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"We should see that districts and schools behave as they do because state law has assured them that nothing, really, depends on whether students learn: not their clientele, not their revenues, not their jobs, not their existence."

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Resolving the budget shortfall: We need a transitional fix, not the Big Fix

by Tom Triplett

The November 2001 budget forecast issued by the Department of Finance projected a state budget shortfall of \$1.95 billion by June 30, 2003. A shortfall of this magnitude would be unprecedented. The task of resolving a shortfall of this size – about 15 percent of the approved state budget for FY2003 – is formidable.

Both the nature of the forecast and its size are daunting. The Department of Finance estimates that as much as two-thirds of the \$1.95 billion shortfall is "structural," or permanent, in nature. For that portion, it is not enough to do a one-time tax surcharge or a one-time slash of state and local reserves. Permanent service cuts and/or tax increases are required.

In the January 1, 2002 *Pioneer Press* I summarized the forecast process and identified its weaknesses. I argued that the state is placing far too heavy a reliance on the projections of the Massachusetts economic consulting firm (DRI-WEFA) whose national economic projections are the building blocks for each Minnesota state forecast.

I noted how DRI-WEFA's forecasts in recent years have been far too pessimistic. As each of their projections were shown to underestimate revenues, the state responded to this "found money" with rebates, permanent tax cuts, and spending increases.

Now DRI-WEFA tells us the tables have turned. In a big way. Instead of surpluses, they say we are faced with a massive projected shortfall.

How should our elected officials respond? First out of the box was Governor Jesse Ventura. His suggestions for resolving the shortfall include \$700 million in spending cuts, \$400 million in

new taxes, and depleting the state's rainy day fund.

As lawmakers consider Ventura's and other ideas, legislators should begin their deliberations with an analysis of the forecast process itself. They should ask, "Are we prepared to make massive permanent adjustments such as the Governor proposed on the basis of national projections which have proven to be so wrong in recent years?"

Until the forecast system is overhauled, we will rely on the national economic projections as the starting point for budget decision-making. And if we respond to what those forecasts say, the result this year will be major service cuts, decimation of state and local rainy day funds, and tax increases.

I do not suggest that the Legislature should ignore current economic realities. The forecasters' evaluation of the current economic situation is correct. Our nation and state are indeed in a recession. But the severity of that recession, its length, and its resulting impact on our budget are not at all clear.

Governor Ventura and the Legislature should appoint a task force to review the forecast process and suggest alternative methods by the end of 2002. The task force should include a broad cross section of members, not only economists who make their living issuing forecasts.

While the task force is doing its work, the Legislature should resist significant, permanent service cuts or tax increases.

Making permanent budget adjustments on the basis of the current imprecise forecasts would be unconscionable. Instead, lawmakers should put in place mechanisms for gradual budget adjustments that are tied to actual revenues received and more frequent updated projections.

www.citizensleague.net

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Keeping our edge: Minnesota's Cold Sunbelt must draw on state's history of collective action, vision and courage

This is the final installment of a three-part series examining Minnesota's past and future role as a public policy innovator. To read the entire story visit www.citizensleague.net. Print copies are available from the League office. Cold Sunbelt is the first in a series of Journal articles published in recognition of the League's 50th anniversary.

by Ted Kolderie

Change is inevitable. There is a lifecycle to organizations. The question is: are we replacing what we lose? Are we keeping up, overall, the institutions of public life? Or are we coasting now . . . drawing down and not replacing the social capital built up during that remarkable generation of institutional development that began about 1940 and ran into the mid-1970s?

Somehow Minnesota needs to retain the ability to understand and to deal with the causes of problems. Other states are as good at building projects and setting up programs. This state has had an unusual ability to see why things happen, and to change the systems that determine why organizations behave the way they do. Without this ability to think in system terms we will be an easy mark for those—always around—who want to persuade us that the answers lie in conventional responses: listening to the people who run the operating organizations (or, alternatively, changing the people who run them), or investing in more professional service, or in some kind of big machine.

Minnesota has been really good at what Walt McClure calls "large-system architecture." People understood why a health-care system could not last if it guaranteed reimbursement for costs that were neither controlled by competition nor regulated by public authority, and in which there was no discernable incentive to economize.

They understood that land use and transportation are a system, understood why we cannot travel like Europeans if we want to live like Americans.

It is important to be able to shape issues correctly, and to understand that issues are not topics. Issues are choices about methods. A discussion simply about goals, however passionately advocated, will not be very productive. Nothing happens without a method. So:

Health care is not an issue. An issue is whether to provide health care through a single-payer system, rationing care, or have the payers identify the quality providers and send them patients. That is an issue.

Whether we build single-family houses new for low-income families, or smaller units for single individuals and couples who are now under-occupying existing single-family houses, is an issue.

The issues in K-12 Education

The greatest test of our ability to raise and resolve issues currently is public education. "Half the kids in high school are on a treadmill to nowhere," states Judy Coddling of the National Center on Restructuring Education.

All the good efforts, and all the altruism of the people who work in public education cannot overcome the reality that it is a deeply inequitable institution. Because they lack both alternatives and voice, the kids in poor families are the least well served. Far too many learn little and leave early. They are uninterested in a school that is responsive mainly to the districts' important constituency of better-educated and more-aspiring families. They are disadvantaged by an institution that sends the least experienced teachers to the most educationally needy kids. Not enough people are angry about this, as Gary Sudduth, former head of the Minneapolis Urban League, was angry before he died. Too many of us think the schools are fine because we did well and our kids did well. Joe Graba, a long-time observer of education, likes to say, "Everybody wants the schools to be better but hardly anyone wants them to be different." Yet if they are not different they will not interest, and therefore will not work for the half of the kids now not doing well.

We have a hard time understanding why this institution—so full of good people who mean well—cannot deal with this challenge well enough or fast enough. Too many people still think it makes a critical difference who the superintendent is, or who is on the board, or whether the Legislature and the taxpayers provide more money. In meetings, people talk endlessly about the bad things that ought to be stopped and the good things that

ought to be done. Nobody disagrees, and everybody has heard it all before. Surely something must be blocking improvement. Yet rather than trying to find what that is and change that, we keep exhorting our schools and districts to do-good-things and not-to-do-bad-things. We are not thinking our way very well to the heart of the problem. It is not very practical to exhort organizations to do things they have no incentive to do, and not to do things they have reasons and opportunities—incentives—to do.

We should see that districts and schools behave as they do because state law has assured them that nothing, really, depends on whether students learn: not their clientele, not their revenues, not their jobs, not their existence. It has been a system that, as Albert Shanker, former head of the American Federation of Teachers, said at the Itasca Seminar in 1988, "can take its customers for granted." It is not smart to arrange a system that assures organizations' success whether or not their mission has been accomplished.

So, if half the kids are not learning acceptably well it is not really the fault of the districts, or of the people in the schools, or of the teachers and their unions. It is a failure in the design of the system. The structure and incentives exist in law. The defects can be changed only by changing state law.

Legislators do understand the problem, and to their credit, they are well started in reconstructing the institution. They are making it possible for people to start new schools and try new approaches. It is possible that the job that needs to be done with urban and low-income kids cannot be done by the organizations we have; that the districts simply cannot change their schools enough, quickly enough. Or that they cannot politically generate new schools as different as may be required to interest the kids today who simply quit. But legislators remain slowed by an intense resistance.

It would be easier for legislators to move faster if the leaders in public education would say in public what they know—and say in private—about the districts' own difficulty with change. It would help if the

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Viewpoint

From the Executive Director

Move over! Elbowing in a reform agenda

by Lyle Wray

Over the past 18 months, Minnesota has seen a \$5 billion swing in the state's financial fortunes. We are not alone. Thirty-nine states begin their 2002 legislative sessions facing budget deficits. The recession has taken a large bite out of state revenues, here and elsewhere, and health care costs—to name just one factor driving expenses up—are rising by double digits.

In the rough and tumble of the legislative session and budget shortfalls, it will be very easy for those with the sharpest lobbying elbows to prevail over strategies that might be best for the long-term or those that may minimize hardship in the state.

To guard against that, it makes sense for the state to have a budget blueprint for the next five to 10 years that establishes a sense of direction, minimizes hardship, and requires better performance from public services. The real trick will be for Governor Jesse Ventura and Legislature to use the unpleasant task of balancing the budget in an economic downturn to advance a reform agenda for taxing and spending in Minnesota.

Two Citizens League reports, issued 1992 and 1995, lay out some principles that offer guidance in coming months to insure the Minnesota residents get the

greatest value from state spending.

First, state spending should be targeted to assure long-term economic growth. While Minnesota ranks well in per capita income, largely on the basis of the number of hours and jobs worked, there are threats to the state's long-term growth. For instance:

▲ In recent years, fourteen of our top 20 corporations have been acquired or merged, and more companies have a national or international focus than before.

▲ Barely half the ninth graders in our two core cities finish high school on time.

▲ Low-income students' access to post-secondary education in this state is not improving.

▲ According to recent surveys, Minnesota ranks poorly in the development of "e-government"—using the Internet to transform public service, stimulate business development and improve customer service.

State budget decisions and efforts to redesign public service should be influenced by what factors really contribute to economic growth in our state. But that can't happen if the state doesn't have a clear, overall investment plan for the future.

A second key principle suggests the state should make greater use of competition to improve public services. State government is not a leader in the use of well-conceived competition and more should be done this session to foster its use, both to save money and to provide better services.

While careless privatization can be disastrous—the clumsy deregulation of electric power in California is a recent and painful example—innovations such as managed competition in public services can provide major improvements in performance and cost savings. The results are apparent in Indianapolis, Phoenix and in communities across our state.

A third key principle targets public subsidies more directly to people who are financially needy rather than subsidizing institutions. This can be critical in minimizing hardship to individuals and communities.

For example, higher education spending should target students, not the institutions of higher education. Institutional subsidies should be reduced in relative terms. While there has been fierce resistance to this "high tuition, high aid" direction, the long-term trend to reduce the percentage of state budget resources going to higher education should send a signal that it is time to rethink how we assure access for low-income students, as well as achieve and maintain higher education institutions of top quality.

In another example, more than a decade ago, the Ladd report outlined how, by selectively targeting state aid to local governments, the state can help those communities most in need, and do so for about half the cost of the current local government aid program.

While the idea of targeted spending is certainly political dynamite, a \$2 billion projected deficit requires that such reforms be put on the table for discussion.

The impetus to reform state tax and spending practices is often limited when state coffers are full. Budget surpluses usually result in more money spent the same way, with little assurance of more or better results. Economic downturns often lead to a "circle of the wagons" mindset among the major beneficiaries of public spending. Sharp-elbowed lobbyists taking care of their own often edge out the chance for reform.

Targeting spending to the most-needy, or to those who directly benefit from those services, enhancing the intelligent use of competition in education and public services, and working from an investment plan for the future growth of the economy are principles that easily can get lost in the political maneuvering. Minnesotans should insist that these items be addressed in the coming months. **MJ**

Lyle Wray is the executive director of the Minnesota Citizens League. He can be reached at lwray@citizensleague.net or at (612) 338-0791.

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Publisher—Lyle Wray

Editor—J. Trout Lowen

Contributing Editor—Ted Kolderie

Sketches—Ray Hanson

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media would be as candid about the reasons for that resistance to change as they are about the power of private interests in other systems. If they did not accept quite at face value the assertions that everything would be all right if districts just had loyal support and additional financing. It would help if business executives could understand that the problem in education is not a problem in the management of the organization but is, fundamentally, a problem in the structuring of the 'industry'.

Prospects

We should talk about all this over the next year or so. Perhaps there is no problem. But I do not think I am the only one raising essentially these concerns. If there is a problem perhaps we can do something about it. It's pretty clear, generally, what needs to be done.

There needs to be a continuing effort to develop leadership among those committed to this place; using the talents of people not previously involved.

Clearly, the foundations are a major hope if they give the design and development of our policy process and its institutions something like the priority they now give to human-service programs and to improving the physical environment. TrendWatch, now fully regional, is a hopeful start, but at this point the organization has one, new, staff person. It is probably not yet well connected with the policy mechanisms that have to think about the implications.

Clearly we need to take care of our governmental institutions for issue-raising and issue-resolving. The Legislature remains the critical builder of public systems. In a

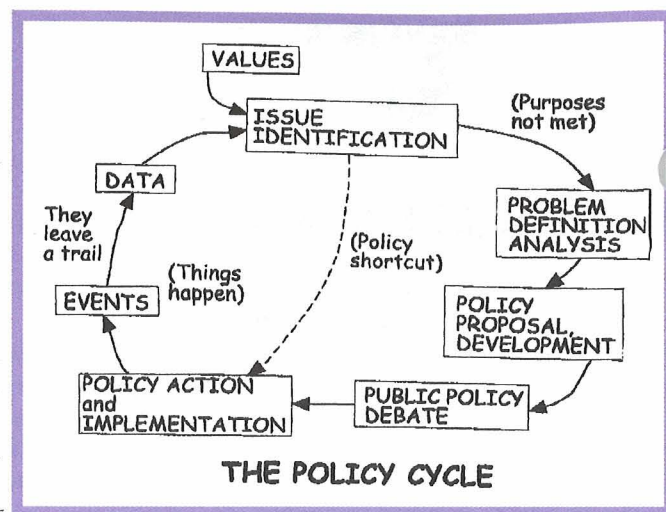
state that is opportunity-driven, that relies on getting at problems before they become crises, it is critical to have people in public office who can move at times with 'state capitol policy initiatives'. No groundswell of public opinion supported Rudy Perpich and Connie Levi when they moved in 1985 for open enrollment

and the post-secondary option. The public support came afterward.

We need to find new discussion mechanisms for turning 'problems' into 'issues', and for generating proposals for action. Perhaps web sites and e-mail will provide new and low-cost forums for reporting and discussing public issues, filling in the gap left by the change in the commercial media. Jason Epstein's "Book Business" offers a little hope. Just when everyone had decided that quality publishing and independent bookselling had been destroyed, new technologies come along that make it possible to publish books on the web and print books on-demand.

The reasons to be hopeful go back to what I said at the beginning; go back to the fundamentals.

The desire runs very deep in this state to be successful. . . to count for something . . . to be 'major league' as we said in the '60s. But it is in no way ordained that the 15th largest metropolitan area in America is bound to be located where the Minnesota River flows into the Mississippi River. If we are to succeed in this cold-sunbelt location we will have to keep up all those elements



of 'livability' that attract people to come here and to stay here. To do that, we will have to maintain our historic comparative advantage in collective action. An advantage created by community institutions that can see ahead, that know how to get to the causes of things, that can explain the choices the public faces, and that can act with vision and with courage.

These institutions are simply necessary. People talk a lot in politics about what is possible, about what is realistic. What can be more realistic than to do what is necessary? Anybody can do . . . it is no real challenge to do . . . what is merely possible. And things that are necessary do tend to happen, even in public life.

I came across a remark not long ago that I hadn't heard before. "Politics is not the art of the possible. Politics is the art of making possible what is necessary." That's a nice line, and probably a good one to end on. MJ

This series was adapted from the 2001 Stans Memorial Lecture delivered by Ted Kolderie last fall at the Minnesota History Center.

should sit with the commission.

If actual revenues are significantly lower than projected in the most recent legislative session, the commission could recommend to the Governor that the Legislature be called into special session to make necessary adjustments. Alternatively, the commission could recommend to the Governor that certain expenditures be delayed until the full Legislature reconvenes.

A second possible approach would be for the Legislature to enact in the 2002 session

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Snapshot of metro area before September 11 is mostly encouraging

by Roger Israel and David O'Hara

While no less shocked than the rest of the nation on September 11, Twin Cities residents may have more resilience than those in other American metropolitan areas in coping with the aftermath. That is one of our conclusions after reviewing the results from Metropolitan State University's sixth annual *Civic Confidence Survey*.

It never occurred to us late last spring that we might be taking the region's pulse just prior to what was arguably the most traumatic day in American history. The media have asked us if the survey would have been more valuable after September 11 than before that fateful day. Our answer has been 'no', for this reason; any survey done within days, weeks or even a few months after the terrorist attacks would have been heavily influenced by its immediate impact. In the survey, we are looking for patterns over time, especially those with potential public policy implications, and a pre-9/11 snapshot will be much more useful when compared with our "civic confidence" next year, and in light of trends we have observed since the first survey in 1996.

The results of *Civic Confidence Survey* are based on telephone interviews with 500 randomly selected adults in the seven-county metropolitan area, conducted during the summer of 2001. The survey's margin of error is 4.5 percent or less for results based on all interviews in the poll. The margin of error is larger for some questions where the response rate was lower.

Neighborhoods appear strong

Perhaps the most surprising and encouraging news in this year's survey came from answers to a new set of questions about "community connectedness." These findings should be of special interest to Citizens League members and other *Minnesota Journal* readers.

When asked for their views about neighbors and neighborhoods:

- 84 percent said their neighbors know and care about each other
- 89 percent felt comfortable discussing neighborhood issues and problems with neighbors
- 93 percent had pride in their neighborhoods
- 87 percent knew the names of their neighbors on the street or in their buildings

- 91 percent said they would feel comfortable contacting their neighbors in an emergency.

The responses were consistently strong across both Minneapolis and St. Paul, and suburban/rural communities in the region. They are certainly encouraging, given the concerns about American social disconnectedness expressed so often in the media, and in prominent national studies like Harvard sociologist Robert Putnam's recent book, "Bowling Alone".

If the terrorist attacks are viewed as an assault on the basic fabric of American life, then we believe that strong communities and social connectedness is an important asset in the domestic war on terrorism. Three other sets of community-related survey findings also present a hopeful picture.

More respondents feel their neighborhoods are safe

The first has a heavy touch of irony (as so much does) in light of September 11 and the national and personal security crisis created by the terrorist attack. In June 2001, when the survey was conducted, Twin Cities residents expressed much less fear of street crime than five years ago, and this downward trend has been quite persistent.

Asked if there is an area within one mile of their home where they would be afraid to walk at night, just 33 percent responded 'yes', compared with 35 percent in 2000, and 52 percent in 1996! The fact that residents feel more connected and less vulnerable to crime in their neighborhoods should be helpful as we search for security in other dimensions of our lives.

Most view cultural diversity positively

There is also irony, as well as hope, in an area that was important for the health of our community and economy before 9/11, but became much more troubling in its aftermath. In light of the growing racial and ethnic diversity of the region, we were encouraged to learn from another new question on the 2001 survey that 83 percent of those surveyed regard increasing cultural diversity here as a good thing. Residents' strongly positive pre-9/11 view of the region's growing diversity may position us more favorably to handle terrorism

without as much "collateral damage" to innocent immigrants who enrich our lives and communities in so many ways.

Public confidence in the government and the public sector is strong

Perceptions of government, public officials and public services were very strong before September 11. Since that day, Americans have looked much more unequivocally to government for security. In our survey, Twin Cities residents demonstrated a continued high level of satisfaction with public services.

- 78 percent were satisfied or somewhat satisfied with city government
- 68 percent were satisfied or somewhat satisfied with their local school district
- 81 percent were satisfied or somewhat satisfied with county government
- 68 percent were satisfied or somewhat satisfied with state government
- 66 percent were satisfied or somewhat satisfied with federal services.

Almost 80 percent believe that government employees are as good or better than their private sector counterparts. A majority (65 percent) agreed that government officials are responsive to their needs. These findings, which would likely have been even stronger after 9/11, will be helpful in tackling the difficult governmental challenges ahead.

Good news balanced by challenges

All of the above findings bode well for the Twin Cities' continued civic health and ability to thrive in a post-9/11 world, but there remain plenty of results in the survey that should concern to residents and policy makers.

Traffic congestion and urban sprawl

Thirty-five percent of area residents cited traffic congestion as the number one problem facing the Twin Cities area, compared with just eight percent in 1996. Six percent of those surveyed last year cited urban sprawl as the number one problem, compared to just one percent in 1996. The results still suggest that too many people may not be making the connection between traffic congestion and urban sprawl, a strong contributing factor to

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The 2002 Legislature certainly should make some budget adjustments. We are in a recession, and they cannot sit back and hope for the best. The problems are serious and demand response. But not, I contend, in a way that will inflict permanent damage on the state's fiscal condition or key programs.

While the task force is working, the Legislature should implement a

"Transitional Fix" and not the "Big Fix" proposed by the Governor. A transitional solution would involve closer tracking of actual revenue and expenditure flows between the two annual forecasts.

This tracking function could perhaps be assigned to the joint bipartisan Legislative Commission on Fiscal Policy. That group, composed of the leadership of both parties in both Houses, should meet monthly to study the most recent state government revenue and expenditure reports. The commissioners of Finance and Revenue

certain spending cuts or tax increases that automatically trigger if revenues drop below certain defined measures.

Either of these approaches would enable the 2002 Legislature to trim state spending or raise taxes by less than would otherwise be required by the forecast. As the budget period proceeds, if deeper cuts are needed, the above approach would enable subsequent adjustments within the budget period.

A temptation for the 2002 Legislature will be to spend down state government reserves and rainy day funds as a way to help balance the budget shortfall. The Governor, unfortunately, proposed exactly that. Our hard-won reserves and rainy day accounts should be preserved as much as possible. The transitional system outlined

above, with its periodic, moderate budget adjusting, will need reserves at the end of the biennium if we find that the moderate adjustments may not have been enough.

Local government reserves should also be used as part of the overall solution. However, great caution must be exercised. It is not fair to resolve the state's shortfall by depriving schools, cities and counties of their own rainy day funds. Many local reserves are in fact targeted to help finance future committed expenditures.

Local government aids and reserves should be tapped only as part of a transitional package that permits local units to keep enough in their reserves to avoid cash-flow borrowing and to preserve their bond ratings. To his credit, the Governor recognized and partially held harmless

those local governments like St. Paul that have worked hard to keep their recent levy increases small.

The goal of the above suggestions is to allow Minnesota to hedge its bets. These or other transitional measures permit us to avoid substantial program cuts or tax increases that are based on a forecast system that has proven so inaccurate. In the meantime, state government should implement a revised forecast system that will mitigate the effect of these forecast errors into the future. MJ

Tom Triplett, a St. Paul attorney, is a former Commissioner of Finance and Commissioner of Revenue for the State of Minnesota. He can be reached at triplett@bitstream.net.

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congestion. It is likewise disturbing to note that 35 percent of respondents said their first choice for reducing traffic congestion is the construction of more roads, up from 25 percent in 1998.

Affordable housing is a rising concern

The percentage of residents surveyed who view affordable housing as the metro area's chief problem increased dramatically, from 6 percent in 2000 to 12 percent this year. The connections between traffic congestion, urban sprawl and affordable housing have been a major focus of "smart growth" initiatives in this and other metropolitan areas. Policy makers should realize that "smart growth" strategies depend upon better-informed citizens, who understand the interrelatedness of these issues. At a minimum, this will take a sustained effort in public education.

Financial confidence indicators mixed

Finally, the survey provides evidence of the mixed messages that might be expected in an economy that was sliding into a recession prior to September 11. For the first time since 1997, less than half of those surveyed (49 percent) said the region was headed in the right direction, compared with 58 percent in 2000 and 56 percent two years ago.

People feel less confident about the met-

ropolitan area's economy and their personal financial situation. When asked about their financial situation, 55 percent were satisfied, 23 percent somewhat satisfied, and 10 percent dissatisfied. In 2000, 60 percent were satisfied and 27 percent were somewhat satisfied with their financial situation. Asked whether the area's economy is improving, 24 percent said 'yes' in 2001, compared with 50 percent in 2000 and 54 percent in 1999. Twenty-five percent said the economy is getting worse, while 51 percent responded that it is staying the same. In a new question for the 2001 survey, 49 percent said they were concerned or somewhat concerned about maintaining a satisfactory retirement income and life style.

It is likely that all of these numbers would have been even more negative if the survey had been taken after Sept. 11.

The concern about the economy just prior to Sept. 11 did not seem to have affected people's future outlook. When asked if they would be better off in three to five years, 86 percent said they were confident or somewhat confident that they would be, approximately the same percentage as in 2000 (84 percent) and

1999 (82 percent).

To sum up, the results from this year's survey are a mixed bag; there are signs of a strong resilient community and civic life, and positive attitudes toward government that should help us to navigate more successfully toward a precarious post 9/11 world. But there is also a growing anxiety about the region's economy, a greater sense of personal financial insecurity, and a set of difficult regional problems that have so far defied coordinated, effective strategies. MJ

Survey co-directors are David O'Hara, Economics Department Chair (david.ohara@metrostate.edu), and Roger Israel, Coordinator of Public Administration and Nonprofit Management Programs (roger.israel@metrostate.edu), in Metropolitan State University's College of Management. Copies of the executive summary may be obtained by contacting Kim Carlson (612-341-7639, kim.carlson@metrostate.edu) or from www.metrostate.edu.

What is the chief problem facing the Twin Cities Metropolitan area?

	1996	1997	1998	1999	2000	2001
Traffic/Transportation	8%	11%	10%	26%	36%	35%
Affordable Housing	—	—	1%	6%	7%	12%
Crime	72%	45%	49%	29%	17%	11%
Education	4%	6%	7%	7%	9%	11%
Government	3%	6%	7%	4%	6%	10%
Urban Sprawl	—	5%	6%	10%	8%	6%
Taxes	3%	8%	5%	7%	6%	4%
Other	10%	19%	15%	11%	11%	11%

OnBalance

Views From Around the State

Take me out to the ballgame... Buy me some peanuts and crackerjack, try to spur the economy back!

"After Minnesota's financial problems during the recession of the early 1980s, the state set a target," points out the **Duluth News Tribune (12/6)**. "Create a budget reserve equal to 5 percent of state spending in the two-year cycle to tide the state during economic slowdowns. Well, legislators and Gov. Ventura have fallen far short of creating such a reserve. The budget reserve today is \$653 million. Total general fund spending for the two-year budget cycle is expected to be \$27.8 billion. If the state kept to its policy, the budget reserve would be \$1.39 billion. With a reserve less than half the level it should be, we're going to pay dearly."

The **Mesabi Daily News (1/15)** thinks time isn't the essence of the budget discussion. "...there is no need to hurry and get a bill drafted within a week. We have a problem. And it does need a sense of urgency. But it also needs some thought—and that will take some time. Does it mean some will play politics with the issue? Of course, But that's part of the give-and-take of the democratic process..."

Governor Ventura will be a key voice in this budget debate, according to the **Brainerd Daily Dispatch (1/14)**. "It's easy to underestimate Ventura because of all the side issues that surround a celebrity-governor. However, he's assembled a talented staff of advisors who are committed to policies that will maintain the state's fiscal integrity. Ventura, a politician with no party members of his own to support him in the Legislature, managed the daunting task of pushing through some significant property tax reform. It will be interesting to see just how closely the final budget package resembles the plan Ventura spelled out..."

The **St. Cloud Times (1/6)** supports Governor Ventura in his budget plan. "Although he is admittedly short on details or now, Gov. Jesse Ventura is embracing the right approach in dealing with the state's potential budget shortfall. From spending cuts to tax increases, there should be no

sacred cows. Legislators must look beyond quick fixes and examine every nook and cranny of state government in their efforts to address the \$1.95 billion problem. And they should do so in a professional, non-political manner. This is a serious challenge for the state during uncertain economic times."

Not everyone is as confident with the Governor's way of dealing with the deficit. The **Rochester Post-Bulletin (12/4)** writes, "We also hope [Governor Ventura] plays a stronger role in dealing with the budget shortfall than he did when past budget controversies centered on how best to spend state surpluses. During past legislative sessions his battle plan was to make a budget proposal and then disappear while the two major parties fought over the state's financial plan—only to reappear at panic time near adjournment. Ventura, a Navy veteran, has always portrayed himself as a tough leader who can lead in times of crises. Now, governor, is your time to shine."

The **West Central Tribune (1/12)** does not think the governor's plan is completely correct. "There are areas of Ventura's proposal that need to be fixed. The gas tax is a case in point. While the additional five-cent-per-gallon tax allows some revenue to be transferred from roads and bridges to the general fund to help the deficit, it does not do anything to improve roads and bridges in the state. A few more cents to help improve and maintain our roads and bridges is in order."

Some communities are worried about local impacts of the deficit...

"For our region none of this is good news," explains the **Marshall Independent (12/3)**. "After all, during the recent economic high period, southwest Minnesota seldom fared well. Imagine what could happen to it under a deficit. Schools have been chopping away at their budgets all year long, and many were forced to use excess levies to generate more revenue. Small cities have complained this fall that the state's new tax system could put

them in even deeper budget binds. Transportation and telecommunication are two other vital areas which rural Minnesota has been struggling to make progress. What becomes of them under a budget shortfall?"

The **Bemidji Pioneer (1/4)** believes the community has a lot to lose. "Balancing the state budget will no doubt require sacrifice from all of us, but we fear that Bemidji may suffer even more so under the guidelines laid out by the governor. Having voted down an operating levy, the Bemidji school district would severely suffer from any loss of state education funding. And cuts to higher education—which could reach 10 percent—would directly affect Bemidji State University...local governments need to spend down their reserves, cut costs and reduce services...More cuts would mean reducing essential services beyond bare bones, to solve a state problem that wasn't caused by local governments."

Talk of the Twins and the stadium debate from around Minnesota...

The Twins are not just a metro asset. The **Bemidji Pioneer (12/13)** weighs in on the stadium debate. "Some sort of arrangement, a combination of loans or user fees, will need to be found to build a stadium that can keep the Twins above water financially. But both MLB and the players' union must also pitch in...Something must be done to cap salaries and provide more equitable revenue sharing, so that teams like the Twins can succeed on the field and in the bank."

"Nowadays, professional sports is about the money. Just like the players who go where the biggest check is being offered, owners gravitate toward markets with the most money," argues the **St. Cloud Times (12/5)**. "Amending or eliminating baseball's antiquated antitrust exemption won't change that. So, even if this congressional effort succeeds, Minnesota still will be hard-pressed to keep the Twins. Why, then, pursue this particular option?"

TakeNote

Policy Tidbits

The noticeable lengthening of daylight raises spirits and quickens our steps. Let's just hope these observations don't prolong winter by frightening Punxsutawney Phil.

The University of Washington is jumping into the expanding market for online secondary school classes. The target market is motivated high school students looking for challenging electives that might not otherwise be available. Online courses include chemistry, American literature and sociology. Students pay \$475 per course. A company founded by Paul Allen, the co-founder of Microsoft, is creating the courses.—*Lyle Wray*

Through the magic of modern communications our May 18, 1999 *Minnesota Journal* article on 'Adolescence' got to a person we don't know who lives we-don't-know-where. She emailed this response:

"Thank you so much for the article. It concisely articulates just about everything I felt as a teenager in a large suburban high school: disconnection, alienation, a total erosion of self-confidence, no sense of mastery, self-sufficiency or direction towards adulthood.

"Now at 30 I'm only beginning to understand why those years were so miserable. Adolescence is a post-modern sham, an artificial creation born of (adult) material concerns. It keeps unemployment figures down and young men off the streets. Most girls can bear children by the age of 12 but must suppress this natural urge in order to sit on their butts for another decade taking tests. More teenagers should be learning trades, not sitting passively in cages during the most vital years of their lives. We've become an infantilized nation. It all makes me so angry."

—*Ted Kolderie*

When a budget crisis is hard upon them, legislators often say their only choices are 'cut' and 'tax'. The say they haven't time now to deal with the fundamentals that are causing the budget crisis.

But experienced legislators know that it's only the pressure of a crisis that creates the opportunity to get at the fundamentals. Nothing raises this question for the Minnesota Legislature this year like the financing of K-12 education. As it's currently configured, costs simply grow faster than revenues can be raised, and it is virtually impossible to 'cut'. It is an old-fashioned, high-cost system that still does not personalize learning in the way that students want. Unless its fun-

damentals are changed it will go on cutting, shrinking, deteriorating.

It's possible today to begin the shift to a lower-cost, more personalized kind of learning. The districts won't do it. For them it is entirely an effort to get the revenues up. Only the Legislature can do it.—*T.K.*

Most economic development conversations about Twin Cities clusters—geographically concentrated groups of companies and institutions linked by common technologies and skills—center on the region's preeminence in bio-medical devices. Less well known perhaps is the Twin Cities international reputation in advertising and creative design.

For the past 10 years, the international design magazine, *I.D.*, has annually spotlighted 40 designers or companies that influence "the world through great design." This year, the magazine departed from focusing on the *who* and instead recognized the *where* of international design. Minneapolis was one of 40 featured cities on an international list that included traditional design powerhouses like New York, London, Milan and Paris.

The section on Minneapolis is called "Big Houses on the Prairie" in tongue-in-cheek recognition of the region's many internationally recognized design "houses." The article notes that Minneapolis has the second-largest chapter of the American Institute of Graphic Arts (AIGA) and is firmly anchored on the "big-idea map" of design. For more information, check out www.idonline.com. —*Phil Jenni*

Great strides are being made in "clean" transportation across the nation, but Minnesota seems to be behind the curve in these innovations.

The organization National Clean Cities recently announced their "Top Ten Coalitions" for best performance in 2000. The list is based on a number of factors, including data collected from the Clean Cities Coordinator surveys which track the number of alternative fuel vehicles (AFVs), refueling stations added during the year for those vehicles, and the total number of AFVs and refilling stations in the service area. Places on the top ten list include: North Jersey, Northeast Ohio, Commonwealth Kentucky, Atlanta, Greater Tulsa, Dallas/Ft. Worth, Metro Denver, San Joaquin Valley California, Los Angeles and the San Diego Region. Minnesota is conspicuously absent from the list.

In other AFV news, campuses across the nation are switching transportation fleets to alternative fuel vehicles. The University of Kentucky and Murray State University use vehicles that run on 85 percent ethanol-fuel. The University of Louisville recently started replacing older vehicles with zero-emission neighborhood electric vehicles. Emory University is using electric vehicles in addition to a fleet of natural gas-fueled vehicles. Maybe the University of Minnesota could start a program like this for shuttles.

—*Scott McMahon*

"Take Note" contributors include Minnesota Journal and Citizens League staff members.

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

Lyle Wray marks his 10th anniversary as Executive Director of the Citizens League on February 10, 2002. He is only the fifth Executive Director in the League's 50 years; a testament to the quality and stability of the League's leadership.
Thanks, Lyle!

Citizens, creating good ideas, for a better Minnesota

The Citizens League celebrates its 50th birthday in 2002

The Citizens League is celebrating its 50th anniversary with a glimpse back at past achievements and by looking forward to coming challenges.

The roots of the Citizens League go back a full decade before the League's incorporation in 1952. In the early 1940s a group of young Minneapolis business leaders, concerned about the increasing impact of government on individuals, decided to work together to influence elected officials and government actions.

In November 1942, **Felton Colwell, Leslie Park, Bradshaw Mintener, James Slocum, Roger Gurley, Austin Caswell, Lloyd Hale** and **Stuart Leck** decided to set up a political action group. The Good Government Group was adopted along with the slogan, "Instead of Beefing, Let's Act."

According to the group's statement of purpose, "The American citizen is being convinced...that democracy is failing because government is controlled by the politicians, and the individual citizen is left bewildered. ... Our city, county and state needs a strong group devoted solely to good government, effectively organized to compete with the many pressure groups already long entrenched and now aggressively functioning in behalf of self interests."

In January 1951 the executive committee of the Good Gov-

ernment Group, which had grown to 127 members, discussed expanding into a broadly based membership of 2,000 to 3,000 people representing all of Minneapolis and Hennepin County.

Under the leadership of **Stanley Platt**, the executive committee studied other cities that had "outstanding political action and research organizations." The group decided to use the Seattle-King County Citizens League as a model.

In November 1951 a temporary office for the new organization was established at 901 Foshay Tower with **Florence Lehmann** as acting Executive Secretary. A statement of purpose for a "Minneapolis Municipal League" was signed in December 1951.

The formal organizational meeting of the Citizens League was held on February 14, 1952, in the auditorium of the North American Life and Casualty building. **Leonard Ramberg**, chair of the Good Government Group steering committee, presided. Over 250 people attended the meeting; 142 joined the new organization. By-laws and articles of incorporation were adopted and the first Board of Directors elected.

Next month: The fledgling Citizens League gets organized and expands its membership and scope under first Executive Director Ray Black.

League activities in 2002

A 50th anniversary planning committee, led by League Board member **Christine Roberts**, has laid out a series of activities, and events, to mark the League's 50th birthday.

The celebration will begin in February with the announcement of a "blue ribbon" task force, chaired by **Sean Kershaw** and **Jean King**, to look at how the community should respond to policy challenges facing the region. The task force will meet through the spring, after which its recommendations will be shared with the community in a series of meetings, culminating in an "official" anniversary meeting in September.

Several other events, concentrating on the changing nature of the civic process, will be held this spring in conjunction with the **Humphrey Policy Forum** and the **Active Citizenship School**.

In addition, the Board has developed several groups to shore up League finances (see other side). By the end of the year the League hopes to use the information from both the internal and external projects to help it respond to new realities. The anniversary celebration will conclude in February 2003 with the announcement of a new permanent League project.

Property tax survey makes waves

The League's 35th annual property tax survey received a great deal of attention and generated quite a bit of discussion. The report was covered on the front page of the metro section in both the *Pioneer Press* and the *StarTribune*. *Pioneer Press* business reporter **Dave Beal** also mentioned the study in his Saturday column.

The report was featured in an **Eric Eskola** interview with Lyle Wray on **WCCO-830**. The **Minnesota News Network** also distributed a story on the report to its member radio stations throughout the state. **Alan Cox** of **WCCO-TV** interviewed Lyle Wray on the 5 o'clock news; and Lyle also bracketed the day with an early morning appearance on 'CCO's The Early Show.

While it's always nice to get such healthy news coverage, this year's tax survey also generated several calls from local units of government. Two township boards and a city council used the report at their planning retreats. One of the professed goals of the report is to inform local government officials of where their community stacks up relative to other communities. From the responses we've received so far, we're confident that this goal has been achieved.

We also hope to inform citizens, and provide them with vital information to discuss with their elected officials. Again we've received numerous calls from people throughout the metro area, and thanks to the power of the internet we're even getting responses from people outside Minnesota. Here's what we heard via email from a gentleman in Iowa:

Dear Citizens League:

Found your web site and really appreciate the work your group is doing. I live in Des Moines, Iowa and we have some of the highest property taxes around. I reviewed your Metro Minneapolis property tax comparison, and we are 40% higher than Chanhassen.

I would really appreciate it if one of your analysts could take a look at our tax bill and help me understand how DM can be so much higher than the Minneapolis area. I know this is a lot to ask, but perhaps there may be something you folks can learn too.

I am very impressed with the Citizens League's work, and only wish we had something similar locally. Thanks very much!

Kent Carlson
Des Moines, Iowa

*The annual property tax survey is an enormous undertaking involving literally thousands of pages of data. Each year the League relies heavily on information from the Minnesota Department of Revenue. Special thanks go to Revenuers **Kristina Coles**, **Dean Carter** and **Jerry Silkey**. Also our thanks go to **Kris Wilson**, former League staffer and to **Lynn Reed** of the Minnesota Taxpayers Association, for their counsel and support.*

Board addresses CL budget problem

In this space last month we related the importance of individual contributions to the League. Robust support from individual members is needed to fill a large budget hole created by the substantial decrease in corporate support for the League. Through a variety of reasons, mostly mergers, acquisitions and company misfortunes, the League has lost more than \$100,000 in support from the corporate community in the last two years. That means trying to replace nearly a quarter of the League's budget. Contract projects have helped some and individual support was strong at year-end but not enough to close the \$65,000 shortfall in last year's League budget.

The League Board of Directors held a special two-hour meeting on January 14 to consider the problem. President Dave Durenberger walked the Board through several financial trends and concluded that the League cannot continue under current trends. The Board reviewed several internal reports that have been done the last couple of years. They decided that because of the financial urgency, a broader discussion of the League's mission and programs should be held off, or at least done concurrently with a Board plan to tackle the immediate financial challenge.

The Board appointed an action group to take the lead in five areas of resource development including 1) improving the Board's capacity for fundraising, 2) corporate development, 3) earned income, 4) foundation underwriting and 5) individual membership and planned giving.

Specifically, the **Board Capacity** Action Group will recommend ways to improve the Board's institutional capacity to raise money. They will consider options such as creating a two-tier Board, one advisory/emeritus for fundraising, another for operations; adding new members with specific fundraising skills; reducing the overall size of the Board; and creating a Funding Strategy Committee.

The **Corporate Strategy** Action Group will consider strategies to retain current corporate support and attract new companies to the League and think about different segments of corporate support and what kind of support, will appeal to different targets.

The **Earned Income** Action Group will develop and help implement a strategy for pursuing earned income for the League. They'll review past activities, consider what kinds of projects have the most potential, develop a marketing plan and determine appropriate role of the Board in soliciting prospects.

The **Foundation Partners** Action Group will recommend targets, tailor the League message and take a lead role in contacting potential foundations for long-term underwriting of the League.

The **Individual Strategy** Action Group will consider the League's dues structure and annual appeal strategy. They will also plan and help implement a national foundation challenge grant for endowment gifts to stabilize finances of the League and other similar organizations in the country.