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EDUCATION RECOMMENDATIONS

of

Governor Orville L. Freeman



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Minnesota Legislature**

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EDUCATION

RECOMMENDATIONS PRESENTED TO A JOINT SESSION OF THE MINNESOTA LEGISLATURE,

by
GOVERNOR ORVILLE L. FREEMAN,

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Education is not only one of the major responsibilities of state government, but it is also a function of government that is most essential to the progress and happiness, as well as the prosperity and security, of all the people. This has always been true, and throughout our history Minnesota has recognized this fact by its emphasis on education.

Today there are new factors and trends in our society that contribute toward making our problems and responsibilities in the field of education more urgent and more important than ever before. The increase in our birth rate has placed an unprecedented burden of expansion on our schools. Changes in our society, taking place at an increasingly rapid rate, are requiring an ever increasing proportion of people with higher education, -- not only in the specialized fields of science and engineering, but also in the area of sound, broad, liberal education. Geographical shifts in our population present us with areas in which the problem of constructing school facilities rapidly enough to meet pressing needs is one that must have special attention. And constantly increasing costs of education, together with increasing cost of other governmental functions, make the problem of finance, and of a wise sharing of these costs between local districts and the state, one that needs continuing study and evaluation.

In considering the program which Minnesota should adopt at this session of the Legislature, we have the valuable assistance of reports made by committees that have given special study to various aspects of the problem. Among these are the interim committees on state aids and handicapped children, and the governor's committees on higher education and exceptional children. We also have available

the recommendations of organizations of educators and of citizens especially interested in education. I have given serious attention to all of these sources, and my recommendations are based on a consideration of their reports. I know that you will likewise give them careful consideration. Together, I hope that we can work out and enact a comprehensive program for education in Minnesota.

In my inaugural message earlier this session I noted four areas in which action is needed. These are:

(1) Increased state aid to Minnesota schools, distributed in such a way as will help to equalize educational opportunity throughout the state and at the same time encourage local districts to achieve better organization and administration and improved educational programs;

(2) State assistance for school construction in distressed school districts and where the need is great, by means of altering tax and bond limitations on local districts and by making available more state trust funds for direct loans to local districts at low interest rates;

(3) Legislation directed toward raising the standards, qualifications, salaries, and performance of those engaged in the work of educating our children;

(4) Action that faces up to the magnitude of the need for higher education in the years to come by providing for the expansion and improvement of our facilities for higher education in Minnesota, and for help and encouragement so that more of our young people will be able to secure education beyond high school.

In my budget message I made provision for positive action in these areas. I am now presenting more specific recommendations for legislative action.

1. Increased State Aid.

In providing for the state's share in the support of our public schools, I think it is important to bear in mind the basic premises that underlie the principle of state aid. It is of vital concern to all the people in Minnesota -- in fact to all in the United States -- to provide for better education for all of our children. A corollary of this premise is that society cannot afford to have the educational

opportunity of any child limited by the financial resources of his family or of his community. The larger unit, in this case the state, must assume a part of this responsibility.

Inherent in this premise is the principle of equalization. Since the people of the entire state benefit from a high educational level, the state as a whole should give special assistance to those districts that are below average in their ability to pay the costs of education, provided, of course, that a minimum effort is made by such districts.

State aid should also be provided in such a way as to promote efficient school organization, and to give an incentive to higher educational standards. It can help to relieve the heavy burden on property tax which is the main source of local school support.

In the light of these principles I am recommending that the basic aid per pupil unit including apportionment be increased from the present \$82 to \$87. I am also recommending a modification of the present formula for the distribution of equalization aids, to provide for a state contribution amounting to \$6,000,000 more than we are now providing.

The increase of from \$82 to \$87 hardly needs justification, since it represents an increase of barely over 6 percent, applied to a period in which costs of education have increased at least 14 percent. It is to assist those districts that, even with maximum effort, will have the greatest difficulty in meeting those increased costs, that I am recommending the increase in equalization aid.

The present state aid formula for the distribution of equalization aid is fairly new, and the equalization concept in the plan is becoming well established. To provide for an increase in equalization aid and to recognize economic changes that have taken place I suggest that a minimum foundation program guarantee of \$235 per pupil unit be adopted, and the share of support from the local district be increased to 20 mills on the equalized assessed valuations as determined by the Equalization Aid Review Committee. Thus those districts needing equalization aid

would receive an amount, per pupil unit, equal to the difference between \$230 and the combined figure of \$87 plus the amount per pupil unit raised by a levy of 20 mills. This will increase the equalization aid now received, and will add approximately 35 new school districts to those now receiving equalization aid.

These changes will constitute a step toward the eventual equalization of educational opportunities for the children of Minnesota, regardless of the district in which they live.

II. Assistance to School Construction.

Increased building costs and rapidly increasing school enrollments have combined to make the problem of school construction a primary concern of the state. Existing debt limits prevent many districts from issuing needed construction bonds. High interest rates cost the public more than is generally realized. Some school districts even lack the ability to find sufficient tax revenue to support needed construction.

A. Debt Limits.

Existing law provides for a debt limit of 50 percent of the assessed valuation of a school district. Several difficulties result from this limitation. Many school districts are unable to issue needed bonds under this limit. Furthermore, because standards used in arriving at assessed values vary considerably from district to district, we do not have a uniform debt limit applying to all of our school districts. In addition, using such a high percentage figure as 50 percent may handicap the sale of our school bonds in areas of the United States where our concept of assessed value is not easily explained to investors.

It is my recommendation that we change the debt limit for school districts to an amount equal to 10 percent of the full and true value of the property within a school district as determined by the Equalization Aid Review Committee. Such a debt limit would substantially increase existing debt limits and would provide the additional bonding capacity needed by our school districts. This debt limit would be uniform for all districts, and may aid in the marketing of our school district bonds.

It is possible that further study may indicate the wisdom of increasing or decreasing the 10 percent figure. I recommend that, because of the substantial increase in bonding capacity under this proposal, school districts that propose to exceed existing limits secure the approval of the Department of Education, under appropriate legislative standards, before issuing their bonds.

B. Interest Rates.

During the past year we have witnessed a general rise of 1 percent in the average interest rates paid by school districts in marketing their bonds, -- from an average of 3.1 percent in January 1956 to 4.1 percent last December. This increase in interest is an important cost item for our school districts. A one percent increase for a bond issue which is paid in equal yearly amounts over 30 years means an increase in interest cost equal to approximately 20 percent of the principal amount of the bonds. Thus, a one percent increase in interest rate on an issue of one million dollars in bonds results in additional interest costs of \$200,000.

Nor does the problem stop here. Those school districts already heavily indebted are likely to pay the highest interest rate, although they are the districts least able to afford such increased costs. For example, a comparison of two sales of bonds occurring within a ten day period last December shows that one school district will pay over \$100,000 more than the other in interest for approximately the same amount of bonds. The district paying the higher interest costs was already heavily burdened with debt and taxes.

To aid in meeting this problem I recommend the following 3-point program:

(1) Establish a school loan fund to be administered by a Commission, which could consist of existing officials such as the Commissioners of Education, Banking and Administration. This loan fund would purchase school bonds from districts having difficulty obtaining reasonable interest rates. The fund would be financed in two ways. A \$2,500,000 revolving fund can be secured from the temporary surplus resulting from the adoption of the pay-as-you-go method of income tax collection. In addition, the commission would have authority to issue up to 15 million dollars

annually in certificates of indebtedness of the state. These certificates would be issued as needed to purchase school district bonds. They would be supported by tax levies certified to the State Auditor, to meet constitutional requirements, but such levies would be cancelled as the bonds were paid off, so that no actual spread of such tax levies on the tax rolls is anticipated.

Two comments about this proposal are in order. First, the certificates of indebtedness could be sold to any of the trust funds, or they could be placed on the public market, whichever was most advantageous to the state. The Permanent School and University Trust funds are estimated to have approximately 18 million dollars available for investment during the next biennium. No constitutional amendment would be required to permit these funds to be invested in the certificates of indebtedness which in turn would supply the needed monies to the school loan fund.

Second, the amount of 15 million dollars authorized yearly under this proposal would be sufficient to permit purchase of approximately 25 percent of the bonds which will be issued each year. The Commission should be given the authority to determine which districts would have the benefit of this plan, on a basis of need.

(2) Establish a state guarantee to be attached to the school district bonds that are marketed through normal trade channels. If such a guarantee can be worked out it could offer help to every school district by placing the state's credit behind its bonds. I would recommend that a school district obtaining such a guarantee pay a fee of one half of one percent of the principal to go to the state in payment for such guarantee.

In considering the public policy underlying this proposal, I invite your attention to the recognized and accepted practice of the federal government in giving similar guarantees in the placement of the FHA and GI mortgages. The federal government each year guarantees the payment of many millions of dollars of debts owed by private citizens, with the purpose of obtaining better credit terms for the citizens of this country. I am proposing a similar arrangement between the state and our school districts. Surely the importance of securing good credit terms for

our school districts is no less worthy an undertaking. This view is supported by the constitutional mandate that it is the responsibility of the state to establish a general and uniform system of public schools.

(3) Establish a program of public information to aid in the marketing of bonds through normal trade channels. Our school bonds are excellent investments, carrying the full faith and credit of the school districts which are pledged to levy adequate taxes for their payment. With a guarantee by the state these bonds will be even more attractive. Their tax free features permit an effective net return substantially higher than the return on private bonds with similar interest rates.

The long range needs of the schools to borrow for school construction demands recognition of the importance of expanding the market for school district bonds among our Minnesota citizens, both as a sound financial investment and as a sound investment in the future of our young Minnesota citizens. I suggest an appropriation of \$10 000 annually to permit the Commission to cooperate with other interested parties in promoting the sale of our school district bonds on the public markets of this state and elsewhere.

Ability to Pay

Even with expanded debt limits and lower interest rates some of our school districts need assistance to meet construction problems. The development of a program of state assistance for construction should be considered with the following principles in mind

- (1) the ability of a school district to pay should be measured both by its construction needs and the total revenue demands of the district.
- (2) such ability may change rapidly over a relatively short number of years, so that aid should be geared only to the years of the peak burden.
- (3) some districts have already undertaken heavy burdens in school construction and deserve aid while the burden remains heavy, and
- (4) in developing an aid program it is desirable that a school district not be overloaded with deferred debts which will eventually confront the district, perhaps at a time when new demands for tax revenues may be pressing.

I recommend a program of construction aid to be paid yearly to each district that demonstrates for that year an unusually heavy tax burden both for debt service and maintenance purposes. This aid would be paid on a matching basis to the extent that funds are available. The amount to be matched by the state would not exceed one-half of the amount by which the required debt levy would exceed a minimum levy to be established in the law, -- these levies to be based upon the equalized assessed valuation of the school district.

Subject to further analysis and study, I suggest that aid be paid to any district which has a debt levy over 8 mills on an equalized assessed valuation, and which is levying at least 35 mills for total school purposes. I suggest that the sum of \$2,500,000 be appropriated for the biennium for this aid, the money to be obtained from the surplus resulting from the adoption of the pay-as-you-go method of collecting the income tax. The use of a non-recurring source of money for construction aid during this biennium is in anticipation of the availability of federal grants for this purpose in subsequent years.

III. Higher Education.

I believe that we all agree on the importance of higher education, that we recognize how important a factor it is in our political, cultural and social life, and how essential it is to our economic progress and expansion. I think we are likewise coming to realize how vital a factor it may be in the security, -- and even survival, -- of our nation. But we do not all realize the magnitude of the task we face if we are to provide adequately for the need for higher education in the next few years.

The world-wide technological revolution has so increased the need for highly trained and truly educated people that an educational level that was regarded as adequate a few years ago will not meet the requirements of present and future years. This factor in itself demands greater investment in higher education.

Added to that factor is the problem presented by our increasing population, and by the increasing proportion of our young people who go to college. Conservative

estimates indicate that by 1970 -- a short thirteen years away -- the enrollments in Minnesota institutions of higher education will nearly double. And some who have studied the trend believe that this estimate is too low. While many of these students will attend one of Minnesota's many fine private colleges, the state must be prepared to provide facilities for its share of the increase.

In addition to the responsibility of the state for providing for facilities to take care of the tide of students that is on the way, we have an additional responsibility to encourage more of our qualified high school graduates to get higher education. It is estimated that at least 50 percent of those who could benefit by such education now fail, for one reason or another, to continue their education beyond high school. There are two barriers to a college education, the barrier of distance and the financial barrier, that must have our attention.

There is an established relationship between proximity to a college and college attendance. Where there is no college within commuting distance many qualified youth are prevented from attending. This is the barrier of distance, -- and there are several such areas in our state.

Perhaps the financial barrier, which keeps qualified youth away from college because they cannot afford the cost, cannot be entirely removed, -- but it certainly can and should be reduced. An attack on the barrier of distance would in itself help overcome part of the financial barrier. And a program of loans and scholarships could be of further real assistance.

In view of the nature and importance of our responsibility in this whole field of higher education, I appointed a committee of citizens to give it careful study and to recommend positive action. This committee, in carrying out its assignment, has made an invaluable contribution, and has earned our most heartfelt thanks. I urge you to study and consider carefully its entire report and all of its recommendations. The recommendations I now present to you are to a large extent based upon the study, research and recommendations of this committee.

A. University of Minnesota

The University of Minnesota, with 25,307 full time students, with many other thousands in part time and extension study, and many others in training at the secondary and elementary level, stands today as one of the great educational institutions in our nation. It must be kept in that position. For the University is charged with the legal and moral responsibility to provide the inhabitants of this state with "the means of acquiring a thorough knowledge of the various branches of literature, science and the arts"; and its contributions in research and service are of inestimable value.

The increases in numbers and responsibilities that confront the University of Minnesota are of such magnitude that substantial increases in buildings, facilities, and appropriations are inevitable if our university is to maintain its pre-eminent position and continue and enhance its services to the people of our state. You already have before you the recommendations made for the University in my budget message and in the report of the Interim Commission on State Building needs. I urge that, as you consider these requests, you bear in mind the tremendous challenge facing the University; and that you take note of the manifold return that we in Minnesota have received from our past investments in the University. We cannot afford to fail to provide the University of Minnesota with the means necessary to make sure that it will continue to meet the challenge of the future.

B. Junior Colleges

Minnesota now has nine public junior colleges, offering two years of college training and performing valuable functions in adult education and community service. They are maintained entirely at the expense of local school districts and student tuition, and are the only segment of our public educational system that receives no financial assistance from the state. Yet their work is at a level where at the University and in the teachers colleges the entire public cost is borne by the state.

An expansion of junior colleges in Minnesota can contribute significantly to meeting the problems we face in higher education. Increased facilities would be

made available. By locating new junior colleges in areas where no opportunity for higher education now exists, substantial progress could be made in attacking the financial and geographical barriers to higher education for many of our young people. I therefore recommend two specific measures to encourage such expansion.

(1) I recommend the appropriation of state aid to districts for the maintenance of junior colleges in the amount of \$200 per student. I believe that this appropriation is not only wise, but economical as well. For many students who would otherwise spend the first two years of college at state institutions far from their homes, at greater expense to themselves, will attend junior college nearer home. Obviously it will require less for the state to pay a part of the cost of a student's education in his home community than it will to pay the entire cost away from home.

With state aid for junior colleges, we can expect those that now exist to continue and expand, and we can expect several new junior colleges in strategic areas of our state where neither public nor private college facilities are now available. The Congress of the United States is now considering a program of possible federal aid to the states and to communities for the purpose of expanding the junior college program. Minnesota should be ready to make the most of such a program of federal aid if and when it is established.

(2) To facilitate and assist the expansion of our junior college program, I recommend that you create a Junior College Advisory Committee, charged with the responsibility of encouraging the development of junior colleges, particularly in those areas where the need is greatest as determined by the numbers of probable students and the present lack of higher education facilities, either public or private, within the areas concerned.

C. Teachers Colleges.

Our five state teachers colleges must be strengthened. They now prepare nearly two-thirds of Minnesota's elementary school teachers and a substantial proportion of our high school teachers. They constitute the state's second largest

direct investment in higher education. Their enrollments have been rising rapidly in recent years, and should continue to rise if they are to take their share of the increasing number of students in higher educational institutions, and fulfil their function of helping to provide well qualified teachers.

The teachers colleges face especially serious problems. They need to expand their physical facilities. They need to strengthen their staffs. The basic administrative structure for these colleges, set up originally under vastly different circumstances for state normal schools, is not adequate to cope with the changes that have taken place; and even less adequate to meet the needs of the future. The teachers colleges need more funds to enlarge and upgrade their teaching staffs, and more funds for expansion of sites and facilities.

The Committee on Higher Education stated it to be the unanimous view of all whom it had consulted "that both a more appropriate administrative organization and substantially greater financial resources are urgently required now for the teachers colleges." I have already recommended, in my proposed budget, substantially increased financial support, and sincerely hope you will act favorably on the recommended increases. The question of a more appropriate administrative organization must also be met, and is one to which I have given very serious attention.

The Committee's recommendation in this regard is as follows: "That the State Legislature should establish a State Teachers College Board on a pattern substantially similar to that of the Board of Regents, but authorized by legislative rather than constitutional action. This Board would be given responsibility and authority within its field comparable to that which the Board of Regents has for the operation and control of the University of Minnesota. Under this scheme a central office for the teachers colleges would be created with a chief administrative officer appointed by and responsible to the Teachers College Board. This office should be staffed with such additional administrative officers as may be deemed essential for proper performance of administrative responsibilities, including the coordination

of functions, programs, faculties, planning and maintenance operations." The Committee regards it of utmost importance that this governing board should be so constituted that it represents the citizens of the state as a whole rather than primarily the communities where the colleges are situated, and that it must be given the authority to perform its functions.

I have the highest regard for the conscientious study and genuine wisdom that the members of the Committee brought to bear on this subject; I thoroughly agree with them in their insistence upon an improved administrative structure for our teachers colleges; and I believe that if their recommendation with regard to a new board could be brought into being, with the authority and structure they contemplate, the situation of our teachers colleges would be immeasurably better than it is today. I believe, however, that the many difficulties in the way of achieving such a change are so great, and that the new problems that might arise if such a change were made are so significant, that the same ultimate goals which the Committee seeks could be achieved more easily and more surely by an alternate recommendation that I am about to present.

The Committee recommendation itself points the way to my recommendation. The committee has recommended a Board "on a pattern substantially similar to that of the Board of Regents", with "responsibility and authority ... comparable to that which the Board of Regents has". I recommend for your serious consideration that the teachers colleges be placed under the Board of Regents of the University of Minnesota.

I think that this plan has several advantages of great significance for the future of higher education in Minnesota. The experience and prestige of the University is so great that, with the University setting the pattern, the character of the teachers colleges will be enormously enhanced. The upgrading of faculties, the enrichment of programs, and a raising of overall educational standards, would, I believe, be accomplished much more rapidly than could be achieved by a new administrative structure under a separate board. I think that the teachers colleges would

almost immediately become a greater asset to the communities in which they are located. I believe that likewise they would at once offer a greater appeal to both students and faculty.

It would take many years, perhaps even many decades, for a new administrative structure to develop and demonstrate the experience and the prestige that already exists in the University of Minnesota. And when and if a newly created separate teachers college board should achieve the strong and effective leadership it would need, we would have two separate systems of higher education in the state, each trying to achieve for itself more funds, more students, more offerings, more teachers, and more prestige. It is my considered judgment that this rivalry would result in a loss to each of the two systems, and in a corresponding loss to education in Minnesota. Experience in other states, and in some far wealthier than Minnesota, with rival systems supports this view.

Looking to the future, I see even greater advantages for one sound system of higher education under the general direction and leadership of the University. Some specialization might become desirable and possible in each of the various colleges, whereby it could emphasize those programs for which it was especially well equipped. Obviously all five of the colleges cannot become national leaders in all possible fields, but each might achieve national leadership in one field. By developing an integrated system of higher education now, before further rigidities are created, it would be possible to develop a balanced program.

I am not fearful about the effect this recommendation would have on the size of the University. The new program would, in itself, bring about a decentralization rather than a centralization. As long as there are high standards of education, administration, and vision, size itself is not a problem. The University has, for more than a hundred years, provided great educational services to the people of Minnesota. Under this new program it would have even greater opportunity to serve our state and to increase its leadership, and to enhance even further its invaluable contributions to our society.

I urge you to give this recommendation your serious and favorable attention. I believe its adoption is in the best interest of a program of higher education that will serve most effectively to meet the challenge of the future in the field of higher education. May I, however, further urge that -- if you do not see fit to make this change at this time -- you give equally serious attention to the recommendation for a strong new administrative set-up as described by the Committee. Action is essential during this session if we are not to lose more years, and more opportunities, by a delay in meeting a need that is obvious and critical.

D. Scholarship and Loan Fund.

In my budget message I made provision for an amount of \$1,000,000 to be used as a scholarship and loan fund to encourage more of our qualified high school graduates to seek higher education, and to help remove the financial barrier that stands in the way. I urge you to give this recommendation your serious attention. I suggest the establishment of a Scholarship and Loan Committee, perhaps appointed by the Governor and including distinguished lay and educational leaders and representatives of both private and public educational institutions. Such a committee should be charged with the responsibility of beginning the administration of the scholarship and loan fund, and also of studying matters of policy for further recommendations for the expansion and development of a really effective scholarship and loan program.

Other Recommendations

I am confident that you will give careful attention to many other reports and recommendations in the field of education. Some, such as my recommendations for modest appropriations for such worthy projects as the Minnesota Science Foundation, the Minnesota Art Society, rural library service, and others, will bring about great returns for the investment of very little. I urge your special attention to efforts we are making, and new efforts proposed, to improve our educational services to the physically handicapped and to exceptional children.

Special attention should likewise be given to those proposals designed to improve the quality of personnel in the field of education, and to so improve conditions that prevail in the educational professions as to attract and keep the services of those who are ablest and best qualified. We can do this by providing increased salaries and better retirement programs. We can take further steps toward this goal by raising standards and qualifications. To this end I recommend legislation providing for the setting up of qualifications for the office of County Superintendent of Schools, and for the appointment of such superintendents by the Boards of County Commissioners.

In concluding this special message in which I have presented recommendations that I regard of utmost importance in the field of education, I wish to note that time does not permit including here all the desirable proposals that have been made, and that the omission of many such proposals from this message does not mean that they do not have my sincere support. I know that you will give them careful consideration.

And finally, in expressing my appreciation to you for the special attention you have given this message, I want to express likewise my confidence that we mutually agree in regarding our joint responsibilities in the field of education as among the greatest and most important that we face today.