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Volume 9, Number 4  
April 14, 1992

## Charter school groups meet school board opposition

Second of two articles.

by Dana Schroeder

Starting a charter school may be harder than threading the proverbial camel through the eye of a needle, but a number of groups around Minnesota are still attempting to thread with a great deal of gusto.

And it looks like they will be able to continue their efforts. An attempt to repeal the charter school law was defeated on the House floor April 2 when an amendment to the education bill by Rep. Bob McEachern (DFL-Maple Lake),

chair of the House Education Committee, was defeated 69 to 60. Sen. Ember Reichgott (DFL-New Hope), a sponsor of the charter law, did not anticipate a similar challenge when the education bill was to come to the Senate floor April 6.

One month short of the first anniversary of Minnesota's charter school law—allowing independent, outcome-based, teacher-run schools—it appears it may be awhile before all eight charters

permitted by the law are granted.

Two charters have been issued—to the Toivola-Meadowlands school and to Bluffview Montessori School in Winona. Neither school yet has a final contract with its school district. And in Winona the local teachers' union has threatened to file a grievance if the district signs a contract with Bluffview. (See *Minnesota Journal*, Mar. 17, 1992.)

One other charter proposal—for a

K-6 school in Rapidan—received sponsorship from the Truman school board after its home district rejected it. The proposal was to come before the State Board of Education on April 13, with concerns about the proposal being raised by some supporters of charter schools, as well as traditional opponents.

And in the past 60 days four other charter proposals—in Northfield, Minneapolis, St. Cloud, and Emily—were turned down by local

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## Commission fails to find consensus on state aids

by Jody A. Hauer

Minnesota remains plagued with how to provide property-tax relief and state aid to local governments, the third largest piece of the state budget. At \$2.2 billion in the 1992-93 budget, it ranks behind only elementary-secondary education and human services in size. Still, the State Capitol continues to reflect little agreement on who should receive that tax relief and how it should be distributed.

The lack of agreement over how to distribute tax relief/aid is symbolized by the experience of a new group, the Advisory Commission on Intergovernmental Relations

(ACIR).

The 1991 Legislature created the ACIR to recommend improvements in the distribution of state aid to cities, counties and other local units of government. But the commission did not even submit a report to the 1992 Legislature. And this year's Senate tax bill would eliminate the commission.

What went wrong?

First, a bit of background. In 1991, the Legislature made no attempt to

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## State's budget problems are enormous, long-term

by Gene Merriam

Like a majority of other states, Minnesota faces a very serious budget problem. This problem will be made more serious by the short-term fixes that are being enacted to balance the current biennial budget instead of addressing the long-term problems we face. I am convinced that the projected shortfall of nearly \$600 million in the current biennium will be followed by a \$1.5 to \$2 billion problem in the next biennium.

Although the recession exacerbates the problem, the recent downturn in the economy is not the primary cause of the state's budget

problems. The problem, simply put, is that the growth in expenditures is far outpacing the growth in revenue. Even with normal rates of growth in the economy, the revenue will not keep pace with expenditures. The gap between revenue and expenditures grows wider when projected over the next several years, even assuming strong economic recovery and growth. As the economy attempts to stabilize after suffering from the debt-financed growth of the '80s, we would be better prepared to manage if there were better under-

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# Define, measure government program outcomes

Peter Drucker, a noted management expert, once wrote of government: "We need...clear definition of the results a policy is expected to produce, and the ruthless examination of results against these expectations."

Almost a quarter of a century later, most taxpayers do not believe they are getting value for their tax dollars. The public continues to question the value received for taxes, or the ratio of what is received for what is paid. Not only is there considerable dismay at the value received for current public spending, there is substantial skepticism that additional tax dollars would produce additional beneficial outcomes. This view may arise, at least in part, from a failure to consistently define the results to be expected from public policy, to measure the results of implementing that policy, and to communicate these results to the public.

The need for outcomes in government programs is but one of a number of themes emerging in the field of government and public administration. At present there is a lot of currency given to the ideas of making government more entrepreneurial and to putting into place ambitious programs for quality improvement. There is increasing sentiment also to fundamentally rearrange the way government does business by restructuring institutional and individual incentives to improve the results targeted by public policy. Restructuring could take the form, for ex-

ample, of government bureaus competing for business by providing consumers with a choice as to who will provide schooling or child care for their children.

Much remains to be done to put many of these new ideas into place across the broad expanse of government programs. But there is merit also in taking up the call to define more clearly the results expected from social policy and to examine these results carefully for budgeting and other decision areas. What follows are a few suggestions for increasing the emphasis on results in the expenditure of public funds.

**Establish an outcomes framework.** The Legislature and the executive branch should establish a framework for outcomes that covers more than single pieces of legislation. Projects such as Minnesota Milestones are dedicated to establishing a series of outcomes goals that would set the direction for social policy over a number of years and provide a report card to help both the public and branches of government track progress and identify areas needing additional attention. If properly conceived and executed, such an initiative could form a useful blueprint for the future.

**Write outcomes clearly into law.** The art of writing law with clear

## Viewpoint

by Lyle Wray

outcomes needs to be developed further by both the legislative and executive branches. While it may be true in some cases that ambiguity of intent makes possible the passage of some laws, specific work with revisors of statutes and legislative and executive leadership on writing laws with clearly defined expectations would be worthwhile.

**Establish performance budgeting for state and local government.** Typically budget documentation submitted to the Legislature does not contain information on the outcomes achieved by the program in the past. Performance budgeting is a system of producing budgets based on the regular collection of specific information about the effectiveness, quality, and the efficiency of government services and programs. Performance budgeting makes available outcomes data to determine where public dollars should and should not be spent. Legislation has been proposed at the federal level and in several states to require performance budgeting in requests for funding. Minnesota should follow suit and move toward performance budgets.

**Establish management indicator reporting.** Setting up reports based on graphs of results compared against policy expectations for key elements of public programs and

making this information available for legislative and executive branch use has been done in other states and is needed in Minnesota. This greatly simplifies the task of searching for important information and can be most valuable if the key stakeholders are involved from the beginning in developing such systems.

There are a number of barriers and resistances to be overcome in outcomes measurement and communication. Much remains to be learned about how to measure outcomes for complex programs, although much more is now known than has been applied. Measurement of outcomes may be threatening to those who support programs which might be ineffective or which have hidden objectives or to those who have never before been measured. The task of moving in the direction of greater clarity about and measurement and use of results information is likely to be a dynamic process that will benefit from fine tuning and innovation. No one magic bullet will assure the goal of providing citizens with the information they need to have reasonable confidence that public funds are being used at a reasonable rate of return. But the task of making outcomes more central to government should be worked on diligently in the coming years as a foundation for better demonstration of what is achieved through public expenditures.

*Lyle Wray is executive director of the Citizens League.*

# Editors clash on local government aid, sales tax

## On Balance

*"...[W]ere it left to me to decide whether we should have a government without newspapers, or newspapers without a government, I should not hesitate a moment to prefer the latter."—T. Jefferson*

everything to everybody" but it should be adopted. **Hibbing Tribune** said (Mar. 18) legislators should "lessen the impact (of HealthRight) on the rural part of the state." **St. Cloud Times** said (Mar. 15) the one thing missing from HealthRight is "a realistic funding mechanism." **Red Wing Republican Eagle** questioned (Mar. 13) whether the cigarette tax is stable and said the two percent surtax on hospital and health care revenues is "suspect." **Free Press** called (Mar. 13) HealthRight "a good starting point." **Post-Bulletin** said (Mar. 12) the bipartisan effort that produced the health reform proposal should be "directed at other long-standing problems—workers' compensation reform, for instance." **Pioneer Press** called (Mar. 11) the proposal a "marked improvement over previous proposals." **Duluth News-Tribune** encouraged (Apr. 2) the Legislature to pass the proposal even though it "is far from perfect legislation."

**International Falls Journal** urged (Mar. 12) the Legislature to put the term limitation question on a ballot. **Brainerd Dispatch** said (Mar. 17) they are ready to "get behind the term limitation movement" so elected officials do what is right, not what will win reelection. **St. Cloud Times** said (Mar. 13) voters are being denied the chance to decide an "issue that has little if any

chance of a fair hearing among lawmakers." **Duluth News-Tribune** said (Mar. 25) legislative efforts to block a vote on term limits "invite citizen demands for an initiative process."

**Star Tribune** urged (Mar. 24) voters to reject any proposal to permit off-track betting, and called (Mar. 28) for a study of video-gambling before the Legislature approves it. **Republican Eagle** said (Mar. 24) the financial disappointment of Canterbury race track is "no justification" for changing the constitutional amendment permitting pari-mutuel betting. **Hibbing Tribune** called (Mar. 23) legalized gambling an "extremely regressive" tax and said the state doesn't do enough to mitigate the problems gambling has produced. **Bemidji Pioneer** cited (Mar. 19) the increase in Minnesotans' gambling and said the state should assess whether residents have a problem. **Duluth News-Tribune** suggested (Mar. 16) the state study the status of gambling and recommend "whether it should be expanded, contracted or otherwise altered." **Free Press** said (Mar. 11) it would be "a mistake to liberalize gambling" around the state. **Pioneer Press** said (Mar. 9) gambling is "a cannibalistic industry, producing little new wealth" and said now is not the time to expand gambling.

**Republican Eagle** supported (Mar. 30) a gas tax increase but would accept a sales tax on gas or car repairs aimed at funding transit only as a compromise to keep the gas tax increasing each year to meet transportation needs. **Bemidji Pioneer** called (Mar. 26) the gasoline sales tax "terribly disturbing" and said there has "got to be a better and fairer way" to pay transportation costs. **West Central Tribune** suggested (Mar. 26) limiting the sales tax on gas to the metropolitan area and predicted that "tolls will become a necessary part of highway funding." **Star Tribune** said (Mar. 9) a constitutional amendment for a mobility trust fund would not have needed flexibility and suggested a legislative dedication instead. **Post-Bulletin** said (Mar. 30) "the car will still be king, but the king will probably pay more taxes" and said the taxes should help buses and trains.

**West Central Tribune** said (Mar. 11) the bill to merge existing agencies into a department of environmental protection would "reduce duplication and increase efficiency." **Star Tribune** said (Mar. 29) consolidating environmental programs would be "wise" but the wisdom of merging environmental protection with natural-resource management is "less clear." **Brainerd Dispatch** applauded (Mar. 16) the message of the bill but said "we've found that efforts to rid government of bureaucrats are about as lasting as pulling weeds from a backyard garden." **Free Press** approved (Mar. 19) of the merger proposal but questioned the "efficiency of a new state agency that would be so large."

# Make environmental programs efficient, cohesive

*Edited excerpts from remarks by Rep. Bob Vanasek (DFL-New Prague) to the Citizens League on Mar. 17.*

A bill that Sen. Larry Pogemiller and I have introduced in the Legislature this year reorganizes the way in which environmental conservation services are delivered in the state. What it seeks to insure is that environmental programs and services are delivered in a more efficient, more accountable, and a more cohesive fashion.

It's been my sense over the years that the public is very frustrated by the myriad of state agencies and boards, departments that deal with the environment.

If you look in Minnesota there are currently close to two dozen state agencies and departments and boards that deal with environmental issues. We question in times of fiscal austerity whether we can continue to afford to try to maintain those agencies having either total or partial jurisdiction on environmental issues.

It's only by looking at the structure and trying to make reforms in the structure, trying to do some consolidation, trying to find some efficiencies, that we feel we can hope to perhaps maintain the quality of service or even increase the quality of services that people receive.

The highlights of the bill:

- We would create a new department of environmental protect and conservation with four divisions: conservation, environmental protection, enforcement, and administration.
- We would have six regional offices around the state.
- We would abolish the Pollution Control Agency, the Department of Natural Resources, the Board of Water and Soil Resources, the Office of Waste Management, the Environmental Quality Board, the Harmful Substances Compensation Board, the Petroleum Tank Release Compensation Board, and the Agricultural Chemical Response Compensation Board.

- The environmental and natural resources functions of the following agencies would also be transferred: Department of Agriculture, Health, Trade and Economic Development, Public Safety and Transportation.
- We have a seven-member environmental review board that would assume the duties of five of these other boards that we're abolishing.
- We would have an Office of Advocacy and Assistance. It would be the place where any citizen could go with their complaints.

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# Local government workers fare well

*From The 1991 Local Government Salary Study, Office of the State Auditor, Mar. 1992.*

(O)ver 4,800 local government employees earn more than \$50,000 per year. Based on the Census Bureau's 1989 count of 137,071 full-time local government employees statewide, this means that approximately 3.5 percent of all full-time Minnesota local government employees earn over \$50,000 annually... (For) local government positions earning more than \$50,000 per year, we found that the salaries paid to local government employees are, for the most part, in line with the

salaries paid for similar jobs in the private sector...

(For) local government employees earning less than \$50,000, we found that the lowest-paid employees of local governments tend to earn more than their private sector counterparts... As jobs become more skilled, requiring higher levels of education and training, the gap between public and private sector pay diminishes. Given that about 95 percent of Minnesota's local government work force are in jobs paying less than \$50,000, we can safely say that overall, public employees fare very well in

comparison to private sector wages...

The level of unionization among local government employees earning over \$50,000 in the metropolitan area is so high that any blanket approach to controlling salaries, if it focuses only on non-represented employees, will miss the mark...

Benefits for local government employees are even more generous, compared to the private sector, than salaries. Fringe benefits levels in local governments are almost always above the private sector average.



# Speakers look at dilemmas of medical technology

Edited excerpts from two Citizens League meetings on medical technology.

## Oswald: Find Middle Ground

John Oswald, acting chair, Metropolitan Health Planning Board, on Feb. 25.

In our report we defined technology in three components: equipment, procedures, and medications.

We found there is a fundamental problem in the marketplace in the Twin Cities and perhaps elsewhere. For the last 10 to 15 years we've been emphasizing how competition should be the answer to health-care cost increases. With high technology what we found is a competitors' dilemma. One hospital alone or one HMO alone cannot decide to forgo the purchase or the coverage of new technology.

Given the fact that there were some major concerns with competition, the knee-jerk response of some agencies is "Let's return to regulation, back to the good old days of certificate of need." Certificate of need didn't work because direct, heavy-handed, bureaucratic regulation oftentimes is not the solution. In fact, that was one of the very, very strong recommendations of the Health Planning Board—that we don't want to return to certificate of need, to direct regulation.

If wide-open competition is not the answer and bureaucratic regulation is not the answer, where is a middle ground where you can perhaps get the best of both? That's where many health-care futurists and health-care planners are talking about public-private partnerships, cooperation, collaboration—where you don't go to a full-blown regulatory approach, but you do have some protection and facilitation by state government.

Private industry can sit down together, protected by anti-trust regulation, with a very, very defined scope of responsibilities—in this case toward controlling high technology services—and try to make some rational decision of what works in terms of high technology and what doesn't.

## "We found a competitors' dilemma."

There is a community which is a precedent for the Twin Cities, and that's Rochester, New York. They have set up, on technology and a wide variety of other issues as well, a process where hospitals come together with health plans and with medical leadership and try to address some of the major issues concerning cost and quality of medical care. High technology services has been one of their most successful applications of this collaboration.

A voluntary technology assessment process would include physicians, hospitals, payers, manufacturers, consumers. A very key component to this is the anti-trust exemption. Right now if the HMOs would try to come together to make a decision jointly on technology assessment they would be in direct violation of anti-trust; hospitals the same way in terms of purchasing.

If it's a voluntary process, how do we know it'll work? Well, the major enforcement of this is through the third-party payers. They can use these recommendations on pieces of major equipment and procedures and try to evaluate for themselves is this a recommendation they can implement. They can have the community support, and hopefully consensus, that we should or should not cover certain types of equipment or we should cover it only at designated facilities.

## Meskan: More Data Needed

Tom Meskan, president and executive director, Medical Alley, on March 10.

Medical technology includes drugs, devices, knowledge and/or processes applied to human health care. Technology is not only a widget. It is thinking, laying of hands, and making something happen. Technology is inert unless somebody touches it or uses it or applies it.

Is technology part of the health-care cost increases? I would suggest that it probably is to some de-

gree, but there's a major need for data to show that that is the case. The literature is sorely lacking on the effects of technologies on health-care costs.

What are the elements for demand for technology?

The first one is consumer demand—the requirements of individuals. The second is public demand—demands articulated by a group of people that can influence market and government decisions—employers, interest groups, units of government. The final component is medical demand. Medical demand is the demand of practi-

tioners to improve the body of medical knowledge and methods.

Do all of us want continued improvement of health-care procedures and processes? How do we develop a better understanding as individuals of the benefits, risks, and costs of alternatives through technology?

There's a major need for society to better define what we want in terms of breadth of coverage, depth of coverage. Do we want a prevention emphasis in health-care technology? Do we want to reward life-style choices? What is a cure? When do we want to jump

in to insure survival?

Medical Alley has created a technology task force. It's made up of 17 senior executives from hospitals, physicians, medical device, and managed care organizations, and the Commissioner of Health. This task force seeks to develop a white paper that will contain a series of principles and recommendations relating to the actions that can be taken to insure that the adoption and use of technology plays a positive role in mitigating health-care cost increases, while enhancing the industry's ability to deliver effective quality medical care.

# Laws, distrust barriers to service delivery reform

Edited excerpts of remarks by Robert Pulscher, chair, Ramsey County Local Government Study Commission, to the Citizens League on Mar. 24.

The legislation demanded that we look at four specific areas: law enforcement, the library systems in St. Paul and Ramsey County, the two health departments in the county and the city of St. Paul, and the whole area of public works.

I'd like to comment on why our work was disappointing to some, who viewed this as a major new in-

itiative to dramatically change the delivery of public services.

One was the time limit. We simply ran out of time.

Another problem was we had no staff budget. I think if this were going to be done again the Legislature ought to either appropriate money to hire independent staff or find some of the more successful business people in Ramsey County who would bring their own staff of research people.

The 60 percent majority vote requirement was not helpful. I'm not

certain we could have gotten a 60 percent agreement on any matter.

The other thing that was not helpful was there was certainly distrust from the units of government on the suburban side toward the St. Paul system, a political system that has a very high level of employee organization, contrasted with the suburban and county operations which is thought by those people to be less political.

There are some barriers within current state law that make some of these efforts difficult. The property tax system is certainly one of

them. Levy limits are certainly one of them. That's a real restriction to these kinds of efforts. If one unit of government is going to assume service delivery for another, there ought to be some way to increase the levy base for the assuming unit and maybe reduce the levy limit for the unit that gives up the delivery system.

I think the most significant immediate potential for contracting between public units, not between private parties and public units.



# Citizens League Matters

April 14, 1992

News for Citizens League Members

## Welcome new members

- John Kalinowski, Mankato State University
- George Kennedy
- Richard Meinhard Institute for Development Sciences
- Steven Miles, Hennepin County Medical Center
- Mark Stedman
- Michael Ward
- Thomas Weaver, Metropolitan Transit Commission
- Jerry Woelfel
- Beth J. York

## Breakfast tapes are available

Want to hear what Gov. Carlson says about legislators' responses to the budget? Want to learn about "total quality management"?

For those of you who can't make it to the Mind-Opener breakfast meetings on these topics, audio tapes are available at a cost of \$7.50 per tape or \$20 for a series of three. Order by calling 338-0791.

## Process to elect board begins

Citizens League members will elect eight new directors to the League board on June 26, 1992. To begin this election process League President Becky Malkerson named Buzz Cummins, League president in 1990-91, as chair of a nominating committee to nominate candidates for the open seats. League bylaws call for six members on the nominating committee: the immediate past president, two board members whose terms do not expire this year, and three non-board members.

The nominating committee will announce its nominations to the membership in May. The May issue of the *Matters* will publish the names and short biographies of the candidates. League members will receive the election ballot, candidate information and voting instructions in early June.

In addition to this nomination process, League bylaws describe a process by which members nominate themselves by petition. To do so, a member must submit a petition with 25 signatures of other League members. Members may submit petitions to the secretary of the League, Beverly Propes, (in care of the Citizens

League office) up to June 1, 25 days prior to the election; however, to be included in the May summary of candidate profiles mailed to League members, candidates must submit their petitions by May 1.

## Board Election Schedule

- April 14** Election announced
- May 12** Candidate nominations announced
- June 1** Last day to submit nominating petition
- June 5** Ballots and candidate descriptions mailed to League members
- June 26** Elections committee counts ballots and reports results

In May the president will appoint an elections committee and charge it with supervising the election including the ballot count.

## Gov. Carlson will speak with League

*Budget, health care, transportation will be discussed*

Members still have time to reserve a seat at the special Friday Mind-Opener breakfast in St. Paul on April 17. Gov. Arne Carlson will make remarks on the status of the state budget, health care and

transportation. The 7:30 a.m. meeting is at the University Club, 420 Summit Avenue, St. Paul. This is the third and final Friday Mind-Opener on legislative issues. Call 338-0791 for reservations.

## Mind-Openers look at quality as way to improve services

*Series will examine quality in private and public work*

How can you get better service for your money? That is one idea behind a concept dubbed total quality management or TQM. The League's next Mind-Opener breakfast series will describe TQM.

On Tuesday, April 14, Kent Eklund, managing partner of Cincinnatus, Inc., will define total quality management and describe how its use differs between the public and private sectors.

Dwight Lahti, assistant commissioner of the Minnesota Department of Revenue, will speak on April 21 about TQM efforts in state government. Lahti will also describe the Quality Minnesota Conference, to which nearly 1,000 people from around the country will come.

Finishing the three-part series, Zona Sharpe-Burk, executive director of the Minnesota Academic Excellence Foundation, and Virginia Gearhart, with the McGregor Public Schools, will speak April 28. Sharpe-Burk and Gearhart will describe an initiative underway to improve schools through partnerships with private-sector businesses.

All Mind-Opener breakfasts are held in the Central Lutheran Church, 333 East 14th Street, Minneapolis. Admission is \$6 for members and \$12 for nonmembers. Parking is available at no charge in the church lot across 14th Street and the church is served by MTC buses. Call 338-0791 to make reservations.



League involved in strategic planning for 1993 and beyond

The Citizens League is in the midst of a strategic planning effort to rethink the organization's mission and plan for its future. Coming at the time of the League's 40th anniversary, this planning process will enable the board to position the League for the next 40 years.

The strategic planning now underway is an outgrowth of the work begun in 1991 by a committee, chaired by Kent Eklund, convened to examine the *Minnesota Journal*. At the time, the *Journal's* editor was retiring and its outside financial support was ending. Eklund's committee concluded that major decisions about the *Journal* could not be decided until the League underwent a comprehensive review of its mission and finances. Complicating the situation was the turnover in League leadership as Curt Johnson, executive director since 1980, resigned in 1991 to take a new post.

With Lyle Wray on board as the new executive director, the League has plunged into its strategic planning effort. Wray began an internal assessment of the organization to determine the League's strengths, weaknesses, opportunities and threats. The board plans a two-part retreat in May and June. At this retreat the board members will assess their vision for the League, refine its mission and eventually develop strategic priorities for the organization.

Program committee develops ideas for future League studies

Committee plans to finish its work by June

The 1992 Program Committee, chaired by David Rodbourne, is exploring a variety of issues that could lend themselves to future Citizens League studies. Each Program Committee member received a "homework assignment" to contact persons in the community about possible study topics. Members asked their contacts what issues are developing, what can be expected to happen with the issue in the next five years and possible League roles.

Over the next six meetings the committee will refine the issues and select the ones that appear most timely and conducive to study. The committee will submit its recommendations to the League board in June.

League gains worldwide reputation

The Citizens League played host to a number of visitors from around the world in the past two months. Visitors have been interested in learning about the League itself and about Twin Cities regional and local governance.

Visitors have included: elected officials from the Rotterdam Council of Governments, the press secretary to the president of Uruguay, a mayor from Japan and elected and appointed officials from Pakistan.

Citizens League Calendar at a Glance: April 13 - May 8				
13 MONDAY	14 TUESDAY	15 WEDNESDAY	16 THURSDAY	17 FRIDAY
	<b>Mind-Opener Breakfast</b> 7:30-8:30 a.m., Central Lutheran Church, Mpls.	<b>Executive Committee</b> noon, 12th Floor, First Bank Building, Minneapolis	<b>Board of Directors</b> noon-2:00, Town & Country Club, St. Paul	<b>Friday Mind-Opener Breakfast</b> , 7:30 a.m., University Club, St. Paul
	<b>Elective Office Study Committee</b> 5:15-7:15 p.m., MN Dept. of Health			<b>Community Information Committee</b> follows Mind-Opener breakfast
20	21	22	23	24
<b>Program Committee</b> 5:30-7:00 p.m., Room 118B, MN Dept. of Health	<b>Mind-Opener Breakfast</b> , same time and place	<b>Government Services Committee</b> , 6:00-7:30 p.m., Lurie, Besikof, Lapidus Education Center, Mpls.		
27	28	29	30	May 1
<b>Program Committee</b> 5:30-7:00 p.m., Room 118B, MN Dept. of Health	<b>Mind-Opener Breakfast</b> , same time and place <b>Elective Office Study Committee</b> , same time and place	<b>Government Services Committee</b> , 4:30-6:30 p.m., same location.		<b>Community Information Committee</b> 7:30-9:00 a.m., Town & Country Club, St. Paul
4	5	6	7	8
	<b>Mind-Opener Breakfast</b> , same time and place		<b>Board of Directors Retreat</b> , 4:00-9:00, location to be announced	

ACIR

Continued from Page 1

ove the state formula for pro- g local aid. But it did establish a Local Government Trust Fund in an attempt to improve accountability for spending public dollars and to end the annual ritual of local governments lobbying the Legislature heavily for aid. This Trust Fund, composed of the proceeds from two cents of the 6.5-cent state sales tax, was to pay for state aid to local governments.

Then, to tackle the more difficult problem of how to improve the distribution formula for that aid, the Legislature created the ACIR. At the same time, the Legislature specified which programs of property-tax relief/aid the Trust Fund would finance in 1992—about 65 percent of all state aid to local governments. However, Gov. Arne Carlson vetoed the distribution of the aid in the 1991 bill.

Although few expected the ACIR to produce a new formula for distributing state aid by 1992 (time was too short for such a complex problem), many hoped it would recommend how to deal with the

After a half dozen meetings and several votes, however, the ACIR managed only to approve a recommendation supporting the original language vetoed by the governor.

Sen. Ember Reichgott (DFL-New Hope), who co-chaired the commission with Rep. Joel Jacobs (DFL-Coon Rapids), said what would be a formidable task under the best of circumstances was further complicated by Gov. Carlson's veto. Because the veto put the future of state aid to local governments in doubt, the local officials on the ACIR were more concerned with "simply trying to survive," according to Reichgott, than how to redesign aid distribution formulas.

The commission was political. A fight between DFL legislators and the governor that could be nicknamed "will the real killer of the homestead credit please stand up" got in the way of meaningful discourse. In addition, half of the ACIR's members were legislators; ators succeeded in becoming co-chairs and setting the procedural rules for the commission. This "established it as a political forum" from the start, according to Dorothy McClung, commissioner

of the Minnesota Department of Revenue and ACIR member. Furthermore, because House members pushed to create the ACIR and Trust Fund in 1991 over the objections of some senators, legislators did not fully agree on how the ACIR should operate.

The membership of the ACIR was problematic in other ways. Eight of the 20 members represented local units of government—the recipients of the state aid the commission was supposed to help distribute. Even though the Legislature has final say over ACIR recommendations, some senators believed the Legislature is a more appropriate body for developing state aid reforms, according to Reichgott. Nonetheless, she believes the participation of the local

*"An even larger issue is whether a commission of this sort can answer questions about the state's appropriate relationship with counties and cities."*

units of government "adds to the process" and gives legislators the benefit of local governments' input upfront.

Some local governments involved with the ACIR were skeptical of the Trust Fund because some legislators on the commission wanted to pay for welfare aid and some school aid from the fund in addition to the customary property tax relief/aid programs. John Tomlinson, senior legislative representative for the League of Minnesota Cities, said the ACIR lacked the focus it needed initially because it had to deal with aid programs that had "no business" being in the Trust Fund.

Legal requirements stymied the ACIR. By law, recommendations of the commission must be approved by three-fourths of the members, or 15 votes. This requires attendance by nearly every member of the 20-member group, a feat that is virtually impossible, Reichgott said.

Unfortunately, the ACIR had limited time to fulfill its charge, and its work reflected political expediency. After several meetings learning about the state-local fiscal structure, the commission

spent its time trying to decide what programs of tax relief ought to be financed from the Trust Fund and what from the state's general fund. It did not begin the larger and more difficult discussions about accountability for state and local fiscal decisions or the appropriate relationships between the state and local units of government. When the commission voted on what relief programs the Trust Fund should finance, members acknowledged that whether a tax-relief program was included in the Trust Fund depended more on available money than whether it made good fiscal or tax policy.

Gov. Carlson's supplemental budget recommendations in March essentially ignored the ACIR's close votes on what pro-

grams should be paid out of the Trust Fund. However, they did recognize counties' concerns, according to McClung, and the fact that county officials had to vote on the half cent sales tax, receipts from which went into the Trust Fund. The governor protected the counties by recommending that the Trust Fund finance certain county programs serving families and children. He also preserved Homestead and Agricultural Credit Aid, which is thought to be a popular program. Furthermore, he proposed a \$66 million reduction in state aid to cities to help cover the 1992 budget shortfall.

Nevertheless, Reichgott says the ACIR's discussions were useful. At this writing the Legislature was still debating which programs ought to be financed by the Trust Fund. Senators incorporated elements of an ACIR recommendation that received a 14 to 3 vote (one shy of an ACIR majority) into the Senate tax bill now under deliberation. However, at the same time, the bill contains a repealer to eliminate the ACIR.

If the ACIR survives this year's Senate challenge intact, the problem of its membership could intensify. Currently, 10 members of the

ACIR are legislators, eight are local government officials and two are from the executive branch. According to the original legislation, in July 1992 ACIR membership drops to 14 with the elimination of six of the legislative positions, putting representatives of the local units of government into the majority.

Two concerns emerge; one is accountability. Local government representatives will have a majority voice in developing the formulas to distribute \$2 billion of state money, most of it for themselves. The second concern is over gaining acceptance for ACIR recommendations. Even if the group manages a three-quarters majority approval on recommendations, with fewer legislators on the ACIR, fewer legislators will feel ownership in its recommendations. The commission could have difficulty selling the recommendations to the Legislature.

An even larger issue is whether a commission of this sort can answer questions about the state's appropriate relationship with counties and cities and what level of government ought to pay for the various public services.

Sen. Reichgott said 1993 will be the year in which long overdue fiscal reforms will come to a head. Although she questioned whether the ACIR "is totally necessary," she believes legislators could benefit from ACIR help. Reichgott said she will continue to "put everything she has into" making the ACIR work. In Commissioner McClung's view, the reduction in ACIR membership will remove some of the political rhetoric that immobilized the ACIR its first year.

The League of Cities' Tomlinson wonders whether it might be better to continue the ACIR with a sole responsibility: develop a new formula for distributing local government aid. LGA is the piece of the state aid system that is arguably most in need of reform because its distribution relies heavily on grandfathered amounts of aid and little on the actual needs of cities. If the ACIR were to be focused in this way, Tomlinson suggests its membership might better be divided equally between city representatives and legislators.

Jody A. Hauer is a research associate of the Citizens League and associate editor of the *Minnesota Journal*.



# Budget

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standing of the economic challenges facing governments at all levels.

In allocating scarce resources policymakers need to balance the public's resistance to tax increases with the growing expectations for more and better state-financed services. It is simplistic to characterize the problem as one of either inadequate revenue or runaway spending. We need to gain a better understanding by looking more closely at some of the factors that are driving spending growth.

The demographic make-up of the population is a factor that affects state spending in many areas. A large portion of the state budget is spent on education. The school-age population has recently begun increasing and is projected to increase for some years to come. The state is already a major partner in funding elementary and secondary education and a recent court decision (currently under appeal) likely will require a substantial increase in state spending in order to equalize educational resources and provide greater uniformity as required



**"I don't think we have to worry about lowering the public's expectations... I'm told they've never been lower."**

by our state constitution.

An increasing number of people are entering and re-entering our higher education system, many of them as nontraditional students requiring more and different services. There is an increased need for retraining due to the technological explosion and job displacement. Retraining is necessary to maintain a competitive workforce, but may be discouraged if there is a continuation of the recent trend of shifting more of the higher education financing costs onto the students in the form of tuition increases.

Another area of state expenditures significantly affected by demographic factors is health care. With an

aging population we will face staggering increases in this area of our budget because of the extremely high cost of care for the elderly. This is in addition to a multitude of other factors that have made spiraling health care costs the fastest growing segment of the state's budget. Other social service and human service programs will be flooded by the demands resulting from a shrinking middle class, with the poor becoming poorer and rapidly increasing in numbers.

Even though there have been large rates of spending increases in the corrections area in recent years, we have yet to see the effects of recent actions. Longer prison sentences resulting from the public outcry for tougher criminal sanctions have yet to work through the system to affect prison capacity. We will experience substantial operating and capital cost increases in this area for many years to come.

Policymakers need to make decisions within a framework that provides information on long-range financial impacts. Many decisions that cause intergenerational funding shifts—enhancing public employee pensions and issuing long-term debt for capital improvements, for example—do not have

immediate financial implications, so the appropriate balancing and trade-offs are often not made. By the year 2020 there are projected to be 2.5 workers for each retiree, compared to five currently when the Social Security system was created in 1935. Recently enacted policies—and more under consideration by the Legislature—that encourage early retirement by public employees may be counterproductive in the context of the broader picture of an increasing proportion of an aging population that is living longer with a much smaller work force to support them.

In an effort to reconcile the growing gap between revenue and expenditures, policymakers will need to determine whether our citizens are resolved to provide a greater share of wealth toward government services or lower their expectations of the services that government is to provide. I believe these fundamental resource allocation issues will confront governmental decision-makers for years to come. The state's budget problems are enormous and long term.

*Gene Merriam (DFL-Coon Rapids) is chair of the Minnesota Senate Finance Committee.*

# Charter

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school boards. (See box on page 7.)

## Charter denials

Why are some charters being denied by local school boards?

The reasons vary in each situation, but seem to center on financial fears, control issues, and questions over whether a charter is needed to run innovative educational programming.

Bruce Grossman, superintendent of the Crosby-Ironton school district, said it would cost the rest of the district \$160,000 if the 55 students currently in Emily remained there in a charter school. The loss of funds could mean cutting five teachers in other parts of the district, and he questioned whether those reductions could be made without an impact on the district's program.

"If it didn't have a financial impact in Crosby-Ironton, we'd have nothing against it," he said. "We'd be skeptical of the quality of education, though. It's hard for me to grasp that what occurs up there could be better" than the program offered in the elementary school in Crosby, which would have 850 students if the current Emily students were bused there.

Grossman conceded that a charter school in Emily might be able to educate children at a lower cost because of the removal of state and district regulations. "It would be fascinating if the Legislature would take 25 districts and take away the mandates as the charter does," he said. "You bet it could be less expensive."

Northfield Superintendent Charles Kyte recommended against the charter proposal primarily because of his philosophical discomfort with the charter school having an independent board elected by its staff and parents of students in the school. "My major governance concern is that the people who are paying to operate that school have

no say," he said.

According to St. Cloud Superintendent Ron Jandura, the board turned down Joan Riedl's proposal, because it "is not convinced that the existing system stifles innovation and creativity." He said the board is pursuing discussions with Riedl about getting her program into the St. Cloud system, perhaps as a school-within-a-school.

Bob DeBoer, director of A Chance to Grow, whose charter was denied by the Minneapolis school board, said some board members were not interested in his program, and others felt uncomfortable because the charter concept is so new and might involve loss of some control.

## School board control

Opponents have argued that a school board will lose control over a charter school, but proponents argue that the board's ability to terminate a charter if the school does not meet outcomes specified in its contract gives greater control than over most schools.

State Board of Education member Doug Wallace said, "No other school has to be accountable. If they did, 90 percent would be out of business."

"Now we're really going to see about what kind of accountability school boards are interested in," said Joe Nathan, director of the Center for School Change at the University of Minnesota. "Some are very thoughtful. But there are some powerful people in the state who don't want to experiment with new forms of accountability."

## Local sponsor requirement

Opposition by local boards to five of the first seven proposals has raised questions about whether the political compromise that led to the requirement for local school district sponsorship has undermined the law. In its original form the bill allowed the State Board of Education to award charters on its own.

"I was one of very few people who

Continued on Page 7

# Charter

Continued from Page 6

"...that it was OK to have the local school board able to veto the proposal," said Rep. Becky Kelso (DFL-Shakopee), the House sponsor of Minnesota's charter law. "I was not ready to assume school boards wouldn't be cooperative."

"I thought the (Northfield) proposal was exceptionally good," she said. "That superintendent's attitude and approach are a very good example of why the school board should not be able to veto the charter. He shows a lack of confidence in parents' ability to choose and teachers' ability to run a school."

"If we find a number of places are rejecting proposals like Northfield's, that will give the Legislature reason to revisit the legislation and to provide the option for the state board to charter, in addition to the local board," said Reichgott.

Reichgott said she anticipates the law will come up for debate during the 1993 legislative session. "By then we'll have some track record that either the school boards are willing to exercise these options or not," she said.

Charter groups that have been un-

able to get sponsorship from a local school board are understandably skeptical about that stipulation in the law.

"There won't be eight (charters) in eight years," said Pat Ryan, who is working on the Rapidan proposal. "They're entrenched," he said of school boards. "They're all in it together."

The requirement for local school district approval "has put a brick wall between a charter school and the (potential) sponsoring district," said Lorraine Gaulke, chair of the charter school group in Emily. "Instead of all these fights, legislators could have been watching innovative programming develop."

A Chance to Grow's DeBoer suggested that perhaps the law should have allowed the state board to decide four of the charters, if necessary. "Otherwise it puts the total power and control in the local district," he said. "It some areas that may not be the most innovative group to make decisions for the kids."

## Union opposition

In addition to roadblocks from some local school districts, the charter law has run into opposition from teacher unions on both the local and state level.

## Charter Schools Update

A proposal for a K-4 school in **Emily** was turned down by the Cyrus school board on March 9, after being rejected earlier in Emily's home district, Crosby-Ironton. The Emily charter group has since requested sponsorship from 13 other school districts; three have responded. The group met April 2 with representatives of the neighboring Remer district, which was to consider the request at its April 16 board meeting.

The **Minneapolis** school board voted 4 to 3 on March 17 to reject A Chance to Grow's proposed New Visions School, aimed at K-6 students with reading problems. The board then voted 5 to 2 to direct Superintendent Robert Ferrara to pursue a contract with New Visions as an alternative school.

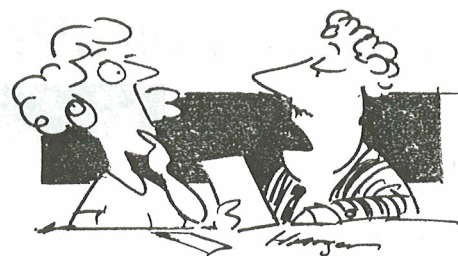
The **St. Cloud** school board decided on March 24—without taking a vote—not to approve Princeton teacher Joan Riedl's proposal for a two-classroom (grades 2-3 and grades 4-5) charter school in St. Cloud. However, the district is pursuing discussions with Riedl about how her approach, based on use of technology and learning stations, might be incorporated into the St. Cloud system.

The Metro Deaf School is proposing a charter for a middle school for deaf and hard-of-hearing students and held preliminary discussions with the superintendent of the **Forest Lake** school district in late March.

A subcommittee of the **St. Paul** school board voted on March 30 to recommend that the board sponsor the City Academy charter school, which would serve 30 teenage students who have dropped out of school.

The proposal of the **Mounds View** Area Learning Center, which serves at-risk youth from a number of school districts, was considered by the Mounds View school board at several meetings in March and was expected to be brought to a vote at the board's meeting on April 6.

The **Rochester** school board expects to decide at its April 21 meeting whether to sponsor a charter school and, if so, whether to approve the proposal from the Rochester Montessori School or to open up consideration of other proposals. No other proposals have been formally submitted to the board.



**"...In my book, ANY school board that's willing to sponsor a charter IS innovative!"**

Minnesota Federation of Teachers (MFT) lobbyist Rose Hermodson said the MFT is concerned with protection of the staff and students involved. "There's a fundamental question unanswered: if you're in a community but not part of the inner circle, are you realistically going to be accepted into a charter school?" she asked. "And what happens when you pull someone out of the protection of the law in relation to seniority, tenure, and bargaining rights?"

"We have site-based management already in the statute," she said. "We have as much as teachers need. We are going to continue to object to the (charter) concept, because we don't think it's healthy for public education."

Warren Bradbury, secretary-treasurer of the MEA expressed some concerns, but was more restrained in his comments about charter schools. He has visited Joan Riedl's classroom and thinks the additional freedom Riedl is seeking can be accomplished without a charter school. Her program would have some success, he believes, in a site-based system, a concept the MEA has supported, although he admitted that so far no strong site-based models exist in the state.

"She deserves more flexibility and I think she can get it within the current system," Bradbury said. "Her own success is the best argument against starting a charter school. Innovation is happening right now and it can continue. Calling it a charter won't make it happen."

"Whether it's created as a charter school or a school-within-a-school, she really deserves support and cooperation to make it happen," he said. "Of the charter school proposals in Minnesota thus far, hers is probably the most representative of what the legislation aims at."

## The future

What does the future hold for char-

ter schools?

Reichgott remains upbeat. One positive development, she said, has been the debate fostered on the national level by the Durenberger-Lieberman amendment, which authorizes funds for start-up money for charter schools. The provision has passed the Senate, and may be offered in the House.

She thinks the charter debate has raised some important issues about how the state spends its money for education. "We need to refocus our spending on the child and not on the larger district," she said. "We have per-pupil funding in this state and that's what it means. In charter schools funding follows the child, and if we can have an approach that better serves that child, isn't that the best use of our money?"

"I'll bet \$1,000 by the end of this decade this will be seen as a viable way to structure public education in this state and others," said Wallace. "In the short run it's going to be a rocky road."

Nathan said the experience so far shows "there are teachers interested in trying different kinds of education. Every single day I get calls. There are teachers who are eager to try this."

People who have made charter proposals see the need for a change in the attitudes of school boards and administrators. "It involves altering power relationships," said Riedl. "I've altered my relationship with my students, and that needs to happen all the way up."

"I think it'd be helpful if local boards could gradually move out of the mindset that they can only deliver education through schools they own," said Northfield charter proponent Griff Wigley.

*Dana Schroeder is interim editor of the Minnesota Journal.*



# Minnesota casinos attracting out-of-state visitors

**Gambling junkies** to Las Vegas have long been popular with Minnesotans, but now Minnesota is a destination for gamblers. A recent Minnesota Planning report estimates that Minnesota's 13 Indian tribe casinos now generate 5.9 million visitor days annually. About 15 percent of that is thought to be from visitors from outside of Minnesota.

Among the casinos, Jackpot Junction in Morton is a leader in marketing outside Minnesota; more than 30 percent of its patrons come from other states. For \$179, you can get a package including round-trip airfare on Northwest Airlines from Cleveland to the Twin Cities, bus connections to Morton, and two nights in a hotel in nearby Redwood Falls. The casino gives travelers a \$50 cash rebate when they arrive. In April, Sun Country Airlines will begin operating one-day charter flights from places like Rockford, Wichita, and Milwaukee. The cost is \$99, and the casino provides food vouchers and gambling coupons worth \$60.

To better accommodate plane-loads of gamblers, proposals are being considered to expand the Redwood Falls airport or build a new one. The tribal casino in Cloquet, scheduled to open next year, is exploring the possibility of charter flights using the Northwest Airlines Airbus maintenance facility planned for Duluth.

—Allan Baumgarten.

**A Senate Metropolitan Affairs** committee meeting late last month evoked the memory of the 1989 complaints by state legislative leaders, including Rep. Dee Long, now speaker of the House, about the number and cost of lobbyists that local governments employ to extract money from the Legislature.

Prominent in the audience were 19 lobbyists for one city, four counties and three regional agencies—two lobbyists for each of the nine senators present at the meeting.

—Pete Vanderpoel.

**Rep. Bob Vanasek** (DFL-New Prague), at a Citizens League meeting in March, described his bill to create a State Department of Environmental Protection and Conservation by merging the Department of Natural Resources, the Pollution Control Agency and

## Take Note

*Guaranteed winners you don't even have to scratch off.*

other boards. In response to a question about how the Legislature should restructure itself in light of restructuring plans for other state agencies, Vanasek said he would eliminate all legislative commissions except for the commission on reviewing administrative rules. He would merge the information staffs of the House and the Senate which now operate independently, and consider combining the non-partisan research staffs. He would not, however, go as far as some have suggested in merging the House and the Senate into a unicameral Legislature. "You should have a bicameral Legislature," Vanasek said. "It may make things a little messier, maybe a little more inefficient, but it prevents a lot of bad ideas from becoming law."

—Jody A. Hauer.

**Blue Cross and Blue Shield** of Minnesota (BCBSM), the state's largest health insurer, reported net income for 1991 of \$20.8 million on premiums of \$566.5 million, up from \$18.2 million the previous year. These results do not include earnings from its other operations, such as claim administration for self-funded employers. It increased its net worth to \$147.8 million, or the equivalent of 3.3 months of claim expense.

Enrollment in insured plans continued to drop, hitting 662,395 in 1991. In the last three years, enrollment has dropped by one-fifth, as insured groups have moved into self-funded plans. —A.B.

**Hennepin County** Commissioner Randy Johnson, who has been in the thick of various county solid waste issues for about a decade, is writing a book about garbage. If it's as imaginative as the tentative title, *Waste Is a Terrible Thing to Mind*, it'll be wonderful reading.

—P.V.

**The St. Cloud Times** disagreed with the St. Cloud City Council's action to protest the presidential primary by reducing the to one the number of city polling place. So the *Time's* editorial page suggested voters vote by absentee ballot and provided readers with the ballot application form, as well as instructions on filling it out and sending it in. The editors admitted "a massive

influx of absentee ballots would be no picnic for city employees" but said the single voting place was too inconvenient, especially for elderly and handicapped persons. —J.A.H.

**John Oswald**, acting chair of the Metropolitan Health Planning Board gave a short lesson in early 19th-century English history at a Citizens League meeting on Feb. 25. Speaking on ways to evaluate cost effectiveness of new medical technology, he responded to a question about encouraging innovation: "Someone from the medical community heard my presentation and said, 'You're a Luddite.' Those of you who know English history know that Luddites in the Industrial Revolution basically harassed and threatened inventors and wanted a halt on any sort of new machinery. I've come here to say 'I'm not a Luddite.'"

—Dana Schroeder

**A Minneapolis Public Library** plan for the future of its 14 branch libraries is now out for public discussion. Library staff originally proposed to close the Hosmer and Roosevelt branches on the city's south side and replace them with a centrally located, full-service facility. After rumors began flying in the Hosmer area that the library was to be closed immediately, the library board convened a series of community meetings to discuss the plan. Many people told the board they like their libraries as they are and where they are. The board has now instructed staff to continue its talks in the neighborhoods and consider other options.

A new library for the Whittier neighborhood, which was requested in the plan prepared for the Minneapolis Neighborhood Katalization Program, is not included. Instead, the Library Board proposes to provide extensive bookmobile service in the area. That will require some new money; the library's current bookmobile is a converted 1970s recreational vehicle which is so worn out it is only used in the summer. A new bookmobile costs about \$110,000, plus additional start-up costs for the collection and computer system.

—A.B.

**When the Minnesota House** Local Government and Metro Affairs committee recently voted 8 to 7 against a bill to eliminate the Regional Transit Board, DFLers—supposedly the party of "big government"—voted 5 to 2 in favor of doing away with the board, while Republicans—reputed champions of a smaller, leaner bureaucracy—lined up 6 to 2 against the measure. —P.V.

## Added value?

*Dr. Del Ohrt, medical director, Blue Cross/Blue Shield of Minnesota, to the Citizens League on March 3.*

About 50 percent of the rising cost in health care at the present time can be attributed to technology—new technologies and old technologies that don't seem to go away. Of the \$217 billion paid by private payers in 1990, 20 to 40 percent of that was probably wasted. That's a lot of money that really doesn't add any value as far as the health-care system is concerned.

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