

Citizens League
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CITIZENS LEAGUE STATEMENT TO MINNEAPOLIS BOARD
OF ESTIMATE AND TAXATION ON PROPOSED MILLAGE INCREASE
FOR MINNEAPOLIS SCHOOL BOARD

We appreciate the opportunity to present information in connection with the millage needs of the Minneapolis School Board. We have maintained a continuing interest over the years in the revenue needs of the Minneapolis public schools.

We have not undertaken a detailed review of the proposed budget for the Minneapolis school system for 1969. Therefore, we will not be commenting on the specific dollar need for the School Board in 1969.

Nevertheless, on an issue of such importance to the City of Minneapolis, it is important that you have as much relevant information before you as possible. A committee of the Citizens League has been reviewing the relative taxing capacity of communities in the metropolitan area for the past several months. Although that committee is not expected to submit a report until shortly after January 1, we felt you would benefit from being made aware of some of the information brought to that committee.

This information concerns how Minneapolis compares with other school systems in the metropolitan area on tax burden and school expenditures. We are aware of risks that such information could be misused and misinterpreted. Yet we believe it is of overriding importance that the Board of Estimate have a maximum amount of meaningful data before it.

It must be emphasized that nothing we are presenting is intended to relate to the specific needs for increased revenue by the Minneapolis public schools for 1969. The relative position of a school district in per pupil expenditures or in tax burden in the metropolitan area does not necessarily relate to its needs. Higher expenditures per pupil may well be justified in certain districts because of the particular nature of the population; for example, a high percentage of the physically handicapped, a high percentage of low-income families or a high percentage of minorities.

I. School Costs

- A. Expenditures Per Pupil -- For the 1967-68 school year, the net current expenditures per pupil unit in average daily attendance in Minneapolis was \$553, according to statistics gathered by the Educational Research and Development Council of the Twin Cities Area, Inc. According to ERDC figures, this places Minneapolis 13th from the top among 43 metropolitan area school districts. The highest district had a per pupil expenditure of \$655 and the lowest, \$438. Because these figures have not yet been formally published, ERDC did not permit the names of the other districts to be revealed.

These per pupil expenditures include current expenditures, but not transportation, capital outlay and debt service. The figures do include, however, federally aided expenditures. Taking away the federally aided expenditures, Minneapolis drops from 13th to 25th, with a per pupil expenditure of \$499.

When total expenditures are considered, including transportation, capital outlay and debt service, the per pupil expenditure in Minneapolis for the 1967-68 school year was \$642, which is 35th from the top among the 43 districts. The highest is \$915 and the lowest, \$582. The main reason for the substantial drop in position of Minneapolis is the greater per pupil expenditures for debt service among the suburban school districts.

An extra cost to taxpayers in the central cities, not included in the above figures, is the amount for the teachers' pension plans. Both Minneapolis and St. Paul have different teachers' pension plans from the common plan in the suburbs. The dollar levy in Minneapolis for 1968 is \$2,949,387, or about \$38 per pupil, and in St. Paul, \$802,587, or about \$16 per pupil. The suburbs' pension plan is state-financed. Minneapolis and St. Paul receive some state funds for their pension plans. However, because of superior pension plans in the central cities, an extra tax levy is necessary.

- B. Staff-Student Ratio -- Figures provided by the ERDC show that for the 1967-68 school year Minneapolis ranked third from the bottom among metropolitan area school districts in the number of certificated personnel (teachers, counselors, administrators and so forth) for every 1,000 pupils. These figures indicated Minneapolis had a ratio of 40.56 certificated personnel for every 1,000 pupils. Lowest was 39.22 in St. Paul, and highest, 63.79, in Golden Valley, followed by Stillwater, 51.44. Our conversation with officials in the Minneapolis public schools would indicate that the ERDC figures did not include all Minneapolis certificated personnel, and that the Minneapolis ratio is closer to 45. We do not know whether this is true for other districts, too.

II. Total Property Tax Burden

- A. Mill Rate -- The total mill rate in Minneapolis in 1968, for all purposes, is 269 mills, which is 15th from the lowest among 70 communities over 2,500 population in the metropolitan area. Lowest mill rate is in Eagan Township, 238 mills, and highest is Circle Pines, 381 mills. Communities in Hennepin County with lower mill rates than Minneapolis include Edina, Golden Valley, St. Anthony and New Hope.

The portion of the total mill rate for school purposes in Minneapolis is 103 mills, which is the second lowest school district mill rate in the metropolitan area. St. Paul is lowest, 93 mills. Golden Valley has the lowest suburban rate, 155 mills. The highest rate is in Mahtomedi, 262 mills. The low school mill rate in the central cities is primarily because they have a much higher assessed valuation per pupil than suburban districts. For the 1967-68 school year, the adjusted assessed valuation per pupil unit in average daily attendance was \$15,367 in Minneapolis; \$13,721 in St. Paul, with all suburbs lower, ranging to a low of \$2,386 in Circle Pines. Because of its high assessed valuation per pupil, Minneapolis receives only the minimum allowable on state aids, with local property taxes financing the majority of school costs. For the 1967-68 school year, local taxes made up 62 per cent of the total revenue receipts in Minneapolis, which ranks Minneapolis 6th among metropolitan area school districts in percentage of total revenue raised locally.

Although Minneapolis has one of the lowest school mill rates, its mill rate for municipal government is one of the highest, 96 mills. Stillwater is highest, 109 mills; followed by Forest Lake, 103 mills; St. Paul, 102 mills; and Newport, 97 mills. Lowest mill rate among municipalities over 2,500 population is 10 mills in Inver Grove Heights. Most major suburbs have municipal mill rates one half or less than that of the two central cities.

- B. Estimated Taxes on Equivalent Property -- Because of differences in property tax assessment practices, it is not enough to compare mill rates from community to community. If property is under-valued, the mill rate will be higher than otherwise necessary. The Citizens League estimated the 1968 property tax on an \$18,000 house among the 70 communities over 2,500 population in the metropolitan area, with valuations from community to community corrected for the differences in assessment practices. Residential sales ratio information from the State Equalization Aid Review Committee was used to correct for differences in assessment practices.

The estimates show that of the 70 communities, Minneapolis ranks 27th from the bottom, with an estimated tax of \$328 on an \$18,000 house. The range is from a low of \$257 in St. Paul to a high of \$434 in Lakeville. A number of large Hennepin County suburbs have lower estimated taxes than Minneapolis. They include Bloomington, Crystal, Edina, Golden Valley, New Hope, Plymouth, Richfield, Robbinsdale and St. Anthony.

III. Conclusion

We hope this information is helpful, in your understanding of the problem with which you must deal.

Comparative data of this sort is relevant, we believe.

But other factors must, as we have indicated, enter in. These are factors that are not easily measured.

We think they can be measured, however, somewhat better than they have been up to now. We would urge the agencies responsible for year-to-year decisions on school finance (and on public finance in general) to work toward the development of at least three elements:

- A. The first is effort. Mill rates, for reasons already explained, are not an adequate index of effort. Certainly income, and the "mix" of incomes in a municipality or school district, must be considered. We do not have good measures of income by community. State tax returns are not designed with research needs in mind (even though these needs are critical).
- B. The second is needs. Clearly, the school-age population varies from district to district, in background, aptitude, interest, etc. We are beginning to have some information about this variation in needs, and in the unit cost of the educational effort required to service these varying needs. But fuller and more reliable measures are needed. We think this is also a top-priority research need, for individual districts or perhaps for the ERDC serving most of the districts in the metropolitan area.

- C. The third is the "quality" of the school program. The same per pupil expenditure finances, to some extent, different things in different schools and school districts. There is a major need for some clear measures of what the dollar is buying, and how it varies from district to district.