Average home values up, so are property taxes

by Phil Jennis

Healthy increases in the average assessed market value in metropolitan communities resulted in increased 2001 property taxes for the average homeowner, according to the results of the 2001 Citizens League property tax survey.

The average market value increased in all 109 metro communities surveyed. While taxes on the hypothetical $130,000 home used for comparison went down, most homeowners’ taxes actually went up because of the increase in the market value of their homes.

The average assessed market value of homesteads across the 109 communities surveyed was $142,983, nearly 9 percent higher than last year’s average of $131,472. Twelve communities saw assessed market value increase more than 10 percent this year, compared with just one last year. Average assessed market value is derived by dividing a community’s total non-agricultural homestead property valuation by the number of residences.

The average assessed market value tax in 2001 for metro communities increased 9.8 percent this year, from $2,136 in 2000 to $2,346. Homeowners in 94 communities saw property taxes increase for an average homestead while only 13 percent saw taxes decrease. In percentage terms, the greatest tax increases were in Jordan (43.3%), Centerville (31.5%) and Lakeville (30.4%). Centerville saw the highest increase in average assessed value (13.2%). Shakopee had the largest percentage decrease in value for an average value homestead at 8 percent, followed by Spring Lake Park and Lauderdale at 7.7 percent.

However, the picture changes when comparing taxes on a hypothetical $130,000 home across the 109 metropolitan communities surveyed, rather than the average assessed valued home. While average assessed market value indicates what the “average” homeowner pays in property taxes in a community, the $130,000 home is an important comparison because it provides a constant value that enables tax comparisons between communities.

Metrowide, the average tax on a hypothetical $130,000 homestead dropped by 3.9 percent from $1,793 last year to $1,726 this year. The decrease in the average tax is not surprising. In 87 communities taxes on a $130,000 home declined, while 20 communities saw taxes on that same home increase. Increasing market values result in an overall decrease in taxes for that $130,000 house because, as the overall tax base increases, the share of the tax burden decreases for a property with a static value.

Other major findings in the survey:

Jordan (in school district 717) replaced Chanhassen as the metro community with the highest taxes on a hypothetical $130,000 home. Chanhassen dropped to fourth place. Centerville climbed from 12th place last year to number two this year.

Bemidji remained the top-ranked nonmetropolitan community this year in a comparison of taxes on a home valued at $85,000. It’s important to note that total property taxes that result in the rankings reflect the spending decisions of several local government players, including the city, county and school district.

Taxes on a home valued at $130,000 decreased by 5.3 percent in Minneapolis and by 4.3 percent in St. Paul. Minneapolis dropped to ninth place this year, after moving from 11th place in 1999 to sixth place last year. St. Paul remained in 16th
Cold Sunbelt: The Effect of Minnesota's Corporate Partnerships

by Ted Koldiøre


Editor's note: In last month's Minnesota Journal, Ted Koldiøre noted that Minnesota's representation as a good place to live didn't happen by accident: "It's the result of the hard work, determination, and good ideas of a generation of civic leaders after World War II." Koldiøre recounted the factors that led to this well-deserved reputation. In part 2 this month, Koldiøre traces the decline of our civic process.

Erosion

In the 1970s the rest of the country began to pay attention to Minnesota. The Twin Cities area became an exporter of know-how: magazine writers, newspaper reporters, graduate students, and Neil Petree doing research for his book on the states. The governor was on the cover of Time magazine. Foundations like Kettering showed up, asking initially about what we'd do here. Quickly they became curious about all that was going on, about our process of policy development. After a discussion on health-care issues a New York visitor said: "We'd had this discussion where I live people would have at each others' throats in five minutes."

Minnesota basked comfortably in this approval. About 1980, in a conference at Spring Hill, Bob Holland from the Committee for Economic Development was asking what people saw as the next challenges. He was astonished not to get a response. I remember Harlan Cleveland, then newly-arrived as dean of the Humphrey Institute, saying in the parking lot afterward: "Any community that thinks it has all it is due to sit on its accomplishments in business is in the last quarter of the 20th century."

That was prophetic. In the '80s some powerful forces began to erode the institutional structure of policy development. Let me touch on two that seem especially significant:

The growth of scale

First has been the sheer growth of scale, affecting especially the role of the business firms in civic and public affairs.

By 1960 many of the major firms were headquartered here and did most of their business here. At the core were what Wayne Thompson used to call the "can't rats"—the newspapers, the department store, the electric and telephone utilities, the banks. Some may in fact have been owned by the trust departments of the New York banks, but they felt like—more important, behaved like—local businesses.

Dan Dayton brought Wayne here about 1965 from city management, and made him responsible for everything outside the walls of the buildings. Quickly other CEOs, especially in Minnesota, moved on this unusual pattern of corporate public affairs. It made a difference for this function to be directly under the CEO and staffed by persons with backgrounds in government, who functioned as much to represent the community to the company as company to the community.

But about the same time business and its public affairs became something much more national. Disinfecting the increasingly agressive public policy actions of state and local business was looking to Washington for decision-making. Public affairs officers asked each other, "Which would you rather fight: 50 chimps or one gorilla?" and the correct answer was, "one gorilla."

I remember in the '70s calling on the public-affairs vice president of Honeywell. He was happy to renew their contribution. But he said to me: "My problem is Congress." By 1980 we hired an executive of the Saint Paul Paper Company. The insurance industry is the last major industry in America still to believe in a framework of regulatory regulation as a market principle. And you can't imagine the pressure we're under to change that.

In the '80s and '90s the corporate public-affairs function changed. Corporate-government relations, and civic affairs consolidated under a single officer. Budgets shrank. Interestingly, public affairs had to justify itself to—had to serve—the line units of the company. Inevitably this meant general corporate problems had a smaller voice on some revenue and expense matters. The public-affairs officer was no longer the CEO's private staff. And as the firms grew larger the headquarters city became a smaller part of their total concern. Perhaps the Twin Cities newsletter is no longer in the national pattern. There has always been an effort here to socialize new CEOs into the civic culture. The concern today is: that they do this through their career, the Al Sorensen was a friend of my father in Omaha. Al grew up poor; had a lot of life-experiences early on; quit school early. When it was a low-brow beachfront kind of thing well in the 1950s Al got into civic affairs, first with the Chamber of Commerce. He got a AAA baseball for Omaha, got a new city charter adopted, became president of the new city council, then mayor. "Our biggest companies," Al said to me, "are the people who stake a living in this city. This was hard for a Minnesotan to understand at the time.

The Media: "Things have changed"

Into the 1970s people from the radio TV stations would come around to civic organizations in the morning, doing the assessment of public needs required by the FCC; reflecting the original notion that the airwaves were public and that licensees had a responsibility to the public interest. Even then it was an empty procedure, a dead routine.

It was always the newspapers—not licensed, but out of their civic responsibility, their curiosity, their desire to be influential, perhaps—that sent reporters into the institutions of public life to find out what was going on and on to the community about it. John Cowles' concept of the newspaper as an educational institution, of the reporter as the equivalent of a college professor—was something you heard about when you joined the Star and Tribune in the late 70s, not from management but from other reporters. In the 1980s when the papers let their beat reporters follow their stories into the Legislature—traditionally covered for the political story and the tax story—it changed what the Legislature did; affected what could and could not pass.

Then three things happened. Television happened, radically altering the newspaper per first as a business and then as an institution, a process still continuing. The battery-electric buses, computerized natural gas (CNG), electric buses powered by hydrogen, and hybrid electric-diesel engines.

Several years ago I had the opportunity to spend some time at a series of exhibits on the prospective hydrogen and sustainable energy economy at the Cooper Hewitt National Design Museum in New York City. The exhibit showed clips of closed loop jet engines, which run on hydrogen—create this clean and solar power and emit only water vapor. The upshot of the exhibit was that we seem to be heading for an alternative energy economy that emphasizes the use of wind, solar, and hydrogen. The upshot of the exhibit was that we seem to be heading for an alternative energy economy that emphasizes the use of wind, solar, and hydrogen.

But major questions remain concerning the sources for hydrogen fuel and how those sources will be processed—enriched vehicles, in decentralized locations, or in large facilities in focal nuclear plants. The low-emission benefits from hydrogen fuel are only as good as the source: If we burn coal to make electricity to produce hydrogen, total emissions may exceed that, if diesel engines are well designed.

So what is this for Minnesota and the Twin Cities? The reason Minnesota's hydrogen economy future is "blowing in the wind." It would sure be nice to see Minnesota on the list of leaders in developing zero and very low emission transit and public service vehicles. We already make fuel cell components in the metropolitan area. We have major potential energy stores in Buffalo Ridge in the form of wind. But we are also a major importer of fossil fuels and, in the past few summers, our air quality has become dubious in some places.

We can move forward by getting Metro Transit—and other transit authorities—to remove the nonprofit commuter as active partners in developing and procuring advanced technology buses, and we can do some aggressive demonstrations to help others "get with the program."

One possibility: Why not do a demonstration showing wind-farm to hydrogen fuel-oilo cars? Build a cell for a number of public transit vehicles in Minnesota! Palm Springs plans to do this with solar hydrogen fuel-cells (by 2002)! Why not invest in technology that employs Minnesotans and looks like a major pathway for vehicles in the future? Turning wind power into transit vehicles that emit only water vapor might capture the imagination and loyalty of some of next generation's transit riders. Such a demonstration could change the design of a major technology, increasing production to lower unit costs, and putting infrastructure in place to build and maintain fuel cells are all items on the agenda of transit authorities in the developed world.

Next Stop for Buses: The Hydrogen Economy?

by Lyle Wiry

Several years ago I had the opportunity to spend some time at a series of exhibits on the prospective hydrogen and sustainable energy economy at the Cooper Hewitt National Design Museum in New York City. The exhibit showed clips of closed loop jet engines, which run on hydrogen—create this clean and solar power and emit only water vapor. The upshot of the exhibit was that we seem to be heading for an alternative energy economy that emphasizes the use of wind, solar, and hydrogen. The upshot of the exhibit was that we seem to be heading for an alternative energy economy that emphasizes the use of wind, solar, and hydrogen.

But major questions remain concerning the sources for hydrogen fuel and how those sources will be processed—enriched vehicles, in decentralized locations, or in large facilities in focal nuclear plants. The low-emission benefits from hydrogen fuel are only as good as the source: If we burn coal to make electricity to produce hydrogen, total emissions may exceed that, if diesel engines are well designed.

So what is this for Minnesota and the Twin Cities? The reason Minnesota's hydrogen economy future is "blowing in the wind." It would sure be nice to see Minnesota on the list of leaders in developing zero and very low emission transit and public service vehicles. We already make fuel cell components in the metropolitan area. We have major potential energy stores in Buffalo Ridge in the form of wind. But we are also a major importer of fossil fuels and, in the past few summers, our air quality has become dubious in some places.

We can move forward by getting Metro Transit—and other transit authorities—to remove the nonprofit commuter as active partners in developing and procuring advanced technology buses, and we can do some aggressive demonstrations to help others "get with the program."

One possibility: Why not do a demonstration showing wind-farm to hydrogen fuel-oilo cars? Build a cell for a number of public transit vehicles in Minnesota! Palm Springs plans to do this with solar hydrogen fuel-cells (by 2002)! Why not invest in technology that employs Minnesotans and looks like a major pathway for vehicles in the future? Turning wind power into transit vehicles that emit only water vapor might capture the imagination and loyalty of some of next generation's transit riders. Such a demonstration could change the design of a major technology, increasing production to lower unit costs, and putting infrastructure in place to build and maintain fuel cells are all items on the agenda of transit authorities in the developed world.
What do the rankings mean?

$870,000 and $130,000 comparisons.

To arrive at a constant value for comparing taxes among communities, we computed the average assessed value in the 119 metro communities with a population greater than 2,500, plus Excelsior, Orono and Lutherdale for historical comparison and in nonmetro communities with a population greater than 8,500. Hypothetical home values of $130,000 and $870,000 are used as a way of making a comparison between communities.

A high ranking in this analysis shows that a community pays relatively high taxes per dollar of household property—a high tax rate not sufficiently offset by a low property value. For example, the Credit District in Chanhassen, a high ranking, even if the other levels of government have more moderate tax rates. The analysis ranks by various levels of government, as well as total taxes. This comparison does not account for differences in communities’ assessment practices.

A community’s property tax base can vary depending on several factors: the value of homes; the commercial and industrial-territorial—which adds more tax base per dollar of property assessable; the agricultural property; amount of agricultural property—much of which adds less tax base per dollar of value assessed; the population; and amount of tax base assessed, which is tied to increases in property value; and its overall tax rate.

Average-value homes. We calculated the average estimated market value for each community and compared taxes on these average-value homes. This analysis gives a better sense of what homeowners in various communities actually pay in property taxes. But because the analysis reflects differences in tax rates and differences in values, a high ranking can mean that a household either has a high average home value, a high tax rate, or both. This analysis is the most useful in helping homeowners who must apply for tax relief. None is factored in this context, however, which depends on homeowners’ incomes.

Do what do school district numbers mean?

Each community in the property tax survey is associated with a school district listed in Table 1. The lists do not include all the school districts associated with a property tax on the $130,000 or $870,000 homes. One issue is that, for example, each property in a community overlapped by a different school district—and then used in the survey—is associated with the school district that has the greatest number of non-agricultural homeowners.

Cities grow unevenly, we need to change the school district associated with two communities. Grant, in Washington County, is associated with District 832, rather than District 833. That is, each property in a community overlapped by a different school district—and then used in the survey—is associated with the school district that has the greatest number of non-agricultural homeowners. School taxes on the $130,000 home.

Each year we need to change our assessment of the non-metro home survey.

School taxes on the $130,000 home.

In Medford, in Hennepin County, is associated with District 284, rather than 278. No change was needed in any of the non-metro home survey.

School taxes on the $130,000 home.

In Medford, in Hennepin County, is associated with District 284, rather than 278. No change was needed in any of the non-metro home survey.
Property taxes continued from page 1

Place. Ranked by city taxes alone, Minneapolis moved from sixth place to number four, while St. Paul dropped to 17th place in the rankings from 12th place last year.

In between years

This year is a "right on in-between" year in terms of the survey. Last year two major legislative changes helped bring things down on average home values despite an increase (although not as great as this year) in the average home assessment value. The first change lowered the rate to figure a home's tax capacity. The second change significantly increased the maximum allowable education homestead credit, first introduced in 1998, from $320 to $390. The average home in all metro communities qualifies for the maximum credit of $390. Next year, changes made by the 2001 Legislature will remove the state's general education levy from the property tax. Taxpayers should already have noticed a large reduction in property taxes payable in 2002 as the truth in taxation notices have begun appearing in the mail. Voter approval for a special school district will stay on the property tax, however.

Jordon's tax jumped from 63rd last year to eighth this year.

Similarly Centeriori chooses in ranking to relatively higher school and city tax. Taxes in Brooklyn Center is higher than average across the board, ranking sixth (out of 18) in county taxes, ninth (of 109) in city taxes and 11th (of 61) in school taxes.

On the other hand, the city portion of taxes in Chanhassen and Victoria rank 3rd and 3rd respectively. The city total for both metro areas their overall ranking largely to county and school taxes. They are in the same county and school district, which rank third in county taxes and fifth in school taxes.

Average assessed market value (AMV)

North Oaks is the community with the highest average market value in the metro at $397,371. North Oaks also boasts the highest average property tax bill at $6,612. Using a $30,000 home for comparison, however, North Oaks ranks 94th. Wayzata is next with an average of $355,853 and an average tax of $6,302. It ranks 52nd for taxes on the $30,000 home. The average tax in Deephaven is a close second with an average home value of $342,419. Orono (Metro 96895) is the only other community in the state with an average property tax bill.

Property taxes continued on page 7

Table: Taxes, values up in outstate cities

<table>
<thead>
<tr>
<th>County</th>
<th>City Tax</th>
<th>School Tax</th>
<th>Residential Homestead</th>
<th>Nonmetro</th>
<th>City Tax</th>
<th>School Tax</th>
<th>Residential Homestead</th>
<th>Nonmetro</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anoka</td>
<td>2,067</td>
<td>2,670</td>
<td>4,737</td>
<td>6,401</td>
<td>2,033</td>
<td>2,651</td>
<td>4,684</td>
<td>6,385</td>
</tr>
<tr>
<td>Carver</td>
<td>2,070</td>
<td>2,680</td>
<td>4,750</td>
<td>6,430</td>
<td>2,033</td>
<td>2,651</td>
<td>4,684</td>
<td>6,385</td>
</tr>
<tr>
<td>Dakota</td>
<td>2,070</td>
<td>2,680</td>
<td>4,750</td>
<td>6,430</td>
<td>2,033</td>
<td>2,651</td>
<td>4,684</td>
<td>6,385</td>
</tr>
<tr>
<td>Hennepin</td>
<td>2,070</td>
<td>2,680</td>
<td>4,750</td>
<td>6,430</td>
<td>2,033</td>
<td>2,651</td>
<td>4,684</td>
<td>6,385</td>
</tr>
<tr>
<td>Nicollet</td>
<td>2,070</td>
<td>2,680</td>
<td>4,750</td>
<td>6,430</td>
<td>2,033</td>
<td>2,651</td>
<td>4,684</td>
<td>6,385</td>
</tr>
<tr>
<td>Ramsey</td>
<td>2,070</td>
<td>2,680</td>
<td>4,750</td>
<td>6,430</td>
<td>2,033</td>
<td>2,651</td>
<td>4,684</td>
<td>6,385</td>
</tr>
</tbody>
</table>

Sunbelt continued from page 2

The story for the 33 metropolitan communities

The story for the 33 metropolitan communities with populations greater than 8,500 is much the same as the metro: higher average market values increased the tax base by nearly 7.8% in 2001. Surprisingly, that increase was higher than the growth in the tax base. Those cities, but taxes on the hypothetical $850,000 home went down. Market values increased in all but three communities: Weyauwega (worth $700,000 in the survey), Rochester and Sauk Rapids went up by more than 10 percent. The average assessed market value of homes across the 33 communities in 2000 was $896,500, an increase of nearly 9 percent over last year's average of $836,270. Taxes on the average home went up in 23 cities. On the other hand, taxes on the hypothetical $850,000 went down in 26 cities. Bemidji located in Beltrami County and in school district 31, is the top-ranked nonmetro community with an AMV of $850,000 home of $1,296. Bemidji was also top-ranked in last year's survey. The other cities in this top five this year all appeared in the top five last year as well, although tax rank number varied. Sauk Rapids, number five last year, had two number two with this taxes of $1,231. Waasea, fourth last year, was third this year, followed by Coon Rapids ($1,091) and Hutchinson ($1,075) last year's number two and three respectively.

Jordon and Waconia earned their high ranking again this year primarily because of relatively higher county and school taxes. City taxes in the two cities ranked 18th and 24th out of 33. In contrast, Waconia had the highest city taxes, followed by Hutchinson at number two. Clouet, Cronon, and Waconia had -7.8% in 2001. While the increase in property tax increased 8.7 percent in Minneapolis to $112,612. In St. Paul, the AMV increased 6.12%. The average assessed market value in Minneapolis increased 8.7 percent in Minneapolis to $112,612. In St. Paul, the AMV increased 6.12%. The average assessed market value in Minneapolis increased 8.7 percent in Minneapolis to $112,612. In St. Paul, the AMV increased 6.12%.
Students in Fergus Falls took their excess levy referendum into their own hands. In a school district that really felt the financial crunch, the levy passed by a margin of nearly two to one. However, according to the Fergus Falls Daily Journal, the school district can thank students for the levy’s success. Many students spent the week before the vote pounding the pavement, canvassing neighborhoods, passing out literature and waving signs. What happened to the good old days when students just went door-to-door selling magazines and candy bars? -Scott McMahon.

The great outward migration from cities to the suburbs over the last generation is certainly not news to most people. But a new report from Hennepin County quantifies just how stunning this trend has been. In 1970, Minneapolis residents accounted for nearly half of the residents of Hennepin County, and the first ring suburbs accounted for an additional 30 percent. In 2000, only one-third of the county’s residents lived in Minneapolis (despite the fact that Minneapolis actually grew between 1990 and 2000) and just 22 percent lived in the first ring suburbs.

During this 30-year period, the population of Hennepin County grew by 156,120 people (16 percent) while the populations of Minneapolis and the first ring each declined by about 12 percent (51,782 and 35,079, respectively). The beneficiary of the outward movement, and it seems from the in-migration from rural areas, was the second ring suburbs. Population in this ring more than doubled from 183,324 to 400,016, and as a proportion of Hennepin County’s population, it grew from 19 percent to 36 percent. While the population of third ring suburbs, such as Mound, Orono, Wayzata and Long Lake grew by 50 percent, the percentage of county residents living in those cities remains rather small and only grew from 5.3 percent to 6.9 percent during the period. -Phil Jenni.

U.S. students show poorly again in reading, math and science skills. Based on research conducted by the Organization for Economic Cooperation and Development on 32 developed countries, U.S. 15 year olds ranked 14th in science skills (top three: Korea, Japan and Finland), 15th in reading (top three: Finland, Canada, and New Zealand), and 18th in math (top three: Japan, Korea and New Zealand). -Lyle Wray.

Raising the gas tax might be a successful way to raise money for transportation in the state, according to the Mankato Free Press. The current tax is set at 20 cents per gallon, and has not changed for 13 years. The state’s Major Transportation Projects Commission, created by the Legislature this year, determined that current funding is only one-third of what is needed to meet even the minimum needs. Although fuel prices are low right now, Minnesotans are not likely to forget paying $1.80 for gas earlier this year. -S.M.

Minnesota Supreme Court Justice Alan Page recently told the National Press Club in Washington D.C. that he agrees with Minnesota rules that prohibit judicial incumbents and candidates from participating in party politics, from taking stances on political issues that may be considered judicially or accepting campaign funds from organized parties. However, the Bemidji Pioneer thinks he missed an opportunity to speak about a real judicial/political issue—the election of judges by the general public. They believe this automatically politicizes judicial selection. At the federal level, the President makes nominations and the Senate approves. The Pioneer suggests that Minnesota enact a similar system where the Governor nominates and the Senate approves judicial candidates. -S.M.

Recently heard at a League meeting:
“To most people in the environmental movement, coal is a four letter word.” MJ

“Take Note” contributors include Minnesota Journal and Citizens League staff members.
Property tax review aims to inform citizens, local officials

This month's issue of the Minnesota Journal contains the Citizens League's 35th annual homestead property tax review for the metropolitan area.

The League's first property tax review was actually in 1963, but not until 1967 did the survey compare taxes outside Hennepin County.

The 1967 report compared tax rates for 75 communities in Hennepin, Ramsey, Anoka and Dakota counties. To make the comparisons understandable to the "average reader," the League used the estimated tax on an $18,000 house in each community.

By 1972 the hypothetical home value used for comparison rose to $20,000 and the median property tax paid was $397. In 1980, the hypothetical value had jumped to $60,000 with an average tax on that home of $615. In 1991 the League increased the comparison on the hypothetical home to $90,000. The median property tax for that home in the metro was $1,046.

Times, and home values, have certainly changed. We now use a house value of $130,000 in the metro area and $85,000 in nonmetro communities. And next year we will increase the comparison value again.

The League and the Minnesota Taxpayer's Association collaborated on the survey in the mid-1990s and dramatically expanded its scope. A special publication included detailed information on all Minnesota communities, metro and outstate, with more than 2,500 people.

Last year, the League produced the survey on its own again, and only included information on nonmetropolitan cities of more than 8,500.

The League has published this review continuously -- through changes in mill rates, tax capacities and taconite credits.

But we don't continue to analyze the results, year after year, just because we have always done it. The Citizens League faithfully produces the homestead property tax review each year for a number of reasons: (1) to monitor the impact of legislative changes on homestead taxes; (2) to track homestead values in various metro and nonmetro communities; and (3) to offer citizens and public officials a chance to compare their taxes with those in other communities.

The annual homestead property tax review is designed for two audiences--citizens and local government officials. First, we aim to provide citizens (and League members) with the information they need in order to ask intelligent questions.

The point is not so much who is first or second or third in the rankings, but why are these rankings the way they are?

Why are taxes on a $130,000 home in Moundsview $270 more than taxes on a $130,000 home in Vadnais Heights? What added value are residents of Moundsview receiving for their money? Are the differences in tax burdens purely the result of local choice or do particular cities face unique responsibilities and funding demands that others escape?

Second, our annual property tax review is intended to inform local government officials about where their community stands in relationship to its neighbors.

For more information and our methodology visit www.citizensleague.net

Not only do we hope that local officials will ask themselves the same question of why, but we also want them to know there are people and organizations prepared to hold them accountable for their decisions.

Good information and active citizens are often quiet, but important, parts of a vital democracy. The Citizens League's annual homestead property tax review does its part to help citizens participate in a more informed way when decisions are made about local budgets and priorities.
Fixing Minnesota’s budget problem

In a Pioneer Press opinion column from Monday, December 3, Steven Dornfeld recommended that policy makers dust off several reports on the state budget from the early to mid 1990s. Minnesota now suddenly faces a projected deficit of $1.95 billion in the current biennium and perhaps up to $1.2 billion each year by 2005. In this current situation, the Citizens League report on the state budget, completed in the summer of 1993, deserves a good dusting.

Co-chaired by Ed Dirkswager (who replaced George Latimer after he left for Washington) and Jean King, the report emphasizes the long term budget dilemma in Minnesota goes beyond issues of spending and revenue and includes structural flaws in the public sector.

The sudden budget deficit comes as no surprise. Policy makers failed to address structural weaknesses during the late 1990s. At that time, the growth of expenditures was matched by strong revenues in the strong economy. Yet in truth, the Minnesota budget was always vulnerable to a slowdown, due to unrestrained spending growth and the expanding needs of an aging population.

To address the deeper flaws in the public sector, the Citizens League report recommended a completely new set of design principles to promote greater productivity and equity in services provided by the state. The design principles outlined in the 1993 report to reach the goals of efficiency and equity are listed below:

1. Target public subsidies directly to people who are financially needy. For example, rather than providing government institutions with large grants, the funds should be directly targeted to individuals based on their need.

2. Use competition to align institutional self-interest with the public’s interest in the quality and cost of services. This principle can be accomplished in these three ways.
   - Create citizen markets. Individuals in need should be directly provided with resources.
   - Separate the role of purchaser and producer of public services.
   - Pay for performance.

3. Allow prices of public services to reflect true costs, including the social cost of individual decisions.

4. Meet more public responsibilities through non-governmental communities in which people already have relationships of mutual obligation.

5. Consider long-term economic growth to be one of the objectives of state spending. Spending on infrastructure, research, and education should be made to promote the long-term economic strength of Minnesota.

For a complete report, please call the Citizens League at 612-338-0791 or visit our web site at www.citizensleague.net.

Fixing the League’s budget problem

The League needs your help. By now you should have received a letter from League president Dave Durenberger asking you to make a year-end contribution to the League. Individual support is always important to the League. But now, more than ever before, the League needs vigorous support from its members.

Corporate contributions, which have been the mainstay of the League, are down substantially. For most of its history the League has relied on the corporate community for 80 percent of its operating budget. That support now accounts for less than half the League’s budget.

The focus, and geography, of many of our best corporate supporters has changed dramatically. But the League is still one of the key players that makes this region what it is. As Ted Kolderie points out in his articles for the Journal, this metropolitan area’s reputation as a good place to live didn’t happen by accident. A generation of civic leaders worked hard to positively change this region’s reputation. Members of the Citizens League supplied many of the good ideas, and a lot of work, for the innovative solutions that helped give Minnesota national recognition.

Contributions from League members are critical to ensuring the League’s long-term financial vitality so that we, and the next generation, can develop policy initiatives that will make Minnesota admired nationally once again.

As you make your year-end contribution and tax decisions, please remember the Citizens League. The League’s future, and the community’s, depends on it.

Past presidents renew old bonds

In true Citizens League fashion, a dozen hardy League past presidents and executive directors braved the first winter storm of the season to attend the Past Presidents’ Dinner on Monday, November 26 at the Minneapolis Club. Present were: Chuck Clay, Buzz Cummins, Peter Heegaard, Jim Hietland, Curt Johnson, Verne Johnson, Jean King, Ted Kolderie, Barbara Lukermann, Chuck Neerlend and Wayne Popham. Despite the inclement weather, the attendees renewed acquaintances and caught up on the Citizens League’s programs and priorities.