



# Minnesota Journal

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A publication of the Citizens League

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Volume 13, Number 4  
April 23, 1996

## Value captured in tax-increment districts rises again

The amount of Minnesota's tax base set aside through a widely used, but often controversial, development financing tool called tax-increment financing (TIF) is on the rise again, growing by just under one percent in tax year 1995. The growth in TIF value in 1995, the most recent figures available, reversed the six percent decline in TIF value seen in 1994. That decline had been a change from the trend of increasing TIF value in the previous 11 years.

TIF allows communities to "cap-

by Dana Schroeder

ture" the increased property-tax revenues—the "tax increment"—generated by a development to finance some of the costs of that development. The increased tax revenues are not available for general city expenses or to other taxing districts, like the county or school district. Rather, they are reserved for TIF expenses for the life of the TIF district, which can range up to 25 years, depending on the type of district involved.

The tax base captured in TIF districts in 1995 amounted to \$203,291,153, or 6.19 percent of the state's total property tax base of \$3.3 billion. As the chart on page 6 shows, this is the lowest percentage of value captured by TIF in the last five years.

(The tax base figures discussed in this article are *tax capacity* values, which are the values used to compute property taxes. Because Minnesota taxes different types of

property at different rate, tax capacity is expressed as a proportion of market value, depending on a property's use. If an assessor determined that a commercial property, for example, had a market value of \$200,000, its tax capacity value for taxes payable in 1995 would have been \$7,600—three percent of the first \$100,000 of market value and 4.6 percent of the remaining \$100,000. So tax base, or tax capacity, values are only a portion of the actual market

Continued on page 6

## Telecomm consumers get second chance at state

by Milda K. Hedblom

**Second of two articles.** Most of the sweeping changes set out in the federal Telecommunications Bill of 1996 are of immediate importance to the companies that sell telecommunications and information services. The lobbying war that preceded its passage saw millions upon millions of dollars spent by the giants of the industry—especially the long-distance companies on the one side and the local telephone companies on the other—on both sides of provisions to protect themselves.

User groups such as the Consumer

Federation of America, education groups and library associations went home relatively unhappy. Nevertheless, some provisions are being hailed as victories for parents, such as the V-chip to be required in new television sets and the establishment of a rating scheme for video programs. Still other provisions are extremely controversial due to their potential constitutional impact, such as the criminal penalties for knowingly allowing electronic posting of indecent material over a facility under one's control. The bill itself recognizes the time bomb and provides for direct appeals to the Supreme Court.

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## Avionics could affect airport capacity, landing patterns

by Ted Kolderie

In the early '80s a Minnesotan riding in from de Gaulle airport to Paris got into a conversation about airports with an executive of KLM (Royal Dutch Airlines) on his way to meeting about aviation electronics in Toulouse.

Airports aren't going to be located on the edge of cities, the KLM executive said. They're going to be in the center of cities, as railway stations were. Like Tempelhof in Berlin.

And like Wold-Chamberlain here—given the spread of develop-

ment around it to the south and given now the decision in the Legislature not to move the airport to the edge of the urban region, in the far corner of Dakota County.

This decision was a more final commitment than many people had thought it would be. During the search process more than a few had expected the decision would be not to build a new airport now but had believed there would be a decision to reserve land for a new site as a hedge against a need to relocate later. In the end the decision is not to land-bank either.

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# Regional Challenges: Devise new ways for new times

It's beginning to sink in: We live in a 2.7 million person, 19-county-plus "metroblob" that extends across two states. The biggest city in the blob has only 14 percent of the population. The "metroblob" will be growing by 650,000 people over the next 25 years. That is 12 Burnsvilles—or, if you like, almost two Minneapolis populations. Of the top 25 metropolitan regions in the U.S., the Twin Cities region is the least dense of all but two, more spread out even than Los Angeles on a persons-per-square-mile basis.

At the same time as we cope with this intraregional growth, we're being challenged to remain competitive with regions across the midwest, nation and world in providing the foundations of future prosperity—airports, highways, intermodal terminals, telecommunications and the like.

All this anticipated growth—and the demand for infrastructure and services that goes along with it—is happening at a time when the public appetite for spending tax money has ebbed. Minnesota's public sector is faced with slow-growing revenues and strong signals from citizens to put the brakes on increased tax rates. We'll have to make hard choices and weigh the tradeoffs between alternative infrastructure investments. Adopting growth policies that encourage more compact development than has been our pattern of the past decade may take the edge off our appetite for new expenditures—but only to a degree.

The Twin Cities region has no structures to look at the whole

## Viewpoint

by Lyle Wray

"metroblob," let alone to devise strategies to meet these public infrastructure and service dilemmas.

A special Citizens League Mind Opener series now underway is hearing about three of North America's leading examples of regional governance—Toronto, Indianapolis and Portland, Oregon. Even these regions, which have been forward-thinking in their approaches to governance, are finding that what were good solutions to regional challenges 30 years ago no longer do the job.

Metropolitan Toronto, for example, has a strong, elected regional government with strong taxation and planning powers. In January, a 277-page report said, in essence, that the rapid pace of development had overwhelmed Toronto's geographic and governance framework. Toronto and other regional pathbreakers are having to go back to the drawing board for new ideas to respond to new realities.

Similarly, the Twin Cities' statutory metropolitan region of seven counties bears ever-fainter resemblance to the real economic "metroblob" in which we live. We in the Twin Cities metropolitan area also, it seems, have to go back to the drawing board.

What to do?

Our current mechanism of dealing with the metro reality—a limited,

appointed regional government (the Metropolitan Council) plus a number of separate regional planning mechanisms—has been outstripped by reality. Some have said, for example, that the Metropolitan Council should be more assertive about controlling expansion in the MUSA line. But in the current system of governance, simply tightening the MUSA would probably spur even faster growth outside the seven-county Metropolitan Council jurisdiction to Greater Minnesota or western Wisconsin. Statewide land-use planning might be the solution to such leapfrog development, but the idea faces major political opposition.

Twin Cities policy leaders need to identify the challenges to which we must respond as a region. Candidates for the list of challenges: consumption of farm land for development, transportation and transit systems and, possibly, coordinated economic development promotion.

The Metropolitan Council has started such discussion with its 2020 Report to the Legislature. They and other groups should do much more to flesh out these challenges and to bring some options forward for the Legislature to consider. The Citizens League's current study on Building Livable Communities, and the nearly-finished study on the Twin Cities in the Global Economy, both address important parts of this task.

The region must look at structural solutions, such as a statewide land-use law, expansion (or not) of the Metropolitan Council or establishment of other authorities.

But we need not be limited to these governance solutions. Even with the structures we have now, we can explore policies to better meet the new growth pressures. One possibility: "full cost development," in which users of new services pay closer to the real costs of new development, rather than being cross-subsidized by other residents.

Western Europe, Canada, Australia and New Zealand have conducted major surgery over the past decade on the numbers and functions of substate governments. Unfortunately, their experience may not be relevant to our situation, because such dramatic realignment is not likely to meet political muster in the U.S.

The puzzle for us, then, is to find realistic ways to work with existing structures, but with new incentives on system performance, to get better outcomes. Perhaps, for example, public and private partnerships could be formed that would create as specialized authorities for specific regionwide functions, such as transportation and transit, economic development coordination and environment. Think of it as "functional accommodations"—working with what we have to do what needs to be done.

Lyle Wray is executive director of the Citizens League.

## Airport

Continued from page 1

So we have closed our options, burned our bridges behind us. Even if years from now a jet goes curved on Highland Park we will be effectively committed to Wold-Chamberlain Field. (This, of course, has been our policy consistently. As the decision approached on the new terminal in the 1950s, an airliner went down on Minnehaha Parkway and military jets took out houses in Richfield. The terminal went ahead nonetheless.)

From here on the issues will have to do with what happens at Wold-Chamberlain and especially with how to increase its capacity to handle the growth in passenger traffic and freight. Partly—most visibly, so far—this has to do with more runways. Less visibly, it has to do with avionics, new electronic systems for controlling the movement of aircraft, especially those using the Global Positioning Satellites (GPS).

Both the Americans and the Russians have a system of satellites orbiting the earth that permits people to find their location with remarkable accuracy by triangulation. Vice President Gore announced March 29 that the GPS, previously controlled tightly by the military, will now be opened to full commercial access.

This has major implications. From the early days the movement of aircraft has been controlled from the ground. Movement between airports has been the responsibility of the Federal Aviation Administration (FAA), through flight plans

and later through its system of air traffic control. When approaching aircraft descend below 10,000 feet, control is handed off to the local airport control tower.

It is possible that ground-based air traffic control will now give way to a new system ("free flight") in which pilots using GPS avionics control their own movement; with ground-control intervening only when some kind of problem appears.

These avionics should make it possible to tighten up the spacing between aircraft; for example, planes could land wingtip-to-wingtip on the parallel runways in bad weather. It may eliminate the costly nose-to-tail stacking of planes trying to land at rush hour by making it feasible for planes to approach the airport directly and to curve down on the runway from different directions.

Wold-Chamberlain is the first airport to install Honeywell's Pelorus SLS-2000 landing system, a "differential GPS ground station" which Honeywell has been demonstrating to airports around Europe this spring. *Aviation Week* magazine reported April 1 that this system is accurate to within five feet horizontally and six feet vertically.

There are implications in all this for the cities around the airport. The noise pattern changed in the early '80s when the airport eliminated the five-mile nose-to-tail separation by "vectoring off" planes leaving the field. Doing something similar with curved landing patterns will—as Minneapolis officials were advised some time ago—similarly relocate the traditional noise-patterns. Areas off the end of the run-

## A noisy demonstration

Kenneth Osterberg, who ran a major business doing fee-schedules for airport management from a small office in the old Northwestern Bank Building in Minneapolis, used to tell a story he'd heard from airport and airline officials about how the jets came to New York.

Neighbors around La Guardia airport were nervous, from what they'd heard. So the officials invited them to a demonstration.

They took a two-engine propeller plane, a Convair ("one of the noisiest airplanes ever built"), loaded it up with gas and gave it full throttle. It roared by the onlookers and up.

Then they took the new Boeing 707, put in just enough gas to get it over to Kennedy airport, and used every foot of runway for the takeoff. That jet just whispered off. The officials turned to the airport neighbors and said, "See? No problem."

ways where noise is now concentrated may get less traffic; areas that currently don't get much noise might see new landing patterns heading their way. (This may explain why the Metropolitan Airports Commission (MAC) now has a merged "Aviation Noise and Satellite Programs" office.)

Only time will tell whether the decision to commit to Wold-Chamberlain was a good decision.

Clearly a long period of study by the Metropolitan Council was shortcut at the end. Airlines typically resist moving. The MAC reflects aviation and airport interests. It will be too late for the public usefully to react to developments just becoming known: the avionics and the prospects of another increase in the size of jet aircraft. *The Financial Times* of London reported April 12 that Boeing expects to start work late this year on a 747-600X, to carry 500 passengers, and that Airbus plans a new model to carry 550.

And the other considerations that went into this decision are not necessarily the sort that increase a community's comfort level: "Minneapolis business people don't want to drive to Dakota County;" "Look at the problems in Denver" (with its new airport); "Taxes

would go up" (though the Metropolitan Airports Commission doesn't use the property tax); "The south Minneapolis legislators aren't cooperative;" "Let's get it over with."

If Wold-Chamberlain doesn't work out, the airlines' major option will be to move flights to other metropolitan areas, whatever the state might think it negotiated in the way of commitments to this area.

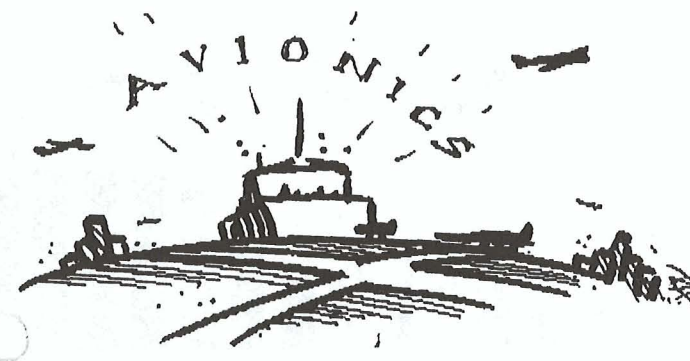
At the time they were voting the package of financial assistance to Northwest Airlines, legislators asked about the company's commitment to keep a hub in the Twin Cities area. But the questions could not distinguish clearly between the old concept of "hub" (commuter planes bringing passengers from small cities to the trunk-line airport) and the postderegulation concept of "hub-and-spoke," in which a major carrier flies its trunk-line routes in and out of a single airport.

Absolutely, Northwest told the Senate committee, the Twin Cities will continue to be a hub.

It was a major decision we just made. Let us hope for the best.

Ted Kolderie is contributing editor of the *Minnesota Journal*.

In its Dec. 17, 1987, report, Make the Present Airport Better-Make A New Airport Possible, the Citizens League called for a dual-track approach that (1) emphasizes near-term improvements to expand capacity and reduce noise at the current site and (2) sets in motion a process for finding, designating and acquiring a site suitable for a replacement airport. It called on the Metropolitan Airports Commission to acquire a specific site as insurance against a time when a replacement airport might be needed. Copies of the report are available from the League at 612-338-0791.



Same location, new technology.

## League: General College not improving access to 'U'

From a Citizens League letter to the University of Minnesota Board of Regents on Apr. 10.

We believe that Minnesota can and should do a better job of ensuring access to postsecondary education, including the University, by low-income people and people of color. And the state can and should do a better job of supporting the successful completion of postsecondary degree programs by minority students.

People of color, who are disproportionately poor and low-income, face significant financial barriers to attending postsecondary education. Minnesota should ensure that financial need does not prevent a well-prepared student from attending postsecondary education or prevent the most talented applicants from attending the University of Minnesota...

However, the University's own data show that enrollment in Gen-

eral College is not a proxy either for low income or minority race. Only 18 percent of the students in General College are underrepresented minorities. Only 20 percent are from the central cities of Minneapolis and St. Paul. And while General College students are slightly more likely to qualify for financial aid than Twin Cities campus undergraduates in general, 43 percent do not demonstrate financial need as defined by the federal needs analysis.

In other words, the majority of General College students are white suburban students who are simply underprepared for college. This record suggests that GC should not be considered the avenue for improving access to the University either for students of color or low-income students.

The University's data also show that GC is not the path to improving minority students' success at

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Distance learning increasing part of higher ed scene

Edited excerpts of remarks by Pat Kovel-Jarboe, consultant and former coordinator for distance education, University of Minnesota, to the Citizens League on March 12.

Who benefits from distance education?

Right now it's primarily traditional students, certainly K-12 students who are coming to school anyway, prebaccalaureate level students, higher education and some applied kinds of graduate education, master's degrees in particular.

The greatest interest seems to be among time- or geography-stressed adults. Usually they're highly motivated. The education they're seeking is either a prerequisite to continue the employment or to a new and perhaps better position. They're perhaps less likely at this time to be degree-seeking students, rather more interested in a specific

skill or content.

One of the issues right now that needs to be dealt with in distance education is its susceptibility to complete degrees. Oftentimes where there's a perceived market demand, courses are developed, but they may not be provided in any sequence and they may not lead to a credential at the end. That is an issue for a student who wants to complete a degree, either at the undergraduate, associate or bachelor's level, or at the graduate level. It's very difficult to do right now and almost impossible to do using courses from a single institution.

Now there are some exceptions to that. For example, the University of Minnesota has offered applied master's degrees in computer science and electrical engineering between the Twin Cities and Rochester for years, since about 1969. That's what we've seen with

complete degree programs delivered—primarily to a very focused, and usually very small, well-off audience.

There is lots of planning going on related to distance education across higher education. It's certainly true in K-12, as well.

Good distance education requires significant upfront costs. There's the cost not just of the technological infrastructure, but there's the cost of effectively designing or redesigning courses for effective delivery at a distance. The human costs associated with that can be quite high.

If I take out my crystal ball, I would make a couple of predictions. I think technology will continue to get cheaper and better, but it is not going to be ubiquitous, not in the near future. I think public acceptance of distance education

will increase, as more people experience it and have positive experiences. I think we will see more student fluidity, that is, students who identify less with a single institution than they do today. They take courses from a variety of institutions over the course of an undergraduate career or the course of a lifetime. Associated with that, I think we're going to see a need for new methods of credentialing.

Clarification

Due to space limitations, information on the funding source for the Health Care Priorities project was omitted from Reinhard Priester's article, "Public voice needed in health-care decisions," as it appeared in last month's Journal. Financial support for the project's pilot study was provided through the Allina Foundation's Project DECIDE.

Editors grade legislative session in 'C+' to 'F' range

On Balance

"Oft expectation fails, and most oft there Where most it promises."—W. Shakespeare

Duluth News-Tribune said (Apr. 5) the "mixed bag of results" of the 1996 legislative sessions show "it truly was an off year." It criticized the lack of action on significant property tax and education reform and the granting of property tax breaks for cabin owners—"those needy folk scraping along on two homes." It said (Apr. 8) the Governor and legislative leaders should develop a plan before the next session begins to address the issues raised by the Brandl-Weber report: how the state can best maintain needed services, cut unneeded ones and find ways to do some things differently. Star Tribune called (Apr. 4) the legislative session "disappointing, frustrating—even embarrassing." It chided lawmakers for failing to deal with property tax reform, long-term funding for highways and transit, pay raises for top state officials or the Prairie Island nuclear waste storage problem.

Mankato Free Press said (Apr. 6) "the 1996 legislature deserves a big fat 'F.'" It called for a return to every-other-year legislative sessions. Worthington Daily Globe called it (Apr. 5) "imperative" that the next session be better than this one. Rochester Post-Bulletin said (Apr. 6) the session "deserves a C-plus rating for overall effectiveness even though some major issues were not addressed."

Red Wing Republican Eagle said (Mar. 25), "Minnesota con-

tinues to drive away business with its unbalanced system of property taxes...No significant reform will occur...without increasing the tax load on other property classifications." Mankato Free Press said (Mar. 18) the 1997 Legislature should look at the tax reform plans of Rep. Ann Rest (DFL-New Hope) and Sen. John Hottinger (DFL-Mankato) and it called on the Governor to "add his weight to this momentum for change." Star Tribune blamed (Mar. 13) lack of action on property tax reform on the disinterest of Gov. Arne Carlson. "Big change in state policy can't come when the governor refuses to lead."

Duluth News-Tribune said (Mar. 13) legislators "have no business freezing local property taxes...lawmakers should let local taxpayers use the voting booth to keep them under control." St. Cloud Times called for (Mar. 17) "major reform of the whole system of taxation and the funding relationship between the state and local governments, including schools. State and local taxes have become so blended that it is impossible to fix responsibility." West Central Tribune said (Mar. 13) long-term reform of the property tax system

would probably include increased state funding of education. "A greater percentage of property taxes would fund city and county governments, which would generate greater local accountability."

Republican Eagle supported (Mar. 12) shelving thoughts of relocating the Twin Cities airport and concentrating on improving the existing airport. Star Tribune said (Mar. 18) it was the numbers and not political conspiracy on behalf of Northwest Airlines that led to the decision not to build a new airport. It said, though, (Apr. 2) that the issue of whether to set aside airport land for possible use should be considered separately. Princeton Union-Eagle said (Mar. 21) the decision to expand the current airport "may be the best that can be accomplished now, but it is not a long-range solution to Minnesota's long-range airport needs and opportunities...a truly comprehensive, factual and objective study of Minnesota's international airport potential has not been made."

Princeton Union-Eagle called (Mar. 7) the standards for the graduation competency test being established by the Department of

Children, Families and Learning "pathetically low." The editorial's headline: "A mountain of money brings forth a mouse."

Pioneer Press called on (Mar. 22) the Minnesota Board of Teaching to re-examine the current teacher certification test and on schools of education to do a better job of preparing their students to pass basic skills assessments. "Surely, we cannot set academic goals for K-12 students if we fail to set high standards for their teachers." Duluth News-Tribune said (Mar. 21) the test for prospective teachers is found to be biased against some people, state officials should create a different test and perhaps varying tests to measure the different teacher skills needed. Fergus Falls Daily Journal said (Mar. 20) it would be inappropriate to allow alternative testing for prospective teachers who cannot pass the credentialing test. "Many people are crying for heightened standards in education...Those same standards need to be applied to those who will teach the students."

Duluth News-Tribune said (Mar. 26) charter schools should be given a better chance to thrive in Minnesota. "Viable charter schools across the state...could provide the best aspects of a voucher system without handing public money over to private schools."

TIF

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values of the state's property.)

TIF value grew rapidly during the 1980s, with an average annual growth rate of more than 23 percent between 1984 and 1989. Following legislative restrictions on the use of TIF, growth rates slowed to about 10 percent in 1991, three percent in 1992 and two percent in 1993. Joel Michael of the Minnesota House Research Department believes that a rebound in commercial-industrial values and the legislative easing of state aid reduction provisions in 1995 and 1996 will result in moderate growth in value captured by TIF districts beginning in the next year or two.

cent in 1995—from 1,273 to 1,338—reversing a nearly five percent decline in the previous year. Most of the growth in districts occurred outside the metro area, which saw a seven percent increase (55 districts), compared to an increase of less than two percent (eight districts) in the metro area.

As of 1995, 357 communities—in 81 of the state's 87 counties—had TIF districts with captured value. Fourteen new communities—all but one (Belle Plaine) in Greater Minnesota—had TIF districts in 1995, while two communities that had districts in 1993 had none in 1994.

(There were actually 1,436 TIF districts in 363 communities in 1995, but only 1,338 of the districts captured some tax base value.)

Metro area communities contained

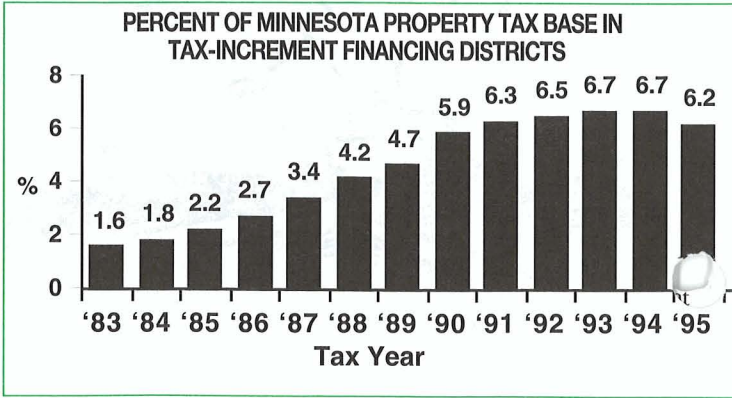
a disproportionate share of tax base captured in TIF districts. While the metro area contained 63 percent of the state's tax base, it contained 77 percent of the tax base captured in TIF districts. Metro area TIF districts, on average, are much larger than nonmetro districts, with metro districts capturing an average of five times the value of nonmetro districts. The average metro-area TIF district contained \$307,447 of captured tax base, while the average nonmetro TIF district contained \$57,359.

Forty-six of the 357 communities with TIF districts had \$1 million or more of their 1995 tax base captured in TIF districts. All but eight of these communities are in the metro area and 13 of them are located in Hennepin County. The

five cities with the highest TIF tax base were Minneapolis, \$40.4 million; Bloomington, \$14.8 million; St. Paul, \$10.4 million; Duluth, \$6.4 million; and Edina, \$5.2 million. These were the same top five cities as in 1994, even though TIF values declined in each of these top cities between 1994 and 1995.

Although TIF districts in Greater Minnesota tend to have less value, a number of nonmetro communities have a large percentage of their tax base tied up in TIF districts. In 1995, 106 communities had more than 10 percent of their tax base captured in TIF districts—75 in Greater Minnesota and 31 in the metro area. That's one fewer community than the 107 that surpassed

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The number of TIF districts with captured value grew by five per-

In its June 20, 1985, report, Accountability for the Development Dollar, the Citizens League called for a system of development assistance that emphasizes direct, not indirect, sources of revenue; appropriations, not entitlements; on-budget decisions, not off-budget; and assistance that is targeted, not general. It called on the Legislature to create a new redevelopment fund financed from direct state and local revenue sources and to phase out tax-increment financing as the fund is established. In the meantime, the League said, the Legislature should tighten up TIF. Copies of the report are available from the League at 612-338-0791.

The Minnesota Journal

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The Minnesota Journal (ISSN 0741-9449) is a publication of the Citizens League, a nonprofit nonpartisan Twin Cities public affairs organization, 708 S. Third St., Suite 500, Minneapolis, MN 55415, Barbara Lukemann, president. Articles and commentary are drawn from a broad range of perspectives and do not necessarily reflect League positions on policy questions. The Journal is published once a month. Second class postage paid at Minneapolis, MN.

Annual subscription rate for nonmembers is \$40 for 12 issues. Orders may be placed at 612/338-0791 by mail at the above address.

Postmaster: Send address changes to The Minnesota Journal, 708 S. Third St., Suite 500, Minneapolis, MN 55415

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obtaining degrees. Even though General College costs twice as much per student as CLA, only seven percent of minority GC students graduate from the University within eight years, compared with 25 percent for CLA students.

The State of Minnesota—and the University, by extension—can expect long-term budget and enrollment pressures. Population growth implies increased spending just to keep per-student investment static. Budget pressures in the institutions imply continued, or worsen-

ing, pressure to raise tuitions...

Under these circumstances, it is inefficient and inequitable for the state to provide large amounts of resources to underprepared middle-class students to attend the University of Minnesota, while failing to remove and the financial and social barriers to postsecondary education faced by qualified poor and minority students. That is what the current policies do.

The University of Minnesota, along with MnSCU, the K-12 school districts and the Legislature itself, must begin to seriously sort through alternative strategies that would meet the goal of access...We also urge the University and Legis-

lature to look at how the system of financing higher education could better target education appropriations to needy students...

We believe that the functions performed by General College do not belong in the University and should be distributed elsewhere. Remedial training for students with poor reading and math skills needs to be—and should be—provided somewhere if these students are to succeed in postsecondary education.

But remedial programs should be handled by community colleges, as the University's administration has recommended.



# Telecomm

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The overall goal is to bring companies into each other's business. The main strategy for bringing this about is requiring existing local companies to identify and price separately their "basic service elements." This means, for example, that competitors must be able to buy local switch service separate from transmission or buy the transmission of messages themselves from the customer's home or business to the nearest telephone switching office. New local service providers can then purchase these services and put them together to resell to the end-user as an alternative to the existing local provider. The separate pricing is known as "unbundling." The bill requires open networks, which insure interconnection between old and new service providers.

If this bill is to deliver benefits to the user or consumer, the pricing of those network pieces must be cost based so that competition can grow. The FCC will set some guidelines in the areas of prices for unbundled service elements and for interconnection, but the significant, detailed implementation will take place at the state level.

As many have observed, "the devil is in the details." The groups who went home dissatisfied at the final shape of the national bill have a second chance to make their case in state-level proceedings at the Public Utilities Commission. But participation in those proceedings is generally an expensive affair. As one would expect, all the provider companies, as well as very large business users, have lobbying and legal representation in Minnesota. But the general residential user, as well as public, educational, rural

and nonprofit users are more fragmented and less organized. Benefiting from a second chance will not be easy.

Given this rather uneven balance of forces, which issues top the list from the point of view of residential, public, educational, rural and nonprofit users? Which advice from the Department of Public Service and which decisions at the

*"Clearly, the debate on the right definition of universal service for Minnesota is not over."*

Public Utilities Commission will have the biggest impact in the near term for these users?

Possibly the issue topping the list is the new definition being given to the old idea of universal service. Under the old idea, money was collected at the federal level and redistributed largely to rural and small telephone companies for the provision of basic telephone service. Under the new idea of universal service, a wide range of needs have been identified.

Texas, for example, has allocated \$150 million per year, with contributions from both telecommunications carriers and commercial mobile service providers, for creation of the Telecommunications Infrastructure Fund. Schools can use the fund for networking, equipment, training and courseware; clinics and hospitals can fund telemedicine infrastructure and sharing; libraries can develop sharing systems; the public sector can use it for statewide networks and access to government information.

What has the Telecommunications Act done with the idea of universal service? It redefines universal service as an "evolving" level of services, taking technological changes into account, but it does not specify what that should include. The

FCC has established a Federal State Joint Board, which is to report by November. That report will very likely set a floor beneath which state definitions of universal service ought not fall. But states will likely be free to provide a

higher level of services through their own funds, as has already happened in Texas and a number of other states.

Where does Minnesota stand on this issue? In January, the Department of Public Service reported to the Legislature on creation of a universal service fund in Minnesota. Its working definition was closely tied to existing telephone services,

such as single-line service, directory listing, call blocking and 911 service, among others. It specifically recommended against use of universal service funds for advanced services, access to government information or access to government and public access programming. It ignored the ideas contained in the Texas approach and did not include Texas in its summary of other state programs. And finally, it recommended no action until other rule makings at the federal and state level are completed.

Another state body, the Government Information Access Council, has recommended a different view of the role of universal service in Minnesota. The council, created by the Legislature in 1994, was asked to develop policy for electronic access to government information. The council has representation from more than 20 sectors (including the Citizens League) and made its first report on access principles to the 1996 Legislature. Its recommendations on universal service are much broader than those of the Department of Public Service. The council suggested "access to...electronic services...necessary for individuals, businesses and communities to survive and thrive...with...access to education, health care, business, culture and community, and government information."

The council has been reauthorized by the Legislature and Tom Satre, its executive director, will coordinate a series of meetings statewide on universal service and other issues. "I believe we will uncover a lot of demand," he said.

Clearly, the debate on the right definition of universal service for Min-

nesota is not over. Nor should it be. It is an important debate. The benefits of a new competitive order in telecommunications are more likely to flow to urban than rural and small town areas. Even urban areas may not uniformly benefit, since competition as a straight bottle line calculation will deliver better return in better-off areas of the urban region. So a new definition of universal service is seen as a mechanism to help insure that some of the same benefits of competition should also be available where competition is slow to come or may never arrive.

A second top-of-the-list issue relates to a provision in the Telecommunications Bill that all telecommunications providers are required to provide services to schools, hospitals and libraries, on bona fide request, at discounted rates and "reasonably comparable" to urban rates. Each state is likely to become its own testing ground for setting the "right" discounted rate and for developing agreed standards for "comparable" rates. With direct interests at stake, the public, educational and medical nonprofit users will want to participate in the proceedings that will soon get underway in Minnesota and elsewhere.

*Milda K. Hedblom is a professor, lawyer and communications consultant. She convenes the Telecommunications and Information Society Policy Forum at the University of Minnesota's Humphrey Institute.*

## Clarification

Donna Lindberg, author of "Group narrows search to 3 sites for truck/train facility" (*Minnesota Journal*, Feb. 20, 1996) wishes to clarify one figure cited in the article. Truck-rail intermodal shipping does not make up 15 percent of all U.S. shipping, as stated in the article. Rather, 1992 figures show it accounted for 15 percent of all trailer load shipments moving 500 or more miles. According to Dan Murray of the ATA (American Trucking Association) Foundation and Lisa Peterson of the Minnesota Trucking Association (see "Another view: Intermodal project raises questions," *Minnesota Journal*, March 19, 1996) truck-rail in modal shipping accounts for approximately 1.8 percent of all manufactured freight tonnage moved in Minnesota.

## TIF

Continued from page 6

the 10 percent mark in 1994.

The five communities with the highest percentage of tax base captured in TIF districts were **Irondale Twp.** (Crow Wing County), 58.3 percent; **Dundas**, 38.3 percent; **International Falls**, 36.4 percent; **Chaska**, 33.9 percent; and **Young America**, 32.3 percent. **Minneapolis** had 12.8 percent of its tax base captured in TIF districts; **St. Paul** had 6.6 percent.

The TIF district in Irondale Township encompasses a wood products plant built near the cities of Crosby and Deerwood. The district has a captured value of \$498,804, compared to the township's total tax base of \$855,196. Net TIF taxes amounted to \$484,129 in 1995.

As a whole, the seven-county metro area had 7.6 percent of its tax base captured in TIF districts, compared to 3.9 percent in Greater Minnesota. Tax base captured in TIF districts grew by less than two-tenths of a percent in the metro area and by 4.9 percent in Greater Minnesota.

The net captured taxes in TIF districts amounted to \$264.7 million in 1995—\$205.9 million in the metro area and \$58.8 million non-metro.

Net TIF taxes made up 6.1 percent of the property taxes levied by all taxing jurisdictions in the state in 1995. But TIF taxes—most dedicated to paying off costs of redevelopment, but some being used to pay for general public improvements and community projects—are an important stream of revenue when measured against other property tax revenues of cities and townships, the jurisdictions that use TIF. Net TIF taxes were 40 percent as high as property taxes levied in

1995 by all cities and townships across the state for all other purposes.

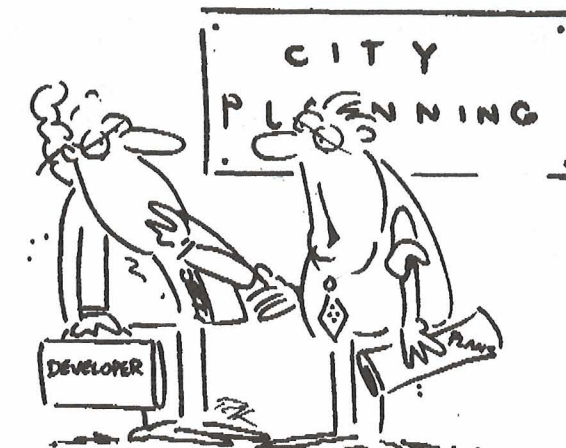
### Criticisms

Many criticisms of TIF over the years have focused on its perceived misuse: cities capturing taxes from development that was already occurring without TIF and from general inflation in property values and in tax rate increases; cities pooling increments among districts and continuing to spend increments rather than decertifying districts; tax increments generated within redevelopment districts not being used to correct the blight that allowed the district to be established; and TIF assistance not being targeted to areas needing it the most.

These concerns prompted the Legislature to enact restrictions on the program in 1988, 1989, 1990 and 1995. (In 1993 and 1995 the Legislature showed its conflicting feelings over TIF by also softening some of the restrictions.) A March 1996 report on TIF by the Office of the Legislative Auditor found that these legislative restrictions "have addressed many of the previously identified problems with TIF and helped slow the growth of TIF activity."

But the report also found that because most of the legislative restrictions on TIF have not applied to existing districts, the Legislature should consider placing additional restrictions on the use of tax increment revenues for general public improvements and community projects in districts certified after Aug. 1, 1979, and before April 30, 1990.

Rep. Ron Abrams (R-Minnetonka) believes all the restrictions on TIF have not done away with its real weakness: it is a decision by one unit of government (a city) to have other units of government (mainly the state) pay for development within its jurisdiction.



"Think it over... Maybe we can swap an increment for an abatement and be more accountable, besides."

According to the House Research Department, the state ended up paying an additional \$100 million in state aid to school districts in 1994 to offset reduced property tax revenues to school districts that lose tax base to TIF districts. In 1990 the Legislature required that state aid be reduced for post-1990 TIF districts to partially offset the state's additional school aid costs. In tax year 1996 state aid payments will be reduced by \$1.6 million under this provision.

(A change in the law in 1995 gave cities the option of making a contribution of 7.5 to 10 percent of the tax increment—depending on the type of district—to help pay off the TIF debt in lieu of the state aid reduction. In 1996 the Legislature lowered the contribution level from 7.5 percent to five percent for TIF redevelopment districts.)

Abrams would like to place further restrictions on TIF and authorize a tax abatement program as an alternative development financing tool that requires more local accountability.

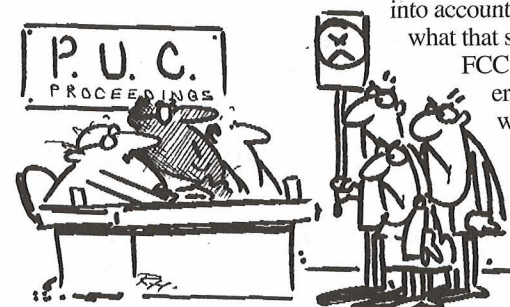
Under an abatement program, developers would pay their own expenses, rather than expecting the city to finance development costs with bonds. Then cities—and coun-

ties or other units of government, if they choose—could forgive taxes on the increased value of the development for a certain time period. "An abatement strategy forces the units of government making the decision to have to pay for it locally," Abrams said. "There has to be greater local accountability."

A small version of an abatement bill passed the House this year, but did not pass in the Senate. Abrams said he plans to introduce an abatement bill next session tied to a proposal calling for a "global" TIF budget. The global budget would set a limit on the amount the state would pay in additional state aid due to new TIF districts. He believes such a budget would force prioritizing of development projects. When the budgeted amount is exhausted, no other TIF districts could be approved and "abatements would be the only thing left," he said.

A global TIF budget "would cut down on the part-time Legislature trying to work on TIF when others are working full-time to push the envelope under the current law," Abrams said. "I want this tool to be available, but some excesses ought to be shut down."

*Dana Schroeder is editor of the Minnesota Journal.*



"Let me guess... you're the poorly organized, fragmented, unhappy user group!"

TAX-INCREMENT FINANCE, TAXES PAYABLE 1995								
	'95 TIF captured tax capacity	% change over '94	'95 net TIF tax	% change over '94	No. of TIF districts*	% change over '94	'95 total tax capacity	% change over '94
<b>Metro area</b>	\$155,568,237	0.16%	\$205,877,391	2.15%	506	1.61%	\$2,059,074,493	3.12%
<b>Nonmetro</b>	47,722,916	4.83	58,792,785	4.43	832	7.35	1,225,057,248	5.50
<b>Statewide</b>	203,291,153	0.97	264,670,176	0.97	1,338	5.11	3,284,131,741	3.99

\*Includes only those districts with captured value. There are 1,436 total TIF districts.  
SOURCE: Minnesota Dept. of Revenue



# City high school classes drop 40% before graduation

The Minneapolis schools' policy of recording high school students' class ranks on each trimester's report card might be of dubious educational value, playing as it does to kids' (and parents') egos or angst. But it does provide a way of tracking changes in the size of a class as kids move through school.

Our daughter's freshman class at a Minneapolis high school had 404 students in the fall of 1993. Her most recent report card last month showed 297 students left in her junior class—a 26 percent decline in two-and-a-half years.

A call to David Dudycha, assistant to the superintendent, confirmed that this falloff is in line with districtwide trends. This year's junior class citywide had 2,269 members as of last Oct. 1, a 27 percent drop from the 3,114 count in the class at the beginning of freshman year in 1993. The drop in our daughter's class—both at her school and districtwide—has been somewhat greater than that in the two preceding years' classes by the beginning of their junior years.

But, according to Dudycha, trends suggest there will be even more falloff before graduation. Districtwide, this year's senior class was 31 percent smaller last Oct. 1 than at the beginning of freshman year in 1992. And not even all *those* kids will be walking across stages on graduation night in June. Dudycha said in any year generally about 40 percent fewer kids graduate than started school four years earlier as freshmen.

Where are these missing kids? Dudycha said the district doesn't track the kids because of the expense involved, but some haven't accumulated enough credits to graduate on time, others have moved out of the district and not been replaced by kids moving in and others have dropped out. You can bet there's plenty of research done when kids stop eating certain brands of cereal or buying certain brands of jeans. It would behoove us to put some resources into finding out why so many kids have "disappeared" from the schools and what their fate is. —Dana Schroeder.

The recent debate over the fate of General College at the University of

## Take Note

*No pomp in these circumstances.*

Minnesota was cast in terms of equity and access for students of color and low-income students. And the Board of Regents' vote to keep the college open was a largely symbolic vote for access.

Overlooked in the fray was how the state's method of financing postsecondary education systematically works against access for low-income students and students of color (who are disproportionately low-income). As John Brandl and Vin Weber pointed out in their *Agenda for Change*, the state allocates 90 percent of its total postsecondary appropriation to the state's public colleges and universities. The institutions use these grants to hold down tuition for all students—including middle- and upper-income students. Meanwhile, only 10 percent of the state money goes to grants and work-study for financially needy students. That amount of aid is not sufficient to remove the financial barrier the lowest-income students face.

Brandl and Weber (and the Citizens League) have proposed raising the share of need-based aid from 10 percent to 30 percent of the state's appropriation. If the University and the Legislature are really concerned about access for students of color and low-income students, taking a close look at this proposal would be a substantive beginning to meeting the challenge.—Janet Dudrow.

"Judge Rules in Favor of Trash Haulers," read the headline in the April 2 *Pioneer Press*. It should perhaps have read: "Judge Rules in Favor of Consumers," because Judge Doty's ruling supported the haulers' effort to get their customers the lowest price for refuse disposal.

Predictably, the decision was badly received by those county commissioners who have built a big refuse-disposal plant and who have been trying to bury its costs in charges the haulers would have to bill back to customers. The tax-costs for those commissioner decisions may now have to be made explicit. Some questions might usefully be asked about their decisions made in

the '80s.—Ted Kolderie.

**Sign of the times:** Ten years ago, all of the world's 10 tallest buildings were in North America. With the expected completion of Shanghai's Jin Mao building in 1998, only five will be in North America. The others are in Kuala Lumpur, Malaysia; Hong Kong; and Kaohsiung, Taiwan.—J.D.

**In the late stages** of the legislative discussion in the '70s some quiet doubts were raised about the desirability of a multipurpose sports stadium. Among others, Tommy Thompson, then Minneapolis city coordinator, pointed out that baseball is played in the corner of a (roughly) square field; football is played in the middle of a rectangular field. The two don't combine well.

One evening a small delegation from the Citizens League went to the Northstar Inn to talk to Joe Robbie, by then managing partner of the Miami Dolphins. He talked candidly about the lifting of the prohibition against television blackout of pro football and about a stadium. The ideal solution, he said, would be the Kansas City solution: separate stadiums for baseball and for football, side by side. (Kansas City was even considering a cover that could roll back and forth from one to the other, making possible both a grass field and shelter from the rain.)

The CL delegation played this back to those involved with the stadium question here, but it was clear the

decision had been made early: The Metrodome would be a multipurpose stadium. Now, 20 years later, what're we hearing about? The need for separate stadiums.—*tc*

**Minnesota women** are far more likely to vote than are U.S. women in general, according to *U.S. News and World Report* (April 1). Minnesota's female voter turnout in the last three presidential elections was 73.7 percent; the U.S. average was 63.8 percent. Minnesota ranked fifth in the percentage of women voting, behind Utah, Connecticut, Wisconsin and Oregon.—J.D.

**During the debate** on education bills during the final days of the 1996 session, Sen. LeRoy Stumpf (DFL-Thief River Falls), brought up the notion of year-round school as a great potential for property-tax relief, particularly in suburban districts with surging enrollments. Taxpayers can't afford to build more and more multimillion dollar buildings and the state is not able to bail them out, said Stumpf, cochair of the Senate Education Committee.

On a year-round calendar, students and teachers could be divided into groups with staggered instructional and vacation periods. When one group is on vacation, another could use its space, allowing an increase in the school's capacity. "I think as we go forward with property-tax reform, this becomes a real legitimate issue. I think it's a much more efficient use of facilities," Stumpf says.—Betty Wilson.

"Take Note" contributors include Minnesota Journal and Citizens League staff members and Betty Wilson, a free-lance writer and former Star Tribune political writer.

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SECOND CLASS  
POSTAGE PAID  
AT MINNEAPOLIS  
MINNESOTA





# Citizens League Matters

April 23, 1996

News for Citizens League Members

## Welcome New Members

Paul Anton  
Jon Bacal  
David Bishop  
Mark Bjelland  
Keith Bogut  
Tom Bugbee  
Deborah Burke  
Robert Cardinal  
Davitt and Jeanne Felder  
Colleen Hartmon  
Hubert Humphrey III  
Kenneth Larson  
Sheldon Mains  
Steven Moss  
David Niles  
Roger Purdy  
Megan Roach  
eph M. Shuster  
Deanna Smiley  
Mick Souder  
Diane Teff  
Meg Tilley  
Pamela Twiss  
Randy Young

### THANK YOU RECRUITERS

Mary Anderson, Mike Christenson, Shef Lang, Bob Vanasek

## Citizens League

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citizen@epx.cis.umn.edu  
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<http://freenet.msp.mn.us/ip/pol/citizen/>

The Citizens League promotes the public interest in Minnesota by involving citizens in identifying and framing critical public policy choices, forging recommendations and advocating their adoption. Suggested dues for membership \$50 for individuals and \$75 for family membership. Other categories are also available. For more information on membership, please call 338-0791.

## Board selects next study committee topic Empowering public school sites to improve student achievement

Site-based management for public schools was selected as the next League study committee at the Board of Directors meeting on March 20.

The debate on school vouchers dominated the 1996 legislature's consideration of education reform. Somewhat lost in the rancor was a bill that would have required school districts to set in motion a process for providing the majority of public revenues—and authority over those revenues—to school sites, rather than school districts.

Other proposals were introduced that would have provided a smaller share of funding to school sites, but would have provided school site councils—composed of parents, teachers and administrators—to take on specified responsibilities.

While "site-based management" is not a new concept, site-based *funding* of schools is considerably more radical. Many of the specifics of implementing a true site-based funding scheme would be complicated. And unfortunately, site-based management and site-based funding proposals too often neglect to explicitly specify how the structural changes would—or should—affect student achievement.

**The League study will address the fundamental question: What changes in institutional**

**arrangements are needed to enable individual schools to improve student achievement?**

There are other key issues the committee could address, depending on its timetable, including the following: Curriculum and staffing; school construction and capital expenditures; transportation; special education and related programs; assessment and achievement measurement; and support services.

The committee might make recommendations about the appropriate responsibilities that each of the various levels of government should have with regard to these issues.

The committee should also answer the question "how do we get there from here?," suggesting what steps would be needed to make the transition from the current arrangement to the needed system.

The League has a long history of involvement in education issues, having done five study committees in the last decade.

The League was an early and important force in the creation of Minnesota's nationally acclaimed public school "choice" programs. More recently the League championed Minnesota's charter school reform, the first of its kind in the country, and has urged expansion of the program.

## How to get involved in League study committee process

Study committees are the core of the League's citizen-based research program. Once a study is selected by the Board of Directors all League members are notified of the opportunity to volunteer for the committee. People with no previous involvement or knowledge in the subject are encouraged to participate. These "generalists" bring fresh thinking and a different perspective to an issue. The chairperson(s) and committee members are approved by the Board of Directors.

A successful League study committee usually results in a "good idea." League study committees have had a long and impressive impact on public problem-solving in Minnesota.

An application to serve on the new League study committee will be mailed to all League members after chairpersons have been selected and dates and times of the meetings determined, which should be sometime in the next 30 days. The committee will meet weekly for three to six months. If the time, date or duration is a problem for you there will be other ways to get involved in the study. Please watch your mail for more information.



# Mind-Opener series on managing urban growth draws record crowds

Leave it to regional government issues to whip up a good Citizens League crowd. That is exactly what has happened during the special Mind-Opener series, "A Tale of Three Cities: Managing Urban Growth."

In fact, with crowds averaging more than 100 people, this series is expected to shatter past Mind-Opener attendance records. If the crowds hold out — and there are indications that they may get even bigger — this series will set records for average and total audience size for any Mind-Opener series.

The series also has had a particularly positive effect on public outreach. Approximately half of all registrations for this series have come from non-members. At least half a dozen people were so impressed with what they saw that they decided to join the League.

The five-part series started on

April 9 with **Professor Philip Wichern** of the University of Manitoba, who is visiting the University of Minnesota on sabbatical. Two days later, on April 11, more than 110 people came to hear Toronto planner **Ken Greenberg** discuss urban revitalization and densification.

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*Demand for this series is greater than seating supply. If you've registered but can't come, please let us know so we can accommodate someone else.*

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A similar crowd turned out on April 18 to hear **Beverly Stein**, chair of Multnomah County, one of three counties within the Metro region of Portland, Ore.

There still is limited space available for the two remaining luncheons in this regional governance series. On Tuesday, April 23, **John Krauss**, former Indianapolis deputy mayor,

will explain the Unigov city/county government in place there. Krauss is now a senior fellow and associate director of the Center for Urban Policy and the Environment at Indiana University.

Space is particularly tight for the luncheon wrap-up on Wednesday, May 1, with **David Gurin**, acting commissioner of planning for Metro Toronto. Gurin will discuss the tools Metro Toronto has used to manage growth and keep its urban areas healthy.

Because of the time lag from the series' initial announcement to its final event, the League is asking people to check their

calendars, and to call the League office if they no longer expect to attend. This will provide the League with more accurate registration figures, and will allow us to open up additional seating for those who still would like to register for the final meetings.

The regional governance series has been made possible with financial assistance from the **Metro Council**, **Canadian Consulate** and the **Center for Urban and Regional Affairs** at the U of M. Thanks in part to the support of the **Humphrey Institute** and **MN Extension Services**, the series is being taped for future broadcast and tapes will be available.

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## Season closes with work readiness

The Citizens League will wrap up its Mind-Opener season in May with a look at issues surrounding work readiness.

Lack of skilled workers, lagging education, and a decentralization of jobs are critical issues to both local businesses and workers in the Twin Cities — particularly workers who are harder to employ. The series will run on Tuesday mornings, May 7, 14, and 21.

Former League Board member **Steve Rothschild**, founder and president of Twin Cities RISE!, will be one of the speakers. The other two speakers are still to be confirmed. Watch your mail for details.

This final Mind-Opener series will be held at the University Club, 420 Summit Avenue in St. Paul. Cost is \$10 for members, and \$15 for non-members.

## Board election set for Friday, June 28

The Board, at its April 16 meeting, set Friday, June 28 as the date of the annual election of directors. Eight directors will be chosen by League members to serve three-year terms.

The Board also approved this year's Nominating Committee, which is chaired by immediate past president **Bill Johnstone**. Others serving on the committee include Board members **Mike Christenson** and **Herman Milligan**, and non-

Board members **Jean King**, **Ronnie Brooks** and **Don Fraser**. The Nominating Committee will propose a slate of candidates to run for the open seats.

Any member of the League may be nominated for director upon the written petition of 25 members of the League. The petition must be submitted to League Secretary **Mary Anderson**, in care of the League office, before May 24.

## Mommy, where do statements come from?

The Citizens League captured headlines last week as it weighed in on the debate over the future of General College (see excerpts of the League's statement in this *Minnesota Journal*.) The League urged the University of Minnesota Board of Regents to pursue an inquiry into alternative ways to better promote access and academic success of students of color and low-income students.

The League's statement on General College continues a long-standing League practice of reiterating its positions in the context of current policy debates. The General College statement was based on board-approved League positions in its reports *Commitment to Focus: More of Both* (1986), *Minnesota's Budget Problem: A Crisis of Quality, Cost and Fairness* (1993), and *Choose Reform, Not Declining Quality* (1995).

The League has issued statements previously on a broad range of other issues, including the Regional Transit Board's proposal to the 1991 Legislature, a 1991 debate over testing health-care workers for the HIV virus, and a 1988 debate about changing the tax-base sharing ("fiscal disparities") law.

The General College statement and its predecessors are one way the League uses its past policy recommendations to advocate solutions for today's policy problems.