

CITIZENS LEAGUE REPORT

No. 118

**Referendum on Minneapolis School
Board's taxing increase of 5 mils**

October 1960

Approved by
Board of Directors
Oct 18, 1960

Citizens League
545 Mobil Oil Building
Minneapolis 2, Minnesota

October 13, 1960

TO: Board of Directors
FROM: Education Committee, Arne Schoeller, chairman
Taxation and Finance Committee, James Pratt, chairman
SUBJECT: Referendum on proposal to increase School Board's property tax authority by five mills.

The Citizens League Board of Directors requested the Education and Taxation and Finance Committees jointly to prepare a report and recommendation with respect to the League's position on the proposal to increase the School Board's authorized property tax power by five mills, which is to be voted on at the November 8 election.

RECOMMENDATION

On the basis of their joint study and deliberation, the Education and Taxation and Finance committees recommend that the Citizens League support the request of the School Board for an additional five mills of property taxing authority.

The Citizens League long has been concerned with the soundness of Minneapolis' school program, and contributed substantially to the establishment of the special independent school district. The League also is continually concerned with providing information to the voters on referendum issues. We therefore urge all Minneapolis voters to inform themselves and vote on this vital issue of the proposed five mill increase -- the first such issue to be submitted to the voters under Minneapolis school district's independent status.

REPORT

Referendum procedures under special independent school district law

The special act for a special independent school district for Minneapolis, approved by the voters in June 1959, sets forth the procedure for raising the authorized property tax for school purposes. Under this procedure, the School Board declares its intention to raise the limit a specified rate, holds a hearing on its intention, then allows 60 days for a petition to be filed calling for a popular referendum on the proposed raise. If a proper petition is not filed within the specified time, the new limit goes into effect, subject to a referendum on petition at the end of two years.

If a proper petition (containing the signatures of at least 5,000 registered voters) is filed within the 60 days, the School Board must submit the issue to a referendum at a City general election or a State primary or general election within six months. If no such election falls within six months, the issue must be submitted at a special election.

Approval requires the affirmative vote of a majority of those voting at the election or 53% of those voting on the issue, whichever is lesser. If the issue is approved, the new limit becomes permanent and is not subject to further referendum.

Background of November 8, 1960 referendum

In late spring of 1960 the School Board tentatively determined that it would need about \$1,900,000 in additional property tax revenues in 1961 to meet estimated budget requirements. Assuming there would be no increase in taxable valuation above the \$392,000,000 in 1960, the Board projected the need for an increase of five mills in its tax ceiling: up from 47.6 mills to 52.6 mills.

The Board held hearings on the proposed increase, and on August 19, 1960 formally adopted a resolution to raise the tax ceiling by five mills. Shortly thereafter, a citizens group was formed to circulate petitions to call for a referendum on the proposed increase.

Subsequently the City Assessor reported that Minneapolis taxable valuation for taxes collectible in 1961 would actually be increased by \$12,645,273. Since this would bring in more than \$600,000 over 1960 revenues at the existing 47.6 mill rate, the Board decided it would need only 3.4 mills additional to finance the total increase of \$1,900,000 and therefore on October 4, 1960 it declared its intention to levy for 1961 only 3.4 mills additional, if the proposed ceiling of 52.6 mills became effective.

However, since the time had expired within which it might have asked for a lesser increase in the ceiling than the five mills it had previously estimated, the Board could not alter its original request for this amount of raise in the ceiling. The issue of an increase in the tax limit is therefore five mills rather than 3.4 mills.

In late September a petition for a referendum was filed with the City Clerk and was found to have enough valid signatures. The City Council then set a referendum on the five mill increase for the November 8 general State election.

Needs outlined by Board of Education

The School Board's 1961 tentative budget is \$30,541,517 compared to \$28,646,097 for 1960, an increase of \$1,895,420.

The Budget for 1960 and 1961 (tentative), and actual receipts and expenditures for 1959, are summarized in Appendix A. The detailed breakdown of the proposed increase for 1961 is shown in Appendix B.

Of the proposed increase, approximately \$1,333,000 is for a general salary increase for school employees, and \$560,000 is for maintaining existing services on present policies, providing for additional enrollment in 1961, and for certain program expansions in selected areas.

From information supplied by the school administration we have not been able to differentiate clearly between expense items for "maintenance of existing program" and those for "additional services", but it appears that about one-half of the

\$560,000 is for additional services,

The most significant clearly earmarked areas of expanded services are (a) increased number of teachers to reduce average class size to 31 pupils per teacher in elementary schools and 27 pupils per teacher in senior high schools, (b) increased number of counselors to reduce the pupil-counselor ratio from 500:1 to 460:1, (c) increased library service so that most but not all of the elementary schools will have a librarian once a week, and (d) more teachers for handicapped children.

Previous League studies have indicated the need for reduced class size and for expanded services in school libraries. We have recommended speedy progress towards achieving a pupil-counselor ratio of 350:1.

It should be noted that the full financial impact of adding new positions would not be felt until 1962, because some of the proposed new positions would not be filled until after the start of the 1961 budget year. Thus, it is estimated that new positions estimated to cost \$170,000 in 1961 would cost \$295,000 for a full year.

Further detailed analysis of these requests for expanded services was not attempted in the limited time available, nor did it seem necessary in view of the fact that the program of increased costs of present services and expanded services could be financed without any millage increase. This is because of the increased total property valuations in the City. Thus, 47.6 mills, the 1960 ceiling, when applied to the new total property values for the City would produce about \$600,000 -- more than the \$560,000 additional needed for the items just listed.

It is not likely, however, that should the five mill increase fail to be approved, the School Board would allocate all the \$600,000 to the above listed needs. The Board has instituted studies of what it would do in the event the five mills are turned down, and it seems probable that a portion of the \$600,000 would be allocated to salary schedule increases.

As already indicated, the lion's share of the proposed 1961 increase in revenues, about \$1,333,000, is earmarked for salary schedule increases which would result in added costs of about \$1,133,000 for teachers pay and about \$200,000 for civil service personnel.

The \$200,000 would be used to raise wages in response to raises for similar positions in the community, but the schools' raise would not be as great as that in outside industry, in accord with the School Board's policy of making school and community wages plus fringes equal by 1965.

Salary schedule increase for teachers

The School Board says that intensifying competition in recruiting and retaining superior teachers is the principal reason for its request for funds to increase the salary schedule for teachers at a cost of \$1,133,000 next year. It says that because of the salary problem (a) Minneapolis is not attracting as many top grade beginning or experienced teachers into our system as it should or as it has in the past, and (b) Minneapolis increasingly is losing some of its superior experienced teachers to other school systems, especially in the suburbs.

We have received information from the school administration which tends to substantiate its claims that it has a problem of teacher attraction and retention. The Education Committee expects to get much more such information during the coming year as it undertakes the major task of appraising the whole field of teachers' salaries, fringe benefits and other incentives, in school districts throughout the metropolitan area.

To illustrate the complexity of the question of teacher attraction and retention, we cite (a) some factors which seem to indicate that Minneapolis is in a disadvantageous position to attract and retain teachers, (b) a factor which seems to make Minneapolis' position advantageous, and (c) some matters of policy and administration which might either favor or handicap Minneapolis in this regard.

Disadvantageous factors

1. While the beginning salary for B.A. college graduates in Minneapolis is almost comparable to salaries for similar positions in the suburbs, the maximum for a teacher with several years experience and advanced degrees is substantially below the comparable maximum in most suburbs (see Appendix C). The differential in maximums is particularly of concern to incoming teachers who are interested in a lifetime career in the Minneapolis system. (On the other hand, the differential is not quite as great as it seems, inasmuch as the salary rates for the suburban schools were effective eight months later than the Minneapolis rates due to the fact the Minneapolis is on a calendar year basis and the suburbs are on a school year basis.)

2. According to school officials, Minneapolis is not attracting as many top grade beginning or experienced teachers as it should be or it has in the past.

3. According to school officials, Minneapolis increasingly is losing some of its superior experienced teachers to other school systems, especially in the suburbs.

Advantageous factor

1. For teachers with 10 years or more experience, Minneapolis' retirement plan currently is worth over \$350 yearly more than the State plan under which the suburban schools operate, and on the basis of present retirement plan provisions this differential could be expected to go up several hundred dollars additional. (On the other hand, the School Board points out that many teachers coming in at the bottom of the salary schedule are little concerned with retirement benefits which would accrue to them only after many years of service.)

Policy and administrative factors that might be advantageous or disadvantageous.

1. Recruitment policies and techniques.
2. Structure of the salary schedule, e.g., number and value of yearly increments.
3. Non-salary working conditions, such as modernity of plant and equipment.

Even after evaluating the latter items it would be desirable, of course, to determine additional facts, such as the reasons teachers leave the Minneapolis system, the trend of teachers leaving the Minneapolis system, comparison of Minneapolis' and suburbs' experiences in teacher separations, and comparison with national trends.

The Education Committee expects to be better equipped to appraise and comment on these and other factors affecting the teacher-supply-and-demand problem after completing this year's study, which it has been asked to undertake by the League Board of Directors. Short of such a study we do not believe that it is possible for us to make detailed recommendations regarding the problem of teacher attraction and retention.

We believe nevertheless that the School Board's determination of the need for higher salaries for Minneapolis teachers should be accepted at this time, for these reasons:

1. The philosophy of the recent legislation creating the special independent school district is that the voters place confidence in the fiscal responsibility of their elected School Board members so long as they do not misuse this fiscal power. We see nothing to indicate that this School Board has misused or is likely to misuse its fiscal power.
2. In the last analysis the complex issue of higher teacher salaries and their effect on attraction and retention of teachers must be resolved on the basis of an informed judgment. In our opinion the School Board at this time is in the best position to make such a judgment.
3. The possibility of a deterioration in the educational program, due to failure to attract and retain good teachers or to lowering of teacher morale, is one we believe should be avoided in view of the consequences for the education of Minneapolis children. In terms of the importance of local government services, we hold this to be of the greatest long range importance and therefore believe that any fears of a deterioration of educational program should be resolved in favor of steps to prevent such deterioration, which in this case means granting the higher salary schedules. We also note that the amount requested for teacher salary increases still would not be sufficient to permit placing the Minneapolis maximum at the maximum of some suburban salary schedules.

The use of the property tax

Since the property tax is the School Board's only source of tax money, the increased funds being asked by the Board can at this time come only from an increase in the tax levy.

The Citizens League over the years has repeatedly stated its conviction that, under the present system and administration of the property tax, this tax in Minneapolis is at a level which is high compared with similar cities. The League has therefore strongly favored finding a major nonproperty tax source to help take the pressure off the property tax.

Since the League first took this position, the property tax rate in Minneapolis has continued to rise and we have continued to lend our support for a nonproperty tax source. Two years ago the League supported the establishment of the Community

Tax Study by the Minneapolis City Council for the purpose of looking for new tax sources, and appointed a representative on the group. Currently, the Taxation and Finance Committee has a subcommittee exploring anew the possible additional sources of revenue.

Recognizing the importance of continuing to try to create the conditions in the community conducive to securing the nonproperty tax source, the Education and Taxation and Finance Committees do not believe that it is desirable to do so by rejecting the School Board's current request for the five mill increase. This is because, in our opinion, as we have indicated, the result would be a deterioration of the educational program during the period before a new tax source becomes available. We believe this would result in lost educational opportunities for the City's children which would not be able to be reclaimed, unlike the postponement of certain other local services.

At the same time, however, we believe that its newly-independent status places added responsibility on the School Board in solving its fiscal problem. It needs to show greater interest in finding new non-property tax sources of revenue, for failure to find such a source will inevitably lead to a weakening of educational standards and possible loss of local control of our school program.

Probably the leadership among official agencies for finding a new source needs to come from the City Council, as the City's central governing body. But the School Board should cooperate closely with the Council and other local taxing bodies and community groups in seeking to agree on and achieve adoption of a new tax source. The time for such cooperation and energetic action by all local taxing agencies seems now to be especially ripe in view of the growing needs of all agencies, the climate of public awareness engendered by the recent Charter Commission deliberation on proposed special taxes, and the imminence of the 1961 Legislative session.

School Board's responsibility to give voters adequate, accurate information

Part of the School Board's added responsibility under its new fiscal independence, in our opinion, is that of providing accurate and understandable information from which the voters and citizens groups may judge the effectiveness of our school program, and of formulating detailed budgetary proposals in sufficient time for deliberate study by citizens' groups. This responsibility is highlighted by the impending vote. The School Board should welcome this opportunity to take its case to the people.

Summary of arguments pro and con

In favor of the increase:

= 1. The School Board under the special independent school district law has the responsibility for determining school fiscal needs, subject to being called to account at the polls if it misuses its discretion. There is no evidence that the Board has misused its discretion.

2. In view of the irreparable damage to children's education from basic deterioration of the educational program, the possibility of such deterioration should be avoided.

3. The School Board presently has no other available source of additional revenue than the property tax increase.

In opposition to the increase:

1. The property tax in Minneapolis is already high compared to competing cities.

2. Denying the tax increase, while it might temporarily endanger the educational program, might lend additional impetus to a community-wide effort to obtain an alternative major revenue source.

Recommendation

Weighing the pros and cons, the Education and Taxation and Finance Committees recommend that the League support the proposed five mill increase in the School Board's property tax authority.

APPENDIX A

(000 omitted)

<u>Revenue receipts</u>	<u>1959 actual</u>	<u>1960 estimate</u>	<u>1961 estimate</u>
Property tax	\$17,000	\$18,579	\$20,507*
Other local receipts	738	788	784
Receipts from county	368	483	483
Receipts from state	8,282	8,523	8,437
Receipts from federal government	125	272	260
	<u>\$26,513</u>	<u>\$28,646</u>	<u>\$30,471</u>
 <u>Expenditures</u>			
Administration	\$ 525	\$ 750	\$ 709
Instruction			
Salaries	17,785	19,054	19,557
Other	936	1,109	1,194
	<u>18,722</u>	<u>20,163</u>	<u>20,750</u>
Attendance and health services	674	723	732
Pupil transportation services	236	252	239
Operation of plant			
Salaries	2,699	2,894	2,934
Other	1,186	1,221	1,233
	<u>3,885</u>	<u>4,115</u>	<u>4,168</u>
Maintenance of plant			
Salaries	1,152	941	1,020
Other	493	501	422
	<u>1,646</u>	<u>1,442</u>	<u>1,442</u>
Fixed charges	141	226	236
Food services and student body activ.	142	146	146
Community services	5	5	5
Capital outlay	415	344	300
Other educational services	517	481	482
Total expenditures			
Salaries	23,474	24,789	25,429
Other	3,433	3,857	3,779
TOTAL	<u>\$26,907</u>	<u>\$28,646</u>	<u>\$29,208</u>

* Figured on 52.60 mills and \$392,800,000 taxable valuation.

SOURCE: School Board's work sheet for tentative budget document for fiscal year ending December 31, 1961.

APPENDIX B

DISTRIBUTION OF ADDITIONAL \$1,895,420 ASKED BY SCHOOL BOARD FOR FISCAL YEAR 1961

Additional teachers and other professional personnel		\$ 257,700
<p>23 more teachers: (1) to reduce elementary class size from 32.3 pupils to 31 pupils. (2) to provide additional learning opportunities for gifted and talented students.</p> <p>7 more librarians: part of 5 year program to improve library service in elementary schools.</p> <p>2 more remedial reading teachers (\$70,600)</p> <p>12 more senior high teachers: lower average class size from 27.2 to 27.0 students. Also increase emphasis on academic programs.</p> <p>17 more counsellors: to reduce pupil-counselor ratio from 500:1 to 460:1 (\$79,500)</p> <p>6 more assistant principals: for increased enrollment and to fill 1960 vacancies (\$20,000)</p> <p>14 more teachers for handicapped pupils (\$52,800)</p> <p>4 more helping teachers: for music, science, and hearing handicapped students. (\$16,100)</p> <p>3 administrative assistants: for finance director, research director, superintendent (\$18,800)</p>		
More textbooks, library and testing materials	84,528	
Salary increments for 2,600 employees not at maximums	418,000	
More clerical and custodial employees for new buildings and rooms	29,100	
Restoring some 1959 cuts in driver training program	20,000	
Additional services and supplies	22,000	\$ 831,428
LESS: Savings and reductions from 1960 costs (mostly employee turnover)		269,100
NET: Additional cost in 1961 without general salary increases		\$ 562,328
Proposed 1961 salary and wage schedule increases		
Civil service personnel	\$ 200,092	
Teachers and other professional personnel	<u>\$1,133,000</u>	<u>\$1,333,092</u>
TOTAL		\$1,895,420

APPENDIX C

Teacher Salary Schedules in Hennepin County - 1960-61

<u>School District</u>	<u>Beginning B.A.</u>	<u>After 12 Years</u>	<u>M.A. Maximum</u>	<u>Top Maximum (Mpls.-Ph.D.)</u>
Bloomington	\$4,500	\$7,640	\$8,555	\$9,155
Earl Brown	4,500	7,500	8,000	8,300
Eden Prairie	4,300	6,100	6,400	6,400
Edina-Morningside	4,500	7,675	8,500	8,500
Golden Valley	4,500	7,740	8,730	8,955
Hopkins	4,500	8,000	8,800	9,500
MINNEAPOLIS	4,400	7,050	7,450	7,850
Minnetonka	4,400	7,900	8,700	8,900
Mound	4,500	7,200	8,000	8,150
Orono	4,500	7,500	8,300	8,600
Osseo	4,500	7,600	8,000	8,000
Richfield	4,500	7,795	8,710	8,960
Robbinsdale	4,550	7,750	8,250	8,850
St. Anthony	4,600	6,950	7,450	7,450
St. Louis Park	4,400	7,700	8,550	9,700
Wayzata	4,400	7,304	8,360	9,680

SOURCE: Minneapolis Public Schools