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Labor-management cooperation helps restrain state employee health costs

When Congressional Budget Office Director Robert Reischauer visited Minnesota in February to examine applications of managed competition in health care, he made a point of meeting with the managers of Minnesota's state employee benefits program. When Reischauer, a skeptic about the money-saving potential of managed competition, was persuaded is not known. But the state's program may provide a model of how labor and management can work together to restrain

by Allan Baumgarten

the growth of health care costs.

The state's strategy has several key elements: offering employees choices of managed care plans (five in the Twin Cities area), pricing the options to steer employees toward less expensive plans, hiring technical experts to bargain with the health plans and providing employees with comparative information about the plans. The strategies have succeeded partly

because the state group, with more than 50,000 employees, can exercise significant leverage with plans.

The state introduced a key element of its strategy in 1985, basing its contribution to premium on the low-cost plan in the employee's county of residence. Group Health has offered the lowest cost plan in the Twin Cities since 1989, and the state pays all of the

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Metro Cable Network fills regional role

by Chuck Slocum

Over 20 years ago, the Citizens League and the Metropolitan Council envisioned a regional community television channel that would link cable viewers throughout the entire seven-county area on a single channel. The Metro Cable Network (MCN)—then called the Twin Cities Regional Channel—was created by state statute in 1973, brought into being and located on Channel 6 by the Minnesota Cable Communications Board in 1985, and activated in October 1987. Minnesota is the only state in the country with such a regional channel.

MCN's mission is to provide the community with a broad base of programming of regional interest. Oversight is provided by a 17-member board of directors representing area organizations and institutions and the public at large. Groups sponsoring programs include nonprofit organizations, government agencies, for-profit ventures, and independent producers.

A few examples show the diversity of sponsoring groups: the Minnesota Senate, Hennepin County Commissioners, Metropolitan Council, University of Minnesota, University of St. Thomas, metro area tech-

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School choice options drawing students throughout state, influencing programs

Some critics of Minnesota's school choice programs assert that choice is available only for Twin Cities area families and will attract only highly motivated students.

In fact, Minnesota's K-12 enrollment options programs are far from a metro-only or "star student" phenomenon. A significant number of students from around the state are using the enrollment options. Some of the programs are used more heavily by nonmetro students than by metro students.

Well over half the students using the choice programs are students at risk of failing in traditional school settings.

by Dana Schroeder

According to a recent study by the Washington-based Policy Studies Associates, over 30,000 kindergarten through 12th grade Minnesota students—four percent of the state's total—used one of the state's enrollment options programs during the 1990-91 school year to:

- attend school outside their home districts;
- attend Area Learning Centers, state-approved programs offered jointly by two or more districts for students at risk of failing in traditional programs;

- attend public or private alternative programs for at-risk students;

- take classes at public or private postsecondary institutions; or

- take college-level classes in their own schools;

What options did they use?

- About 58 percent—over 17,000—of the students who used enrollment options programs in 1990-91 had either dropped out of school previously or were at risk of dropping out.

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It's time to revisit regional vision, strategies, authority

The Twin Cities metropolitan area has long been held up as an example of a regional government system that works. In many ways, and in comparison to some other urban areas of the country, this has been and continues to be true.

But there are signs of fraying that need to be addressed. Work by state Rep. Myron Orfield and the Metropolitan Council's *Trouble at the Core* report highlight growing and spreading poverty and a disconnection between job growth and areas where individuals most need employment.

Designing overall systems of regional governance should not be done lightly or often. It is important to develop systems that are flexible and adaptable to changing circumstances. But there are substantial "turbulence costs" from frequent basic governance and structural changes that may impair the effectiveness of any regional efforts.

The task of redesigning the regional governance system can be broken into three parts: vision for the region from the Legislature and the region itself, regional strategies that respond to challenges, and implementation and accountability mechanisms that hold us to the course.

State vision for the region. The Legislature—as the creator of

Viewpoint

by Lyle Wray

regional government—has a responsibility, from time to time, to provide feedback to the Metropolitan Council on its priorities and themes. On a less frequent basis it ought to revamp the structure of regional government to be more responsive to current challenges and better able to carry out programs.

Specifically, the Legislature should address the election of Council members, lay out major themes to focus the very broad legislative sweep provided to the Council, assure sufficient power and authority to implement regional programs and devise appropriate oversight over regional government performance. The Legislature should decide in coming weeks whether these issues can be addressed effectively in the current session or whether a "blue ribbon" commission would be most useful.

Regional vision. A second element of the vision should be managed at the regional government level. The *Vision 2015* report and some of the work on regional framework fall into the category of vision effort. Every four years or so the Metropolitan Council should engage a "blue ribbon" group to supplement its efforts. Such a group should be made up

of representative leaders from our various metropolitan communities of interest. It should review the vision work that has been done, consider trends and offer wisdom on where we should be headed and on the types of regional strategies most likely to be effective.

Regional strategies. Once a picture has been developed of where the region should place its priorities—and the betting is good that some form of social agenda encompassing housing, jobs, poverty and transportation may be at its core—the challenge is to develop regional strategies to put this vision in place. As we go about "reinventing government" in a time of constrained resources and an uneasy public mood about our future, we should use an up-to-date tool kit for achieving regional goals.

Particularly if we enter into the social agenda issues, we will need to reach beyond strategies of "command and control" and creation of regional service delivery authorities. We will need, instead, to create more innovative relationships among governmental and nongovernmental sectors. We should seek out and adapt the "frontiers of best practice" in orchestrating regional strategies

requiring multiple governmental and nongovernmental actors.

Implementation and accountability. Our regional government needs appropriate authority resources to carry out regional strategies with and through other governmental actors. If the regional government is to tackle the thicket of issues making up a social agenda, it will need significant changes in responsibilities and authority.

A crucial question for both the Legislature and Metropolitan Council is, How can we provide enough authority and oversight to assure that regional strategies are carried out effectively and efficiently without allowing the regional government to get bogged down in operation detail? It is wise to maintain a split in some cases between those deciding what ought to be done and those charged with delivering services day to day. Working through this issue will require concerted thought in the coming months.

The core design issue is coming up with a system that will be able and effective for the coming decades but can address new types of regional challenges for which we have far fewer ready answers.

Lyle Wray is executive director of the Citizens League.

Cable

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nical colleges, metro area libraries, Hennepin County Health Department, the Archdiocese of St. Paul-Minneapolis, the Urban Laymen's League, the Center for the American Experiment, the Northwest Cable Commission, the Southwest Cable commission, the Minneapolis Television Network, Como Zoo and such independent producers as Mary Hanson and Camelot Communications.

About a third of the MCN programs deal with local, regional and state government. For example, MCN—in partnership with Continental Cable—was the only regional channel to broadcast Gov. Carlson's 1993 State of the State and Budget Addresses. Every week, viewers are invited into two-way discussions with legislators, through a program produced by the Minnesota Senate.

And then there are live specials. Last fall MCN carried a day-long conference on racism featuring Anita Hill and a two-day series on the preparedness of Minnesota's workforce. Live coverage of the November election results provided viewers insight into the area's legislative and county contests.

About 48 percent of the households in the Twin Cities area—nearly 500,000 households, representing 1.25 million viewers—have cable television. About one-fifth of these cable subscribers describe themselves as enthusiasts of the kind of diverse community

news and information found on Channel 6. MCN has a one percent share of the television viewers at any given time. Sixty percent of Channel 6 viewers are women, and they watch the station an average of two and one-half hours a week, compared to the one hour averaged by men. Household incomes of \$30,000-plus are most typical of MCN viewers, followed by \$20,000-plus and \$60,000-plus homes. Twenty percent of the viewers live in rental units.

The 24-hour-a-day programming on Channel 6 is free to any cable subscriber in the area. No funding mechanism was created by state law, so MCN has pieced together a public/private partnership to pay for its operation. Curt Johnson, deputy chief of staff to Gov. Arne Carlson, recently called MCN "a remarkable example of the state's policymakers inspiring an idea and



*Metro Cable Network
—Regional Town Crier!*

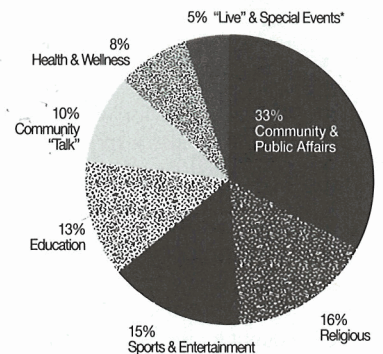
seeing it successfully "privatized."

MCN is about 90 percent funded by modestly priced annual memberships purchased by 60 programmers, including government agencies, nonprofit organizations, associations and individuals. Area cable commissions, a \$50,000 grant from state government and substantial in-kind support from CBS's Teleport Minnesota (WCCO-TV) underwrite the rest of the station's \$300,000 annual budget. In the spirit of reinventing government and doing more with less, MCN comes to homes for a full year at about the cost of one 30-second commercial on "Monday Night Football."

MCN is part of an entire industry, inspired by cable, that has emerged in addition to the commercial channels and network programming—community television. In the Twin Cities alone, nine cable operators and 33 locally appointed citizens commissions offer over 100 community-dedicated cable channels. They give "metropolitans" a chance to get an inside view of their local governments, their schools and a diverse range of community and neighborhood activities.

In the dozens of metro communities where cable is available in the Twin Cities, at least \$6 million is annually devoted to scores of local community television channels telling stories about the people, by the people, for the people, and paid for by the cable subscribers. MCN attempts to supplement the narrower local programming on these community channels with programming of a

MCN WEEKLY PROGRAM MIX



*Does not include Minnesota Senate coverage
Source: Metro Cable Network

broader regional interest. Specifically, MCN is defining its future as a regional "town crier," acting as a mirror of our various metro communities and publics.

MCN needs to build on its five-year record, however, to take advantage of technical advancements, improve the quality of its microwave signal and develop stronger controls on broadcast productions. Community leaders surveyed would most like to see improved and expanded programming of regional and state policymakers at work. And viewers would like more interactive and live programs on health, government and leisure time. Channel 6 plans to create a venture fund to help inspire certain kinds of productions, such as an entrepreneurs' forum, more children's and arts programming, stronger coverage of metropolitan governance issues, and forums for critics to discuss regional politics, arts, and media.

MCN is dedicated to the premise that our citizens deserve alternative television programming that shares wide-ranging, regional information about why our communities are what they are—and what ought to be happening in the future. MCN seeks to fill the niche between local cable access centers and larger commercial television: to be a regional resource that offers new opportunities to bind the seven counties together—or at least to better understand one another—as we move toward the next century.

Chuck Slocum is executive director of the Metro Cable Network.

Nonwhite/white earnings gap widens in Minnesota

Edited excerpts from remarks by Samuel Myers, Roy Wilkins Professor, University of Minnesota's Humphrey Institute, to the Citizens League on Feb. 16.

In 1950 the average income of a black in Minnesota exceeded the average income of a black in the United States. In 1950 that black made \$1,603, compared with \$961 in the United States. In the entire country for every dollar that a white earned, a black earned 46 cents. Minnesota was a great, great place for blacks in 1950. The average black earned 84 cents per dollar in 1950. That ratio has gone down.

Minnesota started off very unlike the rest of the country. Now Minnesota is beginning to look like the rest of the country. By 1990 the ratio of black to white incomes in Minnesota was very similar to the ratio of black to white incomes in the rest of the country.

We really need to know, Is the problem of widening gaps in Minnesota due to changing characteristics of nonwhites in Minnesota or changes in the treatment of nonwhites? In laymen's terms, is there discrimination? That's what my study was designed to examine.

The study used data for 1989, 1990, 1991. The ratio of nonwhite

to white wage and salary earnings—for individuals who had earnings—across all three years was about .55.

How much of this gap—that is 55 cents on the dollar—can be explained by the fact that nonwhites in Minnesota have lower education, are younger, are more likely to be concentrated in low-wage industries, are more likely to be concentrated in central city areas, are more likely to have moved? How much of the gap in nonwhite/white earnings is explained by these legitimate factors? What's left over?

The result of the study is that only 25 percent of the gap in the earnings between nonwhites and whites could be explained by differential characteristics. That means 75 percent couldn't be explained. That 75 percent is an upper estimate of discrimination, since not every conceivable factor has been included in the model.

On average whites are a little older in Minnesota than nonwhites. And on average whites are a little better educated than nonwhites. These two characteristics—age and education—explain most of that 75 percent of the gap explained by differential characteristics.

The Minnesota Journal

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Correction

Because of inaccurate information supplied to the *Journal*, a "Take Note" item in the March issue incorrectly reported that State Auditor Mark Dayton is the only constitutional officer with civil service employees.

Actually, four of the five constitutional offices—the auditor, attorney general, secretary of state, and treasurer—have civil service employees. Only the governor's office does not.

Family support

From Minneapolis Mayor Don Fraser's State of the City Address, February 10, 1993.

When a child is blessed with a strong family which is well connected to the community, city government has a diminished role. But as we face the reality of many of our families and children, we must recognize that it is for us—the City—to find ways to generate the supportive environments that will enable families and their children to succeed.

Editors upbraid legislators over telephone scandal

St. Cloud Times seethed (Mar. 20) about Rep. Alan Welle's telephone debacle. "It's too late for Welle, Long and anyone else responsible for this cover-up to worm their way out of this mess. It can't be glossed over and it won't be forgotten. The taxpayers have been duped and dumped too many times." Fergus Falls **Daily Journal** said (Mar. 24) Welle "ought to listen long and hard to his constituents in the coming weeks, to see whether he can still effectively serve as a lawmaker and represent his district."

West Central Tribune called for (Mar. 25) "a full review of all expenditures by legislators. The open meeting and data practices laws should be amended to include all governmental bodies, including the Legislature." **Brainerd Daily Dispatch** said (Mar. 24) "Maybe it's time to reach out and bash someone in St. Paul."

Mankato Free Press worried (Mar. 27) that the selection of Rep. Irv

On Balance

"Political crises are moral crises."—O. Paz

Anderson to lead the DFL Caucus "bodes ill for the spirit of bipartisanship that has characterized the last two years." **International Falls Daily Journal** welcomed (Mar. 26) Anderson's "strong voice for rural Minnesota, but (we) urge him to use it to promote harmony with the chorus of other voices in our state Legislature."

While agreeing that his role in fundraising for a business-labor coalition is open to criticism, the **Red Wing Republican Eagle** praised (Mar. 29) Sen. Bob Lessard. "He's one of a limited number of senators who can talk effectively to both sides in the ongoing debate between business and organized labor." **International Falls Daily Journal** said (Mar. 25) Lessard went too far in supporting the fundraising letter, but "Northern

Minnesota, which depends heavily on industries that use the state's natural resources, needs people like Lessard to remind lawmakers of the consequences involved in environmental decisions."

Duluth News-Tribune criticized (Mar. 31) the House DFL tax plan, saying "Soak the rich has a nice ring to it, if you're not rich...When will lawmakers decide they must live within their means, set spending priorities and be willing to live with the political heat that comes with saying no to someone?"

West Central Tribune supported (Mar. 23) Sen. Dean Johnson's vote in support of the gay rights amendments to the Human Rights Act, but called on the public and Legislature to get "back to the business that we should be dealing

with: the state budget, highway funding, education and the Mille Lacs agreement for starters." **St. Cloud Times** expressed (Mar. 22) concern about the "harassment and verbal abuse" that some legislators got after supporting the bill. "Opinions are one thing, harassment and abuse are quite another." **Free Press** said (Mar. 25) "if elected Republicans continue to show they can think independently of the social conservatives in the party leadership, there may be hope that the IRs can once again compete with the Democrats."

Duluth News-Tribune endorsed (Mar. 30) bills that would permit Twin City area municipalities to enact more restrictive gun control ordinances. **Free Press** noted (Mar. 20) evidence that more Americans favor the reasonable regulation of weapons, hoping that this new support will "give lawmakers everywhere more courage to do the right thing."

Health

Continued from page 1

Group Health premium for employee coverage and 90 percent of the Group Health premium for dependent coverage, if the employee takes it. The employee chooses a more expensive plan pays the difference in price.

The results were dramatic, beginning in 1989, when Group Health replaced Blue Cross/Blue Shield as the low-cost plan. State employees responded to the price differential, and enrollment in Group Health shot up. It has doubled from 1988 to 1993, giving it more than one-third of state employees.

Health plans also responded to the low-cost plan strategy. When the state based its HMO premium contribution on the price of the indemnity plan, HMO prices tended to "shadow" that price and cluster around it. Now, the price range has widened. Plans that employ physicians charge the lowest premiums, while plans that have larger networks of independent physicians cost more.

State benefits manager John Klein estimates that the state's initiatives have saved the state and its employees \$23 million in 1991-93. Cost increases, an average of six percent this year, have been relatively low by comparison to industry trends. Part of the credit for successful price negotiations goes to the Deloitte Touche consulting firm, which has provided actuarial and benefits consulting services to the state for the past 13 years. The consultants review the renewal proposals of the plans and firmly point out where a more "appropriate" assumption will reduce rates.

In 1990, the state replaced the Blue Cross/Blue Shield indemnity plan with a preferred provider arrangement, called the State Health Plan. Switching to a smaller provider network has enabled the state to hold down premium increases in the plan. However, protests from physicians left out of the network and some of their state employee patients threatened to scuttle the plan the first year. A bill introduced in the House would have permitted any willing provider to enter the State Health Plan network.

Peter Benner, executive director of Council 6 of the American Federation of State, County and Municipal Employees (AFSCME) recalls how he and state officials stood shoulder-to-shoulder before legislators and physicians in support of the new plan. The hardest thing was explaining to his members why their physician was not in the network. "Choice of provider is the hot button issue. It has to be paired with the cost issue, so people understand they face a choice between a limited network or much higher premium increases."

In 1986, a joint labor-management committee was established to discuss employee benefits issues. While other public employers have established similar committees, none has achieved the working relationship found at the state. Benner credits state officials with their

and enrollment trends in its Medica Choice offering. The gap between the state contribution and the cost of household coverage for Choice grew to \$125 a month in 1993, and enrollment in the plan dropped 15 percent. Medica thinks that, despite the higher cost, high utilizers are staying with Choice because of its broad provider network.

As part of 1994 renewal negotiations, Medica is proposing to replace Choice with a new offering called Medica Premiere. Arnold Hebert, Jr., Medica's vice-president of sales and marketing, explains that Premiere will use a smaller network of primary-care physicians who serve as gatekeepers. Hebert thinks the new offering will attract a better mix of enrollees, which will enable it to reduce the premium. Steve Ogren, the Deloitte Touche principal advising the state,

"Choice of provider is the hot button issue. It has to be paired with the cost issue."

—Peter Benner, AFSCME

willingness to share decision-making authority in uncharted waters. State officials credit Benner and his colleagues with providing the leadership that persuaded the rank and file to accept changes.

Union leaders and state managers have explicitly rejected the replacement coverage approach that many benefits consultants favor and that several local government employee groups have chosen in the past year. (Replacement coverage means the employer eliminates all but one plan, putting all the employees in the same pool.) Bob Cooley, the state's director of benefits, thinks relying on a single plan puts the group at the mercy of a monopoly. He prefers to put plan choice in the hands of employees and let plans compete for market share on the basis of quality, provider choice and cost. Of course, the large size of the state group makes it possible to offer choices and reduce concerns that any one plan will get a high share of the high utilizers in the group.

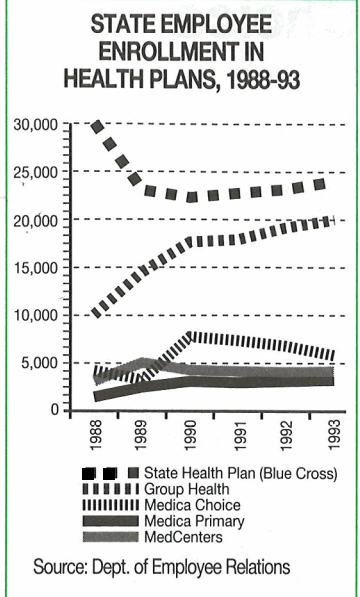
Or maybe not. Medica, which offers two plans to state employees, has been concerned about the cost

suggests that the new plan will not attract a different population, but can save costs by more efficient management of care.

Medica's proposal will go to the joint labor-management committee. If the state accepts it, then the State Health Plan will remain as the only broad network, non-gatekeeper offering for state employees. That scenario concerns Cooley and Klein, who wonder whether high utilizers in the Twin Cities area would switch to the State Health Plan.

The state's success with a managed competition approach for state employees encouraged the Legislature to direct the Department of Employee Relations to manage plans for local government units and for small employers. The Public Employees Insurance Plan (PEIP) was created as an insurance purchasing pool in 1990 and now enrolls about 5,000 people, most of them outside the Twin Cities area. Its growth has not been dramatic, but it has stayed in the black.

In the 1992 HealthRight law, the Legislature authorized creation of



a PEIP clone to give small private employers the benefits of group purchasing. The state is now negotiating with several managed care companies to offer HMO-like options for PEIP and the private plan, now called the Minnesota Employers Health Plan (MEHP). The new offerings are scheduled to take effect on July 1. The state projects that MEHP will enroll 25,000 people within five years. These group purchasing approaches are exactly what the Clinton administration is proposing.

Governments are often advised to reinvent themselves and look more like the private sector. Minnesota's remarkable experience of labor-management cooperation and cost containment in its state health benefits plans provides a model that the private sector might want to emulate.

Allan Baumgarten is associate director of the Citizens League.

Eden Prairie disputes wisdom of Orfield proposals

Edited excerpts from remarks by Doug Tenpas, mayor, Eden Prairie, to the Citizens League on Mar. 9.

What responsibility does Eden Prairie have to address the housing, employment, transportation needs of low-income individuals? There's no question we have a responsibility.

Eden Prairie currently ranks fourth out of 20 inner-ring suburbs in the total number of subsidized housing units at 448. Forty-eight percent of our total housing stock is rental. Nine percent of our total rental

inventory is low income. Forty-five percent of our total housing is multi-family.

1,142 housing units have been developed, financed or rehabilitated for low-income families with city HRA involvement. We have 462 Section 8 housing projects and 482 low- to moderate- income units, 198 of which are owner-occupied.

We have a house rehabilitation loan program, a scattered site housing program which assists low-income home buyers, the Minnesota city program which assists low- to mod-

erate-income first-time home buyers. We've got a HOME program specifically set up to do rehabilitation and core services for seniors.

We're always looking for ways to develop and create more low-income housing in Eden Prairie. The frustrating thing we have in our community is that land costs are so high. Land costs are anywhere from \$30,000 to \$50,000 per acre. When you've got that type of land costs, it's very, very difficult to put up a low-income housing unit.

It's my belief we have to build a profit motive for the private sector to build this type of housing. We're looking at the use of tax-increment financing as a method for interest rate reduction, possible land acquisition, housing revenue bonds, higher density, promoting creative subdivision design.

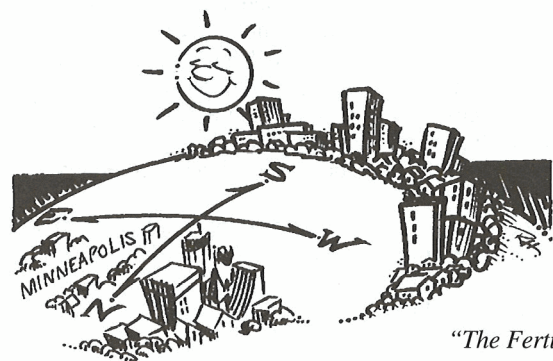
I think Rep. Orfield has to be given a great deal of credit for recognizing the problem and trying to do something about it. There's a philosophical difference I have

with Myron, and that is the role that government plays in this. Government has to be a catalyst, can be a facilitator, but government doesn't have to do the whole thing.

If I were governor I'd eliminate the Met Council totally. We do not need another layer of government in the metropolitan area. The Met Council should be shrunk way down and just be a policy body.

Myron would like to penalize cities that don't participate in the program. Everything he has put together will have absolutely no impact on our community.

I would expand the Metropolitan Urban Service Area line to lower land costs. Instead of penalizing communities, why doesn't he encourage communities in the "Fertile Crescent," perhaps by providing some Local Government Aid that could be dedicated to these things? Some of the inequities in fiscal disparities should be addressed.

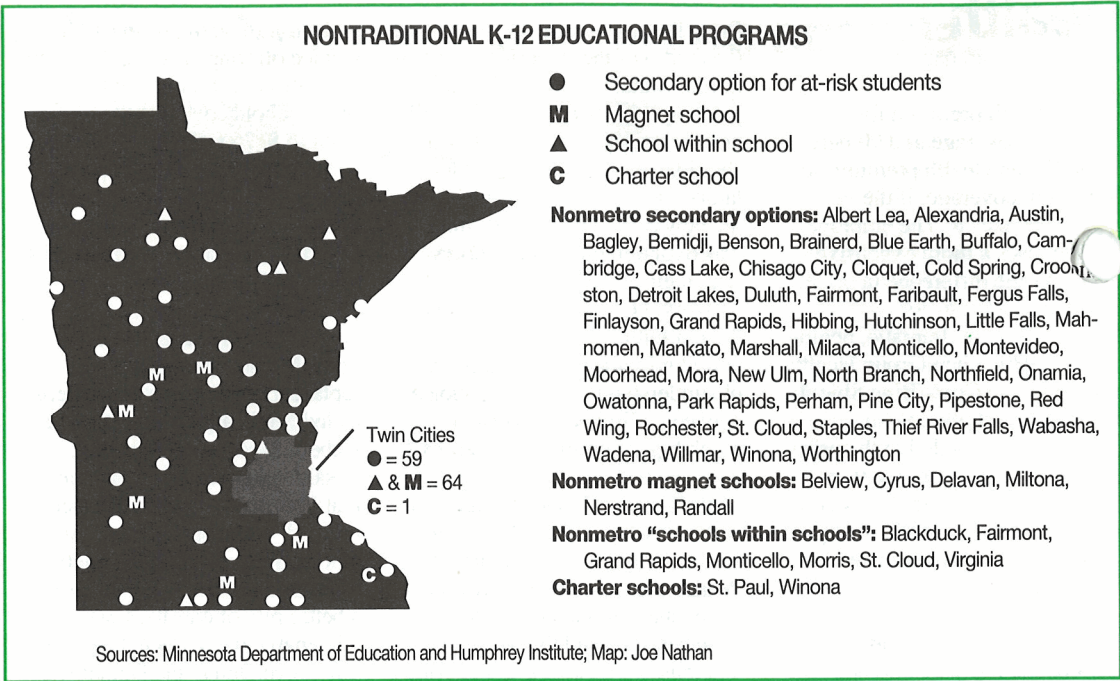


"The Fertile Crescent"

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Under the High School Graduation Incentives Program, these students may choose to attend any public high school, any approved private school, any public alternative program, or an Area Learning Center. In 1990-91 about two-thirds of them chose Area Learning Centers, about 14 percent public high schools outside their home districts, about 13 percent public alternative programs, and about six percent private alternative programs. They may also use the Postsecondary Enrollment Options program, although the data do not show how many at-risk students used that option.

- The next largest group of students—about 6,700 students, or 22 percent—used the Postsecondary Enrollment Options Program to attend postsecondary classes offered at public or private colleges or technical colleges or at their own high schools. The state picks up the bill for their tuition.
- And over 5,900 students—or 20 percent—chose to attend school outside their resident districts under the Open Enrollment Program. That option allows students to choose the district where they will attend school. State funding follows the student.



Where did students use the programs?

Use of the enrollment options is spread throughout the state.

Open enrollment. Students using the open enrollments option during the 1990-91 school year were spread throughout the state, and nonmetro students made greater use of the option than metro students. (That was the most recent data available from the Minnesota Department of Education. The statewide totals do not exactly match those of the Policy Studies Report.)

The state's 1990-91 enrollment was 52 percent nonmetro (390,630) and 48 percent metro (358,573). But nonmetro students accounted for 62 percent of the students transferring to other districts under open enrollment (3,569), compared to 38 percent for metro students (2,211).

And, according to Barbara Zohn, enrollment options program specialist, at the state Department of Education, families outside the Twin Cities area are making more aggressive use of the bus transportation option available under the open enrollments program. As of March 30, the state has given permission to 85 districts gaining open enrollees to transport 1,103 students from their home districts. Only one of those 85 districts is located in the metro area. Zohn said other districts where the issue did not reach a state appeals process may be transporting open-enrolled students as well.

percent (3,993) from outside the metro area.

Alternative programs. Area Learning Centers provide alternative programs for at-risk students at over 100 sites throughout the state, "none of which are lacking students," said Zohn.

In addition, according to Zohn, 39 school districts—many outside the metro area—offer public school alternative programs for at-risk students. Four school districts—three metro and one nonmetro (St. Cloud)—contract with 22 different private alternative programs for at-risk students.

What is the impact of Minnesota's school choice programs?

The school choice programs have influenced the destiny of certain individual school districts. (See accompanying stories.) And they have affected the types of programs schools are offering.

According to Joe Nathan, director of the Center for School Change at the University of Minnesota's Humphrey Institute, "the idea of choice has taken off like wildfire in rural Minnesota." Nathan offered the following examples:

- The number of Area Learning Centers has more than tripled in the last seven years.
- Continued on page 7

Continued from page 6

- A number of districts have recently added "schools within schools" or magnet schools.
- Teachers and parents in greater Minnesota have put together 20 different proposals for charter schools over the last several years.

The accompanying map shows the broad geographic distribution of these options for different students throughout the state. According to Nathan, over half the programs represented on the map were created in the last five years.

"Districts and teachers are responding to open enrollment," he said. "A lot more kids now have choice within a district."

Zohn cautioned that the number of students transferring to other districts under enrollment options understates the impact of the choice programs. "There are no numbers for people making choices within their own districts. Whether you choose to go elsewhere or not, what's important is taking the time to discover the options and making a choice."

Dana Schroeder is editor of the Minnesota Journal.

Grant County schools see both sides of choice

The state's open enrollment program has affected two small, rural school districts located in west-central Minnesota's Grant County in very different ways.

In Herman, located in the county's southwest corner, the decision of 10 percent of the district's 261 students to open enroll out of the district next year nearly led the school board to close its senior high.

According to Herman Superintendent Leroy Edlund, uncertainties about the future of the school led 26 students to seek open enrollment out of the district for 1993-94. The district failed to pass a \$120,000 levy referendum last fall and chose not to join several other area districts that are cooperatively planning to build a new area high school.

Faced with naturally declining enrollment and the loss of the 26 open enrollment students, the Herman school board in March considered busing all its 10th through 12th grade students to another district. The controver-

sial motion to bus the students failed on a tie vote.

Part of the controversy centered on whether to continue offering a full K through 12 program in Herman, and part of it on where the students would be bused. "We're 17 miles from everybody," said Edlund.

The loss of students through open enrollment is "very hard to absorb," Edlund said. "When you're as small as we are, if one person leaves, it's an impact."

He said the district will likely hold another levy referendum next fall. "Probably in November we'll know our future," he said. The district has reopened talks with the neighboring districts working on the joint high school.

The perspective on open enrollment is quite different in Ashby, located about 30 miles away in Grant County's northeast corner.

Nearly 13 percent of Ashby's 340 students this year have open enrolled from neighboring districts. The trend has gone steady-

ly upward, with 25 students open enrolling in during 1989-90, 29 in 1990-91, 39 in 1991-92, and 44 this year, according to Ashby Superintendent Ray Dahlen.

Dahlen said the open enrolled students are bringing about \$130,000 in revenue to the district this year. He said many of the students come to Ashby because of convenience or because they want to attend a smaller school. "They want more individual attention and to be recognized by their teachers," he said.

"Originally I was a little suspicious of open enrollment because I didn't know how we were going to fare, with Fergus Falls as a neighbor," Dahlen said. "They're a larger district and have more course offerings. At best we thought it would be a wash. I was amazed at how we've done."

"I look at it as a choice for parents and students. Not all students do well in one setting. It does make us do a better job, because we know they can go elsewhere."

Choosing Brooklyn Center

The decision of even a few students to open enroll can have a relatively large impact on small, rural school districts. But the program is also shaping the destiny of one of the smallest metro-area districts—Brooklyn Center.

This year, 390 students open enrolled into the district, accounting for nearly one quarter of the 1,659-student enrollment. The numbers are particularly dramatic at the secondary level, where 36 percent (287) of the 800 students are open enrollees.

Location, history, and the district's small size seem to be the

key factors attracting the students. "We're a small school district in the midst of giants," said Brooklyn Center Superintendent Doug Rossi. "The opportunity to participate is greater here."

Rossi said the district gains more than \$1 million in revenue per year and employs 16 to 20 more teachers because of open enrollment.

"Staff members fully recognize that meeting needs and making our students feel important is their job," Rossi said. "If 100 students choose not to come, that's five teachers."

Postsecondary Enrollment Options. A recent study by Minnesota House Research found that 7,540 students—or 7.5 percent of the state's 11th and 12th graders—took postsecondary courses in 1991-92 under the Postsecondary Enrollment Options Program. Students from 75 percent of the state's school districts participated in the program.

Forty-seven percent of the students (3,547) were from the seven-county metro area and 53

100 small state firms making environmental products

Edited excerpts from remarks by Robin Young, CEO, Environmental Technologies USA, Inc., to the Citizens League on Mar. 16.

There is not a dichotomy between jobs, economic growth, and being environmentally sound. For those who stridently try to disparage the effect of environmental policies on the economy, I say, let them travel to Eastern Europe. Entire nations are now living in the dark shadow of environmental catastrophe. These were nations that post World War II chose to forego controls on pollution to stimulate economic growth and ended up wrecking their economies even as they ravaged their environment.

In the name of the environment, what has changed today are the tools, technologies, knowledge and experience that accompany the modern economy's production system. Raw materials are changing from petroleum-based materials to carbohydrate-based materials. Waste disposal systems are changing from land or air or water dumping to recycling systems. Sprouting up are an amazing variety of businesses facilitating this change.

We're entering an era where a flood of new and environmentally sound products and processes are leaving the inventor's workbench and entering the marketplace. We're also entering an era that harkens back 50 years ago, where

business had a stronger, more cooperative relationship with government, particularly in the area of environmental issues.

Minnesota is one of a very short list of states where inventors, politicians, entrepreneurs and citizens are leading us into this new era.

In Minnesota we're talking about close to 100 little companies coming out with a variety of products and processes that make sense economically and make sense environmentally. Government has a role to play. An informed citizenry has a critical role to play.

Environmental companies operate in an inconsistent regulatory environment. My number one concern

is the failure of environmental laws to build a cooperative spirit between regulatory agencies, the public, and corporate America. More often the relationship between government and industry is combative.

One very valuable way that government can help this fledgling industry is to adopt purchasing policies that favor recycled content materials and environmentally friendly materials. If 10 percent of government spending went to purchasing products that are environmentally sound, it would make this industry one of the largest in the country. We're talking about pens, paper, light bulbs, power, plastic computer casings.

Local approvals reach charter school legislative limit

All eight schools allowed by the 1991 charter schools legislation have now been approved by local boards of education. Six have also received their approval from the State Board of Education. The final two—from Minneapolis and Red Lake Falls—were to come before the state board April 5. Two schools, in St. Paul and Winona, are currently operating. The others are scheduled to start next fall or after.

A proposal before the Legislature—sponsored by Rep. Becky Kelso (DFL-Shakopee) and Sen. Ember Reichgott (DFL-New Hope)—would raise or remove the limit on the number of schools that may be started. The effort took a hit on April 1, when the bill failed on a tie vote to pass out of a House subcommittee. But the authors plan to use other options to keep the issue alive this session. —*Ted Kolderie*.

Worthington's Cultural Diversity Coalition is continuing to make strides in helping the community accommodate the influx of new, ethnically diverse residents—many coming to take jobs in expanding food processing operations.

In February the coalition hired two Worthington residents to serve as Hispanic community helpers. One is originally from Texas, the other Mexico, and both are fluent in English and Spanish. The helpers, whose part-time salaries will be paid by a state Interagency Adult Learning grant, will provide Hispanic residents with information on housing, employment services, English classes, driver's licenses, utility hookups, day care, medical services, insurance, and social services. Plans are also underway to hire Laotian and Vietnamese community helpers. —*Dana Schroeder*.

Energy efficiency can be good for jobs, too. That's the conclusion of a recent study the Oregon-based Economic Research Associates (ERA) conducted for the Midwest Office of the Izaak Walton League. Electric utilities are increasingly urging their customers to install more efficient lighting, water heaters, and appliances. These so-called demand-side management programs save money for the utilities, as well as for their customers.

Take Note

Fertile tidbits shooting up like crocuses.

Since 1983, the programs have been mandated by the state as part of a strategy to reduce the need for new plants. Northern States Power, the largest participant in the program, says that for every \$100 invested in energy efficiency, ratepayers will save \$309 in avoided energy costs.

ERA estimated the potential income and employment benefits that would result if NSP were able to meet all its 1991 government-ordered efficiency goals. The analysts found that for NSP's program alone, 270 new jobs would be created in Minnesota's economy in 1993. That number would rise as high as 3,810 by the year 2005. The reason for the positive result is that each dollar spent on utilities has a smaller impact on the rest of the economy than a dollar spent on, say, construction or health. As customers spend their energy savings on other things, they give the economy a boost. —*Janet Dudrow*.

Blue Cross and Blue Shield of Minnesota reported a net surplus of \$17.8 million in 1992, down about \$3 million from its 1991 results. The company, which is the largest health plan in Minnesota, increased its reserve to \$169.4 million, or about 3.7 months of claim expense. Though organized as a nonprofit corporation, it became liable several years ago for federal income taxes, which amounted to \$17.5 million for 1992. —*Allan Baumgarten*.

Former Citizens League executive director Curt Johnson has collaborated on a new book entitled *Citistates: How Urban America Can Prosper in a Competitive World*. Johnson and coauthors Neil Peirce and John Hall have updated a series of in-depth "Peirce Reports," which looked at the civic and economic dynamics of six city regions, including St. Paul. They've analyzed the cities and their regions in the context of the new global economy.

The book argues that America's citistates are large enough to take on challenges such as workforce

preparedness, education, physical infrastructure, environmental quality and economic positioning. Yet they are still small enough to attend to the underlying civic infrastructure that requires a measure of personal interaction between citizens and mediating institutions.

But in a warning well-suited for the current local debate, the authors maintain that U.S. citistates are behind European and Asian counterparts because of "destructive social and racial tensions, the deep socioeconomic gulf between poor cities and their affluent suburbs, their inability to contain growth within a compact geographic area, and their unwillingness to establish the rudiments of regional governance."

Published by Seven Locks Press, the book will be available in June. —*Phil Jenni*.

On March 23 the Hennepin County Board of Commissioners held a town hall forum in Brooklyn Park City Hall as part of the process leading up to adopting the 1994 county budget. This was the first of a planned series of meetings around the county. The audience was briefed using a document *Behind the Hennepin County Budget* prepared by the county and the Minneapolis Foundation. The idea is to have public input into the budget process long before the Truth-in-Taxation hearings required by state law. —*Lyle Wray*.

Transit incentives for people using Interstate 394 have prompted some Twin Citians to switch to buses and carpools, but new figures from the Minnesota Department of Transportation (MnDOT) show there's lots of room for improvement. MnDOT said that 4,606 people, or 48 percent of eastbound commuters during the busiest hour—7 to 8 a.m.—use the Express Lane each morning. Incentives such as park-and-ride lots and reduced-price parking for carpoolers have helped boost volume in the "sane lane," MnDOT said.

However, on at least one stretch of the freeway, between Highway 100 and Penn Avenue, each vehicle still averaged only 1.27 people. Public grouching about congestion in regular lanes has frequently been bitter, with complaints generally some variation of "transit is a good idea, but not for me." Highway officials say the goal is to increase the percentage of peak-hour commuters using the Express Lane to 65 percent. They have a tough job ahead. —*J.D.*

Property tax reform update: The property tax reform bill described in the March issue of the *Journal*—authored by Reps. Steve Kelley (DFL-Hopkins) and Pam Neary (DFL-Afton)—has moved forward over the past month.

The bill was to receive its first hearing by the House Tax Committee on April 6 and a companion bill, authored by Sen. Kevin Chandler (DFL-White Bear Lake), was to be introduced in the Senate on April 5. —*D.S.*

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Citizens League Matters

April 13, 1993

News for Citizens League Members

McKnight Foundation grant challenges League members

The McKnight Foundation recently awarded \$125,000 in support of the Citizens League's efforts to find new and better ways to involve citizens in identifying and framing issues and developing innovative policy initiatives.

A healthy democratic society depends on vigorous citizen activity and participation, according to the League's proposal to the Foundation. That philosophy is the core of the League's new strategic direction.

The McKnight Foundation grant enables the League to push forward with its new direction. The support will also help the League strengthen its financial condition by achieving operating efficiencies and by leveraging more individual support.

Specifically, the funds are allocated as follows:

- McKnight will match 1993 contributions above membership dues, dollar for dollar up to a total of \$50,000.
- McKnight will match 1993 new member dues, dollar for dollar up to \$25,000.
- McKnight will provide up to \$25,000 toward office automation costs.
- \$25,000 is to be used to test new strategies for citizen education and involvement in issues development.

It's important to note that the League has to earn \$75,000 of the grant by challenging its membership to respond with extra

A message from League President John Brandl

The story next to this letter brings news of a very exciting opportunity for the League. The McKnight Foundation has challenged us to raise \$75,000 in new member or additional individual support in 1993.

Earning this matching grant money is extremely important. The matching portion of the grant is unrestricted and need not

be spent on specific projects. Instead, it can be used to rebuild the League's reserves and give us financial flexibility to address emerging issues. We must capitalize on this opportunity.

The McKnight match is part of a three-pronged membership strategy. Last fall, the League Board of Directors increased the basic membership rate. At the same time, it authorized a special fund to attract and maintain members who cannot afford to pay the dues. Finally, the McKnight grant challenges League members who can afford it to do more.

You might wonder why we are asking you to pay more for dues

contributions and recruiting new members.

The McKnight grant is an im-

portant vote of confidence in the League and its new strategic direction and it sends a strong message to other League funders.

and to match McKnight. Let me explain the Board's rationale.

Historically, the Citizens League has relied heavily on the business community for support. Corporate members have accounted for 75 to 80 percent of our total budget. Recent changes in the corporate contributions climate have threatened the League's financial stability.

Corporate contributions have declined nearly 18 percent in the last five years. We've tried to make up the difference through earned income projects and individual gifts. And to a degree, that strategy has worked - total revenue has increased even though corporate giving has fallen to 60 percent of revenue.

But frankly, the League is still in a precarious financial position. We've asked numerous foundations for grants, but they tell us we should rely more on our members. I think they are right.

Individual dues now account for just 15 percent of the League's total budget. Twenty years ago, with fewer members, dues accounted for nearly 22 percent of the budget. Not everyone can afford a dues increase, and we have no intention of restricting

membership to people who can. Consequently, we have created a special fund to subsidize membership dues. Anyone who wishes can be a member of the League at whatever level fits.

We are raising dues, but making sure anyone can be a member, and asking those who have the financial capacity to do more especially in light of the wonderful opportunity the McKnight Foundation has now given us.

I've been around the League a long time, I've served on study committees, the board and now as president. My experience has shown over and over again that the League is made up of extraordinary people, and that this is an extraordinary organization. Knowing this I'm positive that you will all rise to the occasion.

My colleagues on the Board are now calling League members who have contributed in the past. If you haven't gotten a call you might, and if you don't you'll get a letter. Either way I hope you'll join us in earning the McKnight match. The League's future depends on you.

Best regards,

John Brandl



New Mind-Opener series focuses on how to pay for government

The next series of Mind-Opener breakfast meetings will present three perspectives on how government should be financed. **Rep. Pam Neary** will begin the series on Tuesday, April 13, discussing the proposal that she and Rep. Steve Kelley have introduced to target property tax relief and other state aid.

On Tuesday, April 20, **Wayne Cox**, director of Minnesota Citizens for Tax Justice, will discuss how increases in income tax for wealthy Minnesotans can be redistributed in property tax relief. The House DFL leadership has introduced a bill with elements of that proposal.

Legislative update: Charter schools amendment stalled, but other League views advance

Metropolitan governance: League staff and volunteers have been working with **Rep. Myron Orfield** and **Senators Ted Mondale** and **Carol Flynn** on their bills to change the roles and responsibilities of the Metropolitan Council.

Local government services: **Senator Ember Reichgott's** bill to implement several recommendations from the League's recent study of local government services has passed both the Metropolitan Affairs and Governmental Operations Committees in the Senate. No action yet on the House companion, authored by the new Majority Leader, Rep. Irv Anderson.

Senator Reichgott's bill (S.F. 621) to loosen the rules on "out-

In the third meeting, **Cliff Hoffman** of Deloitte Touche and **Paula Prah**l of the Minnesota Business Partnership will present the Partnership's recent initiative to reform K-12 school financing. That proposal moves more school financing onto the income tax.

All meetings are at the University Club, 420 Summit Avenue, St. Paul, at 7:30 in the morning. Call now for reservations: 338-0791. Meetings are open to the public and are a great opportunity for new members and perspective members to participate in the League's work.

come-based" schools missed the first committee deadline but may show up in another bill. **Rep. Becky Kelso's** House companion was turned back in subcommittee.

Election and campaign finance reform: Senate committees have been considering two bills that incorporate recommendations of the League's recent report on electoral reform. A House bill has passed out of committee that also includes League proposals.

Libraries: **Senator Randy Kelly's** bill for a study of the capital needs of metropolitan area libraries passed out of the Metropolitan Affairs Committee and is awaiting action on the Senate floor.

CITIZENS  LEAGUE

A community resource

For more than 40 years, the Citizens League has helped shape the unique character of this metropolitan region. Here are just a few examples of how the League contributes to improving the public life of this region.

Research program update

The committee studying state spending is putting the finishing touches on its report this month, and will bring it to the board in May. Early releases of the group's ideas have been discussed at a series of Speak Up! in February and in opinion columns in the *St. Paul Pioneer Press*.

The group which has been reviewing proposals on governance of the Twin Cities area and updating the League's position will present its report to the Board of Directors in April.

Study committee planned

A new study committee is expected to begin work this spring. The Program/Strategy Commit-

tee has been crafting a study of regional issues, which is likely to be the League's next project. Members will receive information later this spring on how they can apply to participate in this new study.

Staff activities

The most recent issue of *Cities International*, the newsletter for municipal development programs worldwide, led off with an article on decentralization and accountability by executive director Lyle Wray. The paper outlined the major tasks in passing additional responsibilities from central governments to ones closer to the people. The article was prepared as part of a United Nations conference held last October in Seoul, Korea on decentralization, development and democratization.

Welcome new members

Paul H. Brown, Judith Colton, Anne Ducey, Joe Ducey, Mary K. Mahoney and David M. Pence.

Help the Citizens League earn the McKnight match.

When you recruit your colleagues to become League members, you help the League earn a major matching grant from The McKnight Foundation. Call the office for membership brochures and other information.

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More than 200 local firms provide operating support to the Citizens League. Call 338-0791 to add your company to the list.