

CITIZENS LEAGUE REPORT

No. 89

**Conversion of Minneapolis Public Schools
into an Independent School District**

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Citizens League
601 Syndicate Building
Minneapolis 2, Minnesota

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SHOULD MINNEAPOLIS HAVE AN INDEPENDENT SCHOOL DISTRICT
UNDER CHAPTER 947, LAWS OF 1957?

The Board of Directors of the Citizens League of Minneapolis and Hennepin County at a special meeting on June 18, 1958 took the following position with respect to the conversion of Minneapolis to an independent school district by an election under Chapter 947 of the Laws of 1957:

The Citizens League favors adequate financing for the Minneapolis public schools, which is a major concern of those seeking an independent school district for Minneapolis. The League does not, however, favor conversion to an independent school district under Chapter 947, because (a) the election provisions under 947 would do positive harm to the school system, (b) many of the provisions of 947 are not appropriate to a metropolitan school district, (c) 947 gives practically unlimited property tax power to the school board.

The Citizens League urges the legislature to amend Chapter 947 so that conversion to an independent school district under Chapter 947 is not available to Minneapolis.

The Citizens League suggests specific measures for expanding the financial powers of the Board of Education.

A detailed explanation of the League's opposition to conversion to an independent school district under Chapter 947 and of suggested changes in financial powers, is contained in the following report. The report is based on study and recommendations of the League's Taxation and Finance and Education committees.

Background

Under the provisions of Chapter 947 of the Laws of 1957, the Minneapolis Federation of Teachers, No. 59, has presented to the Board of Education a petition for an election to decide whether the present Minneapolis School District shall be converted to an independent school district as provided by Chapter 947. The School Board must set the date of the election on the issue no sooner than 15 days and no later than 60 days after adoption of a resolution calling for the election. The School Board has indicated that it intends to set the election for the day of the state primary on September 9, and therefore can act no sooner than July 11.

Recent history of move for fiscal independence

Minneapolis is one of six school districts in Minnesota which operate under special charters granted by the Legislature (Minneapolis' was incorporated in the City Charter when the latter was adopted in 1920). Special school districts have certain restrictions, especially financial, which independent school districts do not have. Principally because of the taxation and borrowing restrictions, the Minneapolis School Board has sought during the past nine years of rising demands on school finances to have the legislature give it the powers and duties of an independent school district, with, however, some modifications. The Board sponsored a proposal for a modified district in the 1957 Legislature, but this did not get out of the Hennepin County delegation.

Legislative action on Chapter 947 of the Laws of 1957, under which the present move is being taken, was separate from the 1957 move for a modified independent district. It was the result of the work of the interim committee on recodification of school laws. Minneapolis school officials presented data and views to this commission, but there is a difference of opinion as to whether they knew that 947 would be made to apply to Minneapolis. To our knowledge, Hennepin County legislators were unaware that Chapter 947 was applicable to Minneapolis.

League's position on independent school district

The League's Education Committee studied the 1957 legislative proposal for a modified district, and, though it favored the general tendency of the proposal to strengthen the authority of the School Board, it took no position on the bill because it felt the important matters of restrictions on fiscal powers needed study by other League committees. Its analysis of the 1957 proposal was presented to the League's Board, and the Board took no action.

This is the first time the Taxation and Finance Committee has taken up the specific issue of fiscal independence for the School Board.

Comparison of provisions of Chapter 947 and present charter provisions

The comparison may be made under five major headings: procedure for conversion, elections, taxing power, borrowing power, and contracting for certain auxiliary services.

PRESENT CHARTER - SPECIAL DISTRICT

CHAPTER 947 - INDEPENDENT SCHOOL DISTRICT

PROCEDURE FOR CONVERSION

By amendment of charter. Initiation by School Board may, and on filing of petition signed by 200 voters shall, pass a resolution setting a special election on the issue of conversion. Requires 50% majority of those voting on the issue for approval; or	
By act of the legislature, with required approval. majority set by statute.	

ELECTION

Seven member board, at large.	(a) Seven member board at large, but the voters may adopt election by district, if 50 voters petition for an election on this issue.
Six year staggered terms.	(b) Three year staggered terms.
Elections <u>every other year</u> at regular municipal elections: second Tuesday in May (primary), second Tuesday in June (general).	(c) Elections <u>every year</u> , on third Tuesday in May.
Primary: Yes	(d) Primary: No

- Candidate filings: Not more than 90 nor less than 50 days before the primary election. (e) Candidate filings: Not more than 30 nor less than 12 days before the general election.
- Vacancies filled by appointment by City Council. (f) Vacancies filled by appointment by the School Board.
- Registration: Yes (g) Registration: not required, but School Board may arrange to use City's registration system.
- Conduct and expense of elections: responsibility of City Council. (h) Conduct and expense of elections: School Board responsible, except as it joins in City's registration system and use of City voting machines.

PROPERTY TAXATION

- Limited to 43.60 mills for operating purposes, which amounts to \$16,666,000 in 1958. Debt principal and interest (7.735 mills in 1958), employees' retirement (7.90 mills in 1958) payable from tax levied by City Council. (a) Limited to \$92 per capita, adjusted by price index. This equals \$49,500,000 or 129 mills (1958 assessed value, 1950 population). Pension costs (7.90 mills) and debt charges (7.735 mills) would be covered by 129 mill limit. Effect would be to make possible authorized millage more than double present millage ($43.60 + 7.90 + 7.735 = 59.235$).
- City Council and Board of Estimate and Taxation have no responsibility in connection with levy of school taxes. (b) City Council and Board of Estimate and Taxation have no responsibility in connection with levy of school taxes.

BORROWING POWER

- School Board requests bonds from Board of Estimate and Taxation. City Council sets maximum, Estimate Board may authorize less. City Council levies taxes for principal and interest. (a) School Board has full authority to issue \$1,000,000 of bonds each year for rehabilitation, school sites, additions, and other improvements.
- (b) Issuance of bonds in excess of \$1,000,000 each year must have approval of 2/3 of the Board of Estimate and Taxation and a majority of the voters voting on the question.
- Debt limitation: 10% of true and full value (about \$110,000,000) for all City including schools. Total bonds outstanding on December 31, 1957 (including \$17,982,000 of school bonds) were \$43,035,000. (c) Debt limitation: 7.5% of assessed value (about \$29,000,000), but bonds may be issued beyond this if their maturities do not exceed two years.

It appears that school bonds outstanding (\$17,882,000 on 12/31/57) would come within the 7.5% limitation.

Tax anticipation certificates: Estimate (d) School Board would not be able to issue these but would be able to issue warrants. These would probably be more costly than T.A. Certificates.
Board authorized to issue these. Because of lag in property tax collections, School Board now depends on these yearly, in 1957 issued \$7,500,000.

PROVISIONS FOR AUXILIARY SERVICES

School Board required to use services of (a) School Board shall contract with City City Attorney, Purchasing Department, Civil Service Commission (for non-certificated personnel), and Comptroller. for Civil Service functions, and shall contract on pro rata cost basis for legal, purchasing, comptroller and other services unless both School Board and Council resolve that services should be handled separately.

Conclusions

A major concern in past efforts to convert Minneapolis to an independent school district has been the desire to obtain greater financial resources for the Minneapolis schools. The Citizens League in the past has favored more adequate financial resources for the school system, and continues to do so. We do, however, oppose conversion of the Minneapolis school system to an independent school district by an election under the provisions of Chapter 947, for the reasons stated hereafter.

1. Procedure for conversion

Two hundred signatures on a petition for election are too few for an issue of such consequence. Contrast this with the 5% (15,000 voters) requirement for submission of city charter amendments.

2. Elections

(a) The lack of a primary election and the possibility that candidates could file up to 12 days before the election can lead to utter confusion for the voters and heighten the advantage of well-organized groups.

(b) In a city as large as Minneapolis, voter registration should be required, not permissive.

(c) Annual elections would mean increased costs of elections for the taxpayers.

(d) The School Board should be required to use regular city election machinery.

(e) Six year terms for school directors seem preferable to three year terms in the interest of attracting and keeping good directors and permitting them to use experience developed on the job.

(f) Finally, since at-large elections for school directors are conducive to their adopting a broader attitude toward school problems, the possibility of change to district elections should not be available, as it is under 947.

(g) One favorable election provision of 947 is that it gives the School Board the power to fill vacancies in unexpired terms, as contrasted with Minneapolis' present system of appointment by the City Council. This feature does not in our view, however, offset the defects on 947.

3. Taxation

The Citizens League for many years has taken the position that under the present structure and administration of the property tax, the tax is at a level in Minneapolis which tends to place business enterprise in the City at a competitive disadvantage, with a discouraging effect on business-created employment as well as earnings. Despite this position, the League has supported specific millage increases as necessary because of pressing needs and the lack of an immediate alternative revenue source. Among them was the six mill increase for schools adopted by the voters in September 1956.

Along with its support for the six mill issue and others, the League has emphasized strongly that these were unusual needs, and that to meet continually growing service needs of the City without further aggravating the property tax, the City must find a major non-property tax source of revenue.

The League has demonstrated its desire to carry through this resolve by proposing and working for such alternative revenue sources as the local earnings tax and wheelage tax.

Under Chapter 947 the Board of Education would be able to levy a property tax of 129 mills -- more than twice as much as all property taxes now levied for school purposes (59.2 mills), and about 75% of the property taxes levied in Minneapolis for all purposes (171.5 mills). The effect therefore would be to remove the practical legal limit on school property taxes.

In view of the property tax problem in Minneapolis, we believe it would be unwise to give such broad property tax power to the Board of Education.

4. Borrowing

(a) In the past eleven years the City has issued an annual average of over \$2,500,000 of school bonds, and in the past five years the average has been higher. In view of this picture of recurring school capital needs, the provision in 947 for the School Board to issue \$1,000,000 of bonds annually without voter approval appears inadequate.

(b) If the Board of Education seeks to issue bonds beyond an amount that it may issue annually on its own resolution, it should be required to get the approval of the voters, not the Board of Estimate and Taxation.

(c) Chapter 947 limits school debt to 7.5% of the assessed valuation, which amounts to about \$29,000,000 at present. If the existing debt of about \$18,000,000 incurred for schools were assumed by the School Board for purposes of computing debt margin, as it would be under 947, this would leave a margin of about \$11,000,000 for long term borrowing. In view of the needs cited above, this would appear to be an inadequate debt limit.

Chapter 947 does permit issuance of unlimited amounts of bonds with maturities of two years or less, but these could not be considered desirable for financing capital improvements.

(d) The heavy short term borrowing required because of the lag of tax receipts behind expenditures makes the lack of power to issue tax anticipation certificates a serious defect of 947. Warrants are issuable, but these would carry higher interest charges.

Recommendations

1. We believe that any effort to convert the Minneapolis school district to an independent district by an election under Chapter 947 should be defeated, and Chapter 947 should be amended by the Legislature so that such conversion under 947 is not available to Minneapolis.

2. We suggest that the Citizens of Minneapolis should strive for a modified special school district along these lines:

(a) Present provisions on composition, selection, and tenure of the Board of Education should be retained, except that the Board should be given the authority to fill vacancies in directors' offices, until the next regular election.

(b) The availability of adequate revenue resources to meet the schools' needs without continual reference to other official agencies or the voters is probably the key attribute of an independent school district. For the reasons stated, however, we believe that Minneapolis should not look solely to the property tax for local revenue to finance school operating needs.

We believe that Minneapolis should immediately develop a major non-property tax source, such as the earnings tax, to be used for school and other city needs and for reduction in the property tax.

We believe further, however, that the citizens of Minneapolis should not be required to have a 60% majority in order to increase their authorized school tax levy if they wish, as is now the case. We recommend, therefore, that the Legislature make it possible for the voters to increase the school tax limit by a 50% favorable vote, provided that at least a minimum number of registered voters vote at the election. The latter provision is suggested as a means of insuring that the election represents an adequate community response.

(c) The Board of Education should have the power by its own resolution to issue annually capital improvements bonds up to one-half of one percent of the taxable valuation. In 1958 this totals about \$1,910,000. It is close to the \$2,000,000 authority asked in the 1957 legislative proposal, and being on a percentage basis would have the advantage of increasing with increases in the tax base.

As non-property tax revenue sources become available, the Board of Education's power to issue bonds annually should be increased, up to a maximum of 1% of taxable valuation.

The Board should be able to issue additional bonds beyond the limits suggested with approval of a majority of the voters. This majority should also be subject to a minimum voter turnout as provided for an election on tax limits.

(d) The Board should have power to issue tax anticipation certificates.

(e) The School Board's debt limit should be set at about 11% of assessed value, which currently amounts to about \$40,000,000. Taxes for debt principal and interest should be outside the operating tax limit.