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"How come so many refugees from balmy places like Laos and Somalia live in not-so-tropical Minnesota?" *See page 6.*

INSIDE

Successful tax reform needs vigilance, time to take root

by Dan Salomone

We have another new property tax system. We seem to get one every year, but this one is really new and includes double-digit cuts for all classes of property. But the cuts are merely incidental. It's the reform that's really new; reform comparable to the "Minnesota Miracle" in 1971.

Our new property tax is more "local." The cost of state responsibilities like basic education, district courts, transit, and certain county mandates has been shifted from local governments to the state. The magnitude of this shift produced historic reductions in tax burdens and in the tax disparities among various property types.

The reforms raise the state share of total K-12 funding from 69 to 85 percent, topping a 1971 goal of 70 percent, while bringing business tax bills down from roughly three times that of homesteads to about twice the homestead level, and closer to the national average.

For many years, the Minnesota Taxpayers Association (MTA), and other groups, including the Citizens League, argued that these changes could simplify the tax code, increase local accountability, and ultimately restrain growing property tax levies. I believe they will, but only if we understand the new system and allow the reforms a few years to take root.

What Reformers Wanted

Since 1992, the MTA has been asking for more simplicity, logic, and discipline in the state and local fiscal relationship, and arguing that there are only two reasons for the state to subsidze local governments: to equalize communities' capacity to provide "basic" services and to subsidize specific local expenditures deemed to have statewide significance.

We recommended that the state and local spending responsibilities be spearated, and each funded with "own-source" revenues. We opposed general-purpose aid just so local property taxes could be lower. We also recommended that the class rates be compressed to reduce the business-to-homestead relationship.

We were not alone in proposing reform. In 1995 the Citizens League proposed an "ABC" system in which the state would have funded the average cost of "basic" services, and the unavoidable extra costs associated with providing basic services. Remaining local spending was considered "local preference funding," and would have been funded by local revenue. In 1996, Senator Ann Rest, then House Tax Committee chair, proposed to separate the property tax into two parts—a local services tax and a state property tax.

These earlier reform plans led to a series of incremental improvements: class rates were compressed; some local expenditures were shifted to the state; state aid was increased to protect homeowners from tax increases; and the business-to-homestead tax rate disparity was gradually reduced. Many predicted the 2001 Legislature would merely provide another dose of incremental reform.

What They Got

But Gov. Jesse Ventura rejected the incremental approach to tax reform. Instead, he asked the Department of Revenue to prepare a "Big Plan" for the 2001 session. Not surprisingly, what ultimately passed is very consistent with the incremental reforms of the past, but, in essence, gives us about three years of incremental reforms, including:

- Elimination of the K-12 general education

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Letter to the editor:

Weighing in on TIF, regionalism and the new economy

James Miller and John Marty's point-counterpoint on Tax Increment Financing (TIF) in the July issue presented one-dimensional views on the threatened status of this throwback subsidy of the smoke stack-chasing days of economic development. TIF subsidies draw upon state and county resources for site-specific real estate development projects to increase the local property tax base. However successfully TIF has achieved the community development objectives debated by Miller and Marty, it failed as an economic development tool in the industrial economy and is largely irrelevant in the new knowledge economy.

In "Gauging the impact of TIF on Minnesota communities" Miller states the incredulous, " For more than 20 years, communities have grown and the state's economy has strengthened *because* (emphasis mine) of planning and the appropriate use of TIF." Minnesota's dynamic private sector, not TIF or government planning, grew our economy 250 percent since 1980. As a community development tool that increases the local property tax base, provides a tangible accomplishment for locally elected officials to tout, and fattens the budgets of city development departments, TIF has been effective. But, highly subsidizing real estate to create low-wage jobs and increased social costs is not an effective strategy for creating wealth, the essence of economic development.

Conversely, Marty declares that TIF subsidies are "A scam promoted by developers." Since the elected officials that approve TIF subsidies should not be held accountable for "taxpayer money that is loosely dispensed without public scrutiny or understanding," according to Marty, the solution is to eliminate TIF. Marty does not believe in subsidizing private enterprises, even when public purposes are met. Apparently Marty would not support innovative incentives for businesses to hire and train the unemployed, guarantee loans that expand employment and enhance competitiveness, or facilitate the commercial development of life-saving technologies.

Miller credits "the foresight of local elected officials who work to bring jobs and services to their communities," for TIF-subsidized development, not real estate developers seeking profits at the taxpayer's expense. However, he overstates their foresight.

The Institute on Taxation and Economic Policy's 1999 study of Minnesota's economic development database found little "foresight" by elected officials when approving TIF subsidies. Three-fourths of subsidy deals approved projected jobs with wages that would qualify a family of three for Medicare. Local officials approved TIF deals when clearly workers in these low-wage jobs would require subsidies for housing, food, health, education, and other social services. Roughly half of all subsidies produced jobs with wages 20 percent below local market levels for their industry. The Institute found no relationship between the level of public subsidy and the wages paid. The majority of TIF deals required over $100,000 of subsidy per job, greatly exceeding the federal standard of $35,000 per job. Approval of TIF districts actually accelerated during the full employment period between 1996 and 1999 when workers were scarce. Clearly, most local elected officials do not evaluate TIF deals based on wages or economic development impact.

Moreover, TIF is the subsidy of choice for intrastate corporate relocations, which drain the state's economy. While the pirate city competitively bids with state and county resources to subsidize local "economic development," the pirated city is left with dislocated workers, social costs, and blight and/or vacant land. Miller ignores these social and economic costs when calculating the increased property tax base "payoff" when TIF districts are decertified. Contrary to Marty's depiction of local officials duped by developers, many elected officials and development professionals demonstrate considerable expertise using TIF to expand their community development departments and local property tax base at the expense of the state and county. Notably, many officials make sparing or judicious use of TIF. But, the incentives encourage unlimited subsidies for low-wage jobs and intrastate bidding wars for company relocations.

Legislative reforms effective in 2001 require users of TIF to justify subsidies by meeting defined wage and job targets or reimburse the funding. Despite these significant reforms, TIF will be crippled by industrial and commercial property tax reforms enacted this year. However, economic trends, not legislative measures, suggest that the days of property-based subsidies as an economic development tool are numbered. Services, ideas, and innovation increasingly drive wealth creation. Property is little needed by these drivers of the new economy. Historically, taxes have followed wealth. Funding for public services will shift away from property taxes to usage fees and taxes on services, sales, added value, and income. Funding for human capital development – the raw material of the new economy – will move away from a property tax base toward wealth created by the knowledge economy.

Valuable innovation tends to cluster in markets where specific knowledge is generated from many connected practitioners that are encouraged to do things differently. In the new world economy, geography may matter less, but "turf" or the qualities of "place" matter more. In this new context, economic development requires strategic investments in environments that spark valuable innovations and their rapid commercialization. The emergence of civic partnerships that shape regional vision and guide economic strategy, as noted in Lyle Wray's "Viewpoint," has become critical to sustaining regional prosperity.

Presently the metropolitan area needs the regional thinking, vision, strategy, and governance mechanisms and arrangements to compete in the new global economic context and preserve our core values. The gutting of TIF, and with it the majority share of Minnesota's funding for economic development, may provide the catalyst for a reexamination of economic development and spark innovations in practice and funding that are aligned with current economic realities. The Citizens League is well positioned to recommend creative funding arrangements that support a strategic approach to sustained regional prosperity. I hope the Citizens League will accept this challenge.

Douglas Petty, CEO
The Great North Alliance

The Minnesota Journal *welcomes your letters and comment. Please include your name, address, and phone number. We reserve the right to edit letters for length and clarity.* MJ

Viewpoint

From the Executive Director

For whom the road tolls

by Lyle Wray

As the results of the 2000 Census continue to roll out, we are seeing some fascinating glimpses into our national reality. One picture emerging from the data is that Americans are still in love with cars. Despite broad efforts in the past decade to expand transit systems and encourage carpooling, only about five percent of Americans take public transit to work, the same percentage as in 1990.

And the number of adults who don't own a car remains flat, despite a growing population. In the past decade, the percentage of U.S. households with three or more vehicles grew to 18.3 percent, almost double the percentage of people without cars, 9.3 percent.

Alas, to paraphrase Charlton Heston, many Americans will give up their cars and use public transit only when their stiff and cold fingers are pried from the steering wheel.

In 2000 Minnesotans averaged a 21.6 minute drive to work, well below the national average of 24.3 minutes, but as congestion mounts, with more drivers driving more often and taking longer trips, there is a need to identify short- to medium-term strategies in the metropolitan area to deal with congestion.

One possible response is road pricing, where users pay a fee to cross a bridge or drive a stretch of road. Road pricing is similar in concept to the old-fashioned "toll" road but fees may vary by time of day and type of vehicle. Currently, a state level Value Pricing Task Force, chaired by former State Senator Carol Flynn, is considering which of four projects to recommend for a road pricing experiment in Minnesota.

Why road pricing? Road pricing offers two main benefits. It can help reduce congestion during peak travel times, and user fees can raise money to pay for infrastructure construction and maintenance, and to subsidize public transportation.

By charging higher fees during periods of peak demand, road pricing gives drivers an incentive to make discretionary trips at other times of the day. Cities from London to Singapore already use fees in the central business district to reduce congestion during rush hour. Estimates based on some recent bridge studies indicate road pricing can shift from five to 10 percent of the traffic volume from rush hour to times when traffic flow is lighter, enough of a change to have a significant impact.

Road pricing does not replace the need for infrastructure investment, but it can help to finance improvements. User fees can be used to pay for construction of new roads and bridges, for repair and maintenance, and to improve and expand public transportation, all of which further reduce road congestion.

As we move forward with improvements to the Stillwater bridge and the reworking of Highway 62 at Interstate 35W, it makes sense to talk about road pricing as a trade off for increased capacity. Drivers will find the idea much more palatable if they feel they are getting something back. Revenue from fees can be used to rebuild the kinks and chokepoints that we now have in so many parts of our metro highway system. Additionally, road pricing may be a good option to consider if gridlock in government makes private investment the only viable alternative to no action.

Objections to road pricing come from many quarters. Some drivers fear payment collection points will create major bottlenecks. This problem has been largely alleviated, and future technology will streamline the system even more. In many parts of the country and around the world, toll booths have been replaced by radio transponders the size of a deck of cards. New systems will probably read license plates directly and bill the auto owner directly.

Opponents of road pricing also point to equity issues, arguing that those with money get preferential treatment. To address those concerns, road pricing could guarantee a basic number of "free trips" per year, for example, or some other means of providing an access floor as we do in other areas such as telephone service. Another objection is that we are already paying taxes to fund the cost of infrastructure, so we should not have to pay fees to use it. Yet pricing is used on many kinds of public and privately financed infrastructure, from airport runways and airline seats off-season to electric cut offs during peak demand.

Even a cloudy crystal ball shows road congestion is increasingly costing commuters and shippers a great deal of lost time. At the same time, there seems to be a limited willingness to spend money on major infrastructure projects. Road pricing is a tool that fits our times well enough to deserve a solid look and some experimentation. Whether it becomes a widely used tool will depend on whether our appetite for driving can be balanced equally by an appetite for strategies to tame the single-occupant vehicle car, to build communities that do not mandate driving for necessities, and to offer public transit at an attractive price and level of performance. If not, congestion may be the price we pay for driving the "free" way, and that will exact its own toll. MJ

Lyle Wray is the executive director of the Citizens League.

The Minnesota Journal
Publisher—Lyle Wray
Editor—Dana M. Schroeder
Contributing Editor—Ted Kolderie
Sketches—Ray Hanson

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OnBalance

Views From Around the State

Even Minnesota's editorial writers are overheated

The session is over, but the debate on education financing is not...

"The extra $350 each Fergus Falls Community College student will pay for tuition this fall is an indicator of how Minnesotans will be hurt by state lawmakers' strategic errors at the Capitol this summer," argues the **Fergus Falls Daily Journal**. "While Minnesotans may have been favorably impressed by the news of tax cuts coming from the Capitol earlier this month, cuts in property taxes and another round of sales tax rebates were clearly made at the expense of education...One goal of state-run higher education has always been to make learning affordable to everyone. While a $350 tuition increase may not bar many people from higher education, it is bound to hurt the chances of at least a few who cannot afford the higher costs."

"St. Cloud State University students are expected to pay 10 percent more in tuition this fall. That's in addition to the 7.7 percent increase of 2000-01. Will they get more for the money? Perhaps surprisingly, the answer is yes," reports the **St. Cloud Times** (7/19). "The University plans to offer essentially the same courses as last school year, there will be no layoffs, three graduate-level programs will be added, and freshman and sophomores will get more help in career planning. Still, the statewide aid continues the 10-yeat trend of the state putting a declining amount of money toward higher education. For the 2000-01 fiscal years, MnSCU received 4.6 percent of the state's general fund budget. That amount was 6.4 percent in 1990-91."

While the debate on higher education financing focused largely on how much additional funding the university systems requested for the next biennium, and how much legislators believe they really need, the **Rochester Post-Bulletin** (7/27) points out that some important long-term questions were not asked, including this one. "Are the University of Minnesota and the Minnesota State Colleges and Universities systems organized to meet the state's current needs? Do some of the two systems' functions overlap?"

"We believe that higher education has not received adequate funding in recent years. Nevertheless, it is important to determine whether MNSCU and the U of M could benefit from reorganization or redefinition of their missions. Making such a determination would be contentious and painful. In the long run, however, it might be an effective remedy for both system's financial problems."

Energy seems to be the watchword of the summer.

According to the **Red Wing Republican Eagle** (7/24), "A proposal to let Wisconsin lawmakers [rather than utility companies] decide whether to condemn land for new power lines is wrongheaded. Uninterrupted supply of electricity is too important to today's economy to let such decisions be governed by emotion rather than fact...We appreciate the fact that few people welcome power plants or transmission lines in their back yards. But we'd also bet that these same individuals enjoy the convenience of microwave ovens, air conditioners and television. So long as consumers continue their demand for electricity, utilities will need to build more power plants and lines. The sites chosen for the facilities or the paths selected for the towers will not please everyone."

Good intentions don't necessarily make good public policy, argues the **Bemidji Pioneer** (8/2). A new law aimed at protecting local merchants by regulating the cost of gasoline "cuts across the grain of the free market society," the paper states. "The law...prohibits selling gasoline for less than 8 cents over wholesale costs, or 6 percent above wholesale, whichever is less. The bill's intentions are good – to prevent large retailers from selling gas below cost and driving locally-based merchants out of business. Detroit Lakes has seen a gas war since last spring when its new Wal-Mart opened with cheap gas prices...the law puts gas merchants in a special class. There are plenty of local merchants of other commodities who wonder what the new Wal-Mart store will do to their business. But the Legislature won't be setting the price of shoes, nails or office supplies. Should the Legislature protect all local merchants when a large retailer moves in by setting price floors on all products? Of course not."

Election reform: funding, polls, election holiday...online voting?

Are online voters slackers? At least one paper thinks so. The **Red Wing Republican Eagle** (7/10) writes "...we part ways with a recent report by [Ventura's] administration to explore—even encourage—voting over the Internet. The long-term impact of online voting, we fear, is to promote a lackadaisical citizenry and diminish the value of democratic institutions... Previous generations of voters did not have the luxury of sitting at home and pushing a button to cast a vote, and our governance has managed just fine. If citizens can't spare 15 or 30 minutes to cast a vote, we question whether their participation is warranted."

What would the Journal be without transportation debate...

The **Mankato Free Press** (7/25) favors the state's decision to proceed with a study of car-pool lanes despite the objections of the federal highway administration. "The founding fathers wisely put serious restrictions on the federal government's power over states, believing that power should lie with the states, not a too-powerful federal government. But in recent decades Congress has increasingly circumvented that constitutional barrier by writing rules saying states can only get federal funding if they agree to do what Congress wants. States are forced to set the speed limits that Congress wants, pass seat-belt laws, and create high-occupancy vehicle lanes or lose some or all of their federal highway funding. Such federal extortion may be deemed legal but it doesn't make it right. It gives the federal government the control over states that the Constitution clearly intended to limit." **MJ**

Taxes *continued from page 1*

levy and total state takeover of the costs of "general" education expenses. These expenses, deemed to be about $4,000 per pupil, were shared by the state and school districts using a mandatory local levy and supplemental state aid. The new law eliminates the mandatory levy, and the entire $4,000 plus an additional $415 per pupil will be a state responsibility.

- Completion of the state takeover of county expenses for district courts and 30 percent of the cost of out-of-home placements.
- Replacement of property taxes for metro and rural transit operating costs with a dedicated percentage of state sales tax collections from sales of motor vehicles.

To pay for these important realignments, the new reforms include a new statewide property tax ($592 million payable in 2002) on businesses and cabins. The levy is set to rise annually at a rate equal to the rate of inflation. In contrast to the Governor's original plan, business property will continue to pay for school operating levies, but cabins and agricultural land will be exempt. Non-county general aid (HACA) was eliminated. City HACA was eliminated, but city LGA has been increased to offset all but about $60 million of those cuts.

The substantial levy reductions resulting from these changes make the property tax more local in character and facilitate significant class rate reform. Homestead rates dropped from 1 and 1.65 percent of market value under and over $76,000, respectively, to 1 and 1.25 percent of market value under and over $500,000. Business rates were cut from 2.4 and 3.4 percent of value with the break point at $150,000, to 1.5 and 2.0 percent with the same break point. Apartment classifications were cut from 2.4 to 1.8 percent, falling to 1.25 percent by 2004.

"As long as we have both un-funded state mandates and large amounts of general-purpose state aid there is an unfinished reform agenda."

More telling is what these class rate changes do to the distribution of the tax base. Business property, which makes up 15 percent of all real estate value statewide, will see a cut in its share of total tax capacity from 31 to 25 percent. Homesteads, with 58 percent of all value statewide, will see their share of the tax base rise from 46 to 50 percent.

These shifting shares of the tax base are key to the accountability claims made by reformers like MTA and the Citizens League. Except for the new market value credits described below, they require resident homeowners to pick up a greater share of local tax levy increases in future years. This doesn't necessarily mean their taxes will increase. Our data show that the initial tax cuts from the reforms are so deep that it will take 6 to 8 years before homestead taxes return to 2002 levels.

Apart from these central changes, a number of other property tax reform provisions are worth noting. They include:

- A new market value credit for homes and farms.
- No change in the current city aid (LGA) formula, and a new $14 million reform account established for the design of a new formula for payable 2003.
- An enriched property tax refund program (circuit breaker) with more relief for lower income filers.
- Elimination, over six years, of the "limited market value" provision, which protects residential property owners from big tax increases resulting from rapidly growing valuations.
- Tax Increment Financing to help existing TIF districts and those just certified prior to enactment meet their debt service obligations.

...I love property tax reform, especially as it applies to this Taj Mahal we're apparently living in!

The Unfinished Agenda

The new reforms will not necessarily improve the politics of local property taxation. Taxpayers naturally prefer to have someone else pay for public services, and local governments prefer state aid to "own-source" revenues. That's why tax reform has been so slow and why the improvements of 2001 must be defended in 2002 and beyond.

We need to continue to look for local spending items that should be funded by the state so that levies can be even more "local." As long we have both un-funded state mandates and large amounts of general-purpose state aid there is an unfinished reform agenda. It's time to take another look at city aid. Why should the state pay cities general-purpose aid when numerous county mandates continue to go un-funded? And shouldn't the money at least go to cities that need it the most? It must be noted that the 2001 reforms merely bring us to the national average relationship between homes and businesses. As we succeed in making levies even more local in the future, further rate compression is justified.

Risks of Reform

Legislation is a necessary part of reform. But our reaction to the legislation is just as important. Reform is really not complete until local resident taxpayers understand that reform means they will be held more responsible for local levy increases and will pay a greater share of them.

Legislators also need to break a 30-year habit of hand wringing over the property tax. If they continue to take responsibility for every local levy increase, reform will not take root, and a new era of property tax buy-downs, however cleverly disguised, will likely follow.

A frustrated Gov. Rudy Perpich once said the property tax is a local tax, not a state tax. It wasn't exactly true back then, nor is it completely true now. But if we complete the reform agenda, Perpich's wishful declaration will finally come true. **MJ**

Dan Salomone is the executive director of the Minnesota Taxpayers Association.

Putting out the welcome mat: ensuring Minnesota's welcome remains warm

by Joel Luedtke

Writer's note: This piece refers almost exclusively to refugees. While over 40 percent of the foreign-born in Minnesota came to this country as refugees, the remainder immigrated under different circumstances and may face different challenges.

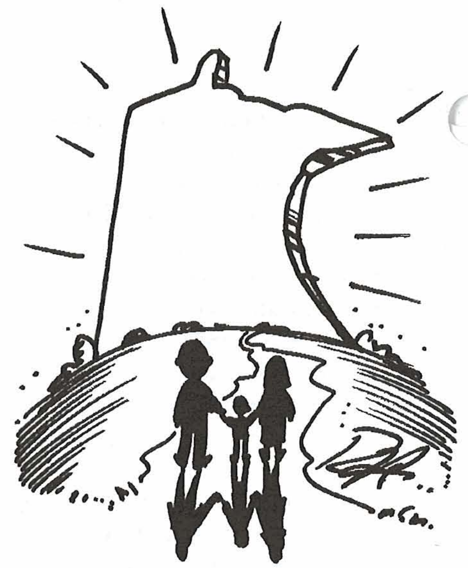
In my work I have the opportunity to meet with lots of different folks from lots of different places. The favorite question asked by native-born Americans—be they pastors, business owners, social service types, Minnesotans or Floridians—is: "How come so many refugees from balmy places like Laos and Somalia live in not-so-tropical Minnesota?" Despite the frequency of the question, I haven't yet developed a succinct answer. It's certainly not as simple as fate. While some refugees were routed here by bureaucrats within the international refugee processing system, the vast majority chose to move to Minnesota after arriving in other states. In fact, Minnesota has the largest number of these "secondary migrants" from warm-weather states such as California and Texas. So, even though we Minnesotans love to talk about the weather, our climate seems of little concern to the thousands of refugees who have moved here.

Part of the answer lies buried in the questions refugees ask of me when they arrive here. "Will our children be able to go to school?" "I want to work! Can you help me find a job?" or "I want to learn English. Can you help me find an English-as-a-second-language program?" At the Refugee Services program of the Minnesota Council of Churches our job is to meet the needs voiced in these (and many other) questions. The fact that our efforts are typically successful reveals some of the answer: refugees move here because there is opportunity and support.

Putting out the welcome mat: ensuring Minnesota's welcome remains warm **is the first in an occasional series of stories to be published in the Minnesota Journal exploring the experience of and challenges faced by the state's newest residents and examining the implications of immigration on local communities. For comments on our first installment, or to offer ideas for upcoming stories, contact the Minnesota Citizens League by phone at 612-338-0791, or by email at info@citizensleague.net, or write to: Editor, Minnesota Journal, 708 South 3rd Street, Suite 500, Minneapolis, MN 55415. MJ**

Our state is one of only a few in the nation that boasts both a vibrant economy with an abundance of entry-level jobs, and a generous safety net for those who can't grasp the bottom rung of the career ladder. Compare Minnesota and Texas and our allure becomes clear. In Texas, a wage-earner with limited English can hope to make $6.50 to $7 per hour doing factory or cleaning work. For those who aren't working, the state offers cash support and food stamps totaling about $400 per month for a family of four. In Minnesota, that same wage-earner can make $7.50 to $9 per hour at a hotel or factory. Until work is secured, the state will support this family of four with $950 of combined cash and food stamps each month. Furthermore, the family can continue to receive limited assistance as their earnings rise, and up to a year of free medical coverage when they finally earn their way off of welfare. Add into the mix an abundance of free English-as-a-second-language programs, fine schools, good health care, and a rich network of social service programs, and one begins to understand the draw of this state.

And if you look beyond the logic of dollars and cents and you can see a fundamental and pervasive force: hospitality. From the first influx of refugees after the Vietnam War, our state has opened its doors wider than most others. Churches sponsored hundreds of families in the 1970s and '80s, and this outreach continues today. Public and private human services continuously adapt to meet the needs of newcomers. Each new population is greeted with concern and interest. In a recent Wilder Foundation study of refugees in the Twin Cities, 80 percent of respondents said they felt the local population was "usually friendly." Only seven percent said locals were "usually not friendly."



Minnesota: Land of milk and honey (and a whole lot more!)

But this culture of hospitality may not endure. A variety of troubling trends indicate the state is straining its capacity and willingness to keep the welcome mat out.

The housing crisis

The Twin Cities needs 60,000 more units of affordable housing to meet current demands. More housing is being developed, but it will not come close to meeting demand in the short term. The influx of refugees is not the cause of the shortage. We can blame elected and appointed leaders (and ultimately ourselves) for a lack of foresight and timely action. However, growing refugee populations have exacerbated the problem. In recent public forums I have heard several people express sentiments like: "These foreigners are taking apartments from Americans" or "There's not enough housing for us, let alone enough from all of them." The housing shortage has impacted the numbers of refugees moving here from other parts of the country, but some will continue to come. With frustration building among even middle-class buyers and renters, the temptation to scapegoat newcomers may prove hard to resist.

Stubborn welfare dependency

Nicollet Avenue and Twin Cities

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International Airport embody the industriousness and necessity of refugees and immigrants in our economy. Public housing buildings and county economic assistance offices too-often show another story. Refugees are admitted to this country based on humanitarian considerations, not based on their ability to support themselves. Large families, single parent families, and people suffering the physical and mental effects of war face huge obstacles in their efforts to become self-sufficient. To their credit, several metro area counties are focusing their resources on these tough to employ cases, but the challenge is huge. Currently, about 25 percent of Hennepin County's welfare caseload is foreign-born. As these people reach their 60-month lifetime limit for public assistance, the issue of refugee welfare dependence could become much more urgent and visible.

New restrictions on state IDs and driver's licenses

Last year, the Department of Public Safety decided to restrict the variety of documents they would accept as proof of identity for the purpose of getting a Minnesota ID or driver's license. They had encountered some instances of fraud and felt the need to tighten up security. In doing so, they placed a serious hardship on new refugees. Instead of getting a state ID a few weeks after arrival, refugees must now get an ID card from the U.S. Immigration and Naturalization Service, a process that takes 6 to 12 weeks, and then apply to the state. Refugee-serving agencies lobbied the state to consider other verification systems, citing examples from other states, but DPS declined. Minnesota now has the unique distinction of being the only state that will not give identity documents to new refugees. This may signal a change in the public sector's willingness to adapt to the needs of newcomers.

The increase in dark-skinned refugees

The vast majority of refugees currently resettling in Minnesota are Africans from the Horn of Africa (Ethiopia, Somalia, Sudan) or West Africa (Liberia, Sierra Leone). Certainly we have welcomed many non-Caucasian in the past, but I see something different in our reaction to Africans. These are bold people, both in dress and attitude. Many are devout Muslims, members of a "competing" world religion. And most significantly, they are black. Their presence calls forth a whole set of stereotypes and prejudices deeply rooted in our culture. Is it simply a coincidence that the state decided to crack down on issuing identity documents when these were the people waiting in line? Is it just chance that the first major anti-immigration group in our state (Minnesotans for Immigration Reform) formed just a couple of years ago? The ethnic mix of our state has changed, so too must our efforts to build an inclusive and respectful community.

These trends have not (yet) turned the tide against refugees. Minnesota remains a hospitable and supportive place. But our historically warm welcome could begin to cool without some constructive counteractions.

Supporting the second generation

The promise of America is rarely realized by the first generation of immigrants or refugees. It is the second and subsequent generations that make the most of our county's educational and economic opportunities. Their challenge is to reconcile the culture of their parents with the demands of life in this country. A successful synthesis can lead to upward mobility, the shattering of stereotypes, and a greater capacity for communal self-care. The opposite is a retreat from both American and traditional cultures into self-destructive gang culture. It is impossible for the mainstream to formulate a solution to this challenge. Refugee communities must find solutions. Our role is to support these solutions.

Creating opportunities for refugee women

People may flee their homelands, but they do not leave their traditions. Vast differences often exist between the role of women in refugees' cultures and in American culture. In traditional societies, women's role centers on the home and family. They may receive only minimal training or formal education. Such women are ill equipped to compete in the labor marketplace. This is especially true when one considers that wars and the stresses of immigration have left many women to care for their families without the help of a spouse. These nurturers of family and community need both opportunities to develop their skills and a reprieve from the race towards wage earning imposed by lifetime limits on welfare benefits.

Home ownership and building wealth

Credit in modern America is about as ubiquitous as advertising or automobiles. It underwrites our shelter, transportation, education, and retirement. Most refugees come from societies where the concept of "credit" is either foreign or forbidden. Until they understand how to use loans and investments wisely, newcomers will keep on treading water instead of swimming ahead.

Most essential is the ability to access financing to purchase a home. Without home ownership it is next to impossible to accumulate wealth. Our area's skyrocketing rents add special emphasis to this point. Home ownership also disperses refugees and immigrants throughout the community and away from the ethnic enclaves that are often their first home (Cedar-Riverside, Phillips). Finally, it frees up rental housing for future renters. Without turnover, affordable housing will remain inaccessible to latecomers.

Muslim restrictions on paying or receiving interest complicate this issue. Financing alternatives that are compatible with Islamic law do exist, but none are readily available in Minnesota. Access to such resources is a crucial step in the strengthening and integration of refugee communities.

Refugees have added much to our state. Their labor has fueled our economic success, their passion for learning has enriched our education system, their diversity has reduced our parochialism, and their mere presence has turned blighted neighborhoods around. Lately, the welcome mat may seem heavily trod upon, but I hope we can keep it out both for our own sake and for theirs. MJ

Joel Luedtke is the Director of the Refugee Services program of the Minnesota Council of Churches. Refugee Services is one of seven local agencies resettling refugees into the Twin Cities area.

TakeNote Policy Tidbits

Cool thoughts for a sizzling summer

Heart of Gold. The artificial heart in the news recently may allow cardiac patients to live longer and better. But each new marvel of medical technology also poses difficult questions for public, private and non-profit health care funders. USA Today reported that in less than five years, the artificial heart might be used on as many as 125,000 patients annually, which could mean something around 2,200 such procedures per year in Minnesota. At $75,000 each, that would be a cost of about $164 million, in this state alone.

This back-of-the-envelope estimate provides just one illustration of the heart-wrenching choices society faces as the pace of medical technology quickens. Consider that studies show that every dollar spent on lower technology preventative health measures like the diphtheria-tetanus-acellular pertussis (DTP) vaccine prevents more than $30 in future medical care costs. So, taxpayers could either fund artificial hearts to extend the life of 2,200 Minnesota patients or provide DPT vaccinations to something like 7 million children. Tough choice? Come on, have a heart.— *Joe Loveland*

States have long used auto license plates to plug their character, their scenic advantage, whatever: The Show Me State (Missouri); the Peace Garden State (North Dakota), The Sunshine State (New Mexico) and so forth.

Pennsylvania was the Keystone State; a now-obsolete reference to its position between east and west. No more. Now the license plate carries the state's web site: www.pa.us.—*Ted Kolderie*

Harvey Duncan, executive director of the Federation of Tax Administrators, told residents of North Dakota that there are efforts to make sales tax laws more uniform so states can collect taxes from Internet and mail-order purchases. It is estimated that state and local governments will lose $21 billion in revenue in 2003 because of an inability to collect taxes. Many Internet retailers say they can deal with the different state tax codes, but the thousands of different local sales taxes pose the largest problem.
—*Scott McMahon*

According to William Fulton of Governing Magazine, 15 years after the Massachusetts miracle created a high tech boom, the state now has a familiar problem: a labor shortage. "In the past decade, the national labor force expanded by 11 percent, but labor supply in Massachusetts increased only 1.5 percent…Dig deeper, though, and you'll find that Massachusetts' real problem isn't a lack of workers. Rather, it's a lack of workers who can do the jobs the economy is creating… Welcome to the 21st century, where, all those sports stadiums, convention centers and high-profile headquarters don't matter nearly so much as the prosaic nuts and bolts of helping people get and keep jobs. The key to the future of the American economy is linking people to skills and skilled workers to jobs." —*Michael Raja*

The recent debate over the selection of finalists for the privilege of designing the new Minneapolis library downtown highlights the tensions inherent in creating civic buildings. Some see new libraries, museums, etc. as an opportunity to make an indelible architectural stamp on a city. In that view, architects are expected to provide something unique and distinctive that immediately defines a city and raises civic self-esteem. But cities like Milwaukee are finding that the cost of distinction and soothing architectural inferiority complexes can run pretty high.

The extension to the Milwaukee Art Museum, Spanish architect Santiago Calatrava's first project in the U.S., is certainly conspicuous, distinct and unique. It's also nearly a year behind schedule, costs more than $800 per square foot – and nobody knows yet whether its most distinctive feature, a 200-foot-wide brise-soleil that opens and closes, will even work. Nonetheless, museum officials are undeterred. Jack Pelisek, president of the Milwaukee Art Museum's board of trustees, is quoted as saying, "Costs have gone up dramatically, but this will be Milwaukee's most famous building—one of the most famous in the United States." I guess the beer that made Milwaukee famous just isn't enough anymore.—*Phil Jenni*

There's good news for midwestern corn farmers. California Governor Gray Davis stated at the National Governors Association summer meeting that California has no plans to buy ethanol from Brazil, which leaves the market open for Midwest sales. California is required to use fuel additives other than MTBE because it is linked to recent ground and surface water pollution. Davis told Iowa Gov. Tom Vilsack that if California has to buy ethanol, it should come from the Midwest suppliers.— *S.M.*

Minnesota's legislature this year required school district budgets to be "structurally balanced" between revenue and spending. Politically it was an effort, mainly by the House, to keep budgets from overspending on the salary settlement, which is the biggest item of expense.

It didn't take a teachers' union representative long to see the hole in that. "Is there anything in the law that prevents you from cutting non-salary items in the budget?" he asked during a school boards negotiations the other day. Told that, no, there isn't, he said, "Then what's the problem?"—*T.K.*

"Take Note" contributors include Minnesota Journal *and Citizens League staff members and former League staff member Joe Loveland.*

The Minnesota Journal
Citizens League
708 S. Third Street, Suite 500
Minneapolis, MN 55415

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CITIZENS LEAGUE matters

NEWS FOR CITIZENS LEAGUE MEMBERS AUGUST 21, 2001

Welcome

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Ward Einess
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Donald Knapp
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Jim Long
Heidi Ludeking
Alfred F. Michael
Becky Montgomery
Stephen Rathke
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CITIZENS LEAGUE

708 South 3rd St. Suite 500
Minneapolis, MN 55415
612-338-0791 Fax 612-337-5919
www.citizensleague.net

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 are $50 for individuals and $75 for families. For more information, please call 612-338-0791.

Don't forget!

The League's fiscal year ends on August 31. We need your help this year. Please take a year-end financial contribution.

David Durenberger elected League president

Former United States Senator Dave Durenberger was elected President of the Citizens League at the annual Board transitional meeting on Friday, August 10.

Durenberger takes over from Matthew Ramadan who relocated to North Carolina this summer.

Sen. Durenberger is a long-time veteran of the League. He was very active throughout the late 1960s and 1970s and continued his association after his 1978 election to the U.S. Senate.

In his remarks to the Board, Durenberger said the decision to be president was easy. When he was approached by George Latimer and Matthew Ramadan to be president, he never even hesitated in saying yes. He explained why at the annual meeting in 1996 when he said, "I have learned everything I know about how to be a public servant from people in the Citizens League. I have a picture of David Graven that I'll always cherish because he stimulated me to think about... the role of government. And it was that reflection that I took into public service."

"There is nothing else in America like the Citizens League. And there is nothing... that we need more in America today than what we do in the Citizens League."

"Whether it's because the special interests are running things or the money is running things or whatever it is, forget that. You can override that by doing what the people in this organization have always done so well."

Serving as president in the League's 50th anniversary year is Durenberger's way "to say thank you for all the Citizens League has done and to pay back my debt to the organization."

David Durenberger

Durenberger laid out four broad goals for the year: The first goal is to celebrate the League's 50th anniversary. He has asked Board member **Chris Roberts** to spearhead the planning effort. Secondly, as part of celebrating the past, create a vision for the future. Third, put the League on a firmer financial footing. The League is about to undertake a feasibility study to identify the best financial strategies. And finally, he appointed a program selection committee, co-chaired by John Adams and Missy Thompson, to develop new study topics for the League.

In addition to electing Durenberger as President, the Board also appointed the following officers: **Gary Cunningham**, Vice President; **Barb Sporlein**, Secretary; and **Buzz Cummins**, Treasurer. They will serve on the Executive Committee with at-large appointees **Sean Kershaw** and **George Latimer**.

Also appointed to one-year terms on the Board were: **John Adams, Martha Brand, George Garnett, Keith Halleland, Steve Keefe** and **Chris Roberts**.

Keefe continues his Board service, while Roberts and Adams both return after a short absence. Brand, Garnett and Halleland are newcomers to the League Board.

As always, the Board transition marks the end of service for several people. **Jean Harris, Adeel Lari, Tony Morley, Pam Neary, Felix Ricco** and **Bob Vanasek** all leave the Board. Vanasek and Neary both have served the Board term limit of six consecutive years. Jean Harris served for five years, Morley for four, Ricco for two and Lari, one.

You say it's your birthday ...

Minnesota Meeting opens its 20th Anniversary Season on Tuesday, September 4, with a luncheon address by **Senator John McCain (R-AZ).**

McCain's speech, *A Politics for the Next Generation: A Conversation About America's Future*, is one of four major speaking events held this fall in Minnesota Meeting's 20th Anniversary Season.

The Citizens League is one of 25 civic and business organizations acting as community sponsors of the anniversary season, a series of events focusing on *Looking Ahead 20 Years: The Issues That Will Shape A Generation.*

The luncheon program with Senator McCain is being held from 11:30 to 1 p.m. at the Marriott City Center in downtown Minneapolis.

The other speakers this fall include: **Carly Fiorina**, Chairman, President and CEO, Hewlett-Packard Company; **Madeline Albright**, former U.S. Secretary of State; **Hardwick Simmons**, CEO, The NASDAQ Stock Market.

For more information go to www.mnmeeting.com.

Don't know much about history ...

League members are invited to once again audit **George Latimer's** urban affairs class at Macalester College. Classes are held Monday nights at 7 p.m. The class will begin September 10 when League stalwart **John Adams** provides a perspective on regional issues. Other speakers in the first four weeks include: **Tom Gillaspy**, state demographer; **Sen. Myron Orfield** and **john powell** of the Institute on Race and Poverty.

Former League Executive Director **Ted Kolderie** will be the featured speaker at the 2001 Stans Memorial Lecture. His lecture, entitled "Cold Sunbelt: Maintaining Minnesota's Institutions of Public Policy," will be on Tuesday, October 16, at 7 pm in the 3M Auditorium of the Minnesota History Center, St. Paul. The lecture is free and open to the public. For more information please call 651-296-3252.

Start spreading the news ...

It's been a good month for news coverage of League activities. The release of the Tax Increment Finance (TIF) survey contained in the July issue of the Minnesota Journal was covered by the Star Tribune. Pioneer Press business editor **Dave Beal** wrote about the survey and quoted **Lyle Wray** in the Saturday, July 28 edition.

Steve Dornfeld, Associate Editor of the Pioneer Press Editorial Page, also quoted Lyle in two separate articles; one on a new vision for higher education in Minnesota and the other on a new Stillwater toll bridge. The subject of tolls and congestion pricing was also the topic for MPR's Midmorning hosted by **Katherine Lampher**. (For more on the subject see this month's Viewpoint on "value pricing.")

Energy committee has full tank

The League's Energy Committee officially got under way on July 21. Committee co-chair **Ken Keller**, director of the Center for Science, Technology and Public Affairs at the Humphrey Institute of Public Affairs, provided an overview of the topic and the committee's work. The committee has also heard from **Dee Long**, Director of the Tax Incentives program with ME3 (Minnesotans for an Energy-Efficient Economy), and a current member of the committee, and **Steve Corneli**, a regulatory specialist in competition, regulation and reliability.

Future speakers include legislators, representatives from the Department of Commerce, producers and consumers, along with conservationists and associations with a focus on renewable sources.

The committee will meet once more before the Labor Day weekend. After that, the committee will meet more regularly, with two or three meetings per month.

The 67-member committee is co-chaired by Keller, and **Andrew Brown**, partner at the Dorsey & Whitney law firm in Minneapolis. Both are members of the Citizens League Board of Directors.

League members and others interested in the Energy Committee can follow the committee's work at **www.citizensleague.net**. The site will contain the minutes from previous meetings, articles and information related to the topic, and links to important websites produced by the government, non-profits and corporations with an interest in energy production and reliability. The energy link is still under construction but should be operating soon. We encourage you to log on and see how the committee is progressing.

Professor Keller instructing the Energy Committee

Last month we reported that this month's Journal would feature an article on the report from the school completion committee. While the report was approved in June, it will not be formally released until August 20. In the meantime, committee chairs George Latimer and Gary Cunningham and Executive Director Lyle Wray are busy briefing community leaders and building support for the report.