**Fiscal disparities pool grows 6 percent; property taxes on pool at all-time high**

Due to a continuing increase in commercial-industrial values in the seven-county metro area, the pool of commercial-industrial (C-I) tax base shared by Twin Cities area communities increased for the second year in a row. The pool grew by 6.0 percent, from $259.6 million last year to $275.1 million in 1997. The pool had declined each year from 1993 through 1995, following declines in C-I values and commercial-industrial values in the metro area, down from their relative shares of population and market value.

Property taxes paid by the shared pool of tax base grew by 4.4 percent, from $367.1 million in 1996 to $383.4 million this year, surpassing the previous high shared pool tax level of $369.1 million in 1994. Taxes paid by the shared pool have declined only twice during the history of the tax-base sharing program—in 1977 and 1995.

The tax-base sharing program—enacted in 1971 to help reduce disparities in tax-base wealth in the metro area—requires communities to contribute 40 percent of the growth in C-I tax base value since 1971 to a shared pool. That pool is then distributed back to communities in the metro area, based on their relative shares of population and market value. (See accompanying story on page 6.)

The shared tax base now accounts for 27.1 percent of the total C-I tax base in the metro area, down from last year’s 27.6 percent and from the peak of 30.0 percent in 1994. It continued on page 5

**Make state aid categorical, equalizing; start levying new taxes on market value**

Editor’s note: The following article consists of edited excerpts of remarks by Dan Salomone, executive director of the Minnesota Taxpayers Association to the Citizens League on Jan. 21.

We don’t need any more studies of property taxes. If we need a study, it’s a study of whether our Legislature is still able to make tough political decisions.

There are two elements of the reform issue. One is the state and local fiscal relationship. How should the state government relate to its local governments? Who does what at what level of government and who pays for it? Those are really important, fundamental decisions that have to be resolved.

The second part of the property tax reform debate is, Once you have a property tax levy, how do you spread that levy across the taxpayers? By what means do you determine who pays what at the local level?

First, the state and local fiscal relationship. In Minnesota our theory of state and local relations consisted of the state trying simply to displace property tax levies with state dollars. The one exception is the K-12 education formula, where we really thought through in 1971 how to equalize schools. We said, “We’ll just go with a dollar amount per pupil and we’ll put that up against the local tax base and we’ll fill in the gaps.” That was a fairly good formula. But the rest of what we did in ’71 continued on page 2

**League: Assess students and schools**

Minnesota should put a high-quality student assessment system in place as one essential step toward improving student achievement. But the state shouldn’t just assess the performance of students. The state should assess the performance of schools, too.

Those are among the recommendations of the Citizens League in its recent report, *Straight A’s for Minnesota’s Schools: Achievement, Assessment, Accountability.* The report, released Feb. 6, was the work of a 53-member study committee cochaired by Carl (Buzz) Cummins III and Pamela Neary.

Minnesota’s students tend to do well—test scores are higher, dropout rates lower, postsecondary education enrollment higher than the national average. Many of the state’s educators are achieving remarkable success with their students, sometimes against difficult odds. However, there are other indications that Minnesota’s education system is not working fine for many of its constituents. The system can do better—and must do better—for all students. Continued on page 4

February 18, 1997

MINNESOTA JOURNAL
The hard work of forging solutions to key public problems

**Viewpoint**

By Lyke Wray

Everyone knows that it’s tough to have a good education. But how do we get a good education? The problem isn’t that we don’t know what to do; it’s that we don’t know how to do it.

There are a lot of challenges in making the hard work of finding solutions to difficult and complex public problems.

The hard work of forging solutions to key public problems.

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.asked: Does it do anybody any services. League’s most recent study committee in communities’ ability to pay for the design questions the Citizens League’s mosminket.

The tax-base shifting is the stuff of debate among real estate professionals and community leaders. It is not a new issue. It has been a part of the political discourse for decades.

The challenge is not how to do it, but how to do it without making the situation worse. The tax-base shifting is the stuff of debate among real estate professionals and community leaders. It is not a new issue. It has been a part of the political discourse for decades.

The Minnesota Journal

When I was a student, property tax reform was one of the hottest issues on the legislative agenda. It was a time when the state was flush with money, and there was a sense of hope that something could be done.

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Given these challenging times, it’s easy to see why property tax reform is back on the legislative agenda.

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One of the reasons why property tax reform is so important is because it affects everyone who pays property taxes. It’s a critical issue that needs to be addressed.

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The state has a responsibility to ensure that our schools are funded fairly and equitably. This means finding ways to ensure that all communities have access to the resources they need to provide a quality education for their students.

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The hard work of forging solutions to key public problems.

For property tax reform to be successful, it needs to be approached in a thoughtful and deliberate way. It’s important to consider the long-term implications of any policy changes and to ensure that they are implemented in a way that is fair and equitable.

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The hard work of forging solutions to key public problems.
The Legislature should expand and strengthen charter schools, Post-Secondary Enrollment Options and open enrollment programs. The 1994 will eventually drop out of school. The projection for Hispanic and Native American students, if not improved student achievement and clear, consistent accountability system. Such an approach would allow schools to spend more money on students and would put accountability for performance at the school level.

The state should provide appropriate grants to schools and districts that negotiate measurable and attainable goals for improving student performance which can affect multiple years’ valuations—these are reflected in the tax-sharing pool in the following year.

For example, unless the assessment system change for the benefit of the school. The Legislature and Department of Children and Students must ensure that every student is learning to want to learn and how well performance compares with that of their peers.

The Legislature should set consistent policies regarding which students are tested and how results are reported. The fact that each school district has some students with special learning needs who might require different tests or no tests at all must be a reason to avoid assessment.

Include other measures of student achievement—besides test scores. Information such as Attendance, dropout rates, participation in school activities, the number of student enrollment or job placement all give good clues to how well students are learning.

Distinguish between the assets and deficits the child brings with him to school and the “value added” by school performance. School educators must be able to evaluate the results of their own efforts.

Assess schools, too. It’s not enough to assess students and put student performance in context. Administrators and policymakers need good information about how well the school system is currently being in order to improve quality and productivity in the future.

The League recommends that the 1997 Legislature take the following steps:

- Implement a statewide, uniform system for assessing students’ core knowledge and skills.
- Assess the impact of risk factors on performance-based reviews—such as poverty, neighborhood, race, and what happens to students who are not in school.
- Standardize testing should tell us whether both students are learning to want to learn and how well performance compares with that of their peers.
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The 1971 fiscal disparities act—officially known as the Charles R. Weaver Revenue Distribution Act—in honor of the late Anoka legislator who authored it—was designed to lessen disparities in tax base among Twin Cities area communities. It allows all communities in the seven-county metro area to share part of any commercial-industrial (C-I) tax base anywhere in the region. The idea grew out of a 1968 Citizens League committee studying tax disparities.

Here’s how the program works:

- Communities contribute 40 percent of their C-I tax base growth since 1971 to a regional pool.
-臀Excluded from the program for current tax collection purposes are communities with relatively poor tax bases, but their children will receive more from the pool than they contribute. Those with relatively wealthy tax bases per capita contribute more than they receive.
- There is a one-year lag in the C-I property values and property tax rates. Communities receive their share of the pool in 1997, the year tax-base sharing with the growth that took place in 1995.

Disparities

Continued from page 5

- The metro area consists of 11 C-I tax base per capita districts.
- The 1971-1997 C-I growth tax rate or loss was $82 million in 1996. Rukavina said. Production taxes generated mostly on the eastern edge of the Range—in the Iron County, Hibbing, Eveleth, Virginia, and Chisholm townships—drained into the Reliance Regional, tax base during the first tax year. The "lag" or "whammy" the next year, the tax rate would eliminate the lag in tax rates used for tax-base sharing. "Using the current year lag would always dominate the roller coaster," she said.
- Iron Range tax-base sharing

Last year the Legislature established a tax-base sharing program for the Iron Range, beginning with taxes payable in 1998. Patterened after the metro-area tax-base sharing, it provides for sharing 40 percent of the C-I tax-base growth since 1995 through formulas that factor in tax base per capita. The formula divides the tax base area: all of Lake and Cook counties, C-1 counties of Aitkin, Lac Salle and Itasca Counties and portions of Koochiching County. Estimates by the House Research Department show that the program will benefit the poorest five cities before sharing.

Responding to critics of the law, Rep. Loren Solberg (DFL-Rovey) has introduced a bill that would change the distribution of the new tax-base sharing pool. His proposal calls for 50 percent of the pool to go into an economic development trust fund and 50 percent to be distributed to communities throughout the area.

Rukavina said he would not oppose putting 25 percent of the pool into a trust fund, but thinks 50 percent is too much.

Solberg called the tax-base "a very beneficial fiscal disparities" program that communities in communities adjacent to the Iron Range (in Black Bear Rapid) "to preserve. We can't do anything to persuade people to do away with the existing taconite sharing program.

Rukavina suggested such opposition "in the best tradition of the C-I tax base program.

The last two columns in the table combine the growth in C-I tax base per capita between 1971 and 1997 with sharing with the growth that would have occurred without sharing. Without sharing, the growth among communities over 900 percent of the base is generated mostly from local C-I values set by mining companies as "no mine value" during the first tax year. The tax rate would eliminate the lag in tax rates used for tax-base sharing. The "lag" or "whammy" the next year, the tax rate would eliminate the lag in tax rates used for tax-base sharing. "Using the current year lag would always dominate the roller coaster," she said.

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Opt-out transit subsidy per rider larger than for MCTO

Take Note

No slippery walking on these policy paths.

Duluth will charter a group that will open the first two Edison Project schools in Minnesota next fall.—Ted Kolderie.

At the League's recent legislative panel discussion on property tax reform, Sen. Steve Novak told a story that illustrates how difficult it is to explain to normal humans the need for reform. Novak explained his property-tax reform proposal to a newspaper editorial board. One of the editorial writers helpfully suggested that hiring a public relations/marketing firm would help him simplify his message on this complex issue. Novak took the advice. He called a PR guy and spent a couple of hours with him, painstakingly explaining Minnesota's property-tax system. "Great. I'll get back to you" with a plan, the PR guy said. Six months later and still no word, Novak reports.—Phil Jenni.

Two major rating agencies, Fitch and Moody's, already have upgraded Minnesota's credit rating to AAA. The third major rating agency, Standard and Poor's, will not, and to whom?—R. W.

“Accountability” (in education) is not standards. It’s not testing. Accountability is standards and measurement and consequences. Or in plain words: What should the kids know, and how well? Do they know it? What happens if they don’t, and to whom?—R. W.

Listening to Dean Robert Bruininks’ session with educators Jan. 23 (to present the assessment measures the University has designed for the state), one got no sense that “accountability” needs to include consequences as well—except for kids, who won’t get a diploma, if they don’t pass the tests. The notion that “consequences” for adults can be left to the voters, when and if test results are reported. This reflects the traditional conviction that schools are not responsible for what the students learn. Or, one person in Bruininks’ session put it: “How can we be held responsible for things over which we have no control?” (Ask Tom Kelly what he’d answer if Twins players said that to him, somebody suggested afterward.)

But there have to be consequences for schools. Schools need to have a direct stake in students meeting standards, so they’ll do everything they can to ensure kids do meet standards. The public is not going to pay districts $6 billion a year not to have students graduate.—T. K.

References, please. A recent study sheds some light on reported discriminatory housing practices in Minneapolis. The Minnesota Fair Housing Center sent two testers to the same rental housing unit. The testers were generally similar to each other except for a single characteristic—usually race, but also family and public assistance status. A total of 72 tests were completed in the Southwest and Northeast neighborhoods of Minneapolis.

Results showed significant discriminatory practices among landlords: 70 percent of all cases uncovered some type of discrimination, with evidence of race-based discrimination in 60 percent of Southwester cases. In five cases, white testers were offered $5 to $10 monthly discounts in rent, with no such offers tendered to testers of color.—R. W.

“Take Note” contributors include Citizens League and Minnesota Journal staff members and Betty Wilson, a freelance writer and former Star Tribune political writer.

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

SECOND CLASS POSTAGE PAID AT MINNEAPOLIS, MINNESOTA
League releases new education report

Straight "A"s for Minnesota's Schools: Achievement, Assessment, Accountability

The League released its newest education report at a press conference at the state capitol on Thursday, February 6. (See Minnesota Journal article.)

The report was the result of two months of intense deliberations by a hard-working League study committee.

The committee, which began its work in September, was asked by the Board to develop a 1997 Legislative action agenda for improving student achievement. The Board also asked the committee to say what it thought the 1997 Legislature shouldn't do.


The release of the report attracted news and editorial comment and sparked a wider public debate.

Committee chairs Buzz Cummins and Pam Neary, committee members Tony Morley and Ilean Her and League Executive Director Lyle Wray have been busy promoting the report to Legislators and the media.

So far they have met with:

Senators Dean Johnson, Larry Pogemiller and Gen Olson; Representatives Phil Carruthers, Becky Kelso, Joe Opatz and Leroy Koppendarayer.

The League representatives have also met with Commissioner Robert Wedel of the Department of Children, Families and Learning and the editorial boards of both the Pioneer Press and Star Tribune.

A copy of the report is available at no charge for League members; $10 for non-members. To order, call 338-0791.

The K-12 education committee was co-chaired by Carl (Buzz) Cummins III and Pamela Neary. Committee members Howard Guthmann, Debra Leigh, Yvonne Moore and Nancy Smith also assisted with leadership of subcommittees. A total of 53 committee members took an active part in the work of the committee. In addition to the co-chairs, they were:

Keith Baker James Kemble
Gay Bakken William King
Robert Bonine Jim Koppel
Delroy Calhoun Raeder Larson
Robert Cardinal Debra Leigh
Ruth Fingerson Malcolm McLean
Michael Gair Yvonne Moore
Roy Garza Anthony Morley
James Gilbert Donald Newell
Sally Graven Patrick O'Leary
Howard Guthmann Craig Olson
Ilean Her Terence Quigley
Jan Hively Janet Sue Raugust
Michael Hohmann Don Renquist
Linc Hudson Jack Rossman
Ed Hunter Phil Ruggiero
Dave Hutcheson Patricia Saari
Phyllis Jones Jon Schroeder

Gary Joselyn also participated in the deliberations of the committee. However, he disagreed with several of the major recommendations and objected to much of the committee process.

Committee members Alan Silver and Dale Swanson dissented from the committee's opinion on certain recommendations.
Regent selection process is next Mind-Opener series

The University of Minnesota has been the subject of a torrent of controversy in the past year.

Debates about General College, faculty tenure and unionization, and the increasingly public squabbles between the administration and the Board of Regents, have raised questions about the University's governance and specifically about the Board of Regents.

This issue is particularly heated today due to the fact that five of the 12 seats are up for election in 1997.

The state Constitution requires that the Legislature elect one-third of the regents to six-year terms. The University of Minnesota Board of Regents is the only governmental body in the state that is elected by the Legislature. In addition to the constitutional requirements, recent laws state that one at-large regent be a student and that each of Minnesota's eight congressional districts be represented by a regent. It is also informally assumed that two more seats are reserved for representatives of labor and agriculture.

The 1988 Legislature established the Regent Selection Advisory Council to assist in recruiting candidates. Prior to that, candidates nominated themselves and no screening process existed.

Now, the 24-member council receives nominations, selects a pool of candidates for each position and conducts public interviews. The council then recommends two to four candidates for each seat. The advisory council has been credited with removing some of the self-promotion and heavy politicking from the selection process.

But recent troubles at the University raise questions about the process for electing the governing body of the state's flagship educational institution.

This Mind-Opener series explores several proposals for reforming the regent selection process. The meetings are at the University Club, 420 Summit Avenue, St. Paul. Cost is $10 for members and $15 for non-members.

February 11
Gerald Christenson
chair, UMin Presidential Search Advisory Committee and former chancellor, State Community College Board

February 18
John French
co-chair, UMin Alumni Association Citizens' Committee on Regent Selection

February 25
Rep. Tony Kinkel
DFL-Park Rapids chair, Family & Early Childhood Education Finance Division former chair, Higher Education Finance Division

Join a study circle on housing segregation and education

For all you Citizen Leaguers who just can't get enough of group discussion on public policy, there is an opportunity to become involved in a metropolitan discussion on housing segregation and education.

"Beyond Busing: A Metrowide Dialogue on the Challenges of Education and Housing Segregation" is being organized by the Community Circle Collaborative, a multi-sector coalition of Twin Cities organizations. The Collaborative has been planning and organizing a community-wide forum and study circle program to look at the challenges of segregation in the metropolitan area.

The Collaborative received initial support for this program from about a dozen local and national organizations, mostly non-profits and foundations. It has since received the support of many more organizations, including churches from throughout the region, advocacy groups, school districts, and public agencies.

For more information on this program, call Dick Little at 871-8980, or fax at 871-8494.

The Citizens League also is considering being a sponsor for one of the discussion groups. If anyone is interested in being part of this roundtable discussion, please call Ron Wirtz at 338-0791 or email at rwirtz@epz.cis.umn.edu.

1997 Public Affairs Directory available

Do you want to know and stay in touch with the key people in the public arena? If you do, you need the League's Public Affairs Directory (PAD). Published annually, the PAD contains the names, addresses, telephone numbers and in some cases the email addresses of government, education, communications and public affairs officials, especially those in the metropolitan area.

Cost of the PAD for members is $15 plus $1.50 for shipping and handling. Discounts are available for multiple orders. Cost for non-members is $20 plus shipping.

The PAD is the work of Gayle Ruther—the person behind the friendly voice you usually hear on the phone. So make Gayle even friendlier by ordering your PAD. Watch for an order form in your mail or call 338-0791.

Happy Birthday CL!

The Citizens League turned 45 this month. David Lewis, Don Fraser and Ray Black (who was later hired as the first Executive Director) presented the articles of incorporation to a Notary on February 13, 1954. Stu Leck was elected President at an organizing meeting of the first Board of Directors held the next day.