Look for your leaders here

by Dave Durenberger

A good definition of leadership I've observed in over three decades of public service is "identifying with our needs and defining our choices." Fortunately people in positions of leadership today are much better at the first half of that definition than the last. That's one of the reasons I asked two respected journalists, David Broder and Haynes Johnson, to help inaugurate the new Health Policy Fellowship at the University of St. Thomas Graduate School of Business on Nov. 20. Later that same day, Broder and Johnson led a spirited discussion at the Citizens League's 44th annual meeting.

In their epic book, The System, Broder and Johnson observe that, to anxious Americans, "The government appears either indifferent or incompe-" through the immense structural changes in the American economy.

To try to get at that perception, we structured the Nov. 20 "system" conference to involve leaders from health professions, journalism, community groups, business, and politics. But, at the conclusion, we found that we were asking a relatively uninformed cadre of leaders to give voice to public policy. We found that most people in leadership positions were not well enough informed about the "why" and "whether" of health system... Continued on page 6

Build support for leaders

by Mike Christenson

Rebuilding citizenship is much the rage these days. The Citizens League is paying attention—and not just because of our name. About citizenship, something is amiss, and everyone has his or her favorite diagnosis. But addressing citizenship without focusing on solutions is a swim in a swamp. The League board has emerged from the swamp after a series of discussions this fall. What has that journey been like and how we are bringing the solutions into focus?

David Broder and Haynes Johnson came to town in November to talk about their book, The System, and to warn us that we Americans seem to have lost our ability to solve problems of public concern. All of our common institutions—government, businesses, nonprofits, even the so-called "private" institutions of family and church—are failing to find solutions to our most pressing problems.

People have lost faith in government as our major collective problem-solving mechanism. Government, many feel, isn't a good buy. It has become best at gauging public opinion, responding to organized pressure and resisting change.

When it comes to the big challenges, paralysis sets in. Even when government leaders are able to eke out a consensus on tough issues, the public is skeptical about whether the result... Continued on page 7

Citizens League: Resources for leadership

This issue of the Minnesota Journal focuses on public leadership. The two lead stories were inspired by the League's annual meeting on November 20. At that meeting, and at a conference earlier in the day at the University of Saint Thomas, national political commentators David Broder and Haynes Johnson talked about the gridlock gripping our democracy. Despite the great challenges illustrated in their book, The System, they were surprisingly optimistic about the future. They said breaking the gridlock depends on reviving a culture of citizen involvement. Informed citizens, they said, must act as leaders and innovators in public affairs. Broder and Johnson held up the Citizens League as one reason for their optimism.

Former U.S. Senator Dave Durenberger's article expands on his comments at the end of the annual meeting. Citizens League President Mike Christenson's article offers the League's diagnosis of the crisis of public leadership and outlines a new Citizens League project that is the result of a series of discussions that began with Robert Putnam's appearance at the League's 1994 annual meeting. And my "Viewpoint" (page 2) talks about how the League will respond organizationally to these challenges in the coming months.

Finally, we want to call your attention to the lead article in the Matters inserted between pages 4 and 5 in this issue. The Citizens League Board of Directors has recently established an endowment fund to help preserve the League's future and ensure that it continue its tradition of policy development, influence, ideas and, most important, citizen involvement in the Twin Cities metropolitan region.

If the League is to continue to play the very important role described by Broder and Johnson and Durenberger, it must have a stable base of resources over the long run. The endowment fund will help preserve the League's ability to teach and inspire public leaders and to take on the challenge of public leadership for decades to come.

Lyle D. Wray, Citizens League Executive Director

Continued on page 7
Position the Citizens League to respond to new realities

As drama, the movie Mr. Hol- land’s Opus is a blockbust. But pedagogically it may not be send- able. Mr. Holland teaches one group of students, and students, and students, and the students think of him as the most important person in their lives. Then on the following Monday we could bring to class a written judicial opinion or an oral presenta- tion to the other justices and negoti- ate to discover what opinion might command a majority of the nine votes. I will guarantee that a month, or even years later, our memories would not have been empty.

This strategy requires you to “cre- ate” a solution to a problem, rather than memorize the solution to a problem or textbook. The students may have an idea with an irrational constraint. Think- ing requires far more time than memorizing. Therefore, in my opinion the Citizens League has to keep the mouth shut.

The students were accountable to their peers, rather than to me. This is critical to motivating them to perform at the limits of their capability. And this small group format is a high risk but also a high class of size as many as 20 or 25 students. Each group of five to seven students can locate in a dif- ferent corner of the classroom, with the teacher cruising among them.

High school students can legiti- mately respond to the preceding line with the comment, "He doesn't know what he's talking about." The Ridley did not design the rigid lecture format required by most schools. Did it succeed? What have we substituted in its place? Is it only marginally better? It is a lecture where the teacher pauses at strategic moments to toss out a question, inviting a student’s participation. This strategy requires you to “create” a solution to a problem, rather than memorizing the solution to a problem or textbook. Did the students gain anything in the process? Do they understand the students’ perspective? Do they understand the societal perspective? Do the students understand the societal perspective? Do they understand the societal perspective? Do they understand the societal perspective? Do they understand the societal perspective?

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This is a list of work and I would suggest that at least one and prob- ably two, or even three, classroom

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Another view: State education funding not adequate

The Minnesota Education Associa-
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Ed Coen is emeritus professor of economics at the University of Minnesota.

Published December 17, 1996

Sprawl accelerates despite gains in cost of its costs

Sponsors of Minnesota's transportation and land-use legislation are determined to roll back the clock to a time when small towns, which they view as more socially and environmentally acceptable, were the anchors of development. As a result, the state Department of Transportation is working on an alternative land-use plan that would allow rural development to occur more freely. Meanwhile, the state is considering a measure that would effectively prevent cities from annexing the suburbanites it wants to keep. This approach, which is designed to protect the rural way of life, is not without its critics. Critics argue that the measure would have unintended consequences, including increased sprawl and decreased community diversity. The measure, which is known as the "sprawl policy," would allow cities to annex only those areas that are needed for public services, such as schools and parks. However, critics say that this approach would not be effective in preventing sprawl, and that it would instead encourage urban sprawl by allowing cities to annex areas that are not necessarily needed for public services. In addition, critics say that the measure would have a negative impact on the environment, by encouraging the development of suburban areas that are not sustainable on their own. Overall, the "sprawl policy" is viewed as a flawed approach to the issue of sprawl in Minnesota. The state's transportation and land-use legislation is in need of a comprehensive overhaul that addresses the root causes of sprawl, rather than simply trying to prevent it by limiting the ability of cities to annex rural areas.
Change to provide leadership. Officials were so committed to their choices in terms people could from time to time strongly influ-

Overall, the sad reality is that, just when we need them most, our political, civic, and business leaders are either confused or otherwise occupied.

But this is not a job journalists can or should "politicize." Political and public officials have their own responsibilities as educators of their constituencies. Politicians blame the press fairly for some of our inadequacies—but only if they are doing their own job as educators of their own constituencies.

At the end of our six-hour confer-

Broder said political leaders have a special responsibility to be agenda setters because they are—or are seeking—a direct mandate from the voters. "The press can't do that," he said. They can't "say to a person who wants to be re-elected, you can't win the election."

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But all the challenges cited by David Broder make this the time for the League to do even better than it has in the past. That's the mandate set the agenda, to define the problem, to ask the right questions—and, to paraphrase Broder, "for once to ensure, to find our leaders in places we don't often enough go."

David Durenberger is a former U.S. Senator from Minnesota; he was in Durenberger-Foroe, a Washi-

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change to provide leadership. We discovered that elected public officials were so committed to identifying with people's needs that they lost the capacity to define their choices in terms people could understand... and trust.

This condition of leadership exists in an American policymaking sys-

The leaders we need are those who can help our civic system address the threat of managed care, and abhor-

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O.K., Bert... Get out your bowling shoes. Each of us in the agency is to recruit a team for the new "Bowling Together" league.

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Leaders Continued from page 1

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Economic advisors urge caution in spending surplus

Buried in the Minnesota Department of Finance upbeat forecast of a $1.4 billion budget surplus by mid-1999 is a cautionary note from the state’s Council of Economic Advisors. The projected revenue growth for the state over the next 18 months is probably not sustainable over longer time periods, the Council warned. Council members urged the Governor and the Legislature to exercise great caution in spending decisions and in making long-term commitments to projects and new programs. Furthermore, said the Council, the state should increase its budget reserve from $270 million to $500 million. The current reserve is only 1.4 percent of projected budget expenditures. That is well below the five percent recommended for the state following the financial crises Minnesota faced during the early 1980s.—Betty Wilson.

Though he made no reference to them, Gov. Carlson’s proposal for public education basically moves down the path toward “more options” broken by his DFL predecessors, Rudy Perpich and Wendell Anderson. The proposals for Open Enrollment and Postsecondary Options came from Perpich; Minnesota’s present tax deduction for private-school tuition came in under Anderson. With “Students First” Carlson continues to move K-12 away from the district framework, opening opportunities for students to choose schools other than those run by the local superintendent.

Most school boards, teacher unions and superintendents will resist this (“Districts First!”). But the district framework set in state law puts adult interests first. (“This is a system that can take its customers for granted,” the president of the American Federation of Teachers told the Itasca Seminar in 1988.)

If the legislators who vote education as a consumer interest want more than rhetoric about “students first,” the move away from the district-only model is imperative.—Ted Kolderie.

1,803 townships, 854 municipal governments, 458 school districts, 377 special districts, 87 county governments... and a partridge in a pear tree. That’s how many units of government Minnesota has, according to the latest count by Minnesota Planning.

Minnesota’s grand total of 3,580 government units is sixth-highest in the U.S. (Illinois, with 6,723, was first) and easily tops our closest neighbors. North Dakota, the Upper Midwest runner-up, had a mere 2,796.

What’s surprising: With all those units of government, Minnesota isn’t overloaded—at least by national standards—with public employees. According to the Advisory Council on Intergovernmental Relations, Minnesota’s state and local employment of 536 full-time equivalents (FTE) per 10,000 population was only slightly higher than the national average of 524 in 1994.

And compared with neighboring states that had fewer units of government (North Dakota, South Dakota, and Iowa), Minnesota actually had fewer government employees relative to its population, not more. Among our neighbors, only Wisconsin had fewer governments and fewer public employees.—Janet Dudrow.

State agencies and counties have reached a tentative agreement that gives the counties a year to develop proposals for expanding their role in purchasing health care for public assistance recipients. As a result, the most controversial aspects of expanding Medicaid managed care into outstate Minnesota will not be on the Legislature’s agenda when it convenes in January.

Baron pointed out that neighborhood redevelopment is often delayed endlessly to ensure that some are not caused hardship by such economic improvements—while the distressed neighborhood continues to erode further and more hands are wrung.

Referring to one redevelopment effort he led for a distressed San Francisco neighborhood, Baron said no fewer than 50 community and nonprofit organizations bid for the project’s potential displacement of low-income tenants. Meanwhile, the entire neighborhood lived in terrible housing conditions and constant fear from shootings and high crime. He said redevelopment efforts too often require that everyone be helped, regardless of circumstances, or no one gets helped at all.

“They’re worrying about the people shooting the bullets,” he said. “But I’m worrying about the people lying on the floor” trying to avoid the bullets.—Ron Wirtz.

The good news is that Saint Paul has now approved eight charter schools, more than any other district in Minnesota.

The bad news is that the board of education apparently continues to think of the charter program simply as more “alternative schools,” into which many districts have been diverting kids not doing well in regular schools.

The question still pending is whether Saint Paul will challenge itself—its own regular schools—with other charters that enroll “regular” kids.—T.K.

Take Note contributors include Minnesota Journal and Citizens League staff members, Betty Wilson, a freelance writer and former Star Tribune political writer, and Allan Baumgarten, a health-care policy and finance consultant.
The Citizens League promotes the public interest in public policy choices, identifying and framing critical problems and creating unique solutions. The League has already responded by raising and increasing the share of its annual revenue from individual members, and by reducing expenses. Those strategies have been modestly successful. Individual revenue sources now account for over 30 percent of the League's budget, the largest share in League history.

The increase in individual giving has been not only necessary, but appropriate to the organization's mission. The essence of the Citizens League is its members—citizens. It is important that the Citizens League rely on citizens in its funding formula.

The decision to create an endowment fund was not undertaken lightly. A League committee, chaired by past president Jean King, examined the issue of the League's financial future. The committee concluded that the Citizens League had a track record of making the Twin Cities a better place; that it has the capacity to help with problems in the future; and that the energy of the staff and the League leadership shouldn't be devoted to fighting persistent financial fires. The committee recommended that the League establish an endowment fund, with the income from the fund to be used for general operating purposes.

The committee also recommended that the League not set up its own infrastructure to support and manage an endowment fund, but instead work through existing community resources. Consequently, the League has established The Citizens League Endowment Fund at the St. Paul Foundation. The St. Paul Foundation administers the fund and also provides technical assistance to the League staff and donors.

Under the energetic leadership of Cal Clark, more than 80 close (Continued on next page)
Ways of Giving to the Citizens League

There are a variety of ways you can give to the Citizens League's annual fund or to the endowment fund. The St. Paul Foundation has provided the following summary. Keep in mind that this is only a thumbnail sketch of planned giving options. If you have any questions please consult your advisors or call Lyle Wray or Phil Jenni at 338-0791.

Outright Gifts

Cash
A cash gift is the simplest and most convenient way of making a charitable gift. A cash gift qualifies as a charitable contribution for federal income tax purposes and is fully deductible up to 50 percent of the donor's adjusted gross income in any one year. Deduction amounts exceeding this limit may be carried forward for up to five additional years.

Securities
A gift of appreciated securities (stocks and bonds, including stock in closely held companies) often provides important tax advantages to a donor. The full fair market value is deductible as a charitable contribution. Deductibility is limited to 30 percent of the donor's adjusted gross income, but excess deductions can be carried forward for up to five additional years. In addition, donors of appreciated securities do not have to pay the federal capital gains tax on the appreciated portion of the gift.

Real Estate
A gift of real estate can provide the same tax advantages as those described for gifts of securities. Acceptance of gifts of real estate, however, depends upon a number of factors including current market conditions.

Bequests
Through a bequest, a donor has the opportunity to perpetuate good works in a living memorial. The Citizens League may be named as a residual beneficiary of the donor's estate, as the recipient of a specified gift, as contingent beneficiary, or as one of the beneficiaries of the assets of a charitable remainder trust. Bequests are deductible for federal estate tax purposes.

Life Income Gifts
These are gifts in which the donor makes an irrevocable transfer of assets to the Citizens League Endowment Fund and receives, in return, a lifetime income interest for specified beneficiaries—the donor, a spouse, children, a friend.

Charitable Remainder Unitrust
Cash or property is transferred to a trust which distributes to the income beneficiary(ies) an amount equal to a fixed percentage of the trust's fair market value. This type of trust provides a variable stream of income to the beneficiaries. Upon termination of the trust, its assets become part of the Foundation and are used for purposes specified by the donor.

Charitable Remainder Annuity Trust
An annuity trust pays income beneficiaries a fixed dollar amount, rather than a variable amount (as with a unitrust). In other respects, it is similar to a unitrust.

Pooled Income Fund
A pooled income fund combines gifts from many donors to create a common investment portfolio. Net income is paid in proportionate shares to donors and their beneficiaries. At the death of the income beneficiary(ies) designated by the donor, the share of the pooled income fund contributed by the donor becomes part of the Foundation, to be used as the donor has directed.

Charitable Gift Annuity
A transfer of cash or other property is made in exchange for a commitment to pay the donor a specified amount annually for the remainder of the donor's life.

Gift Of Life Insurance
The Citizens League can be named as the owner and beneficiary of a life insurance policy. The donor can receive a tax deduction for the value of the policy. Any premium payments made by the donor after the policy is given can also be deductible.

Qualified Retirement Plans
Finally, while very cost-effective in providing retirement income for the worker and his or her spouse, IRAs, 401-Ks and other qualified retirement plans funded with pre-tax dollars are exceptionally inefficient for transferring wealth to non-spousal heirs. That's because they are subject to three levels of taxation: 1) 15% penalty on overfunded plan assets; 2) estate tax of up to 50%; and, 3) the remaining balance will be taxed as ordinary income by the non-spousal heir. The combined effect can eat up much of the original amount.

It is generally a simple, no expense process to change the beneficiary(ies) of a life insurance policy. Any premium payments made by the donor after the policy is given can also be deductible.

Gifts of Life Insurance
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We think our own process has identified a workable solution—an endowment fund. And now is the time for leadership. We have the opportunity to make a difference. We have the chance to secure the future of the Citizens League. And in so doing we will strengthen the region's capacity for public problem-solving. If we are bold, reach high and succeed, this region will be a better place for the next generations.

You'll be hearing more of this important endeavor in the months ahead. If, in the meantime, you have any questions please call Lyle Wray or Phil Jenni at 338-0791.

(Continued from other side)