



Minnesota Journal

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A publication of the Citizens League

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Get incentives right to change behavior

If we want to make schools more effective for students, we might look at the way steel mills were made safer for workers.

It has to do with *incentives*.

In the early 1900s, American factories were horrendously dangerous places—steel mills especially. In 1907, 46 men were killed in one plant in Chicago alone—one of them when a pot of molten metal spilled, boiling him alive.

Almost worse: There was no compensation for the dead and injured.

by Ted Kolderie

Workers couldn't sue: The theory was that simply by showing up, the worker accepted the risks and costs of the job. In this system the employers' incentive was to hire lawyers rather than engineers, to deny liability, rather than to make safer workplaces.

Then a new strategy changed the incentives. A set of laws, the first in Washington state in 1911, bypassed the liability issue, accepted that accidents happen, provided compensation to injured workers

and billed the cost of the program to the employers.

The effect was dramatic. Over the next 20 years, injuries in the iron and steel industry fell by 90 percent. With injuries now a cost, it made sense for employers to spend money on safety. The laws went to the heart of the problem; they got the incentives right.

The whole story is summarized in the Summer 1997 issue of the alumni magazine of Carleton Col-

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Study: Less funding goes to charters

by Cheryl M. Mandala

A new study confirms what charter school operators and advocates have long suspected—that charter school students are getting short-changed in funding.

An analysis of school revenues during the 1995-96 school year (the most recent data available for the analysis), compared 14 charter schools' per-pupil revenues with those of the districts in which the charters were located. The analysis shows that charter schools receive substantially less funding per pupil unit than do traditional public schools.

Charter movement

The national charter schools movement was born in Minnesota just six years ago, with the opening of City Academy in St. Paul. This fall, the U.S. Department of Education says that more than 1,100 charters will be operating across the country. Charter schools are public schools held to higher standards of accountability, in exchange for freedom from bureaucratic regulations that often seem to cripple traditional public schools. They have earned acclaim statewide, as well as nationally, for breathing new life into the public school system. No longer

Continued on page 6

Postpone sunset of Municipal Board

What is the truth about the Minnesota Municipal Board?

In the July 21 issue of the *Minnesota Journal*, Sen. John Hottinger (DFL-Mankato) responded critically to a June 16 article by Philip Wichern questioning the wisdom of a 1997 bill championed by Sen. Hottinger that sunsets the Minnesota Municipal Board in 2000.

As the current chair of the Municipal Board, I would like to offer another perspective on how the board was sunsetted and on the system proposed to replace it.

If the sunset of the Municipal Board is sustained, its contested-

by Andrew D. Hultgren

case procedures will be replaced by mediation and binding arbitration. Sen. Hottinger voiced strong support for this plan in his article. In reality, however, this process cannot accomplish the goals, nor meet the aspirations he touted. In the article he touts "the remarkable successes" and increasing use of mediation/arbitration in civil litigation. The assumption is made that the same process will be enthusiastically embraced by cities and towns involved in boundary disputes.

However, the evidence does not support this assumption. When the Legislature passed the sunset in

1997, it added mediation/arbitration as an alternative to the Municipal Board process until the sunset. Yet, in the 15 contested cases filed since 1997, the parties have chosen the Municipal Board process over mediation/arbitration in every instance.

It is also important to note that the principal inspiration for pushing alternative dispute resolution in the civil court system was the terrible backlog of cases and the unconscionable delay faced by litigants. In contrast, the Municipal Board has never had a backlog and is required to hold its hearings within 30 to 60 days of the commence-

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Minnesota's future: Will 'pretty good' block excellence?

As this fall's election approaches, it is a pretty good time to be an incumbent. Good news abounds for most, if not all, Minnesotans. Based on a recent U.S. Census report on metropolitan areas, we stack up very well against the 272 other major metropolitan areas in the country. We ranked 15th in growth—near the top for the past decade. Our personal income levels ranked 13th and unemployment 246th. In terms of poverty, we ranked 257th. While these comparisons are very favorable, our very success may, ironically, be our problem.

In many parts of the country, tough decisions on reform of major public institutions seem to be possible only in the face of crises. Further major changes to the K-12 system, redirecting economic development for the information age, or restructuring state and local fiscal and program relationships seem hard to do without the pressure of a looming or actual crisis.

The temptation in good times is to add more layers, fund a few favorites and avoid the tough choices. Success, too, can sustain a general sense of complacency, even in areas for which it is particularly inappropriate.

But complacency in the "new econ-

Viewpoint

by Lyle Wray

omy" may be more deadly than in the industrial age, given the extreme mobility possible for capital and business locations. As the asterisk says on the financial prospectus, past performance is no guarantee of future results.

A key question for Minnesota's economic future is: How do we create and sustain a vision for future prosperity when things are already so good? A few years ago the Citizens League asked a study committee to examine what the public sector should do to position our region for effective long-range competition in the global economy? The core recommendation was an economic strategy council that would pull in business and industry, regional leaders, government and nonprofits to look at how we should get better value for the massive subsidies and public investments relevant to our economic future—from tax expenditures, such as tax-increment financing, to postsecondary education's links to the employment world. Despite a legislative advisory group on the topic, which recommended this year that we develop an economic strategy council, there

seems to be little urgency in political or business circles for moving forward rapidly on this idea.

What next?

Redefine the vision. We need to return to the "vision thing" for Minnesota's economic future. Steps were taken in the half-decade-old Minnesota Milestones process to involve 10,000 citizens in envisioning their future. We need to update that plan and have a broad public discussion of the requirements of the new economy and how these fit with Minnesota's values. This will require the leadership of both the Governor and the Legislature to engage citizens. A large focus should be on the long-term health of the economy.

Align major institutions. We need to align the policies and spending of major public institutions with these new priorities. University of Minnesota President Mark Yudof's key priority areas are way ahead of the curve on this. The Minnesota State Colleges and Universities system is looking to funnel priorities toward five strategic industry clusters. This is the kind of alignment with the "new economy" that we

need in all sorts of public investments, from K-12 education to job-training programs. And we need a statewide vision to get the best results from such an alignment.

Redefine economic development.

A major decline in the number of new workers available and the nature of the global and mobile private market require that we rethink the central focus on job creation as the touchstone of economic development. We will likely have to shift economic development to a greater emphasis on human capital, rather than physical capital, investment, with relentless upskilling of the workforce and state-of-the-art capital investments as stronger priorities.

Conclusion. The fall gubernatorial and legislative races are the right place and time for the beginnings of such discussions. Given the current rosy scenario for most citizens, it may be tempting to avoid these meaty topics, but we do so at our peril. We must work toward aggressively shaping our future before a crisis, so that we are not satisfied with "pretty good" and instead strive for excellence in state.

Lyle Wray is executive director of the Citizens League.

Editors advocate for rural roads, commuter rail, buses

On Balance

"The newspaper thrives in the United States but journalism perhaps does not; for the lively propagation of news is one thing and the close interpretation of it is another."—H. James

15) the program, calling it "an important effort to build ridership for the bus system." It said it could help spur improvements in bus service throughout the region, especially in suburban areas. It said improving the bus system and building ridership "represents the only realistic alternative" to significantly relieving congestion.

Mankato Free Press said (Aug. 6) President Clinton should stay out of the Northwest Airlines labor dispute. "There's only one legitimate place for this dispute to end and that's at the bargaining table." **Pioneer Press** said (Aug. 12) attorney general candidate David Lillehaug's question about the negative impact of Northwest's dominance in this market is a significant one. "[I]f the task force Lillehaug proposes to organize if elected attorney general could help attract more airline competition locally, that would be a welcome achievement."

Rochester Post-Bulletin said (July 11) charter schools and choice schools "give parents and students flexibility in designing an education

plan, but they aren't created without effort." **Red Wing Republican Eagle** said (July 9) the State Board of Education's approval of seven new charter schools gave the charter school movement in the state "a big boost." It said despite their benefits, charter schools may not thrive without additional state assistance, such as start-up money or providing easier systems for conversion of existing schools.

Post-Bulletin said (July 29), following the case of Robert Pannier, who had falsified transcripts and had received warnings at previous teaching jobs and was teaching with an expired teaching license, that the state's role in monitoring teaching licenses and teacher performance records should be strengthened. It said school districts should share discipline information with the state and that all districts should be required to verify that teachers have valid licenses before they enter the classroom. **Free Press** said (Aug. 4) lawmakers need to protect school officials from civil liability when they provide truthful, but negative, information about their employees.

Republican Eagle said (July 29) Minnesota should join the ranks of the 25 states that have passed laws giving immunity from civil liability to employers who provide negative information about their employees.

Star Tribune criticized (July 27) Minnesota's newly expanded education tax credits and deductions. "Tax incentives simply will not reach enough kids to substantially boost achievement. Fundamental, significant reform must occur in public school programs—where most of the students are and will continue to be."

South Washington County Bulletin said (July 29) residents should give School District 833's referendum plan, asking for \$400 per pupil "a long, hard look." It said further cuts would be painful and the referendum "appears to be well worth the asking price." **Duluth News-Tribune** said (July 10) data on how Minneapolis's move to later start times for middle schools and high schools has affected grades and juvenile crimes should determine whether it's worthwhile to start later—not teacher and family convenience.

St. Cloud Times encouraged (Aug. 9) the community to put pressure on the school board and teachers to settle so a strike can be averted.

Bus ridership falling faster here than in other areas

From Transit Services: A Program Evaluation Report, Office of the Minnesota Legislative Auditor, Feb., 1998.

In 1996, transit operators in the seven-county metropolitan area of the Twin Cities carried close to 66 million passengers and provided 2.6 million vehicle hours of service at a total operating cost of \$166 million...

In outstate Minnesota, there were 70 public transit systems that provided 800,000 hours of service and served more than 8 million passengers at an operating cost of about \$24 million in 1996. These services range from regular route service and specialized services for the elderly and disabled in larger cities to dial-a-ride services in small cities and rural areas...

The cost per rider averages \$2.83 in outstate Minnesota and \$2.53 in the Twin cities area in 1996...

The inflation-adjusted cost per rider rose 23 percent in the Twin Cities metropolitan area and 20 percent in outstate Minnesota from 1987 to 1996...

We compared transit services in the Twin Cities area with services in 31 other urbanized areas in the United States with a 1990 population between 900,000 and 4 million...The Twin Cities...was the ninth largest in population of the 32 urbanized areas. In 1995, 20 of the 32 urbanized areas had a form of rail transit operating, while the Twin Cities and 11 others did not have rail transit.

In comparison with this group, we found that the Twin Cities area has

below average transit ridership per capita, as well as a below average amount of service per capita and below average spending per capita...

In 1990, the Twin Cities area ranked ninth highest of 29 metropolitan areas for which data were collected on the percentage of morning work commutes taken on transit. An estimated 5.3 percent of morning commutes in the Twin Cities were taken using transit compared with an average of 5.5 percent for our comparison group...

In 1990, the Twin Cities area ranked 29th out of the 32 urbanized areas in population density. The Twin Cities area also has a high number of roadway miles per capita (6th highest out of 32), more than the average number of vehicles per household (8th highest out of 29)

and lower than average congestion costs per person of driving age (25th out of 31)...

About 45 percent of Metro Transit's operating funds came from dedicated property taxes in 1995, compared with an average of only two percent elsewhere...

Twin Cities area transit services charge higher fares per rider than other comparable systems...

Ridership per capita has fallen much faster in the Twin cities area than has typically been the case in large metropolitan areas. Between 1988 and 1995, Metro Transit's ridership per capita declined 22 percent while the average decline for a comparison group was only six percent.

The Minnesota Journal

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Another view: Improve poll

I read with great interest the article in the July 21 *Minnesota Journal* on the third annual metropolitan University Civic Confidence Poll. The poll has compiled a lot of useful information. Permit me to comment on how the poll might be improved next time around, specifically with regard to the questions on highway congestion.

Asking the general public questions about how to reduce highway congestion is like asking them about how to develop a cure for cancer. They do not have any of the information they would need to answer such questions. They may have opinions, but they have no information, so their opinions are relatively worthless. Even if they did have the information, they would be ill-equipped to interpret it.

The questions on how to reduce highway congestion, moreover, proceeded from a series of false assumptions on the part of the poll's authors. In fact, building light rail, improving [conventional] bus service, increasing carpooling and using toll roads will not and have not reduced metro area congestion anywhere. They manifestly will not do so in the Twin Cities. The public does not know that. Neither, apparently, do the poll's authors.

In fact, highway congestion in modern metropolitan areas is something we have no politically easy answers to, because the public has been so badly misled with regard to the sort of solutions the poll's question presupposed.

The pollsters need to do some homework on that part of the sur-

vey before they take it again.

A. Scheffer Lang, St. Paul

Another view: Planning agency cut in 1991

With all due respect, the State Planning Agency was created in 1965, not 1991. (See "Municipal Board process needs change" by Sen. John Hottinger, *Minnesota Journal*, July 24, 1998.) It was a remarkably progressive move on the part of a Republican governor and a rural, Conservative-dominated Legislature. 1991 must have been the year the DFL Legislature scaled back the agency and cut its staffing.

Steve Dornfeld, Associate Editorial Editor, St. Paul Pioneer Press

Municipal

Continued from page 1

ment of a case. No contested case system in the State of Minnesota operates on a faster track.

Sen. Hottinger also suggests that requiring local governments to use mediation/arbitration “will result in a more locally based, less formal, less costly and less divisive process.” None of these claims is supported by the evidence.

The Municipal Board’s decisions are actually more locally based and its process more inclusive than mediation/arbitration. Two local county commissioners participate with the board during incorporation, consolidation and annexation hearings. Additionally, individual property owners and other entities may join as parties to the proceedings. In contrast, the arbitration model for the new procedure allows for only two parties. Counties, property owners and other public entities or agencies are excluded.

Further, the procedures are no more formal nor inherently more costly under the Municipal Board process than under arbitration. Arbitration is itself nothing magical, simply another quasi-judicial forum before which evidence is presented and by whom decisions are rendered.

Whether heard before the Municipal Board or a panel of arbitrators, the expense of preparing and presenting a case is solely determined by the parties. One should not expect the parties to make any less of an effort, financially or otherwise, to prepare and present their cases under arbitration. Also, the hourly fees charged by the mediators and arbitrators will be much higher than the \$50 per diem paid

to Municipal Board members for hearings.

Merely changing the identity of the decision-makers will not make the process less divisive. The fundamental policy differences inherent in annexation disputes are themselves divisive and will be no less so in an arbitration setting. Whoever the decision-maker, the parties will inevitably feel that there are still “winners and losers.” The task of the decision-maker is to find a solution that is just, in accordance with the governing statutes and, in some way, satisfactory to all parties.

The overwhelming majority of the 7,900 boundary adjustments overseen by the Municipal Board since its inception were accomplished amicably. The mediation process, which some see as a recent innovation, has been built into the Municipal Board mandate for years. Many local agreements have resulted after the board has directed the parties to meet with each other to discuss their differences. The board has encouraged and nurtured the development of more than 550 local joint agreements between cities and townships.

Sen. Hottinger claims that adding two county commissioners to the Municipal Board during contested hearings has led to an anti-annexation bias. However, the facts show that between 1975 and 1997, among contested annexation petition cases in which county commissioners have participated, 80 percent of the petitions have been granted. Overall, the commissioners have voted consistent with the permanent board members in 91 percent of the cases. Indeed, annexation petitions and joint agreements have increased steadily over the last five years, indicating no reluctance by cities or property owners to initiate boundary adjustments with the

board.

Sen. Hottinger also asserted in the article that the sunset resulted from “years of discussion and analysis.” However, the sunset legislation was actually negotiated and drafted in private and without the Municipal Board’s knowledge or opportunity for input. The bill was then tacked onto the Community-Based Planning Act, a bill which was gaining widespread support and momentum on its own.

Issues surrounding annexation have been the subject of legislation for years. However, the issue of whether or not sunsetting the 40 year-old Municipal Board makes policy sense to the people of Minnesota—as opposed to being advantageous to the special interests of the few who pressed for and drafted the law—has *never* received the public debate it deserves.

In the article Sen. Hottinger stated that “[n]ot even the Municipal Board testified in objection to the sunset provision” before the Senate Local and Metropolitan Government Committee. Yet, board staff *did* testify before the committee, in opposition to the bill, on March 17, 1997, even though the board was unable to review the bill’s provisions before giving that testimony.

Within two weeks after testifying, the staff and the board chair presented the board’s position personally to the bill’s authors, Committee Chair Sen. Jim Vickerman (DFL-Tracy) and Sens. Steven Morse (DFL-Dakota) and Hottinger. The board (1) stated unequivocally its opposition to the bill, asking that it be removed from the Community-Based Planning Act altogether and (2) in the alternative suggested that the mediation procedure remain as an option prior to the Municipal Board process and that the sunset of the board be deleted.

Sen. Hottinger noted in the article that Senator Pat Parisseau (R-Farmington) “tried to have the sunset repealed in 1998 and got little support.” However, he failed to mention that the committee chair refused to allow any hearing on Sen. Parisseau’s bill and refused to allow committee testimony on her amendments. So it is unknown how much support actually existed for her position.

Indeed, even the Advisory Council of the Community-Based Planning Act, which was charged with advising the Legislature on matters relating to the Act, has recommended by resolution that the sunset of the Municipal Board be postponed for several years, until honest and concrete comparative study and analysis can be conducted.

Finally, Sen. Hottinger made serious allegations regarding the board’s integrity, characterizing it as “unfair” and “politically motivated.” In reality, three permanent members of the Board are appointed by the governor for staggered six-year terms so as to minimize any influence of “shifting political interest.” A geographical diversity is also required, with the present three members coming from White Bear Lake, Winona and Sauk Rapids.

And the expertise of the Municipal Board members and the continuity of their decisions offer a significant advantage to the process. No arbitrator will bring to the table the experience accumulated by the Municipal Board over its 40-year experience. And, different arbitrators in different parts of the state will likely render incongruous decisions.

Unfortunately, the current criticisms of the board may be nothing more than the disgruntled shortsightedness of lobbyists who have recently lost contested cases before the board. The reasons cited for sunsetting the Municipal Board are based on attitudes and perceptions, rather than facts. This, unfortunately, resulted in legislation that is more the result of behind-the-scenes maneuvering than legitimate public policy debate or logical analysis.

I find it profoundly sad that this small and cost-efficient agency, which has served the state so well for 40 years could be killed for political and personal interests. I ask the 1999 Legislature to follow the recommendation of the Advisory Council and postpone the sunset of the Municipal Board until a thorough and honest evaluation of its continuing value can be completed.

Andrew D. Hultgren is chair of the Minnesota Municipal Board and an attorney and qualified mediator in practice with Neils, Franz, Chirhart in St. Cloud.

Incentives

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(Lucien Chaney, a graduate later professor at the Northfield, Minn., institution, who joined the U.S. Department of Labor in 1908, was largely responsible for the industrial-safety movement in this country.)

It is a perfect example of the truth that “Systems of people behave the way they are structured and rewarded to behave,” as Walter McClure of the Center for Policy Studies likes to put it.

We’d get further in our policy discussions if we spent less time criticizing organizations for doing badly (and exhorting them to do better) and more time asking what causes them to behave the way they do.

Where the discussion *has* gone to causes, there have been some impressive results.

● **Health care.** Until fairly recently the costs of health care were rising at 10 to 14 percent per year—beyond what the country could afford over any reasonable period.

The economists Anne and Herman Somers in their book *Medicare and the Hospitals* identified the cause of the problem. “In no other realm of economic life,” they wrote, “is repayment *guaranteed* for costs that are neither controlled by competition nor regulated by public authority, and in which no incentive for economy can be discerned.” In effect, doctors and hospitals could spend what they chose and simply send the bill to the American economy. Bad system.

Beginning in the late 1960s, these incentives were turned around, with a new system in which doctors and hospitals—and “health maintenance organizations” (HMOs), as they came to be called—were given a defined amount of money up-front and required to keep costs within that budget. Much of the design work was done in the Twin Cities area, especially by McClure and Paul Ellwood at InterStudy.

This brought the rate of increase in

health-care costs down dramatically. So dramatically that—as headlines almost every day attest—the complaint is now that the HMOs are holding down costs by skimping care. A reaction, perhaps a correction, is now clearly under way.

● **City/county conflict.** In the 1950s the Twin Cities’ suburbs began to grow rapidly. And suburban officials began to fight with city officials—over taxes, over roads, over water and sewer and parks and the county hospital.

At the time there were four commissioners on the Hennepin County Board from Minneapolis and one representing all of the rest of the county. The 1960 Census would require the Legislature to redistrict the Hennepin County board. There was real concern that the city/suburban conflict would play into—dividing and paralyzing—this increasingly important government body.

Exhorting politicians elected from city districts and from suburban districts to “take the larger view” was not very realistic. The answer was to get a new system.

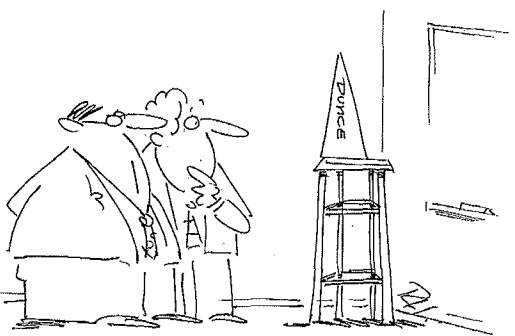
The answer—in which the Citizens League played a key role—was to redesign the board in a way that would give a majority of the commissioners no incentive to see problems in city-versus-suburb terms. The Legislature in 1963 provided for three districts to overlap the Minneapolis boundary. With a majority now unable safely to play the local-warfare game, the city/suburb conflict pretty well disappeared from the county board.

● **The European Community.** Germany invaded France in 1870, again in 1914 and again in 1940. No sooner had that third war ended than talk began of rearming Germany as a defense against Russia. How could France keep it all from happening again?

Fighting was not a solution. But exhorting nations to “live peacefully” was not effective either. (In the 1920s an American secretary of state—from Saint Paul—had actually signed a treaty “outlawing war”!)

The answer—proposed by Jean Monnet and agreed to by Germany in 1950—was essentially to change

“Oh, it’s not for the student who’s doing poorly... it’s for the principal of the school of the student who’s doing poorly!...”



the incentives by changing the (nation-state) system so that more was to be gained by working together than by going to war. The coal and steel industries of the two countries were merged across national borders and run by a supranational authority. From this evolved a broader Common Market and in time the European Community, which will issue its own currency this year.

Plenty of cases remain, however, where policy hasn’t yet gotten to the heart of the problem.

● **The Twin Cities airport** is probably one. There’s concern about air travel here basically shutting down, if Northwest Airlines goes on strike. But it may be wrong to blame the company—or the machinists, or the pilots—for that. The threat of air travel shutting down is the MAC’s doing: It made Wold-Chamberlain a noncompetitive airport.

Richfield complains the airport is not responsive about the noise that will spill over from the new north/south runway. The media have complained about the MAC displacing some longtime vendors, as it upgrades Wold-Chamberlain to a classy shopping mall.

Here again it would make more sense to ask *why* the organization is behaving the way it is.

This would mean looking at the way it is financed. The first thing a new reporter hears from MAC is how the airport doesn’t use property taxes and what a great thing that is. The system—the deal—is for the users to pay the costs. In return, the MAC does what the users want (like assigning gates) and does not do what the users do not want (like reserving land for a new airport). MAC members who have other ideas can quickly disappear. Exhortation won’t cut it. Anyone

who thinks MAC should be more accountable will need to change the way that agency is financed.

● **Public education** is where this lesson is needed most of all. Unfortunately, this is where it’s hardest to apply. The assertion has been that there is no system problem: Good people want to put kids first and simply need the resources. Many people in education are offended by talk about incentives.

In truth, of course, there *is* a system problem. The districts do behave in ways and spend money in ways that clearly do not put student interests first. The problem of good people doing bad things has long been concealed by the rhetoric about what educators want and would do “if only we had the money.”

It is time to cut past the rhetoric. The public is entitled to conclude that what you do is what you find important and what you don’t do, you must not find important.

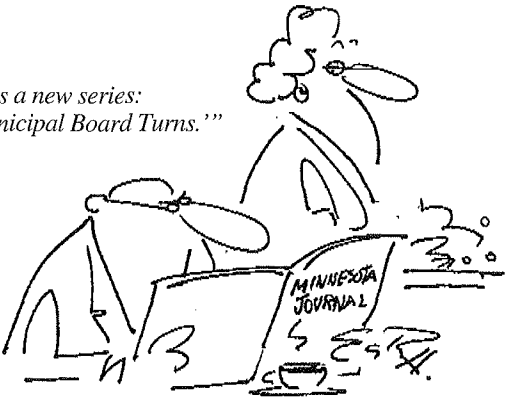
Minnesota’s Legislature is arguably doing better than any in America at making student success—change and improvement and learning—important to the material success of the districts and of the adults in them. But the job is a long ways from done, as of mid-1998.

In 1907, it clearly did not work to exhort the steel companies to “care about safety.” But our discussion about education still consists very largely of exhorting educators to do good things—and of warning that, if good people don’t do the right things, they should be *made* to.

Legislators would serve us better if they would figure out what’s causing districts not to put student interests first, and change *that*. In other words: Get the incentives right.

Ted Kolderie is contributing editor of the Minnesota Journal.

“It’s a new series:
‘As The Municipal Board Turns.’”



Compact seeks to raise level of political discourse

From The Minnesota Compact: A Campaign Reform Initiative—Planks, *Minnesota Compact Web site*, *www.bettercampaigns.org/minnesotacompact*.

The Minnesota Compact is a campaign reform initiative designed to raise the level of political discourse in Minnesota elections. The Compact aims to persuade candidates, interest groups and political parties to minimize attacks and maximize the presentation of issues and qualifications; to strengthen the tradition of substantive, informative debates; to ask news organizations to commit to covering the substance of political campaigns and to encourage full participation by citizens in the election process.

Plank # 1 - Debates... Debate organizers and sponsors agree to the following recommendations:

- 1. that debate sponsors work together to design debates which include complementary, non-repetitive agendas, creative formats, (including mini-debates and formats directed at younger voters) and questions which follow up on candidate responses from previous debates.
- 2. that debates include live audience participation and/or questions elicited from voters throughout the state of Minnesota.
- 3. that debate sponsors provide information about debate schedules

Charters

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another “alternative school” movement, charter schools allow students, parents and educators a wide array of school choices *within* public education.

The idea behind charters is that the educational system should provide a variety of schools to meet the needs of a variety of learners. Charters in Minnesota are at the forefront nationally in their ability to reach kids “out of the educational mainstream,” as well as more traditional students.

in order to enhance cross-promotional value...

4. that debate organizers work in partnership with TV and radio whenever possible in order to broadcast debates statewide (or districtwide in the Congressional races).

5. that whenever feasible, debates be carried as widely as possible, e.g., simulcast on radio and TV, reprinted in full or in part in newspapers, and/or carried on-line.

6. that debate organizers will establish written criteria for inclusion of candidates in a debate and distribute the criteria broadly...

Recognizing that democratic elections require the open exchange of ideas, candidates for Congress, Governor of Minnesota, and state offices are asked to:

- 1. participate in as many debates as possible
- 2. abide by the ground rules, format and criteria as agreed upon by the debate sponsor and the candidates.

Plank # 2 - Campaign advertising purposes... Candidates...are asked to commit themselves to the following Code of Conduct in campaign communications, and to publicly insist that their political parties, and associated interest groups adhere to the standards set forth in this Code.

Funding comparison
During the 1995-96 school year, 13 of the 14 Minnesota charter schools analyzed received less in total general fund revenues per pupil unit than the districts in which they were located received for students attending traditional public schools. The general fund revenue disparities ranged \$303 to \$3,380 less per pupil unit. (A pupil unit reflects the different weights assigned to elementary versus secondary students.)

General fund revenues are the funds used for the basic costs of operating schools, such as teacher and administrator salaries, supplies, etc. Separate funds are used for costs such as transportation and food service.

1. The candidate will take full responsibility for advertising and all other types of campaign communications (speeches, billboards, direct mail, etc.) created and placed on behalf of the campaign by its staff. The candidate will review and approve all such campaign communications.

2. In television advertising the candidate’s voice and/or likeness will be in the ad at least 50 percent of the time; and where only the voice is used, it shall be explicitly identified as that of the candidate. In radio advertising, the candidate’s voice, explicitly identified as such, will be in the ad at least 50 percent of the time.

3. The candidate will not use any photo of the opponent that has been retouched or modified or use any cartoons, illustrations or drawings representing the opponent. All film or video of the opponent will be run in real time and will not be distorted, retouched, colorized, de-colored, or morphed in any way.

4. While it is legitimate to criticize an opponent’s record, beliefs, and positions, these criticisms, as well as positive promotional claims for a candidate, must be fully documented and must not be false, misleading, or taken out of context.

5. The candidate will publicly repudiate any ad or other campaign communication by an interest group or independent organization,

or political party committee that violates the standards set forth in this Code.

Plank # 3 - The role of the media
News organizations agree:

1. to identify through polling and other methods the issues that concern their readers, viewers and listeners. To emphasize those issues in campaign coverage by: a) covering the candidates’ proposals and other policy options for dealing with citizen concerns, and b) providing in-depth, explanatory articles on significant issues, such as taxes, health care, crime, and education;

2. to de-emphasize the “horse race,” or predictions about the outcome of the election in their stories and broadcasts;

3. to write and broadcast stories about candidate debates, citizen reaction to these debates, and follow-up news conferences;

4. to inform audiences of opportunities for participation in public discussion of campaign issues;

5. to review campaign ads for fairness and accuracy and publish and broadcast stories detailing their findings; and

6. to describe to readers the news organization’s decision-making process on ethically challenging or controversial campaign stories.

\$1,419 per pupil unit. The average disparity for the seven suburban and nonmetro charter schools was significantly smaller, at \$764 per pupil unit, than for the six central-city charter schools at \$1,982 per pupil unit.

Three of the four Minneapolis charters in the study received more than \$2,000 less per pupil unit than the district received for students in other Minneapolis public schools. The three charter schools in St. Paul in the analysis received, on average, \$1,550 less per pupil unit than the district received for students in other St. Paul public schools.

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Charters

Continued from page 6

Funding disparities charters face translate into large amounts of “missing revenue,” with individual charter schools receiving an average of \$140,000 less per year than if they had been funded like other public schools. The funding disparity for two-thirds of the charter schools in the study was more than \$100,000 during the 1995-96 school year; for one it was more than \$250,000. On average, the discrepancy in general fund revenues was roughly equal to one-third of the charter schools’ total general fund revenues.

It’s important to note that charter schools are now receiving funds from several sources not available during 1995-96, due to recent changes in state law. These sources include compensatory aid, available to schools with low-income students, as well as funds dedicated to charters alone, such as building lease aid and state start-up grants. The state appropriated \$1.078 million for lease aid in fiscal year 1997 and \$1.577 million in fiscal year 1999. Charter school start-up grants, created by the 1997 Legislature, amount to the greater of \$50,000 or \$500 per pupil in the schools’ first two years. Federal grants are also available to cover some start-up costs.

Thus, the funding discrepancies observed in the 1995-96 data may somewhat overstate the current disparities. But charter schools still do not receive excess levy referendum money that districts can assess, with voter approval, or districtwide desegregation funds. Nor are they able to levy bonds for capital expenses. So a major portion of the funding discrepancy still remains unresolved.

Source of disparity
The funding differences between charters and traditional public schools arise because charters are denied access to excess levy referendum revenue and traditional sources of revenue used by districts to finance school facilities, such as bond levies. In addition, urban charters do not receive desegregation funds available to other urban schools.

Urban charter schools may be particularly vulnerable to these financial inequities, due to the denial of referendum and desegregation funds, coupled with the tendency of such schools to serve at-risk populations.

Even schools with seemingly small per-pupil disparities receive substantially less revenue overall. A school of 100 pupils with a funding disparity of \$500 per pupil would receive \$50,000 less per year than a district would receive for students in a noncharter public school of equal size.

Consequences of disparity
The lack of funding parity for charter schools is deeply implicated in the challenges these schools face, especially during their early years, when planning and start-up costs are high. While the state now provides some start-up funding for charters (funding not yet available to schools during the 1995-96 school year studied) and federal grants are available to cover some start-up costs, even this extra funding fails to level the playing field between charters and other public schools.

As a result, charters face substantial financial obstacles to success,

“As public schools, charters should not be denied access to referendum revenues, both for operating funds and for facilities.”

especially in areas such as planning, facilities funding and the ability to attract qualified teachers.

Facilities funding continues to plague charters across the state, in spite of recent “lease aid” legislation to lessen this burden. While the legislation is a great improvement over receiving no facilities funding, the aid covers only part of the costs of leasing and it still does not allow charters to purchase their own facilities with public funds.

Leveling the playing field
Minnesota charter school operators interviewed for the study are united in their belief that current charter school legislation fails to live up to the principle that funding should follow the child in the public education system.

DISCREPANCY IN 1995-96 TOTAL GENERAL FUND REVENUES PER PUPIL UNIT* BETWEEN CHARTER SCHOOLS AND THE DISTRICTS IN WHICH THEY ARE LOCATED		
Charter School	Home District**	Total General Fund Revenues Per Pupil in Charter School Compared with Home District
City Academy	St. Paul	-\$1,698
Bluffview Montessori	Winona	-\$1,018
Toivola-Meadowlands	St. Louis County	-\$1,352
New Heights	Stillwater	-\$ 303
Cedar Riverside	Minneapolis	-\$2,060
Skills for Tomorrow	Minneapolis	-\$3,380
Minnesota New Country	LeSueur-Henderson	-\$ 472
PACT	Anoka-Hennepin	-\$ 762
Frederick Douglas	Minneapolis	-\$3,178
New Visions	Minneapolis	-\$ 603
Emily	Crosby-Ironton	\$ 320
Right Step	St. Paul	-\$1,749
Community of Peace	St. Paul	-\$1,203
World Learner	Chaska	-\$ 675
*Discrepancy is actually per weighted average daily membership (WADM), which is approximated by the term “pupil unit.”		
***“Home district” is the district in which the charter school is located; it may or may not be the chartering authority for the school.		
Source: Analysis of data from Minnesota Department of Children, Families and Learning UFARS database, 1995-96 school year.		

The current system of denying charter schools access to excess levy referendum revenues is inconsistent with the spirit of the charter school law. Minnesota has a long and distinguished history of providing choices within public education. Charter schools should not be prevented from competing on a level playing field with other public schools.

● Creating a regional expanded tax base and distributing local tax revenues to all Local Education Agencies (districts and charter schools) from that fund on a per-pupil basis.

If charter schools in Minnesota are to thrive, they need to be extended the same financial opportunities routinely available to other public schools. As *public* schools, charters should not be denied access to referendum revenues, both for operating funds and for facilities.

As one charter operator interviewed for the study said, “If we truly want charter schools to thrive, then the Legislature is going to have to pass laws that make it easier to do it. And that involves leveling the playing field financially and making it easier for charter schools to secure facilities for their programs and to access services for their children.”

Cheryl M. Mandala conducted this study as her master’s degree thesis at the University of Minnesota’s Humphrey Institute. She will begin law school at Stanford University this fall. The complete report, “How Level a Playing Field: The Search for Equity in Charter School Funding,” is available for purchase at 612-626-1834.

● Amending the charter legislation to provide that all revenue from a student’s home district—including excess levy referendum funds—follows that student to the charter school;

● Providing charter schools with bonding authority, perhaps under the auspices of an umbrella association, such as the Minnesota Association of Charter Schools (MACS);

City of Minneapolis is state's 14th largest employer

This month's *Corporate Report* lists Minnesota's largest 100 employers. As usual three large public bodies lead the list: The state of Minnesota, the federal government and the University of Minnesota. Six of the top 15 employers in Minnesota are public organizations. Minneapolis, with a population of 362,090, is up to 14th on the list with 8,939 employees. That works out to about 40.5 residents per city employee. By contrast, St. Paul's workforce of 3,400 for its 269,636 residents works out to about 80 residents per employee (half the Minneapolis rate).

The numbers are even more striking when comparing counties. Hennepin County, ranked 11th on the *Corporate Report* list, has a resident-to-employee ratio of 90.4 (11,902 employees; 1,075,907 people). Ramsey County's ratio is 120.5 (4,128 employees; 497,423 people). Interestingly, Dakota County, with a population nearly equal to Minneapolis, has a resident-to-employee ratio of 215 (1,550 employees; 332,657 people) and does not even rank in the top 100 employers.—*Phil Jenni*.

The Saint Paul school board found just what Mike Casserly said it would.

In January, at the start of the search for a new superintendent, the director of the Washington-based Council of the Great City Schools told the board it probably wouldn't get any applicants with big-city experience. That's a killer job, he said—now something a superintendent does only once.

So, just as Casserly predicted, Saint Paul got people from cities who'd never been superintendents and superintendents who'd never been in big cities. The board wasn't interested in nontraditional candidates. So: Zip.

The board will search again, probably next winter. Maybe Casserly's prediction won't hold then, since the board can now pay more. Note, though, that the cap (95 percent of the governor's salary), no longer in effect for salary, is still in effect for the amount that can be credited toward pension.—*Ted Kolderie*.

Much has been made of the

Take Note

Public policy lunkers to reel in during the dog days of summer.

Transportation Equity Act for the 21st Century (TEA-21 for short). There is literally something for every transportation-oriented special interest in this 200-plus billion dollar boondoggle. There are, however, some significant statements made about priorities with this legislation. For example, there was a real dollar *decrease* in funds reserved for new road construction and a significant increase in transit spending.

Demonstration projects also featured multi-modal projects, transit and road preservation instead of only "big road" demonstrations. It should be noted, however, that road-based projects still take up roughly 85 percent of the demonstration fund's \$9.3 billion. Still, it appears transit advocates are satisfied with TEA-21, because they got fed a little as well.—*Ron Wirtz*.

Get a load of this: After four years of study, the Minnesota Department of Transportation (Mn/DOT) and the Metropolitan Council have withdrawn the proposal for a joint intermodal railroad terminal in the Twin Cities, due to lack of interest from area railroads. The terminal would have had the capacity and facilities to ship, load, unload and store large containers and truck trailers for several railroads.

The proposal came from the Minnesota Intermodal Railroad Terminal Study (MIRTS), a public/private partnership formed by several railroads, MnDOT and the Metropolitan Council. MIRTS had identified a site for the proposed facility in Rosemount. The Twin Cities currently has two intermodal terminals: the Burlington Northern/Santa Fe Hub in the Midway area of St. Paul and the CP Rail terminal in northeast Minneapolis.

In announcing the withdrawal of the terminal proposal, MnDOT Commissioner James Denn and Metropolitan Council Chair Curt Johnson noted several major changes in the rail industry during the course of the MIRTS study: a merger of Burlington Northern Railroad with the Sante Fe Railroad, with a resulting decision that

their facility will accommodate their priority business for several more years; CP Rail's decision that their present facility meets their foreseeable needs; and the acquisition of the Chicago & Northwestern Railroad by the Union Pacific Railroad, which led to Union Pacific's interest in the project, only to be overshadowed by the merger-related issues that required the railroad's attention when it acquired the Southern Pacific Railroad.

—*Dana Schroeder*.

Honeywell threw a party last week to celebrate the groundbreaking for Portland Place, a company-sponsored redevelopment project that will bring 51 new owner-occupied homes into Minneapolis' Phillips neighborhood, across the street from the company's headquarters.

During the ceremony, Honeywell CEO Mike Bonsignore briefly introduced his three predecessor CEOs and noted their community achievements: Stephen Keating, who helped start the Neighborhood Involvement Program and cochaired the Urban Coalition during the Twin Cities' tumultuous period of race relations; Edson Spencer, who led the Prospects for Peacemaking dialogue during the anti-nuke protest era; and Jim Renier, whose passion for improving the lives of young kids resulted in the New Vistas school and Success by Six.

It was an impressive collection of corporate leadership gathered for a neighborhood event. A nice

reminder, too, of the Twin Cities' legacy—seen less often these days—of personal, hands-on participation by top business leaders in the civic life of the community.

—*Janet Dudrow*.

A recent publication of the Hazelden Foundation on drug abuse in Minnesota cites a Tobacco Research Program study that indicates smoking among adolescents increased from 27.5 percent in 1991 to 36.4 percent in 1997. This 32.3 percent increase in the rate of adolescent smoking comes despite the increased awareness of the dangers of smoking. But maybe that's not surprising. Perhaps the demonization of tobacco as an illicit activity and the moralizing and disapproving tone of most adults, especially baby boomers, has made smoking an acceptable form of youth rebellion—similar to marijuana use a generation ago. Remember Reefer Madness?—*P.J.*

On a comparative cost basis, regional wastewater rates are among the lowest in the country. On top of that, the agency responsible—the Metropolitan Council's Environmental Services Division (MCES)—recently announced a seven percent *decrease* in the proposed operating budget for 1999, down about \$10 million over the 1998 budget of \$167 million. Cost cuts in attrition-related labor, debt reduction, supplies and contracted services are being credited for the decrease.—*R.W.*

"Take Note" contributors include Minnesota Journal and Citizens League staff members and Janet Dudrow, communications specialist at Allina Health System.

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PERIODICALS
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Citizens League Matters

August 25, 1998

News for Citizens League Members

Welcome *New and returning members*

Julie Allen
Sidney Berg
Holly E. Breymaier
Phil Brown
David Inghaus
Rose Kelly
Carolyn Kompelieu
Lee Lewis
Douglas Mayo
Mr. and Mrs. Dick Moberg
Cynthia and Joel Sattler
Eric Schaefer
Robert A. Seng
Jon Shafer
Alan P. Shilepsky
Timothy J. Wicker and
Karolyn M. Deters

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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.

The Citizens League is an open membership organization. Suggested dues for membership are \$50 for individuals and \$75 for families. Please call 338-0791 for more information about membership.

Housing issues open Mind-Opener season

Forget back to school sales, early sunsets and cooler nights. You know that summer is officially over when the Citizens League Mind-Opener meetings resume.

Weekly policy meetings sponsored by the Citizens League have been a regional tradition since 1961. The Mind-Opener format dates back to 1986.

The Citizens League is ready to unroll another exciting year and will kick-off the 1998-99 Mind-Opener season with a series on affordable housing, a topic that is working its way to the top of the public agenda. The series will be designed to both define the problem and showcase innovative solutions.

According to the Family Housing Fund, there are 68,900 households in the Twin Cities area that have incomes below \$10,000, but there are only 31,200 units with rents considered affordable at this level.

Housing is generally considered "affordable" when it costs a family no more than 30 percent of its income, but 185,000 area households with incomes below \$30,000 are currently paying more

than that.

The lack of affordable housing has numerous spill-over effects. From a regional perspective one of the most important issues is the mismatch between job growth, especially in the suburbs and affordable housing most of which is concentrated in the two core cities.

This situation is also aggravated by the problems faced by suburban employers currently dealing with a labor shortage.

While affordable housing is by no means a new problem, this series will attempt to showcase new solutions.

What efforts are or should be undertaken by the business community to ensure that their employees can find affordable housing close to their job? What role can and should the nonprofit community play in this area? Are available resources being used wisely?

At this writing, speakers for the series are being scheduled. The series will begin on September 29 with an overview of affordable housing and run Tuesday mornings through October 20. But watch your mail for a

brochure which contains the details of dates, speakers, time and place.

Mind-Opener policy forums and other special meetings are a regular feature of the League's programming. Each Mind-Opener series generally consists of three to four weekly breakfast meetings on a topic of interest to the League and of importance to the region and state.

We invite members of the League and the general public to join us for a continental breakfast, followed by a presentation on the topic and discussion period.

Mind-Openers have historically been Tuesday morning breakfast meetings. While we will continue that pattern as much as possible, some flexibility in time and date allows us to bring you the most knowledgeable and thought provoking speakers possible.

Other topics on the planning board for this fall include the roles and responsibilities of Minnesota's school boards and the numerous issues surrounding Native American sovereignty.

Watch your mail for the details on upcoming events.

Kristine Lyndon joins staff as Research Associate

The newest addition to the League staff is research associate Kristine Lyndon who began her duties with the League at the end of July.

A recent graduate of the Eagleton Institute of Politics at Rutgers University, Lyndon holds a master's degree in public policy, as well as a bachelor's degree in political science and history from Luther College in Decorah, Iowa.

"I selected the masters program at Rutgers specifically for its generalist approach and focus on state and local government. Therefore, the Citizens League is a perfect fit," said Lyndon. "I am looking forward to working

on a wide variety of issues that truly affect the quality of life in Minnesota."

Lyndon wasted no time in getting involved in the League's work. She is currently helping with the labor shortage committee and the New Wrinkle on Aging Task Force. She will be responsible for the League's Mind-Opener Breakfast Series and is in the process of lining up the first three series for the fall. She'll also staff the upcoming study committee on the public agenda.

While completing her education, Lyndon interned for Wisconsin Senate President Brian D. Rude and the State

Historical Society of Wisconsin. She also worked in Washington D.C. as an intern for the House of Representatives Committee on Economic and Educational Opportunity.

She also served as editor of the Luther College student newspaper and as chair of the college's honor council.

An Iowa native, Lyndon recently moved to the Twin Cities area after spending a year in New Jersey. She replaces Janet Dudrow who left the League staff earlier this summer.

Welcome to the Citizens League, Kris Lyndon!

Contributions crucial at year-end

Thank you to the many League members who have already made an extra contribution to the League. Don't forget that the League's fiscal year ends on August 31.

Member contributions to the League at the end of the year are a very important part of the League's financial support.

Last year's record extra contributions of \$76,266 accounted for over 15 percent of the League's budget. We need a big push if we are to equal last year.

If you want to make a gift of appreciated securities (which makes a lot of sense given the success of the stock market over the past couple of years), you or your broker can transfer the asset to the League's account at Dain Rauscher. The account # is 1101 5317 1984 and the electronic code is DTC235. If you have questions about such a transaction, please call Jim Seidel of Dain Rauscher at 371-7680.

Leave a Legacy Minnesota: Complete the circle of life

The Citizens League has endorsed "Leave a Legacy Minnesota," a statewide, collaborative effort to increase public awareness of and interest in gift planning opportunities.

Many people wish they could give generously to their favorite charities. There is actually a simple tool that makes such a gift possible, easy and affordable—include your favorite nonprofit organizations in a will with a bequest.

The Leave a Legacy Minnesota program, which will be introduced in September, promotes interest in charitable giving by reminding people of average incomes that they have the ability to foster and continue important values by including a nonprofit organization in their estate plan.

In the United States, at least 70 percent of households make charitable contributions annually, yet less than 6 percent of households give money to charities through

bequests. In 1993, only 17 percent of the wealthiest Americans with taxable incomes exceeding \$600,000 left bequests to charities.

Even people of average means have an estate, and giving in this way provides a means of answering the question, "What can I do to make the world a better place than I found it?"

There are four easy steps to leaving a legacy: 1) decide to whom and why you'd like to leave a gift; 2) contact your favorite charity for information regarding what opportunities are open to you; 3) contact your professional advisor (financial planner, attorney, accountant, etc.) and; 4) write or change your will to specify your wishes regarding your gift.

Individuals interested in leaving a legacy may contact the Citizens League at 338-0791 or the Leave a Legacy Minnesota office at 917-6252.

Board transition set for August 25

The Citizens League Board will meet at the University Club on August 25 to elect new officers and directors for the coming year. It will be the last official meeting of the 1997-98 Board and first meeting for the 1998-99 Board and the eight directors elected in June.