

CITIZENS LEAGUE REPORT

No. 197

**CL Response
Increased taxing authority of the
Mpls. Library Board**

August 1966

197

Citizens League
545 Mobil Oil Building
Minneapolis, Minnesota 55402

APPROVED: BOARD OF DIRECTORS
August 10, 1966

TO: Board of Directors

FROM: Legislative Action Committee, Greer Lockhart, Chairman

SUBJECT: Citizens League reaction to proposed Minneapolis Charter Amendment No. 20:
an amendment increasing the taxing authority of the Minneapolis Library Board.

RECOMMENDATIONS

1. Proposed Charter Amendment No. 20 would increase the tax-levying authority of the Minneapolis Library Board from its present maximum of 4 mills to 6 mills, an increase of 2 mills. Minneapolis voters, on September 13, have only two choices. They must vote either "yes" or "no." On balance, we clearly favor granting an additional 2 mills of taxing authority to the Library Board to the alternative which would deny the Library any additional taxing authority. We, therefore, urge the voters of Minneapolis to vote "yes" on Charter Amendment No. 20.

2. The Librarian and two members of the Library Board informed us that, if Amendment No. 20 is approved by the voters on September 13, the Library Board does not intend to levy the full 2 mills of additional taxing authority at once. Rather, we understand, the Library Board intends to increase its levy over a period of years. We urge the Library Board, prior to the September 13 election, to make a clear statement of intent to the voters of Minneapolis. Although such a policy declaration would have no binding legal effect on future Library Boards, it would represent a stated policy which we would expect would be followed in the absence of compelling changes in circumstances.

BACKGROUND

The State Legislature in 1951 established the present maximum taxing authority of 4 mills, adjustable for homestead exemption. The homestead adjustment results in an actual maximum of 4.475 mills. This is the amount levied in 1966.

The Library Board, on two previous occasions, has asked the voters to increase its maximum taxing authority. In 1959 the voters defeated a proposed amendment which would have increased the levying authority from 4 to 5 mills, a 1 mill increase. Again, in 1961, the voters defeated a proposed amendment which would have increased the taxing authority by 1½ mills.

The Citizens League reviewed the 1959 and the 1961 proposed increases and urged voter approval on both occasions.

RECENT DEVELOPMENTS

After a period of indecision, the Library Board late this spring asked the Minneapolis Charter Commission to submit a proposed charter amendment at the September 13 primary election increasing its taxing authority to 6 mills, an increase of 2 mills. The Charter Commission held a public hearing on the proposed amendment on June 30.

All organizations which appeared at the hearing supported an increase in the Library Board's taxing authority. However, the Citizens League urged that the proposed increase be reduced from 2 mills to 1 mill.

The Charter Commission, at its June 30 meeting, voted to submit the proposed amendment to the voters at the September 13 primary election at the 2 mill increase level requested by the Library Board.

COMMITTEE PROCEDURE

The normal Citizens League procedure of establishing a research committee to make an in-depth review of the financial needs of the Minneapolis Library system could not be followed in this instance. We were given only two weeks' notice of the Charter Commission's June 30 public hearing on the proposed amendment. The proposal had to be referred to our Legislative Action Committee, a permanent committee consisting primarily of members of our Board of Directors and having administrative rather than research responsibilities.

The Legislative Action Committee, in the short time available to it, met on June 23 with the President of the Library Board, Bruce Smith, Library Board Trustee Ralph Forester, and Librarian Ervin Gaines. The committee reviewed three previous Citizens League reports, the last issued in 1965, all of which unequivocally concluded that the Minneapolis Library Board needed additional taxing authority. In addition the staff has considered the most recent information on the likely impact of tax equalization on library revenues in 1966 and 1967.

The Legislative Action Committee has, of necessity, relied heavily on the findings contained in the three previous Citizens League library reports to support its recommendations urging that the voters approve Amendment No. 20.

DISCUSSION

The proposed two-mill increase and taxing authority

The Minneapolis Library Board obtains its financial support from three general categories of sources. The vast majority of income (more than 80%) comes from taxes on real and personal property within the City of Minneapolis. A steadily increasing source of income, both in dollar amount and per cent of total revenues, has been derived from a mill levy on suburban Hennepin County taxpayers for suburban use of city libraries, under the terms of a contractual agreement between the Hennepin County Board of Commissioners and the Minneapolis Library Board. This suburban payment amounted in 1966 to 15% of total library income. The third category of income comes from a whole host of miscellaneous sources, the largest of which is \$85,000 from fines and desk receipts.

The Library Board is limited by a state law enacted in 1951 to a tax levy on real and personal property in Minneapolis of not to exceed 4 mills, adjustable for homestead exemption. With the homestead adjustment, the actual maximum during the current year is 4.475 mills*, which is the amount levied in 1966. The proposed 2 mill increase in taxing authority for library purposes represents a 50% increase over the present taxing authority. In dollars, the 2 additional mills would amount to

*The additional 2 mill levy would also be subject to the homestead adjustment. Reference to the 2 mills in this report, therefore, also includes reference to the adjustment.

between \$800,000 and \$850,000 based on present valuations.

The Library Board has two alternative routes in seeking additional taxing authority. It could ask the State Legislature to increase its taxing authority as it did in 1951, when it received its last increase, or it can seek voter approval through a charter amendment. The Library Board has chosen the latter alternative.

Expenditure trends

Although the Minneapolis Library Board has had no increase in its taxing authority since 1951, its actual level of expenditures has increased. For example:

<u>Year</u>	<u>Expenditures</u>	<u>% Expenditure Increase over 1950</u>
1965	\$2,279,336	84.5%
1960	1,929,967	57%
1955	1,657,091	35%
1950	1,229,942	-

The 84.5% increase in total expenditures in 1965 over the 1950 year represents an average annual increase of 5.6%. The average annual rate of increase during the most recent five years, however, has averaged only 3.6%.

These increased expenditure levels have been possible for two principal reasons. First, each mill produces more income today than it did in previous years because of the continued growth in property valuations in Minneapolis. For example, in 1955 each mill raised \$360,389 in tax revenues. By 1960, the amount of dollars raised by each mill levied had increased to \$405,420. By 1965 each mill produced \$425,338 in tax revenues. Second, the contract between the Hennepin County Board of Commissioners and the Minneapolis Library Board for suburban use of the Minneapolis system provides for payment by suburban taxpayers based on its use of the system. As this use has increased, so has the amount of its dollar payment. For example, the amount of the suburban payment in 1960 was \$117,565. In 1966, suburban taxpayers will pay approximately \$337,500, representing revenue from 1½ mills levied on the suburban and rural portions of Hennepin County.

Program statistics

The level of use of Minneapolis library system facilities has stabilized in recent years based on the program statistics published annually by the Minneapolis Library Board. For example:

	<u>1961</u> <u>Actual</u>	<u>1962</u> <u>Actual</u>	<u>1963</u> <u>Actual</u>	<u>1964</u> <u>Actual</u>
Books Loaned for Home Use	2,830,489	2,725,595	2,712,090	2,566,170
Central Library	764,174	815,757	798,547	723,371
Extension Agencies	2,066,315	1,909,838	1,913,543	1,842,799
Adults	1,515,846	1,500,720	1,490,006	1,380,803
Juveniles	1,314,643	1,224,875	1,222,084	1,185,367
Non-Book Items Loaned	117,829	95,698	86,558	73,709
Registered Borrowers	221,764	234,377	246,844	249,233
Books in Library System (12-31)	971,208	1,001,107	1,022,622	1,027,498
Books Bound or Rebound	19,063	24,187	22,742	23,005
Magazines Prepared for Circulation	15,802	14,495	15,180	15,609

Actually, there has been a slight decline in the number of books loaned during the two most recent years. Since surveys have indicated that the proportion of suburban use of the Minneapolis system has been increasing, it is use by Minneapolis residents which has been declining.

Despite a tight financial situation and apparently as a result of recent reforms and efficiencies, it has been possible for the Library Board to reverse the past trend of a declining budget for book purchases. For example, the amount budgeted for this purpose this year is \$208,000, up \$31,200 over last year's amount. We have previously deplored the small amount and percentage of budget spent for books. We commend the Board and Librarian for their accomplishment in this area and hope that they will be in position to further expand the book budget in ensuing years.

Past requests for additional financing

The Library Board in 1959 asked the voters of Minneapolis to increase its tax-levying authority by 1 mill. The basic reason given by the Library Board for its additional requirements was to strengthen and expand library services. Specifically, the Library Board mentioned the need to have the main Library open on Saturdays during the summer months and to increase the number of hours the branch libraries were open during the fall, winter and spring months. The Library Board also had a program for constructing new branch libraries in Minneapolis and it needed additional money to operate these new branches if and as they were opened. The Library Board pledged to the voters during the campaign that, if the additional 1 mill was granted, only one-half mill would be levied during the following year, and such additional amounts in subsequent years as needed.

The Citizens League urged a favorable vote on the proposed amendment in 1959 and, in so doing, cited the need to strengthen and improve library services generally. The report called attention to the fact that the Library Board, not being the principal governing body within the City of Minneapolis, had to look to the property tax exclusively for its additional financial requirements. The amendment was rejected by the voters, and the Library Board was compelled to meet its requirements out of existing revenues.

In 1961, the Library Board again asked the voters for increased taxing authority, this time seeking a 1.5 mill increase. With the homestead adjustment, the increase would have amounted to 1.69 mills at that time. The Library Board advanced several principal reasons for requiring the additional income. It cited a substantial increase in book circulation, stemming largely from the opening of the new Main Library building. The Board called attention to an urgent need to increase book purchases. The Board, as in 1959, stated that it had to have additional income if it was to undertake its program of constructing new branch libraries within Minneapolis. As in 1959, the Board pledged not to levy the full 1.5 mills during the following year.

The Citizens League, in urging voter approval of the proposed amendment, pointed out the need for additional income in order to provide an adequate level of library services. However, the report expressed the conclusion that the 1.5 mills represented sufficient additional income to provide for long-range library needs and urged the Library Board to levy less than the amount authorized during the next few years. The Citizens League report called attention to the fact that the Library Board, under the Minneapolis City Charter, had to have the consent of the Minneapolis Board of Estimate and Taxation for its specific requested tax levy each year.

Again, the voters rejected the proposed amendment. The major detrimental effect on the Library Board resulting from rejection of the amendment was to again cause deferment of a program to construct new branch libraries within Minneapolis for unserved areas of the city and to replace old, poorly located existing branches.

1965 Citizens League report on library services

The Citizens League in 1965 published a comprehensive report discussing Minneapolis and suburban library programs and needs. Although the report was not principally concerned with the adequacy of the financial resources for the Minneapolis library system, the precarious state of these finances was very much in the committee's mind, and the report contained several references to this problem. The report specifically deplored the continued inadequate level of book procurement. The report further stated the belief of the committee that the Minneapolis library system is inadequately financed. The report specifically stated:

"We believe that Minneapolis voters, when properly informed of the progress being made by the Library towards strengthening its operations, will support a higher level of library financing. We suggest that a plan to achieve added tax support be developed this year for possible presentation to the electorate in 1966."

The report also referred to the general soundness of the Library's administrative procedures under the new Librarian by stating:

"While it is hard to gauge public opinion, that part of the public at least engaged in the Citizens League City-County Library Study has been most impressed with the new administration at the Library and with the recent performance of the Library Board. We are aware of the inquiry which the Librarian, under the Board's direction, is making into all facets of library operations in both the city and county systems. We are aware of sensible economies which are being achieved and of progress toward changing outmoded patterns of operation. We applaud this progress and commend the Board and Librarian."

Future financial requirements

The Citizens League committee in 1965 found Minneapolis library resources to be inadequate. The situation has worsened in 1966 and will be even more precarious in 1967.

The Library Board entered 1966 with a small deficit and its budget projected the existence of a slightly larger deficit at the end of 1966. During this year, several things have happened which have increased the amount of the projected year-end 1966 deficit to about \$65,000, and appear likely to compel curtailment in the present level of library services. For example:

1. The budget projected revenues totalling \$405,000 for suburban use of Minneapolis services. Recently, the County Board and the Minneapolis Library Board agreed to a contract, under the terms of which the suburban tax payment would be 1½ mills, rather than the 1½ mills which had been projected in the budget. This will result in decreased revenues of approximately \$67,500 for 1966.

2. The Library Board has followed the practice of granting wage increases to its employees patterned after those granted by the Minneapolis City Council for its employees. The City Council granted increases averaging 5% for 1966. The Library Board followed this pattern by granting increases averaging 5% to its non-professional employees. The cost of these increases was not fully projected in the budget.
3. The program for reassessing Minneapolis property, compelled by the Supreme Court decisions in the Dulton and Donaldson Cases, will result in reduced revenues beyond those anticipated in the budget. The extent of this additional impact cannot yet be ascertained, but the most recent estimates make it appear that library revenues could be reduced during 1966 by as much as an additional \$45,000 and in 1967 by as much as \$145,000. The \$145,000 of potential revenue loss in 1967 would represent a continuing annual loss of this amount, except as the loss might be reduced by future growth in property valuations in Minneapolis.

In view of the precarious financial situation of the Library prior to these new adverse impacts, there appears to be little question but that additional financial resources must be made available to the Library. The only way additional revenue can be made available out of the property tax for 1967 is through the submission of a charter amendment to the voters this fall. Therefore, we concur fully with the decision of the Library Board to seek additional financing this year, and we further agree that the Library Board has no choice but to seek the needed additional financing through an increase in the property tax.

Board of Estimate reviews library budget

We have long preferred a coordinated approach to the solution of the financial problems of Minneapolis city government to the agency-by-agency approach necessitated by existing provisions of the City Charter. Possible voter reluctance to granting one independent board in the city long-range new taxing authority out of the property tax might be tempered by the fact that, under the charter, the Board of Estimate and Taxation has the final authority to establish the Library's maximum levy. Although we have had considerable reservation about the effectiveness of the Board of Estimate as presently constituted, it has served in the past as a check and review on library expenditures when the Library was not operating at its maximum allowable levy. The proposed charter amendment involving the City's finances which will be on the ballot at the November general election, although providing for changes in the composition of the Board of Estimate, would, in no way reduce the present legal authority of that agency to serve as a check and review on library expenditures.

The Library Board's position

In their appearance before our committee, Library Board President Bruce Smith, Library Board Trustee Ralph Forester, and Librarian Ervin Gaines stated categorically that the present level of library services would have to be seriously curtailed in 1967 if immediate financial relief was not forthcoming. They also stressed the importance of providing substantial financing authority in order to allow their long-range program to be undertaken. They mentioned specifically the urgent, long-deferred need for construction of new branch libraries within Minneapolis. They said they have previously been unable to obtain bond funds to construct these branch libraries, since they could not show adequate funds to operate the new facilities. The only way that adequate financing for these new branches can be demonstrated, they said, is to provide the Library Board with sufficient taxing authority for a considerable

period of time. It is for this reason, they said, that the figure of 2 mills, rather than a lesser amount, was agreed upon.

The Library officials further stated to our committee their intentions of levying in 1967 only so much of the additional requested taxing authority as they believe will be needed, and not the full 2 mills. Thereafter, they would increase the levy only to the extent such increases will be needed in connection with the branch library construction program, they said. On this basis, the full 2 mills of additional authority would provide for the library system's needs for several years.

Long-term Library program needs

The presentation to our committee made by the Library officials, together with the findings reached in previous Citizens League reports, makes a compelling case for some additional taxing authority. However, in the short time available to us, we have been unable to review the Library Board's plans or to determine:

- . Why, with the impact of the Donaldson Case fully reflected in 1967, the growth in property valuations experienced in previous years will not continue to provide additional dollar amounts annually, even though the same number of mills are levied.
- . If the suburban use of Minneapolis Library facilities will continue to increase, thereby producing additional income to the Minneapolis Library each year or if, on the contrary, the accelerated program of library construction in the suburbs will result in less suburban use and lower revenue.
- . Whether the slightly declining book circulation which has evidenced itself during the past few years will continue, and, if so, whether such a continued trend would not ease the financial requirements of the Minneapolis library system.
- . The budgetary impact of the contemplated phase-out of most existing city branch libraries to accompany the proposed construction of the new, larger, better-located (but fewer) branches.

Because there was not an opportunity to reach meaningful conclusions on these and other pertinent questions, we urged the Charter Commission at its June 30 public hearing to submit an amendment calling for 1 mill rather than 2 mills of increased taxing authority. Library officials had told us that 1 additional mill would provide for their immediate short-term needs.

Alternatives for voters

The Library Board told the Charter Commission that it wanted the amendment submitted at the 2 mill level, and the Charter Commission accordingly voted to submit the amendment to the voters at the September primary at the 2 mill level.

The Minneapolis voter on September 13 will be limited to making one of two choices. He must vote either "yes" or "no". We have weighed the consequences of

these two alternatives very carefully. If the amendment is defeated, we know that library services will have to be curtailed. This would be most unfortunate, inasmuch as the present level of service is inadequate. The fact that the Library Board is seeking 2 mills, rather than 1 mill, is of some concern. However, the Minneapolis Board of Estimate and Taxation has the final authority to set the maximum levy each year, providing at least some check and review on the Library Board. On balance, therefore, we clearly favor granting to the Library Board its requested additional taxing power, and we urge the voters of Minneapolis to vote "yes" on Amendment No. 20 on September 13.

We further urge the Minneapolis Library Board, prior to the election, to publicly declare its intentions as to how and when it proposes that the additional 2 mill authority be levied, in line with the Library Board's current evaluation of the future condition and needs of the Minneapolis library system. Although such a declaration would have no legal binding effect upon subsequent library boards, it would constitute an important policy decision, as well as a moral commitment to the voters. If and as future library boards found it necessary to change this declared policy, the Board of Estimate and Taxation would, in all probability, insist on convincing documentation before agreeing to higher levies than might be indicated in such declaration. If a statement of intent is made by the Library Board prior to the election, it would provide adequate protection against possible excessive exercise of additional taxing authority granted to the Library Board by Amendment No. 20.