950</td>
<td>5550</td>
<td>9675</td>
<td></td>
</tr>
<tr>
<td>Richfield</td>
<td>5100</td>
<td>9200</td>
<td>5700</td>
<td>10400</td>
<td>10300</td>
</tr>
<tr>
<td>Robbinsdale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>St. Anthony</td>
<td>5000</td>
<td>8600</td>
<td>5750</td>
<td>9650</td>
<td>10300</td>
</tr>
<tr>
<td>St. Louis Park</td>
<td>5100</td>
<td>9100</td>
<td>5700</td>
<td>10400</td>
<td>11600</td>
</tr>
<tr>
<td>Wayzata</td>
<td>5050</td>
<td>9090</td>
<td>5656</td>
<td>10504</td>
<td>10718</td>
</tr>
<tr>
<td>Columbia Heights</td>
<td>5100</td>
<td>9078</td>
<td>6000</td>
<td>10301</td>
<td>10581</td>
</tr>
<tr>
<td>Spring Lake Park</td>
<td>5000</td>
<td>8600</td>
<td>5400</td>
<td>9100</td>
<td></td>
</tr>
<tr>
<td>Fridley</td>
<td>5100</td>
<td>8619</td>
<td>5500</td>
<td>9790</td>
<td></td>
</tr>
<tr>
<td>Roseville</td>
<td>5100</td>
<td>8772</td>
<td>5814</td>
<td>10098</td>
<td>10404</td>
</tr>
<tr>
<td>Moundsview</td>
<td>5100</td>
<td>9100</td>
<td>5700</td>
<td>10300</td>
<td>10800</td>
</tr>
<tr>
<td>So. St. Paul</td>
<td>5100</td>
<td>9206</td>
<td>5750</td>
<td>10278</td>
<td>10814</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>5150</td>
<td>8475</td>
<td>5600</td>
<td>9275</td>
<td>10075</td>
</tr>
</tbody>
</table>

**NOTE:** The suburban salary data was obtained from the City of Minneapolis Education Ass'n, and the Minneapolis data was added by our staff.