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A publication of the Citizens League

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Median tax hike on typical metro homes \$123; \$58 in nonmetro cities

Property tax bills for owners of average-value homes went up by over 10 percent in 1992 in more than a third of the 95 largest communities in the metropolitan area and two-thirds of the 27 largest nonmetropolitan cities.

That's one of the findings of the Citizens League's 26th annual homestead property-tax survey. This survey analyzes taxes for nonagri-

by Jody A. Hauer

cultural homes in the 95 cities and towns of 2,500 or greater population in the metropolitan area and 27 cities of 9,000 or more in nonmetropolitan Minnesota. (A primer on calculating property taxes accompanies this article.)

The median increase in taxes on average-value homes in the seven-county metropolitan area was \$123, compared to \$58 in the largest nonmetropolitan cities. Tax increases on the metro area homes ranged from less than one percent in North Oaks to more than 16 percent in Jordan, with a median change of 10.3 percent. In the nonmetropolitan cities the rates of increase ranged from 2.8 percent

in Fergus Falls to 19 percent in Virginia, with a median increase of 11.3 percent.

Although the average-priced home in Virginia felt the biggest percentage increase over last year, at \$301 its property tax was the lowest of any city surveyed. Taxes in Virginia are relatively low because the value of the average home there is among the lowest and because of the advantage provided by the taconite homestead credit paid to homeowners on the Iron Range.

Readers should be aware that the analysis is not intended to estimate taxes for a specific property. The

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Christenson: Long-term view needed

by Dana Schroeder

Editor's note: Gerald Christenson retired on June 30 after nine years as chancellor of Minnesota's community college system.

Don't expect Jerry Christenson to take part in the latest round of government bashing. He believes firmly in the importance of government—not surprising for someone who has spent virtually his entire career in public service.

But Christenson's belief in government is not without a caveat. He speaks passionately of the need for

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New radar to allow closer landings

by Dana Schroeder

The sky is gray and hazy. You're in a holding pattern somewhere between Rochester and the Twin Cities while the plane you're on awaits landing clearance at Minneapolis-St. Paul International Airport (MSP). Sound familiar?

Estimates vary, but between 15 and 30 percent of the time in an average year, weather conditions reduce the landing capacity at MSP, increasing the likelihood of flights being put in holding patterns and passengers facing late flights and missed connections.

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'91 hospital-use rates flat for HMOs, lowest for closely managed plans

by Allan Baumgarten

Cities continues, and a year after two large HMOs merged, federal officials are now looking at the implications of a new HMO merger for competition in the Twin Cities health-plan market.

This article previews *Minnesota Managed Care Review 1992*, the Citizens League's third annual

analysis of key trends experienced by HMOs and other managed-care plans. Our analysis focused on inpatient hospital use by HMO enrollees in commercial plans and those enrolled in HMOs through public assistance programs.

Health maintenance organizations in Minnesota spent more than \$1.5

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Hold human-service agencies jointly accountable

Over the past 25 years we have consciously sought to develop human services responsive to the multiple needs of persons at risk. As we work to improve the results for customers in our human-service system, we must both significantly improve service coordination and bring customers more into the picture—through increased involvement in setting goals for service, incentives that fit with the goals of programs, and empowerment for them and their communities to work actively on the challenges they face.

What is the problem?

Multiple needs. Increasingly, individuals needing human-services resources require multiple interventions for a successful outcome. Often, one missing service, whether chemical dependency services or adequate housing, can torpedo an otherwise successful service outcome.

Program fragmentation. We structure our service system, from the Legislature to the service delivery level, largely by categorical program slices that do not fit the realities of people. To a large extent we are dealing with the same client in many parts of our service systems, but we are not doing so in a systematic manner. Recent testimony at a Metropolitan Council public meeting held that decisions are made with little awareness of how programs affect each other or whether they add up to a coherent overall strategy. When we face poor outcomes for people, this fragmentation among various

programs has made finger-pointing for failure a major growth industry.

Proliferation of agencies. Over the past 20 years there has been a proliferation of thousands of nonprofit human-service agencies in the metropolitan area. Paradoxically, consumers have little more real choice of who will serve them than they did before this explosion. This expansion of numbers itself may offer specialization and more convenient access, but it raises real challenges of coordinating efforts and minimizing duplication.

What is to be done?

Set realistic goals. Results of past efforts at service coordination counsel against too large a scope for coordination. Success seems most likely if efforts are modest in scope. Focus on some well-defined groups, establishing some degree of central coordinating authority, such as a committee of agencies with a budget, and improved connections with communities.

Adopt a system perspective. In a recent book, *Fifth Discipline*, Peter Senge suggests perhaps the only antidote to the complexity we face with thousands of agencies and

Viewpoint

by Lyle Wray

scores of categorical public programs. He advises adopting a system perspective as we address relationships within the service system and designing our interventions accordingly. We need system "maps" of how the various pieces can fit together more effectively.

Use technology to assist coordination. While not a panacea, electronic tools such as resource data bases and electronic communication links can improve services. Customers may get service at a variety of sites and have these efforts coordinated electronically.

Innovate new linkages. We are mounting many worthwhile efforts currently to make sense of the multiple players in areas such as prenatal and early-childhood services or school and social and health services. We need to do more in a systematic way to evaluate what works and why and to apply the results broadly. We should explore and evaluate efforts such as decentralizing decision-making on services to individual schools or to geographic areas and building cross-cutting problem-solving teams.

Work with underlying causes. The issue of symptoms versus underlying

causes is not a new one for human services. As we try to improve services, we should not expect them to deliver results beyond their possibilities. Social service alone, however well delivered and coordinated, will not solve underlying economic and employment conditions.

What will move us?

One major impetus for change is the mounting realization that services operating in isolation will not get the job done. Linkages between agencies to address the needs of school-aged children will require significant cooperation between school, county and nonprofit agencies. The pressures of international economic competition on our work places will not permit excuses for our major service-delivery systems failing to meet their responsibilities.

We will likely need incentives for cooperation and collaboration to overcome inertia. In the past two decades we have known much, but applied little, in the area of coordinating services. Crafting incentives that hold appropriate actors jointly accountable for jointly produced outcomes should be a leading public policy goal in the human-service area in the coming years.

Lyle Wray is executive director of the Citizens League.

Airport

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But the Federal Aviation Administration (FAA) plans to install a sophisticated new radar system in 1994 that should normalize the airport's landing capacity during most of those bad-weather intervals, effectively increasing the number of flights that should land on schedule during busy, bad-weather periods.

According to Nigel Finney, deputy executive director for planning and environment at the Metropolitan Airports Commission (MAC), landings will have to be delayed by weather only about one or two percent of the time when the new system is installed, in severe conditions such as snow on the runways or thunderstorms over the airport.

The problem the airport faces during bad weather is that its two parallel northwest-southeast runways—which handle the majority of takeoffs and landings—are only 3380 feet apart, according to Finney. That's nearly 1000 feet closer than the minimum runway separation of 4300 feet the FAA requires for planes to land simultaneously during instrument condition weather—low clouds, fog, or reduced visibility. As a result, landings must be staggered during bad weather, reducing the airport's landing capacity—its "arrival acceptance rate"—from 60 arrivals per hour to 48, Finney said.

The minimum runway separation applies only to landings, since planes must fly parallel for five to 10 miles in order to land parallel and run the danger of veering toward each other during that time in bad weather. During takeoffs

planes can turn away from each other immediately.

The airport's current radar system gives updates on airplane positions every five or six seconds, during which an airplane could drift hundreds of feet, according to Bruce Wagoner, the FAA's air traffic manager at MSP. The new precision runway monitor to be installed at MSP will give position updates every one or two seconds, alerting air traffic controllers if an aircraft drifts as little as 25 feet, Wagoner said.

MSP is one of five airports around the country that will receive the first set of precision radar system and is likely to be the first or second to have the system in operation, according to Finney. The other airports are Memphis, Atlan-

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Buy more services, operate less, League urges

From the Citizens League report Results for Citizens, Options for Officials, approved by the League board June 16, 1992.

Local governments in Minnesota under pressure. Demands for public service continue to grow, while their primary sources of revenue have not kept up. Local governments have often responded by cutting services and raising taxes and fees, thus giving citizens less for more.

What are the impediments to local governments doing things differently and better? Here are some key barriers:

Misplaced incentives and motivation. Local officials often work in a system of motivation and reward in which incentives are absent or encourage the wrong result. For example, if officials don't spend their entire budgets by the end of a fiscal year, they may not carry over the surplus to future years or invest it to improve service.

Lack of flexibility. Local officials often lack flexibility in identifying their responsibilities and how to best carry them out. This lack of flexibility is seen when the state delegates service responsibilities to local governments in a way that emphasizes complying with a detailed prescription for *how* things are to be done, rather than a shared vision of *what* should be accomplished.

Lack of evaluation. They may often lack a formal way of measuring and evaluating the outcomes of their services and sharing that information with citizens.

Lack of opportunities for citizen involvement. Citizens, in turn, lack tools and opportunities to hold their local government accountable and to encourage innovative approaches to service delivery.

We recommend:

Local governments, neighborhoods and individuals should have additional opportunities to manage service budgets as a means of improving service delivery.

Our premise is that, in many cases, dollars now spent for services can be spent in different ways to improve the delivery of services. We assume that the changes would have to be budget-neutral.

These new opportunities can take place on several levels. For example:

- Local governments should be given increased options for managing funds now designated for a certain service and controlled by other units of government. The local government, working closely with citizens, would design the service, select the vendor and manage the service budget.
- Neighborhood-level organiza-

tions should be given options for managing the funds designated for a certain service, including the authority to design the service and select the vendor.

One of the most significant ways of expanding choices for elected officials is to reinforce the fundamental distinction between local governments *deciding* and *doing*. We propose to create new opportunities for local governments to shed some of their operating responsibilities and operate as sophisticated buyers of services.

We recommend:

Local governments should be authorized and encouraged to transform their operating bureaus into enterprises.

A local government unit, e.g., a city or county public works department, could be transformed into a *public service enterprise*. In turn, city councils or county boards could enter into a contract for services with such new entities. In addition, the new enterprise could market its services to other cities, counties or school districts in the area.

In many service areas, local governments are the final delivery point in a state-local service system. Over the years, a complex system of mandated procedures has been instituted in some of these areas.

Because of this focus on *process*—doing things right, less attention is paid to *outcomes*—doing the right thing. In those cases where local government is carrying out those shared responsibilities (including most mandates), we propose providing those units with significant flexibility to craft a new kind of relationship with the state.

We recommend:

Local units of government and state agencies should develop contract relationships that focus on results. Such agreements would give the local unit significant flexibility for how it reaches those goals.

The Legislature should direct the Legislative Auditor or the State Auditor to develop and implement a program of performance auditing of local governments.

The Legislature should direct development and implementation of a performance accounting system to be used by local governments.

We think that citizens have a fundamental right to know how public funds are spent, to have measures of the quality of local services and to be able to compare local government performance. When program results are known, the public won't have to wait for sporadic investigative reports in the news media to find out how well programs are working.

Airport

Continued from Page 2

ta, Raleigh-Durham, and Baltimore-Washington International Airport. The FAA will pay for the systems and operate and maintain them.

With the new radar equipment the FAA will allow simultaneous landings during instrument conditions on parallel runways located 3400 feet apart. Finney said the FAA has agreed to waive the 20 feet by which MSP's parallel runways miss that mark.

The new radar system to be installed at MSP will be an electronic scan, or "E-scan" system, according to Wagoner. It is one of two types of quick-scan radars the FAA has been testing for the past

three years at the Raleigh-Durham and Memphis airports, said Bob Wylie, director of flight support services for Northwest Airlines.

The new radar system will not increase the airport's maximum landing capacity, which is determined by the number of arrivals that can be handled in good weather, Finney said. However, according to Wylie, the system "will enable us to sustain a higher level of capacity for a greater period of the time." The benefit will come in fewer delayed flights, fewer missed connections, and fewer "mishandled" passengers, Wylie said. "Whenever there are fewer misconnects, then our operating costs go way down." Finney agreed that fewer delays would be especially beneficial to Northwest's hub operation at MSP.

Finney said MAC's 1989 plan

looking at the future of the airport through 2020 assumed the new precision radar equipment would be in place by the year 2000. The fact that the equipment will be operating by 1994 should "stretch out the life" of the airport, he said, by adding landing capacity during busy bad-weather periods and reducing delays. The annual impact of the new equipment on landings at the airport is difficult to estimate, Finney said, because it depends how many flights are scheduled when the weather turns bad.

Finney said MAC's estimate for 1992 operations at the airport—each landing counts as one operation, as does each takeoff—was 380,000 to 385,000. However, Northwest's recently announced schedule change adding 26 more flights a day will probably bring the number of operations closer to 400,000, he said. Last year the air-

port handled 380,000 to 381,000 operations.

According to Finney, MAC's 1989 plan predicted an increase in annual operations at MSP to 527,000 by 2020, requiring the addition of a north-south runway on the west side of the airport. The number of passengers was predicted to increase from 19 million to 38 million, requiring the addition of approximately 32 new gates—there are 67 today—and a doubling of terminal space.

Finney said MAC intends to formally revisit the forecasts late this year or early next year. "My guess is they'll change," he said, "but I'm not sure in what direction. One of the big uncertainties is the status and future of Northwest Airlines."

Dana Schroeder is interim editor of the Minnesota Journal.

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billion in 1991 to buy health care for their enrollees from physicians, hospitals and other providers. About 1.2 million Minnesotans are enrolled in one of the 11 licensed HMOs in the state.

Use of ambulatory care by HMO enrollees is not covered in this article, but will be included in *Minnesota Managed Care Review 1992*.

Officials at the Minnesota Department of Health are now reviewing the HMOs' reports on ambulatory care utilization. Representatives of the HMOs and state agencies collaborated last year to develop uniform data definitions and new reporting forms for ambulatory care, much as they had developed a new reporting system for inpatient care a year earlier.

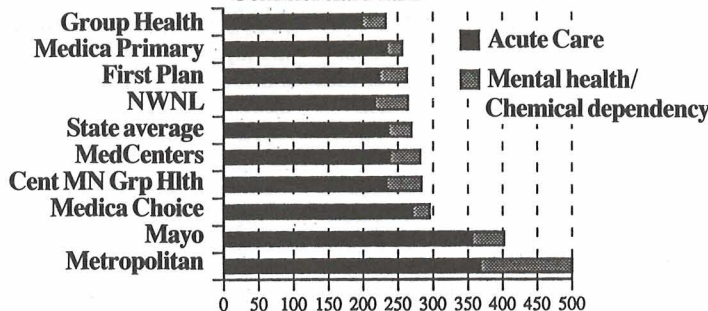
Overall rates of inpatient hospital use by HMO enrollees remained virtually flat in Minnesota in 1991. The state average for commercial plan enrollees under age 65 was 269.3 inpatient days per 1,000 enrollees. This measure does not include hospital stays for well newborns or nonacute care.

The use of inpatient care for mental health and chemical dependency treatment declined by as much as one-fifth last year, although the actual extent of the decrease may depend on the reporting practices of certain HMOs. On average, 12.2 percent of hospital days were for mental-health and chemical-dependency treatment.

Some HMOs that have more closely managed provider networks reported the lowest rates of hospital utilization. As shown in Chart 1, Group Health reported the lowest rate of inpatient care: 233 days per 1,000 enrollees; Medica Primary (formerly known as Share) was second. Group Health's utilization was up by about 10 percent over 1990.

Of the other large Twin Cities HMOs, Medica Choice (formerly known as PHP) showed the highest rate of hospital utilization, at 295 days per 1,000 enrollees. Medica Choice, with a provider network of 4,454 physicians, operates a more loosely managed delivery system. Last year our report noted that higher hospital days at some HMOs were partly offset by their relatively low rates of ambulatory

Chart 1
1991 Inpatient Hospital Days Per 1,000 Enrollees:
Commercial Plans



care.

Controlling rates of hospital admission and lengths of stays has been a fundamental element of HMOs' cost-containment strategies. HMO enrollees in Minnesota use significantly fewer hospital days on average than the total population, although that gap has been shrinking. The Health Right bill, enacted by the 1992 Minnesota Legislature, generally assumes that the expanded health plan for persons now without insurance will use the managed-care techniques of HMOs. With those tools, the Legislature hopes to limit inappropriate hospital use and to generally contain health-care costs.

Differences in hospital utilization rates don't seem to explain the 1991 financial results for HMOs serving public assistance clients. By the end of 1991, more than 83,000 public assistance clients, most of them in Hennepin County, were enrolled in one of six HMOs. These include young families who receive Aid to Families with Dependent Children and Medical Assistance (MA), and General Assistance (GA) recipients, most of whom are single men. GA recipients in Ramsey County are enrolled in a managed care plan administered by NWNL Health Network.

In a May 12, 1992 *Minnesota Journal* article on the HMOs' 1991

financial results, we reported that two public HMOs—Metropolitan Health Plan and UCare—had posted large surpluses on their plans for public assistance clients. About \$5.5 million of Metropolitan's surplus was from serving 6,900 General Assistance enrollees in 1991.

As shown in Chart 2, public assistance recipients as a group, and GA recipients in particular, use relatively more hospital care. For example, MA enrollees at Metropolitan used 666 days per 1,000 and GA clients used 1,070 days.

Interestingly, Metropolitan and UCare are reported significantly higher hospital use than two other HMOs who reported small 1991 losses on their public assistance plans, Group Health and Medica Choice. Group Health reported 427 and 482 days per 1,000 enrollees in its two small MA plans. Medica Choice, which operates the largest public assistance HMO plan in the state, reported 518 inpatient days per 1,000 enrollees.

Health-care realignment

Over the last 18 months, the state has seen a series of mergers and realignments of health providers and plans. Two large HMOs, Share and PHP, which had both been managed by United Health Care, merged in early 1991 and are operating under the names Medica Primary and Medica Choice. (For

various reasons, they still operate as two separately licensed HMOs.)

Park Nicollet Medical Center and Methodist Hospital joined forces, partly to market their services directly to large employers. A proposal to merge the Health One and Abbott-Northwestern hospitals has run into objections from attorney General Hubert Humphrey's office, which has called the proposal anticompetitive. As might be expected, officials at some local HMOs are happy to see that merger held up.

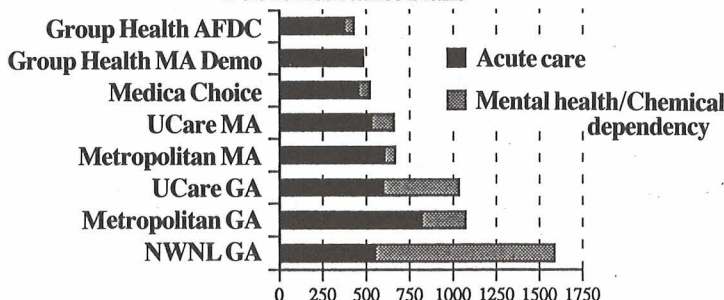
Earlier this year, Group Health and MedCenters, the second and third largest HMOs in the state, announced plans to merge. The two HMOs—working with Park Nicollet Medical Center and the Mayo Clinic under the name Group Care Consortium—have already been marketing jointly operated plans. The Business Health Care Action Group, a purchasing consortium of 14 large employers who self-fund their benefit plans, recently selected the Group Health-MedCenters entity to develop health benefit plans for their employees. Until now, both Group Health and MedCenters have been relatively small players in the local market for administering self-funded health plans.

In addition to reviews by state regulators in the Department of Health, attorneys from the Chicago regional office of the U.S. Department of Justice are also examining the proposed Group Health-MedCenters merger. They are trying to determine whether this increased concentration of enrollment in a merged HMO will adversely affect competition in the Twin Cities area. For example, the Justice Department is asking whether the HMOs would have enough clout to demand exclusive arrangements with physicians and other providers.

The changes of the past year are likely to be only the beginning. Health plans and providers are busily reorganizing so they can meet the challenges posed by Health Right and by employers who are looking for better ways of managing their employees' health-care plans.

Allan Baumgarten is associate director of the Citizens League. This article is based on a new report, *Minnesota Managed Care Review 1992*, which will be available for purchase from the Citizens League at the end of July.

Chart 2
1991 Inpatient Days for 1,000 Enrollees:
Public Assistance Plans



Christenson

Continued from Page 1

leaders to transcend narrow politics and take the long-term view of public issues. And he thinks marbles can help.

Christenson is in a position to know government. The just-retired community college system chancellor started his career as a Minnesota high school teacher, moved to Washington as chief-of-staff for Congressman Joseph Karth, worked in several federal agencies, and returned to Minnesota to serve as state planning director, commissioner of finance, vice president of Metropolitan State University, and legislative auditor before becoming chancellor.

While he prefers not to be negative, he admitted that his weariness with "the narrow and the political, the reelection, the campaign funding, the lobbyists" contributed to his decision to retire.

But he sees reason for optimism. The ability of the governor and the Legislature to work out the Health Right bill during this year's legislative session inspired him. "It certainly demonstrated that's the way we ought to be functioning in this state and in this country," he said. "We ought to be solving problems and not trying to get one-up on somebody else politically."

Christenson believes government and democracy can work and that politicians want to do what's right. "They want to take care of this environment, they want a strong state economy, they want good education, they want to take care of senior citizens," he said. "But they want help in deciding how to do it."

The key, in Christenson's mind, is translating between the planners and the politicians—a role for people who understand planning, are committed to policymaking, and know the political scene. It's a role he has clearly played masterfully during his years of public service, although he modestly shakes off such claims.

"We need to understand the power of politics, but we need to try to elevate politics so it's used for public policy," Christenson said. "We've got to place a high priority on developing long-range plans and policies for the state. We've got to have the courage to go out

and be leaders and tell people 'This is what it all means, and we ask for your support.'"

The alternative?

A vacuum develops and politics take over, Christenson said. "Then I know who's going to win in the legislative halls: those people who have the most expertise and a single-purpose, short-range goal."

Christenson puts part of the onus for lack of a long-term view on the news media. "I think journalists have an important role to play here," he said. "If all they're going to do is put somebody on the news who comes up with a cheap, quick idea, that's a big temptation. Politicians have to have incentives. They have to get rewarded for good work. Unfortunately with those television bites there isn't much payoff for long-range public policymaking."

He points to the accomplishments of the early years of Wendell Anderson's term as governor—the "Minnesota Miracle" years—as an example of what can be done when

was marvelous. Not perfect. What we did was solid within the political context. I'd love to work in a world where you could just do things rationally, right out of the textbook. That isn't very hard. When you've got to weave it together with the political on a statewide basis—from Rainy River to Worthington, suburban

"We ought to be solving problems and not trying to get one-up on somebody else politically."

—Jerry Christenson

leaders have courage and vision. Christenson served as state planning director during those years. He recalled how policy and politics mixed in developing the Minnesota Miracle plan.

"Our basic plan was to key property tax relief to K through 12 education," he said. "We knew we had a problem as we got into it, because if we just keyed to school aid, the suburbs were big winners and the central cities were big losers." To help the central cities, they enriched the school aid formula for central cities and "reluctantly" added in local government aid.

"We didn't want to get into municipal aid," he said. "I'm for equality in K-12 education, but sidewalks and curbs—I don't get very excited about that. If we'd had our way we would have just provided the local government aid to the central cities, but you couldn't get the votes."

"In retrospect, I think what we did

and big city and small city, poor and rich—that takes some real effort."

Today he believes targeting local government aid should be given a fresh look, since the program is such a "big-ticket" item.

Christenson deplores reactive government. He referred to a Finance Department analysis of the state budget for 1992 to 1995, which shows where state funding will be committed if there are no changes in state policy.

Waving the budget analysis sheet, Christenson said, "When I saw this, I said, 'What you're telling us is that the state has already made a plan for the future.'" He said "clever legislators" have already built in much of the state's future spending.

"Is that the way we should determine the future?" he asked. "I'd be trying to look at where the state



ought to be heading. We ought to be investing in the future. This isn't investing, this is just moving it along. What we better have is some kind of vision. It's not hard to react. But that's no way to run a government or a business."

Christenson believes leaders must have serious conversations with citizens to determine priorities, conversations that go beyond superficial questions such as "What should the Legislature cut next?"

That's where the marbles come in.

"If you really want to be serious with people, you ought to take 100 marbles," an animated Christenson said. "You'd say to people: 'That's the budget. Now you decide how many of those marbles you want to put into K-12 education, how many into transportation, how many into nursing home care.'"

He maintains the exercise would help people begin to understand the magnitude of various state programs and help focus our spending priorities.

Christenson believes his most important message is broader than his thoughts on any one issue facing the state. Although it's been 38 years since he faced his first high school social studies class and undoubtedly made the same point, he still speaks with the fervor of a man who believes government can work if we want it to.

"All of us have got to be a lot more concerned about being good citizens," he said. "I don't think we ought to take for granted the democracy and freedom in this country."

Editors wary of gambling growth, racetrack future

Worthington Globe said (July 1) the horse racetrack should "sink or swim" on its own and urged lawmakers to get "out of the horse business." **Star Tribune** said (June 22) the proposal to allow the Mdewakanton Sioux to buy Canterbury Downs horse racing track deserves consideration to "keep jobs alive and investments whole." **St. Paul Pioneer Press** urged (June 12) keeping a moratorium on gambling and said Minnesota does not need "a desperate attempt to insulate every gambling entity from competitive hazards." **Red Wing Republican Eagle** supported (June 26) the gambling moratorium and said the "marketplace may provide the best roadblock to further gambling proliferation." It also called (June 11) for a gambling summit, with all gambling interests represented, to set a clear course for the future.

Mankato Free Press said (July 1) Minnesota's Republican party will not be viable until it "motivates more moderate Republicans to get involved in party leadership." **Hibbing Tribune** said (June 29) concern over extremists controlling the political parties could be criticism "from party regulars who are seeing their power base slip away." **Princeton Union-Eagle** called (June 25) the IR party's rejection of Gov. Harold E. Stassen as a delegate to the national convention on the basis of one issue a

On Balance

Editors' fingers were pounding hard around the opinion track.

"dreadful and costly mistake." **Star Tribune** said (June 24) the IR party's "extreme anti-abortion zealotry will doom (it) to increasing irrelevancy." **Fargo-Moorhead Forum** said (June 23) following the IR state convention, "IRs ought to be embarrassed by their performance" and "DFLers must be smiling." **Republican Eagle** said (July 2) "abortion extremists are driving people away, to the detriment" of the IR party.

Rochester Post-Bulletin said (June 12) the current outlook for Northwest Airlines is bad for Northwest's owners and "equally bad for Minnesotans." **Free Press** said (June 9) as Northwest's problems mount, taxpayers are "pushed toward a no-win situation." **Hibbing Tribune** urged (June 21) patience and predicted that within a year construction will begin on the airline's maintenance bases in Hibbing and Duluth. **Duluth News-Tribune** said (June 5) Northwest should have released earlier the information about its delayed purchase of 25 Airbus jets.

St. Paul Pioneer Press called (July 9) lowering the voting age to 16 a "childish idea." **Republican Eagle**

said (July 6) instead of lowering the voting age, elected officials should "examine the real issues behind the apathetic voting public at all ages." **International Falls Journal** agreed (July 2) and said we should seek ways to "encourage those who already can vote to exercise their rights." **St. Cloud Times** said (July 3) young Americans should be encouraged to participate in the political system in ways other than voting.

West Central Tribune urged (June 17) the state attorney general's office to appeal the ruling that invalidated a waiting-period requirement on new residents applying for welfare benefits. **Benidji Pioneer** agreed (June 17) saying such an appeal would be "in the best interests of Minnesota residents." **Pioneer Press** said (June 15) "residency requirements are not unfair" and urged an appeal.

Marshall Independent said (June 17) school choice will be fought in the courts until those who oppose it admit that "free markets are as good for schools as they are for hamburgers."

Pioneer Press said (June 8) the

"concept of outcome-based education starts to answer the problem of too many students unprepared to enter the job market."

International Falls Journal said (June 30) whether schools would benefit from consolidation should be left for "individual districts to decide instead of the state." **Republican Eagle** said (July 3) despite anxieties and emotions on consolidation one must ask whether it is "reasonable and logical to have 411 separate entities governing education in Minnesota."

West Central Tribune said (June 23) doctors' fee information should be available to patients so they can pay attention to prices and make informed choices about health-care purchases. **St. Cloud Times** said (June 23) until the Legislature can be sure that health-care costs won't significantly increase, it should place a moratorium on further expansion of Health Right, the insurance program for uninsured residents.

Benidji Pioneer said (June 21) legislation is needed to "foster efficiencies in the way government operates." **Hibbing Tribune** said (June 22) governments should "look to business for solid ideas on customer service" but cautioned against looking just at "what will turn a buck."

Taxes

Continued from Page 1

survey includes only owner-occupied homes, not rental properties, businesses, or other types of property. Taxes on these types of properties will differ from taxes on homes; the results of this survey should not be used to gauge taxes on other properties.

Cities in the metropolitan area with the highest taxes in 1992 on their average-value homes are (school district is listed in parentheses):

North Oaks (621) \$5,215; **Wayzata** (284) \$4,887; **Orono** (278) \$4,482; **Deephaven** (276) \$4,476; and **Shorewood** (276) \$3,690.

Metropolitan communities with the lowest taxes in 1992 on average-value homes are:

Linwood Township (831) \$616; **East Bethel** (15) \$659; **St. Paul Park** (833) \$774; **Columbia Heights** (13) \$793; and **Belle Plaine** (716) \$816.

Among the 27 cities surveyed in nonmetropolitan Minnesota, those with the highest 1992 taxes on their average-value homes are:

Northfield (659) \$1,051; **Elk River** (728) \$925; **Rochester** (535) \$883; **Hutchinson** (423) \$811; and **North Mankato** (77) \$776.

The nonmetropolitan communities with the lowest 1992 taxes on their average-value homes are:

Virginia (706) \$301; **Hibbing** (701) \$332; **Brainerd** (181) \$412; **Albert Lea** (241) \$458; and **Fergus Falls** (544) \$465.

The taxes printed above reflect estimates for a typical home in those

communities. They are based on the average value of all home-steads in each city. This comparison reflects both differences in home values and tax rates among communities.

A different analysis allows a comparison of the tax bills of similarly priced homes in different communities. For this analysis the Citizens League estimates taxes using a home that would sell for a similar price, \$90,000, in each community. The \$90,000 selling price is adjusted for local assessment practices. Such an adjustment is necessary to reflect how assessors would value the home for taxation purposes. A danger in using such a hypothetical home is that its value might be quite different from the actual value of the majority of homes in any given city.

With this caveat in mind, in the metropolitan area taxes on homes that sell for \$90,000 range from

\$1,381 in Little Canada to \$830 in Forest Lake Township. As a percentage of the homes' \$90,000 selling price, the taxes ranged from 1.5 to 0.9 percent.

Cities in the metropolitan area with the highest taxes in 1992 on homes that would sell for \$90,000 are (school district is listed in parentheses):

Little Canada (623) \$1,381; **St. Paul** (625) \$1,303; **Brooklyn Park** (279) \$1,282; **White Bear Lake** (624) \$1,277; and **Roseville** (623) \$1,271.

Metropolitan cities with the lowest estimated taxes on homes selling for \$90,000 are:

Forest Lake Township (831) \$830; **Spring Lake Township** (719) \$836; **Afton** (834) \$876; **Lake Elmo** (834) \$892; and **Lin-**

Continued on Page 7

Taxes

Continued from Page 6

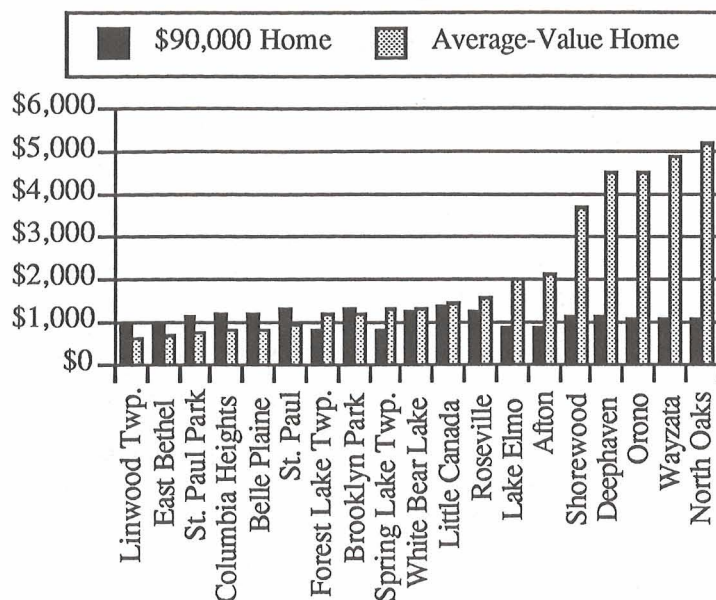
wood Township (831) \$915.

A tax estimates in this analysis assume the homeowners apply for the special targeted property-tax refund available from the state. This refund is available to any homeowner, regardless of income level, who experienced a property tax increase over last year of 10 percent or more; the increase had to be at least 60 dollars.

Taxes vary from year to year and from city to city for a variety of reasons, including changes in the value of the property. In all but 10 of the communities in the survey, the average value of a home increased from 1991 to 1992. In the metro area cities the median increase in average-home value was 2.3 percent; 10 metro cities saw decreases in average-home value. Outside the metro area the median increase in average-home value was 3.7 percent.

Changes in the tax rates set by local units of government partly account for the increases in estimated taxes. Homeowners in all but five metropolitan cities saw increases in the cumulative tax rates. The cumulative rate is the

1992 Homestead Taxes for Select Metropolitan Cities



sum of tax rates generated by the city's, school district's, county's and other taxing jurisdictions' (such as hospital or watershed districts) levies. Tax rates will increase if taxes grow at a faster rate than property value, or if taxes remain constant and property value declines. Property taxes can increase if spending increases or if there is a loss of revenue from another source, such as state aid.

School districts typically account for the largest share of the property tax rates. In the metro area school districts account for 50 percent of the total tax rate, on the average, followed by counties at 29 percent, cities at 17 percent, and miscellaneous taxing jurisdictions at three percent.

In the largest nonmetropolitan cities the school district share is an

average of 42 percent of the total tax rate. Counties account for an average 34 percent, cities 24 percent, and miscellaneous taxing jurisdictions less than one percent of the total tax rate.

Many areas have voter-approved levies to provide additional income for their school districts. Eighty-one of the 95 metropolitan communities are in school districts with approved levy referenda affecting 1992 taxes. The excess levies range from 3.367 percent in Lakeville—where the levy generates \$100 in revenue and aid per weighted average daily member (WADM)—to 27.357 in the Minnetonka school district, where the levy generates \$1,554 per WADM. For the first time, referenda taxes paid this year generate aid from the state for up to one-third of the amount needed.

Outside the metropolitan area, 19 of the 27 largest communities are in districts with excess levies. The excess levies range from 2.354 percent in Virginia (\$36 per WADM) to 17.951 percent in Northfield (\$442 per WADM).

Jody A. Hauer is a research associate of the Citizens League and associate editor of the Minnesota Journal. The study on which this article is based is available for purchase from the Citizens League.

Want to figure 1992 property taxes? Here's how

Calculating homestead taxes takes four basic steps.

Estimated Market Value—First, one must know the market value of the home estimated by local assessors—their judgment of what the home would sell for in an arm's-length sale.

The estimated market value for the average-value home in the Citizens League survey is the average of all homestead property in each community. For the hypothetical \$90,000 home, a market value is estimated using a "sales ratio"—a number calculated by the Minnesota Department of Revenue to show the difference between the assessors' valuation of property and the price for which homes are actually selling.

Tax Capacity—Second, one must know the home's tax capacity, or how much of the property's value is subject to taxation. The League has determined that less of a home's value should be taxed than of a business or apartment building, for example.

For taxes paid in 1992, one percent of the first \$72,000 of home value is taxable. For

home values between \$72,000 and \$115,000, two percent is taxable value. And 2.5 percent of any value over \$115,000 is taxable.

As an example, the tax capacity of a home with an estimated market value of \$87,650 is determined as follows:

Step 1: Multiply the first \$72,000 by 1 percent = \$720.

Step 2: Multiply the difference between \$87,650 and \$72,000 (\$15,650) by 2 percent = \$313.

Step 3: Add \$720 + \$313 = \$1,033 = Tax Capacity.

Tax Capacity Rates—Third, one must know the tax rates, which indicate how much the local units of government have decided to tax property. The tax capacity rates, formerly known as mill rates, are the result of dividing the amount of money local units need to raise by the value of their tax base. For every \$100 of tax capacity, a 50 percent tax rate would raise \$50, a 100 percent tax rate would raise \$100, and so on.

The total of the tax rates of each taxing jurisdiction—school, city, county, and miscellaneous jurisdictions like watershed districts—is applied to the home's tax capacity to determine the tax. In the example of a home with a tax capacity of \$1,033, assume the total tax rate for its community is 107.22 percent. Multiplying the rate against the tax capacity gives the homeowner's tax of \$1,108. If the homeowner qualifies for any of the property tax relief described below, the tax bill will be lowered.

State-Paid Property Tax Relief—Fourth, one must know how much property-tax relief, if any, one is eligible for. The state of Minnesota provides this tax relief with revenues it collects from income and sales taxes.

Homeowners might qualify for either of two tax refunds. They must apply for the refunds; the refunds are not automatically included on tax statements. One is known as the "circuit breaker." It is available to homeowners whose property tax bills are high relative to their income. Renters are also eligible to receive a renters' credit to relieve the tax burden they pay through rent. The Citizens League survey of home taxes does

not include a calculation for a circuit-breaker refund.

The second is called the special targeted property-tax refund. It is available to all homeowners, regardless of income, whose tax bills increased at least 10 percent over 1991. The tax increase had to be at least \$60. The refund pays 75 percent of the first \$275 of the qualifying increase. It pays 90 percent of any increase above \$275. However, the refund is not available to homeowners whose tax bills increased due to rises in value brought about by physical improvements to their property.

The Citizens League study assumes that all homeowners applied for the targeted refund and that none of the valuation increases resulted from improvements to the property.

The state provides other forms of tax relief. A taconite homestead credit is available to homeowners on the Iron Range. The League analysis included this credit for the tax estimates in Hibbing and Virginia. The state also pays aid to local governments that reduces the taxes they must collect from owners of homes and other properties.

Light rail on 35W would require four freeway lanes

In the emotional debates about how best to build transit into I-35W south of downtown Minneapolis, at least one gross misunderstanding has developed. Groups opposed to widening the freeway's right-of-way have implied, or declared outright, that installing light-rail transit (LRT) would mean no expansion of the right-of-way, and no taking of houses, in contrast to installing additional road lanes.

In fact, LRT would require, with stations, a width equal to slightly more than four freeway lanes. And the design options incorporating LRT would take just as much housing as the non-LRT options.

The Metropolitan Council forecasts that during peak periods light rail would carry the equivalent of just about 1.5 regular freeway lanes. LRT ridership forecasts have repeatedly proven notoriously over-optimistic in cities throughout the country, but the council's are highly professional and responsible, so let's assume they're accurate.

If that's the case, and we install LRT, we'll be expanding width by the equivalent four-plus freeway lanes in order to gain 1.5 lanes in ridership at the periods of peak travel. That doesn't appear to be a great bargain. Just one high-occupancy vehicle (HOV) lane in each direction could well carry substantially more riders in buses and car pools, saving not only expansion space but considerable capital investment, as well.

—Pete Vanderpoel

Eighty-one cities around Minnesota had more than 10 percent of their tax base reserved for tax-increment financing districts in 1991—a jump of 22 percent more cities than in 1990. That followed a 65 percent increase in 1990 in the number of cities reserving over 10 percent of their tax base for TIF. In 1991, 30 metropolitan communities and 51 nonmetropolitan communities fell over this 10 percent mark.

TIF is a financing tool cities use to reserve property tax revenues collected from certain properties to help pay for the development or redevelopment costs of those properties.

Some cities are particularly heavy users of TIF: Chanhassen had

more than 34 percent of its tax base captured in TIF districts in 1991; Chaska and New Germany had 27.7 and 24.5 percent, respectively. The town of Des Moines in Jackson County topped communities outside the metropolitan area, with 32 percent of its tax base in TIF districts in 1991; the cities of Chisago, Dexter, International Falls, Sauk Rapids, and the town of Silver Creek each had more than 22 percent. —Jody A. Hauer.

Alain Enthoven, the health economist from Stanford University, described his plan for health-care reform at the annual meeting of the Group Health Association of America in Minneapolis in June. His proposal would replace voluntary, fee-for-service insurance plans with mandatory, prepaid coverage offered by competing health plan companies. An audience member noted that neither President Bush nor Governor Clinton had embraced Enthoven's approach and asked whether he had been in touch with the Ross Perot campaign. Enthoven said yes, that he had traveled to North Dallas to preach his gospel, and got a respectful hearing. However, given that Perot made his billions by processing fee-for-service insurance claims, Enthoven didn't expect him to embrace prepaid insurance plans.

Enthoven also challenged part of the logic behind the Minnesota Employers' Association arrangement with Prudential to offer a health plan for small and medium-sized businesses. Rather than offering only one plan to employees, as the Employers' Association proposes, Enthoven argues that companies should stimulate competition by plans and providers by offering a choice of plans with different providers.

—Allan Baumgarten.

Minnesota Commissioner of Education Gene Mammenga has appointed a new 30-member Equity Policy Advisory Group to take a long-range look at the issue of equity in education in Minnesota. The group will make recommendations to Mammenga in a number of areas, among them fi-

Take Note

*"Two roads diverged in a wood, and I—
I took the one less traveled by,
And that has made all the difference."*

—R. Frost

nancing, school district size and organization, and assessment issues. Committee members represent diverse backgrounds and areas of the state and will meet monthly from August until next July. Among the members is former Governor Al Quie. Heated debate on the equity issue continues, following Judge Meyer's decision in the *Skeen* case last December that differences in revenues based on differences in property wealth among school districts are unconstitutional. (See *Minnesota Journal*, Feb. 18, 1992.)

—Dana Schroeder

Tax giveaways to wealthy citizens and those with above-average incomes increasingly are being criticized at the federal level (albeit without congressional action to right inequities). Meanwhile, Minnesota has quietly reined in one such program at the state level—the special, or so-called “targeted,” residential property-tax rebate started in 1989.

For property taxes paid last year, this program paid refunds of 75 to 90 percent of any homeowner's tax increase of more than 10 percent over the previous year, *regardless of the home's value or the taxpayer's income*, once the increase reached \$40. So a law intended to buffer poor and moderate-income folks from sharp property-tax increases provided more than \$3 million in rebates to homeowners with 1991 incomes above

\$105,000, including half a million to those earning more than \$500,000. One refund was more than \$50,000, and 28 each amounted to more than \$10,

Those results “are indicative of how untargeted our targeted program really is,” Sen. Ember Reichgott (DFL-New Hope) commented drily as the Senate Tax Committee considered such statistics last spring. The 1992 Legislature tightened eligibility slightly and added a ceiling of \$1,500 per rebate.

That's nice, but...First, the program still subsidizes the undeserving well-to-do, but only to the tune of \$1,500 each. Second, and more important, this so-called “targeted” property-tax relief program is merely a drop in the bucket. Minnesota still pays millions every year in property-tax aids and credits to cities, counties and school districts for the same purpose—to relieve property taxes—with absolutely no regard to the incomes of the benefiting homeowners. —P. V.

The East Central Solid Waste Commission, made up of the cities of Mille Lacs, Isanti, Pine, Chisago and Kanabec, voted to loan \$1.2 million toward the operation of the compost plant begun last summer to handle the five counties' garbage. The tipping fees charged garbage haulers who dump garbage there are not generating sufficient revenue.

In addition, the commission voted to hire an investigative firm to track down garbage haulers who are taking their trash to other disposal sites that offer cheaper tipping fees. —J.A.H.

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Citizens League
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Citizens League Matters

July 21, 1992

News for Citizens League Members

Welcome new members

- Carol Bauer
- Tom Bellamy
- Catherine Brennan
- William Brody
- David Doth
- Richard D. Jergenson
- Barbara Lydell
- Peter McLaughlin
- Brigid McMonigal
- Rachel Quenemoen
- ayle M. Whitesell

Thanks to Election Committee

Six League members, appointed by the board, served on the election committee this year: **Peggy Alnes, Jerry Byrnes, Curt Carlson, Harold Chucker, Pat Leary and Bill Tarbell.**

The League extends a sincere thank you to these persons who volunteered their time to count ballots!

Board approves report to improve government service

The Citizens League Board of Directors approved the report of the local government services committee co-chaired by **Larry Bakken** and **Bill Blazar**. The report attempts, according to Blazar, to make "more systematic" the innovations now found in the ways local governments deliver services.

The report recommends that local governments and neighborhoods have more opportunities to manage budgets for their services. Unlike many services today, for which other units of government control the funds, this recommendation would have local governments design the service, select the vendor and control the budget.

Second, the report says that local

governments ought to shed certain operating responsibilities and instead operate as sophisticated buyers of services. Local governments should develop enterprises and market their services to others.

Third, the report recommends more attention on *outcomes*, that is, doing the right thing. It recommends that local governments and state

agencies develop contract relationships that focus on

results. Contracts would specify performance standards and expected outcomes, as well as give the local governments greater flexibility.

Fourth, the report wants citizens to

know how governments spend public money and how to measure the quality of the services. It recommends developing a program of auditing the performance of local governments.

The Board of Directors added: an explanation of what can be gained from the performance-based audits; a description of the state's role in

The report focuses on local governments doing things differently and better.

setting the framework for auditing local government performance; language to explain that each local government has to decide when restructuring would be viable and why consolidation is not as important as improving service quality.

Members vote 8 new directors to board

More than 880 Citizens League members, about 30 percent of the individual members, voted eight new directors to the League's board: **Tobin Barrozo, Ellen Benavides, Sara Gavin, Peter Hutchinson, Robbin Johnson, Robert Renner, Jr., Dottie Rietow and Ann Wynia.**



Tobin Barrozo



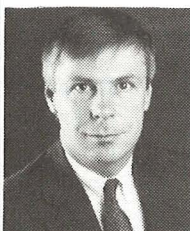
Ellen Benavides



Sara Gavin



Peter Hutchinson



Robbin Johnson



Bob Renner, Jr.



Dottie Rietow



Ann Wynia

Dealing with HIV/AIDS in workplace

How employers face issues of HIV/AIDS in the workplace was the topic of a series produced this year by the **Citizens League and the Minnesota AIDS Funding Consortium**. The Minneapolis Foundation and The St. Paul Foundation supported the six-session program.

During the sessions, participants discussed issues affecting persons with HIV/AIDS and their employers, including health care and financing and the impact of state and federal laws. Forum members produced an assessment tool to help firms analyze internal procedures on AIDS issues.

David Cox, chief executive officer of Cowles Media, chaired the forum.

The Citizens League at 40: Impact on 1950s policy

Ed. Note: This is the third in a series on League history in honor of its 40th anniversary.

In its first few years the League tried to influence policy by playing an active role in the election of local government officials. It published a candidate rating guide and gave a collective endorsement to some candidates. This proved to be too controversial and was abandoned, but the League did cooperate with the Minneapolis League of Women Voters to produce several "voting guides" which did get candidates to commit to positions on certain issues.

The growth of the Citizens League in the early 1950s depended mostly on maximum individual participation by interested citizens. The entire membership was invited to participate in League decisions regarding new projects and positions on issues. Before the

board of directors took final action on issues, members were given facts and arguments and asked for their view on what stand the League should take.

Notable achievements included urging a "yes" vote on a park referendum which ultimately resulted in the establishment of the Hennepin County Regional Park District, and in the reduction of the Minneapolis City Council from 26 to 13 members.

The League also worked behind the scenes. After charges of mismanagement and fire hazards at Minneapolis General Hospital, the League, at the request of Minneapolis Mayor Eric Hoyer studied the hospital needs of Minneapolis and Hennepin County. The study concluded that a new expensive

facility, as proposed, was not needed. The study resulted in the purchase of new equipment, reduced the cost of improved fire protection, greatly improved employee morale and restored public faith in Minneapolis General Hospital.

During this time the League also had some notable failures. It failed to achieve the full scope of its proposals for the reform of the Minneapolis city charter. And after years of study it was unsuccessful in its efforts to pass a comprehensive licensing ordinance for Minneapolis.

This is a partial summary of the League's impact in its early days. Throughout its first decade the League had up to 16 standing committees at a time, involving more than 700 active members.

League analyses available on taxes, managed care

The League is publishing two analyses that reflect special expertise the organization has acquired in the areas of health care and property taxes.

One is the *Minnesota Homestead Property Tax Review 1992*. Available at a discounted price to members, the review provides data, analysis and graphics on property taxes for selected homesteads in cities around Minnesota.

The second is the *Minnesota Managed Care Review 1992*. To be published at the end of July, this review analyzes information about health maintenance organizations, preferred provider arrangements and Blue Cross and Blue Shield of Minnesota. The review will present key enrollment and finance trends, highlight the implications of HMO mergers, and report on the increase of public assistance recipients enrolled in HMOs. It will also include a description of the Health Right legislation enacted by the 1992 Legislature.

Copies of either review are available to members for \$10 and nonmembers for \$15. Discounts will be available for purchasing multiple copies.

For those who like their data in large doses, computer data sets are also available. Each set contains all data used to prepare the two analyses. The data sets can be used on PCs and Macintosh computers.

Call 338-0791 for details on purchasing the data sets or to order either the *Managed Care Review 1992* or the *Homestead Property Tax Review 1992*.

League begins research in mid-July on state budget

Jean King and George Latimer agree to co-chair study group

The Citizens League will start a new research committee July 20. The focus of the research will be restructuring the state budget. Its purpose is to identify alternatives to the state's historic pattern of spending that has forced Minnesota to face repeated budget shortfalls.

This project is a special study approved by the board of directors following several discussions of the topic within the League's Community Information Committee. As such, its members are limited in number and have been appointed by the League's president, **Becky Malkerson**. The committee will meet weekly through early 1992. **Jean King** and **George**

Latimer have agreed to co-chair the committee.

After considering state expenditures over the last decade, the committee will recommend strategies to allow the state and local governments to make fundamental changes that produce a more productive public sector. The intent is to lay out strategies that could give public-sector organizations the opportunities and incentives to be cost-sensitive, value-adding, results-oriented and innovative.



Jean King

The committee will limit its analysis to the major spending areas in the state budget:

elementary and secondary education and higher education, property-tax relief and local government aid, medical care and income maintenance.

As it develops its strategies, the committee will also think about how best to convey its results to both the public and key decision makers.



George Latimer