

CITIZENS LEAGUE REPORT

No. 93

**Proposal to amend Chapter 122, Laws of
Minnesota**

October 1958

Approved by
Board of Directors
10/22/58

October 21, 1958

Citizens League
601 Syndicate Building
Minneapolis 2, Minnesota

TO: Board of Directors
FROM: Education and Taxation and Finance Committees
SUBJECT: Proposal for amending Chapter 122 (formerly 947), Laws of Minnesota, dealing with a modified independent school district

The League's Education and Taxation and Finance Committees have considered proposed changes in Chapter 122 (formerly 947) of the Laws of Minnesota dealing with a modified independent school district. Our consideration has included careful attention to all the objections raised to Chapter 122 by the League Board of Directors before the September 9 referendum.

We recommend modifications in Chapter 122 along the following lines:

1. Adopt provisions on the selection, composition and tenure of School Board members similar to those in the present Minneapolis City Charter, except that the School Board be given authority to fill interim vacancies by appointment.
2. On any petition to convert to a modified independent school district under 122, require signatures equal in number to at least five per cent of the votes cast at the last regular municipal election.
3. Within the \$92 per capita statutory property tax limit, put the School Board's present tax limitation on a per pupil basis, adjustable by a cost of living index, convert this limitation to one which includes all local tax sources for schools, and give the Board the authority to increase this limit on its own resolution, subject to referendum initiated by petition of voters equal in number to at least five per cent of those voting at the last regular municipal election.
4. Give the School Board the authority to issue annually on its own resolution bonds up to $\frac{1}{2}$ of 1% of the assessed valuation, and beyond that upon approval of a majority of those voting at a referendum thereon; subject to these conditions: (1) assumption of present school debt by the School Board, (2) a vote of two-thirds of all Board members on bond issues, (3) a limit on outstanding school debt of 20% of assessed value, and (4) mandatory referral of all proposed bond projects to the Planning Commission for its comments as to compliance with the City's plans for the physical development of the community.

The committees also recommend that the Board of Directors support a concurrent effort to obtain a special law at the 1959 Legislature to accomplish these same objectives in view of the uncertainty of success in amending Chapter 122.

Our objective in considering the whole subject of changes to Chapter 122 has been to increase fiscal independence of the School Board and thereby focus responsibility for all school matters on that body, and yet maintain a degree of coordination between the schools and other City functions which will assist orderly operation and growth.

The following pages contain the background of this report and details and explanation of our recommendations.

Background

After defeat of a referendum on September 9 for conversion of Minneapolis to an independent school district under Chapter 947 of 1957 Laws of Minnesota, the Board asked the Education and Taxation and Finance Committees to consider ways of obtaining the objectives which the League supported in the 947 referendum, namely, general retention of the present provisions of the laws and Charter on selection, composition and tenure of the Board of Education and a greater measure of autonomy in the fields of borrowing and taxation for the Board. The two committees therefore reactivated the joint subcommittee on this problem, under the chairmanship of Gerald Magnuson of the Taxation and Finance Committee. Other members were Waite Durfee, Harold Field, Ruth Johnson, James Pratt, Archie Spencer and Fred Thomas. Lucas Van Hilst and Wilfred C. Leland, Jr., chairmen respectively of the parent Education and Taxation and Finance Committees, served ex officio.

At about the same time as the joint subcommittee resumed work, the Citizens Committee on Public Education sponsored an effort to bring together all the groups involved in the 947 controversy to attempt to arrive at a common approach to the schools' finance problem. This resulted in the establishment of a steering committee to bring back to the constituent groups a proposal for discussion. Lucas Van Hilst is the chairman of this steering committee and Gerald Magnuson is a member. This enabled the League's joint subcommittee to maintain close liaison with the efforts and strategy of other community groups so that its deliberations and report could have the maximum effectiveness.

At the same time, however, the joint subcommittee -- and subsequently the joint meeting of the two parent committees -- approached the problem independently within the scope of the League's stand on 947 before September 9.

The present report largely represents the independent study and discussion of the joint subcommittee and the parent committees meeting jointly.

Chapter 947 has become Chapter 122 in the Laws of Minnesota and is so referred to in the rest of this report.

Strategy

Those responsible for the defeat of conversion of Minneapolis to an independent school district under Chapter 122, including the Citizens League, believed the first effort after the election should be to remove Minneapolis from application of the law. Discussion with members of the Legislative Interim Commission on School Laws Recodification, which is considering amendments to Chapter 122, indicated, however, that such a move would be unacceptable to them. They further indicated a willingness to propose amendments to 122 which would bring it more in line with the wishes of Minneapolis and the other two first class cities, St. Paul and Duluth.

The strategy adopted by the steering committee and our joint subcommittee was therefore to attempt first to achieve acceptable amendment of Chapter 122. This is what is proposed in the present report and is therefore designed to provide workable provisions for all three first class cities, not just Minneapolis alone.

However, both the joint subcommittee and steering committee agreed at the same time to plan to prepare a special law for Minneapolis which can be presented to the 1959 Legislature to accomplish the same objectives, in the event Chapter 122 is not amended satisfactorily.

Recommendations on election provisions

The committees recommend that the following election provisions apply:

1. Seven member board elected at large.
2. Removal from Chapter 122 of the possibility of Minneapolis' converting to election by districts.
3. Six-year staggered terms.
4. Elections every other year at regular municipal elections.
5. Candidate filings: not more than 90 nor less than 50 days before the primary election.
6. Interim vacancies filled by appointment by School Board.
7. Registration of voters required.
8. City Council to bear the basic part of the expense of elections.

For the most part, these are the provisions now in effect in Minneapolis. Exceptions are: (1) School Board to fill interim vacancies by appointment instead of leaving this with the City Council, (2) removal of the power of the School Board to switch from at-large elections to district elections.

The League's report on conversion to an independent school district under Chapter 122 criticized the election provisions as doing positive harm to the school system because of a lack of a primary election, failure to require voter registration, annual elections, shortened term of office, and district elections. These objections are overcome in the above recommendations.

Recommendation on petition to convert under 122

The committees recommend that the petitions for conversion must contain signatures of eligible voters equal in number at least to five per cent of the number of votes cast at the last regular municipal election. Currently, this would be about 6,400.

Chapter 122 now requires only 200 signatures, which the League felt was much too few.

Recommendations on school taxing power

The committees recommend the following:

1. Retain the \$92 per capita statutory limit now in Chapter ~~122~~²⁷⁵.
2. Establish a local tax limitation on a per pupil basis, either per pupil enrolled or average daily attendance, with the provision that this be subject to a cost of living adjustment based on, for example, the consumers price index of the U.S. Census Bureau. For Minneapolis this would mean converting the present millage limit to the per pupil limit to find the tax limit in effect as of the effective date of conversion under 122.

3. School Board to have power to raise per pupil limit by resolution, subject to petition within 60 days protesting the new limit and calling for a referendum thereon. Petition must be signed by registered voters equal in number to at least five per cent of the votes cast at the last regular municipal election.

Discussion

The Interim Commission has the goal of getting all school districts operating under the same law, and is not going to look favorably on suggestions that it reduce the \$92 per capita limitation in Chapter 122.

Leaving this alone, we have suggested another limitation similar to that provided for Duluth by a special law passed in 1955. To start, Minneapolis would convert its present mill limit to a per pupil limit. Thereafter, the School Board would be able to increase the per pupil limit on its own resolution, subject to the referendum check.

Three new limits have been set in Duluth since the law went into effect. The first time it was submitted to a referendum and approved. The second time there was no referendum, and the third time the petition was found invalid, and no referendum was held.

Two major deviations are suggested from the Duluth law; (1) it is proposed that the limit be a tax limitation on all local taxes rather than property taxes alone because of the League's previous stand that the Minneapolis school system should not look solely to the property tax for local revenue, (2) the limit is tied to a cost of living factor.

It is felt that this is as far as the Interim Commission would go in including a limit for first class cities.

Recommendations on school borrowing power

The committees recommend the following:

1. School Board to have authority to issue each year on its own resolution bonds up to an amount of one half of one per cent of the taxable valuation of the school district. For 1959 this would amount to about \$1,960,000 for Minneapolis.

2. If the School Board in any year desires to issue bonds in excess of $\frac{1}{2}$ of 1% of taxable valuation, it must submit such bonds to vote of the people. Simple majority of those voting on the issue required to carry.

3. All School Board actions for the issuance of bonds shall require a two-thirds vote of all the members.

4. Whenever the School Board proposes to issue bonds for capital purposes, whether on its own resolution or on approval of the voters, it must first submit its proposal to the City Planning Commission for the commission's recommendation as to consistency of the proposals with the City's master plan and other plans of physical development. The Planning Commission is given a specified period in which to forward its recommendation to the School Board, and if the commission does not act within that time, the School Board may proceed without waiting for the commission. Having complied with this referral requirement, the School Board shall have a final decision on the issuance of bonds, regardless of the Planning Commission's recommendation.

5. Upon conversion to an independent district, the School Board shall assume all outstanding debt of the City of Minneapolis incurred for school purposes. On September 30, 1958, this amounted to \$18,759,229.

6. The limit of outstanding bonded debt for school purposes shall be 20% of taxable valuation. This amounts to about \$78,000,000 in Minneapolis now, compared with the present debt limit for all purposes of about \$110,000,000. Under the law apparently the \$110,000,000 would continue, but would apply to all city purposes except schools, thus making the overall limit \$188,000,000.

7. School Board to have authority to issue revenue anticipation certificates.

Discussion

(1) Independence from other City agencies.

The committee discussed at length the issue of how much independence should be given to the School Board on bond matters. At present, the School Board has no borrowing power and must submit its requests to the City Council and the Board of Estimate and Taxation. The Council sets the maximum and the Estimate Board may cut below this. A two-thirds vote of the full membership is required of each body. In recent years the Council has been aided by the Capital Long Range Improvements Committee (CLIC), a group of officials and citizens whose purpose has been to help the Council arrive at a system of priorities. Under the present plans and actions to build up the Planning Commission, it is expected that CLIC will be absorbed by the Planning Commission.

The arguments given against detaching the School Board from the present coordinating mechanism were:

1. Capital improvements in one functional area of local government are related to capital improvements in another area, and the best planning dictates that they be carefully coordinated. For example, the relationship of parks, streets and redevelopment to schools.

2. There is evidence that in cities where formal coordination among governmental units is not legally provided, there is a public demand for as much informal coordination as possible, but informal coordination does not work as well as the formal variety.

3. The City has made real progress in its planning coordination in recent years, first through CLIC, now through its rejuvenated Planning Commission. The latter has received many tributes in the last year or two, for the vigor of its citizen leadership, the excellence of its staff appointments, the scope of its program planning, and the expansion of its budget.

4. From a strategic standpoint, provision of capital improvement coordination will provide some reassurance to those who resist giving the schools any separate bonding power.

The arguments given in favor of cutting the schools loose from any official ties on bonding were:

1. There are indications that the School Board in the past has had to decide such matters as school building location on the basis of City Council pressure rather than the best site.

2. School building needs are determined by rates of obsolescence and population shifts and are not particularly related to other factors which do, however, affect capital improvements of other municipal agencies.

In addition, there was an argument for making all bond issues subject to voter approval. It was said that bond issues are an easy way for elected officials to hide or disguise public expenditures they are incurring, as distinguished from current expenditures which are immediately reflected in the current tax rate. For this reason, it was said all bond issues should be referred to the people and not be left to the control of officials.

The suggestion for mandatory referral of all bond questions to the Planning Commission is a way of providing assurance that the School Board's capital planning is being checked against the overall community program. This is a provision which is regarded as desirable by most authorities on planning. Final decision on the bond issues still rests with the elected body -- the School Board. It may be noted that by Charter the Board of Education has an ex-officio member on the Planning Commission, who happens at this time to be the Commission's president.

(2) The yearly amount to be issued on authority of the Board of Education

The question of how much authority the School Board should have to issue bonds each year on its own resolution hung mostly on the problem of coordination of Minneapolis with St. Paul and Duluth under 122. Rep. Popovich of the Interim Commission is said to be favorable toward a figure limiting St. Paul to about \$1,000,000 a year. Under the one-half of one per cent formula, St. Paul's limit this year would be about \$1,170,000.

The requirement for submission of issues beyond the yearly amount issuable by the Board on its own resolution is the present requirement in 122. The committee favored this, but provided as noted that these bond issues should also be subject to the mandatory referral to the Planning Commission.

(3) The School debt limit.

The provision for setting the debt limit at 20% of assessed valuation also was suggested as necessary because of St. Paul. Currently, St. Paul's school debt is at about 7.2% of assessed value. Approval of a bond issue on November 4 would put it well over this figure. Duluth at the present time has outstanding school indebtedness equal to about 9.8% of assessed valuation.