



Minnesota Journal

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A publication of the Citizens League

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Volume 13, Number 7
July 23, 1996

Globalization means Twin Cities must strive to be best

First of two articles. The greater Twin Cities region is renowned for an economy that has remained vibrant even when other U.S. urban areas seemed to be in the death grips of decline. The current signs of good health—strong incomes, low unemployment, brisk economic growth—are undeniable.

Despite the good news, however, the region can't afford to be complacent, according to a report soon to be released by the Citizens

by Janet Dudrow

League, *Thinking Globally, Thriving Locally: What the Public Sector Should Do To Help The Greater Twin Cities Region Prosper*. The prosperity we have enjoyed until now was in part the result of unique and favorable circumstances. Other urban regions in the U.S. and abroad are striving to be competitive. Their gains are not infrequently outpacing our own.

That means that companies, individuals and government will have to work harder than they have in recent decades if the Twin Cities is to prosper in the future.

What are some of the challenges the region faces?

The global economy
Globalization isn't "globaloney," as some skeptics have charged. It

signals a change in the entire context of economic activity, a change not easily captured by trade statistics alone.

International trade is growing faster than every domestic economy in the world—twice the growth rate of the Gross Domestic Product among industrialized countries. The fastest-growing markets are abroad, sometimes in unexpected

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State performance reports need more time to evolve

by Marilyn Jackson

The 1993 Minnesota Legislature required 20 of the state's executive agencies to publish annual performance reports, so legislators, the public and state workers can judge the agencies' effectiveness. Proponents hoped the law would yield better information about state government, which, in turn, would improve legislative budgeting, policymaking and agency management, while increasing accountability to the public.

Since then, the law has been simplified and extended to additional agencies and the reporting schedule changed from annual to biennial. So far, legislators and the executive

branch have maintained their commitment to performance reporting. But the process has been more time-consuming, costly and difficult than expected and the reports less useful to legislators than desired. As a result, the future of Minnesota's performance reports is uncertain. Much depends on the quality and use of the next batch of reports, due November 30.

Legislators enacted the performance reporting law quietly, with little discussion or debate. They were moved by some frustration with the quality of information available to them in making budget decisions, a dose of skepticism about the performance information

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Who should adapt: kids to schools or schools to kids?

by Ted Kolderie

A third of Minnesota eighth-graders can't pass a basic reading test and a quarter fail a basic math test. People are now asking why and what it means. Mostly it's adults talking to each other, mostly guessing.

Why doesn't somebody ask the kids?

Nobody does, much. Certainly not when it comes to deciding what to do with the K-12 system. The kids don't pay, the kids don't vote and (legally, before they're 16) the kids can't quit. So there's no real need to listen to what they think.

Still, it might be a good thing to do. The dominant idea coming through policy now is that (a) school is OK, (b) the kids are the problem and (c) it's time now to *make* the students learn. Set (high) standards, measure performance and don't let 'em graduate if they don't measure up.

It could be a disaster...because "school" is not OK.

You won't hear that from educators, however. You can hear about that only from the kids. So it's a problem that nobody listens to kids.

Part of the reluctance is because of what the kids might say.

Continued on page 4

U of M's next president: A critical choice for Minnesota

The Board of Regents of the University of Minnesota must soon select a new president to succeed Nils Hasselmo. The Board's choice should be of interest not only to those inside the U's ivy-covered halls, but to all Minnesotans.

Why? When we look for explanations for the sustained good health and prosperity of Minnesota and the Twin Cities, we find the University near the top of the list. It has contributed to technology transfer and to innovation in such key industries as medical technology. Its superb reputation has served in the past as a magnet attracting some of the nation's—and world's—most talented students and faculty, whose presence has contributed to the region's climate of innovation and excellence.

All of us, then—citizens, businesses, the Legislature and the Regents—should be concerned about the U's ability to attract a top-flight field of applicants for the presidency. To attract those candidates the Regents must be able to describe clearly their strategic direction for the U—the results the new president will be expected to produce. The Regents must also show they are prepared to give the new president, once selected, a clear mandate to do the job they have described.

At present there is neither a clear strategy nor a compelling mandate to offer an incoming president. Developing that strategy and mandate is the Board's most important job—and it shouldn't be overshadowed by the mechanics and politics of the selection process. Key issues

Viewpoint

by Lyle Wray

include:

Excellence. Is the Board willing to make the excellence of the University its top priority? If so, what is its principal strategy to achieve it? What trade-offs would the Board consider acceptable in pursuit of excellence?

Urban regions enjoying strong economic growth—Boston, Austin (Texas), Seattle, and Raleigh-Durham, for example—all have research universities that rank in the top 10 to 12 nationally in the core arts and sciences. Against this background, the declining reputation of several departments of the University—and of the institution overall—is worrisome.

The University has five programs that are among the 10 best nationally and another 10 programs ranked in the top 20. But comparisons generally show the University's overall reputation declining substantially since the earliest ranking in 1925. And while the University's strongest departments receive applications from top graduate students all over the world, other departments draw 80 percent of graduate applicants from the Twin Cities.

The University of Minnesota has been trying to focus on excellence for more than a decade, with some success. Admission standards have been raised. Minnesota's leaders can and should continue to differentiate the missions of the state's postsecondary systems, focusing

our flagship University on best-quality research, graduate education and undergraduate education of the most talented students.

Engine of economic growth. What role should the University play in improving the long-term competitiveness of the state, the Twin Cities region and its industries?

The U was instrumental in the development of new technologies, several of which were later spun off into now-world-class Twin Cities enterprises, such as 3M and Medtronic. Across the globe, highly competitive industries tend to cluster together—fiber optics in Dallas and Austin, automobiles in Detroit, software design in Silicon Valley. Part of the synergy of these leading industry clusters is explained by the presence of one or more top research universities actively working on advanced knowledge and technology in those industries—a role the U must vigorously pursue.

Access. What should be the University's role in improving access to higher education by low-income people and people of color?

In the new economy, lack of post-secondary education is a one-way ticket to second-class economic status. Minnesota must take steps to improve access for low-income people and people of color. And like it or not, the postsecondary systems can expect to continue some remedial education.

The unfortunate flap over General College pointed out the Board's lack of agreement about what the University's responsibilities should be. The University should concentrate on removing the barrier to the most talented minority and low-income students. It should be a secondary player to other parts of the postsecondary system in providing remedial education for average students, whether white or minority.

Tax support. How will the University make a case for increased taxpayer support?

Higher education's share of the state budget is shrinking, being elbowed out by spending on corrections, nursing homes and other priorities. The state's higher education institutions, including the U, will have to convince citizens and lawmakers that higher education is worth additional support.

The University will likely have a tough go of it. The series of "scandals du jour," has left the University's reputation on Main Street a little tattered. But that may be the least of the Board's challenge—ger still will be persuading legislators and voters—long accustomed to viewing enrollment in the U as an entitlement of citizenship—why they should increase their support to a more selective U. We think the case can be made and won. Before the new president is sent to do so, however, he or she should be assured of the Board's mandate to deliver on the U's promises.

Lyle Wray is executive director of the Citizens League.

Editors differ on seriousness of charges against Moe.

On Balance

Ethics episodes elicit emotive editorials.

West Central Tribune (Willmar) dismissed (June 12) the state Ethical Practices Board's finding that Sen. Roger Moe (R-Erskine) may have violated the sign law by making state employees perform political work on Senate time. "Big deal? That practice takes place every day in every state capital, not to mention in other branches of government." **Duluth News-Tribune** called on (June 17) the 1997 Legislature to enact laws to stop such practices. The paper said (June 18), "It's time to develop a formal legislative code of ethics to guide lawmakers, present and future. Not a set of specific rules—they have those—but a general guide to remind them of the moral implications of holding public office."

Star Tribune said (June 14) while political work can never be completely banished from legislative operations, "(f)und-raising particularly should be off-limits inside legislative offices." **Red Wing Republican Eagle** said (June 21) campaign headquarters should be moved out of legislators' offices. **Princeton Union-Farm** questioned (June 27) the quick indictment of Moe. "To expect people in public office or those associated with them to be totally free of what some would term political activity is to be totally unrealistic. Serious, corrupt and major violations can be monitored and handled but reason and common sense should prevail and

situations studied for improvement, not the singling out of honorable people for humiliation." **Mankato Free Press** said (June 24) if Moe is convicted, he should resign his leadership post. "It's essential that the Senate majority leader provide an untainted example for his colleagues."

St. Paul Pioneer Press said (June 28) Sen. Florian Chmielewski (DFL-Sturgeon Lake) should be stripped of his seniority. "The voters of Senate District 8 should know that if they choose to return Chmielewski to office, it won't be as a committee chairman, a member of a money committee or any other coveted position. It will be as a backbencher with little influence and little opportunity to deliver anything but embarrassment for his district." **Republican Eagle** criticized (July 1) the Senate for its inability "to reprimand a 'member of the club'...It's little wonder that public trust in government continues to dwindle." **Hibbing Daily News & Tribune** called (June 29) the sanctions taken against Chmielewski "little more than a momentary political spanking." **Fargo Forum** criticized (June 21) Chmielewski for not participating

in the ethics committee hearings. "The discordant and arrogant tune he's been playing thus far disqualifies him for elected office."

Duluth News-Tribune said (June 14) the House should follow the recommendations of a task force to open up most House ethics hearings to the public. "The House could ignore the panel's findings but, after a year of flagrant ethics lapses, it better not." **Worthington Daily Globe** agreed (June 14).

Duluth News-Tribune said (July 4) Gov. Arne Carlson "shouldn't bother" challenging a decision by the state Ethical Practices Board that he violated campaign finance laws by accepting contributions from registered lobbyists during the legislative session. "Carlson should swallow his medicine, forget his challenge and learn from the experience."

West Central Tribune said (July 5) a recent report by Minnesota Planning shows the state's progress on the Minnesota Milestones goals has been "halting." It said among the negative trends to be addressed a high priority should be given to education, child abuse and the

income gap between rural and metro areas. **Duluth News-Tribune** said (July 5), "(T)he fact state officials have such goals—and measure gains on a regular basis—is at least as important as initial progress on reaching them."

St. Cloud Times said (July 7) elected officials of the political jurisdictions in the St. Cloud area should consider the potential for winding up as part of the Twin Cities metro area, if they are complacent about the need to get together on a plan for St. Cloud's future growth. It said the Twin Cities has the advantage of 25 years of regional planning and that Twin Cities growth may overwhelm the St. Cloud area if St. Cloud does not have its own growth plan. "If the elected leaders in the St. Cloud metropolitan area don't step up the pace, they may not have to worry about planning at all. Their community simply will become another part of the Twin Cities planning region." **Star Tribune**, however, said (June 10) while several examples of effective planning in the Twin Cities area can be detected, "in the broadest, most comprehensive sense, the region is like Topsy. It 'just grew,' in market-driven ways that are often conflicting, wasteful and unsatisfying."

Study finds state's business property taxes rank high

From 50-State Property Tax Comparison Study, Minnesota Taxpayers Association, June 25, 1996.

Homesteads. Minnesota's property tax on a \$70,000 homestead was found to rank 27th among the urban areas, 12 percent less than the U.S. average for such places. In contrast, because of Minnesota's classification system, the homestead tax on a \$150,000 home is ranked 14th, 24 percent above the U.S. average.

Homestead rankings rise with value because of Minnesota's two-tier classification system for homes. A home valued at \$250,000 ranks 12th and at \$500,000, ninth...

Commercial Property. Commercial property taxes in Minneapolis rank ninth among the largest urban areas of each state for a \$100,000 business. This is 56 percent over the U.S. average. Again, because of Minnesota's harsh classification system, business taxes on a

\$1,000,000 property rank first among the metropolitan areas, 127 percent above the U.S. average. The effective tax rate on a \$1,000,000 business is 6.24 percent of the real property value (\$1,000,000) and 5.2 percent of total parcel value (\$1,200,000). Generally, the effective tax rate on high-value commercial property is over 360 percent higher than that of a \$70,000 home.

Industrial Property. Minnesota's

full exemption of personal property (machinery, equipment, inventories, and fixtures) for many industrial firms...generally causes Minnesota's industrial property tax rankings to be lower than the commercial rankings and for the taxes among the states in general to be more compressed.

Our \$100,000 industrial exam ranked 18th among the states, 20

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The Minnesota Journal

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The Minnesota Journal (ISSN 0741-9449) is a publication of the Citizens League, a nonprofit nonpartisan Twin Cities public affairs organization, 708 S. Third St., Suite 500, Minneapolis, MN 55415, Barbara Lukermann, president. Articles and commentary are drawn from a broad range of perspectives and do not necessarily reflect League positions on policy questions. The Journal is published once a month. Second class postage paid at Minneapolis, MN.

Annual subscription rate for nonmembers is \$40 for 12 issues. Orders may be placed at 612/338-0161 or by mail at the above address.

Postmaster: Send address changes to The Minnesota Journal, 708 S. Third St., Suite 500, Minneapolis, MN 55415

Taxes

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percent above the U.S. average, but even using our 50 percent assumption about the proportion of personal property in the parcel, we observed a #1 ranking for the \$1,000,000 industrial property, fully 76 percent above the U.S. average. This indicates that the ranking effect of the personal property exemption is overwhelmed by Minnesota's strong classification system.

Higher personal property generally reduces Minnesota tax rankings. Using a 70 percent assumption for the personal property component, the \$1,000,000 industrial property tax ranks 15th.

Apartments. In this study, we

examined a 20-unit, \$600,000 apartment building with \$30,000 of personal property. Minnesota's relatively high 3.4 percent classification rate on apartments with four or more units causes Minnesota's property tax rank to be second in the nation, 130 percent over the U.S. average. Effective tax rate on this apartment building is over 260 percent higher than a \$70,000 home.

Twenty-five states tax apartments and homesteads alike...

Cabins. We calculated the tax on a \$70,000 and a \$150,000 cabin in a typical rural location of each state. Minnesota's \$70,000 cabin ranked fifth, 64 percent over the U.S. average. The \$150,000 cabin is ranked #1, at 82 percent above the U.S. average. Generally speaking, the effective tax rate on a \$70,000

cabin is 108 percent higher than that of a comparable homestead. Thirty-one states tax cabins like homes. In payable year 1995, Minnesota classified cabin property at two percent on the first \$72,000 and 2.5 percent on the remaining value. This is in contrast to one percent and two percent on the same value of homestead property.

The Minnesota legislature has already enacted legislation reducing the first-tier cabin rate to 1.5 percent by 1998. Had this lower rate been in effect in 1995, a \$70,000 cabin would have paid \$1,307 in property taxes instead of \$1,742 and would have ranked 17th instead of fifth, at 24 percent above the U.S. average. The \$150,000 cabin would have dropped from a rank of first to a rank of sixth, with a savings of \$478.

Schools

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It is fascinating to ask kids what you'd see if you could look in, unseen, on a typical class on a typical day—which of course a typical citizen (even a journalist) can't. The answers are pretty standard: You'd see the teacher talking or working with whatever kids are interested, and everybody else either talking or sleeping. It's not as bad as the classroom in *Hoop Dreams*, but it definitely is not the picture the district public relations office wants television and the newspapers to see.

A graduating senior at Saint Paul Central, Beth Fischer, wrote a letter to the *Pioneer Press*, published June 19. Strongly motivated to learn, she got a good education and she admired her teachers. But the problem is clear in her very revealing letter.

Most of the kids, she wrote, don't want to learn. "I saw plenty of people who did not have goals. They wandered the halls between classes. They disrespected teachers, disrupted classes and refused to do homework." The teachers were always willing to help; "and not just on the fifth floor, either (the high-level math floor). I spent the first four hours on the second floor (the shops, gyms, home-ec, recording studios, etc., signifying the 'dumb jocks' and gangs)." But "too many kids my age simply don't care."

Why not? Whose fault is that? What can/should be changed, the kids or the schools?

It's popular these days, especially among educators, to lay the blame

on rotten kids, rotten parents and rotten society. And there is truth in this. The unprecedented prosperity after 1945 produced a shift from (per Daniel Yankelovich) "the ethic of self-denial" to "the ethic of self-fulfillment." That generation created a very different set of values—about work and responsibility, about dress and behavior and a deep cynicism about institutions. All this was powerfully reinforced by the electronic media.

This culture of commercialism, permissiveness, drugs, sex and media puts terrible stress on the kids now in their school years. Misti Snow runs the MindWorks project for the *Star Tribune*. She asks kids questions. They write answers, which the paper publishes. "Over the last 13 years I've read more than a half-million letters from students, first grade to 12th," she says, "and the picture painted by the children has grown increasingly dark. Many adults either ignore or simply don't realize the complexities of children's lives today." *Reviving Ophelia*, a book about the difficulties facing teen-aged females—many related to the atmosphere in schools—has been on the *New York Times* bestseller list for more than a year.

The peer pressures of the youth culture work powerfully against doing well in school—especially in the African American community.

Despite this, many students who are motivated do well. But for more and more kids, especially in inner cities, the old methods of traditional school—the teacher filling the child's empty head with knowledge—do not work. Courses and classes, reading and listening, assigned low-grade work that has little visible relation to their real

life, little scope for their own interests or responsibility for their own learning—that is what the system is built to do. And the prevailing notion is that the kids should adapt to the system.

Against this, now, others are arguing the need to adapt the system to the reality of what kids are. They argue the need—as those in "alternative education" say—to "teach kids, not subjects." And the need to understand that on the job of learning the student must be the worker, the teacher essentially a coach.

If learning were redesigned around kids' interests, would it work? Would kids be interested? Would they learn?

In the spring of 1993 Arthur Harkins at the University of Minnesota College of Education asked 750 students in Minneapolis schools, fourth to 12th grade, to believe the new superintendent needed their ideas about what should be improved, in the schools. They wrote him their suggestions.

He found that, regardless of school or social class, students want the school, the teachers and the administrators to treat them respectfully. They want clean buildings and good food. "They want to be treated the way they're treated when they go into Target," Harkins says. Or into MacDonalds.

If they are, Harkins found, they will give back quality work and good effort, with good attitudes. Kids want to learn, he is convinced, and are ready for much more challenging experiences than we are giving them. A 1995 report, "What Works? Ask the Students" by the Minnesota Academic Excellence Foundation, came to the same conclusions. (For a copy call 297-1875.)

Kids are unmotivated now because they feel they are put down by adults in the school, not treated as customers whose opinions are important to the enterprise. Not given quality work to do. Give people low-grade work to do, William Glasser argues in his book *The Quality School*, and you will get low-grade effort.

James Lytle sees the same thing in his inner-city high school in Philadelphia. He thinks those kids are worthy of the respect they

want: They live very dangerous, difficult lives. He calls (see *Urban Education*, July 1992) for "client-centered, authentic, respectful organizations that build from the needs and interests of the students, not the convenience of the employer, the conventions of traditional schooling."

But powerful forces work against this kind of reform: the sense that it is inappropriate to begin with what *students* want, the belief that only academics matter, the dominating tradition of teachers talking, the trend toward ever-larger high schools—above all, the preoccupation with "test scores." The notion that passing tests is "good education" can absolutely kill schools that work for kids but are *different*.

("I'm not going to do that," the late Gov. Rudy Perpich told associates when pressed to support more testing. "I've seen too many people who passed tests and failed life, and too many people who failed tests and passed life. I'm not going to make testing that important.")

Lytle sees the district caught between what it needs to do for its students and what it needs to do to maintain its own legitimacy—the powerful groups outside that provide its financial and political support: the legislature, the business community, the foundations, the media, adults who grew up in a world that kids today cannot imagine. The two imperatives conflict. Required to choose, the district protects its "legitimacy," trading off the interests of the students.

As Minnesota heads into a debate driven especially now by concerns about the inner cities, it will be critical to know whether student performance can really be raised within the traditional course-and-class system (in which technology is of little help) or whether success requires a shift to a system of individualized learning (in which technology is imperative).

But, again: Adults whose interests are deeply vested in the traditional system will not raise this issue. We will have to listen to the kids.

Won't somebody, somewhere that soon?

Ted Kolderie is contributing editor of the Minnesota Journal.

Performance

Continued from page 1

that had been included in governors' budget proposals and a drive to "invent" government. Thus, the law has several purposes:

- Generate information so legislators can determine the extent to which state programs are successful;
- Develop clear goals and priorities for state programs;
- Strengthen public accountability; and
- Encourage state employees' best work.

The cost of developing the first year's reports was about \$1 million. Most of the affected state agency commissioners have said they think the investment will pay off over time. Many cite ways in which the reports have already been useful. For example, the reports have helped state employees address and resolve performance problems, understand their agency's mission, make policy choices and budget decisions and manage more effectively.

But legislators' reactions have been much less enthusiastic. They have not used the reports much in budget decisions or policy development, perhaps because the reports have lacked what they most want—namely, hard data about state agencies' performance. At the same time, the reports have tended to be ill-focused, jargon-filled, lengthy (averaging 90 densely-packed pages), uneven in quality from program to program and not linked directly to budget proposals.

However, the 1994 reports general-

ly were better than the 1993 drafts agencies developed and the 1996 reports probably will be better still. Also, despite their shortcomings, the 1994 reports yielded some specific objectives that anyone can use to hold agencies accountable. For example:

- The Department of Public Safety promised to reduce the proportion of alcohol-related traffic deaths to 32 percent by the year 2000;
- Human Services said it will increase child support collections by 10 percent in each year of the biennium;
- Public Service said it will double Minnesota's use of renewable energy by 2020;
- Natural Resources said it will maintain a satisfaction level of 90 percent or more among state forest campers; and

- The Department of Children, Families & Learning said it will increase the high school graduation rate to at least 90 percent by 2000.

Because of the performance reports, some Minnesota agencies have also committed themselves to achieving specific results that once were ill-defined. For instance, in 1993, the Department of Finance proposed to measure the success of its revenue forecasting unit by the number of forecasts produced in a year. Now it says it will test the accuracy of its forecasts, hoping to be accurate within two percent of actual revenues and expenditures. And the Department of Veterans Affairs plans to process state soldiers' assistance applications within 48 hours, though it has never before known how long the process took.

Such changes are consistent with

HOW TO GET MINNESOTA STATE AGENCY PERFORMANCE REPORTS		
Department	Contact	Phone
Administration	Scott Simmons	296-4398
Agriculture	Carol Milligan	296-6906
Agricultural Utilization		
Research Institute	Mark McAfee	223-8205
Children, Families & Learning	Sandy Hogen	296-3547
Commerce	Tammy McGlone	296-4972
Corrections	Shirley Flekke	642-0309
Economic Security	Dale Wing	297-2207
Employee Relations	Sue Gehman	296-4764
Finance	Gordon Yurich	296-9473
Health	Emily Smith	623-5791
Human Rights	Dolores Fridge	296-5667
Human Services	Steve Nelson	297-5679
Labor and Industry	Kevin Wilkins	215-1396
Military Affairs	Gary Bloedel	282-4447
Natural Resources	Terri Yearwood	297-5889
Pollution Control	Elaine Johnson	296-7224
Public Safety	Frank Ahrens	296-9484
Public Service	Bill Janisch	296-7106
Revenue	Steve Coleman	297-1826
Trade & Economic Development	Bob Isaacson	297-3615
Transportation	Janet Blacik	296-4707
Veterans Affairs	Terry Logan	296-6728

SOURCE: Legislative Auditor's Office

the ultimate aim of performance reporting in Minnesota: for executive agencies to honestly measure their progress toward achieving specified results that are in the public interest. Unfortunately, the exercise has sorely tested agencies that for many years have been largely exempt from the need to demonstrate results or to communicate directly and routinely with the public on matters of substantive importance. Training has been inadequate.

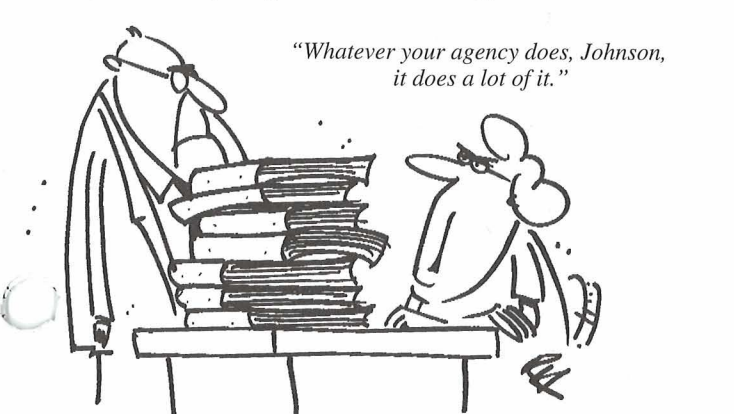
It doesn't help that agency staff are not necessarily familiar with statistics and research, making accurate performance data hard for them to develop and consistently maintain. For example, although 10 Minnesota agencies included customer satisfaction data in their 1994 performance reports, most of the reported results were problem-laden. The most serious problem was that survey results often were not representative of state agencies' customers. In addition, the usefulness of the results was hampered by sometimes yearly changes in the wording of survey questions and the lack of consistent, documented methods for calculating satisfaction ratings.

Minnesota's performance reporting law requires state agencies to use worker participation committees to help develop performance measures, identify service-delivery bar-

riers and resolve performance problems, but few agency managers used them effectively. The Department of Finance, which is the lead executive agency for performance reporting, provided written instructions, a word-processing template and examples and advice that were not always consistent. The Legislative Auditor's Office, which must review and comment in writing on the finished reports, provided additional suggestions on request, but some agencies were reluctant to ask. Another option was to hire consultants, despite their cost and distance from agency operations.

Notwithstanding such impediments, most of the affected agencies released their reports on time. Subsequently, 16 of the reports turned up on the agendas of legislative committees, especially in the House. Commissioners typically provide legislators with an overview of their operations early in budget sessions and the performance reports sometimes proved useful in this context in 1995. Some commissioners took the opportunity to systematically present their objectives and measures; others referred to performance reports as the need arose. Others avoided any discussion whatsoever of their performance reports.

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MSP fare increase bucks trend toward lower fares

From Airline Deregulation: Changes in Airfares, Service, and Safety at Small, Medium-sized, and Large Communities, U.S. General Accounting Office, April 1996.

The average fare per passenger mile was about nine percent lower in 1994 than in 1979 at small-community airports, 11 percent lower at medium-sized-community airports, and eight percent lower at large-community airports. Of the 112 airports that GAO reviewed, fares declined at 73 and increased at 33. Fares declined at 36 of the 49 small-community airports, 19 of the 38 medium-sized-community airports and 18 of the 25 large-community airports...

In nearly every case in which fares have fallen by more than 20 percent since deregulation, one or more low-cost new entrant airlines serve the airport...In contrast, in every case in which fares have risen by more than 20 percent, one or two higher-cost airlines dominate service at the airport...

In comparing the data on air service quantity for May 1978 and May 1995, GAO found that the number of scheduled departures increased by 50 percent at airports serving small communities, 57 percent at airports serving medium-sized communities, and 68 percent at airports serving large communities. Likewise, the number of available seats increased for all three

groups. Not all the airports that GAO reviewed, however, shared in the general trend toward more air service. Some airports—particularly those serving small and medium-sized communities in the Upper Midwest—had less air service in 1995 than they did under regulation...In addition, because of the increasing substitution of turbo-propellers for larger jets, a number of other small and medium-sized communities experienced a decrease in the number of available seats even though the number of departures increased.

(The report's appendices show the following information for Minneapolis-St. Paul International Airport:

- Fare per passenger mile: \$.25 in 1994, an increase of 17.4 percent since 1979. Average fare in 1994 for the 25 large-community airports in the study: \$.185.

- Scheduled departures in 1994: 16,147, an increase of 171.6 percent since 1979. Scheduled seats in 1994: 1,623,772, an increase of 135 percent since 1979.

- Number of destinations served by nonstop flights in 1994: 109, compared with 54 in 1978. Average for 25 large-community airports in 1994: 74.3. Number of destinations served by one-stop flights in 1994: 76, compared with 68 in 1978. Average for large-community airports in 1994: 57.5.)

Performance

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Overall, the commissioners were not positively impressed with legislative attention to their missions, goals and performance objectives. Legislators, for their part, struggled through a number of the reports page by page without the benefit of executive summaries or other devices that normally help readers. Small print and narrow margins made the reports rough going. Also, one report ran over 400

pages, another over 200.

Under the circumstances, mandated performance reports have proven to be no quick fix for what ails government. Of course, the reports could be more attractive and user-friendly, but this leaves Minnesota with a chicken-and-egg problem: Agency managers have said they would make a greater investment in the reports if they could be sure legislators and the public would use them. But who can be expected to use reports that contain little information on actual

government performance?

Let's hope the 1996 reports show significant improvement. But speaking realistically, it makes better sense to allow Minnesota's performance reports more time to evolve. Whether modest, gradual improvements will sustain legislators' original interest and attract public response remains to be seen.

Marilyn Jackson is evaluation coordinator in the Office of the Legislative Auditor. This article summarizes a case study of Min-

nesota's experience with performance reporting presented June 30 to the American Society for Public Administration. Legislative Auditor staff members Joel Alter, Jan Sandberg and Christina Tsuei contributed to the research. Copies of performance report evaluations are available from the Legislative Auditor's Office at 612-296-4708, URL: <http://www.auditor.leg.mn.us>. Copies of department performance reports are available as indicated in the box on page 5.

Global

Continued from page 1

places. India's middle class is now bigger than the middle classes in France and Germany combined. And China is the world's third largest economy, measured in purchasing power.

Companies are "unbundling," locating functions where they can be accomplished most efficiently or outsourcing the activities, often across national borders. A substantial share of what is counted as imports and exports is really transfers between divisions of the same company.

Even Minnesota, located as far from anywhere as possible, is increasingly connected to the global economy. Minnesota's agricultural and manufacturing exports

grew from \$5.56 billion in 1987 to \$9.97 billion in 1993, an increase of 79.5 percent. The share of export-related manufacturing employment and the number of foreign-owned manufacturing businesses is also growing.

The Twin Cities metropolitan area is the hub of international activity in Minnesota. Roughly half of all manufactured export sales in the Ninth Federal Reserve district, and about three-fourths of Minnesota's export sales, are in the metropolitan area. The western and southern portions of Hennepin County alone produced more than half the state's exports and export growth between 1987 and 1993.

Globalization is providing both a threat and an opportunity to the Twin Cities. First, the bad news: The region's manufactured exports are growing more slowly than other

major metropolitan regions in the U.S. While U.S. exports grew 90 percent between 1987 and 1993, the Twin Cities metropolitan region's exports grew only 68 percent. And according to a recent survey by *Fortune* magazine, the region is perceived as "insular" rather than "international."

The opportunity: The globalization of the economy appears to be strengthening the region's role as the international business services hub of the Upper Midwest. Trade centers throughout the Upper Midwest—Eau Claire, Fargo-Moorhead, Sioux Falls and many others—have developed strong economies and expanded their international ties. Companies in these smaller trade centers often build their links to overseas companies through international specialists based in the Twin Cities. More than 300 greater Twin Cities com-

panies provide support services that facilitate international trade, such as freight forwarding, banking, accounting and legal services.

In addition, the Twin Cities also serve as an important regional center for exported services, such as architectural and engineering consulting, that aren't typically counted in export statistics.

Sector shifts

Firms are turning to new technologies and flexible manufacturing processes to speed up introduction of new products. Production runs are smaller, and products are customized to respond to the tastes of sharply defined market segments.

Dramatic improvements in manufacturing productivity mean that fewer workers are needed. Compa-

Continued on page 7

Global

Continued from page 6

nies thus have less need to locate near a large urban population base to create a pool of workers. At the same time, as multistory plants give way to horizontal factories, manufacturers need more space and cheaper land.

These changes in production and other economic forces are pushing manufacturing firms outward from the core of the Twin Cities metropolitan area. According to an analysis by David Beal of the *St. Paul Pioneer Press*, between 1982 and 1992, Minnesota's industrial employment grew more than 23 percent in an eight-county cluster along Interstate 94 west of St. Cloud to within 40 miles of Fargo and in a four-county area in southwestern Minnesota, which includes Marshall and Worthington. In contrast, Hennepin, Ramsey and Washington Counties together lost 22,013 manufacturing jobs between 1988 and 1992—while the rest of the Twin Cities and Greater Minnesota gained 24,871 jobs.

At the same time, service industries are growing faster than industries that make and move things. The U.S. trend toward advanced services is especially important to the Twin Cities, because Minnesota's second largest service industry, after health services, is business services, including advertising, credit reporting agencies, and computer software and database services. While economic forces seem to be driving manufacturing businesses away from urban areas, many business services continue to find advantages in clustering near one another in cities, especially downtowns.

Changing labor market

Twin Cities employers have already experienced a shortage of workers, the result both of our vigorous economy and slower population growth. The supply of labor will be one of the state's and the region's ongoing challenges.

Between now and 2020, Minnesota's labor force will continue to grow more slowly than it has in the past, and, on average, will be considerably older. Minorities will make up 12 percent of the labor force in 2020, compared with four

percent in 1990. The white labor force is projected to shrink after 2015, so all of the increase in the size of the labor force will come from nonwhite workers.

Companies looking for workers will no longer be able to tap Minnesota's rural talent pool, in the past an important source of well-educated, willing workers. Improvements in farm productivity have topped out, so we can't expect further infusions of freed-up agricultural workers into the Twin Cities.

Keeping up-to-date will be an increasing challenge as the pace of innovation accelerates. As computers and telecommunications increasingly dominate production, the average age of the nation's capital stock has declined significantly, according to economist Alan Greenspan. The rapid turnover of the capital stock, and the concepts embodied in it, means that workers now must continually upgrade their technical, communication and problem-solving skills, Greenspan says.

For workers in all jobs, higher-order knowledge will be the ticket to ride. The monetary value of a college degree doubled among

"The Twin Cities region is behind the curve in embracing information technology."

younger workers during the 1980s, while the real wages of less-educated and lower-paid workers declined.

Twin Cities workers are still among the nation's most well-educated and diligent. But our competition is catching up here, as across the U.S. Already the productivity of workers in France, Germany, Japan and Italy exceeds the productivity of workers in the U.S. And urban regions in South Korea, Chile, India and across the globe now have well-educated workforces whose wages are much lower than wages here. Many of these regions are investing heavily in advanced education and workforce training in fields that have been important to the Twin Cities.

In the future, the greater Twin Cities region, with its relatively high costs, will have to offer a

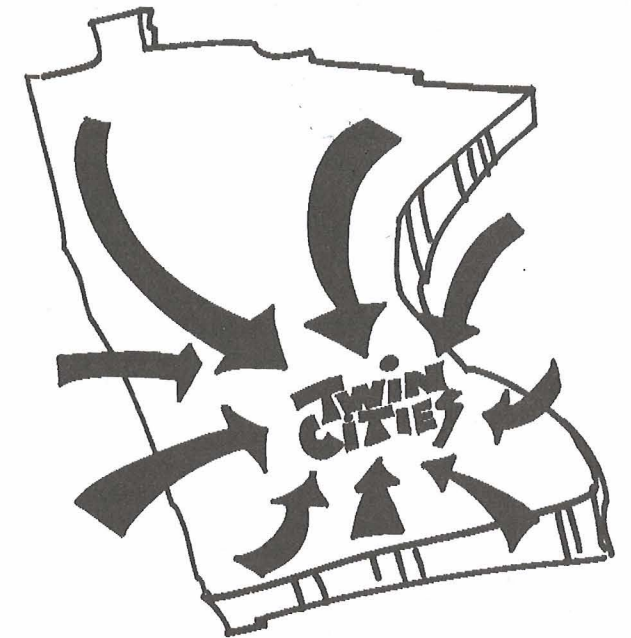
state-of-the-art workforce with specialized productivity advantages in key activities and industries.

Public infrastructure

Minnesota's public sector is facing key infrastructure decisions and challenges, which will have profound impact on the region's "place" in the global economy. For example, the metropolitan region is running out of rail-truck intermodal

terminal capacity, constraining the growth of this efficient means of freight transportation. And while the Legislature has decided to expand Minneapolis-St. Paul International Airport rather than build a new airport in Dakota County, many questions remain about how best to meet the region's need for international passenger and cargo service.

Perhaps most critically, the Twin Cities region is behind the curve in embracing information technologies. Headquarters operations and several of the region's key industries—printing and publishing, financial services and software, to name just three—are increasingly relying on advanced information technologies. The public sector in Minnesota does not yet have a strategy for addressing such issues as access and pricing, nor is there a process for leveraging public and



The hub of Midwestern international trade.

private investment to attain a critical mass of physical infrastructure and the skills to use it. John Gunyou, recently appointed by Gov. Arne Carlson to provide leadership to the state's telecommunications efforts, will have his work cut out for him to catch up with other states, which have been working on these issues for years.

Positioning the region

Globalization, technological advancement, changes in markets and increased competition will mean that doing "pretty well"—even improving—won't necessarily be good enough to secure the future we think Twin Citians want. For at least some activities, the Twin Cities must represent the best.

How should we achieve that goal? Part two of this series continues in next month's *Minnesota Journal*. Tune in for a discussion of how the greater Twin Cities region should position itself among global cities, a six-point agenda for the region's economic future and a look at what the public sector can do.

Janet Dudrow is a research associate for the Citizens League. She staffed the study committee that produced the report, *Thinking Globally, Thriving Locally: What the Public Sector Should Do To Help The Greater Twin Cities Region Prosper*. Copies of the report will be available in mid-August from the League office at 338-0791.

School facilities planning missing for region, state

What, me plan? If there is one thing Minnesotans do comparatively well, it's plan. This is particularly true of our infrastructure, with one notable exception—school facilities.

Enrollment projection, facility capacity and future demand is by no means an exact science—but no less so than transportation planning. Unlike transportation, however, there is no body or agency charged with thinking about current capacity and future demand of K-12 schools for the metro region or state. Instead, school facility planning and construction takes place, as Minnesota House Education Committee member Becky Kelso (DFL-Shakopee) put it, “when 200 or 300 students show up and district officials say, ‘What should we do with them?’”

Yet in the last 10 years, metro school districts metro received approval (either internally or through voter referendum) for over \$2 billion worth of new construction, remodeling and other capital improvements, according to the Department of Children, Families and Learning.

Metro school districts are in the midst of an enrollment surge from the “echo boom” generation, which is expected to peak in about 2001. Kelso fears that once this wave peaks, the region might find itself overbuilt, much like it did in the 1980s, when dozens of schools closed in the fully developed area while new schools were built in nearby districts. “Taxpayers have suffered through lack of planning in the past,” she said.—Ron Wirtz.

Day care center, doctor's office, music lesson, grocery store—and that's just on the way home from work. The working mom's familiar drill is the main force behind the growth in solo commuting, according to the Urban Mobility Corporation.

Between 1980 and 1990, women's share of the work force grew from 51 percent to 57 percent—and the biggest increase was among mothers with young children. The number of miles driven by women increased 49 percent, while the number of miles driven by men increased only 19 percent.

Take Note

“You can never plan the future by the past.”—E. Burke

Another study by the U.S. Department of Labor confirmed that women—especially working women with young children—are more likely to drive alone than men. One implication is that imposing even steep disincentives to solo commuting, such as making single-occupancy parking more expensive or charging congestion fees for peak-hour travel, might have little effect. The reason: Driving would still cost less than additional child care.

All the more reason to look at non-transportation strategies, such as flexible work scheduling and telecommuting, to solve some of our transit problems.—Janet Dudrow.

The Minnesota Chamber of Commerce, in its legislative candidate questionnaire, asks candidates if they will support an amendment to the Minnesota Constitution to allow revenue from *future* fuel tax *increases* to be used for roads or bus transportation. (The Constitution does not currently allow fuel tax revenues to be used for non-highway purposes.) The business community believes, says the Chamber, that the dedication of fuel tax revenues should continue but that revenue from future tax increases should be available for bus transportation, along with highways. Revenues from the current tax would continue to be dedicated for highway projects only.—Betty Wilson.

A new Minnesota Taxpayers Association study makes an impressive case that Minnesota's commercial-industrial (C-I) property taxes are high—not only compared to other states, but also compared to Minnesota's residential property taxes. (See report excerpts on pages 2 and 3.)

Does that mean Minnesota's C-I property taxes should be lowered? Possibly. But merely tinkering with the system—lowering the tax rates on C-I property, for example—would miss part of the problem, as the Citizens League pointed out in its last major property tax study, A

First Class Property Tax System, in 1987.

While expressing some concern about the level of C-I taxes, the League focused on the unevenness of the “break” given to homestead and other property taxed at favorable rates. If a city has little or no C-I property onto which the tax burden can be shifted, such a break is minimal. Right next door, however, another community may have a high proportion of its tax base in C-I property, resulting in a hefty break to favored property.

Don't keep tinkering with a system that depends on hidden, uneven shifting of tax burdens, the League said. Tax *all* property at the same rate and then decide in an up-front way if the state needs to levy an add-on statewide tax on C-I property. The proceeds of such a statewide tax could be used to reduce the burden moving to a one-class system would put on homestead and other classes of currently favored property—perhaps through better targeted relief programs. Still seems like a good plan nine years later.—Dana Schroeder.

According to the National Science Foundation, 44 percent of the college freshmen who said they intended to major in a natural science or engineering subject had switched to other majors by the time they were seniors. That's a higher attrition rate than for other major fields.

What gives? Dr. Rama Murthy,

professor of geology and geophysics and director of undergraduate advising for the University of Minnesota's Institute of Technology (IT), said a pervasive cultural fear of science and mathematics is likely part of the problem. The workload demands of science and engineering courses are typically higher and many students “get panicky at the first experience of not doing well and then quit science and switch to another subject,” he said.

Dr. Fred Zimmerman, director of graduate programs in manufacturing and engineering at the University of St. Thomas, said another possible explanation is that students' high school preparation is inadequate. “The education system in the U.S. is so weak that it forces the engineering schools to devote the first two years to teaching remedial courses—and they're boring,” Zimmerman said. “Engineering students don't get to the interesting stuff until the third year.”

Whatever the reasons, the attrition rate should prompt concern. While the percentage of college students majoring in engineering is declining in the U.S., it is increasing in China, Eastern Europe, India, Latin America and Russia, according to Zimmerman. More than half of those who receive doctoral degrees in science and engineering from U.S. universities have student visas. And the world's second-largest pool of scientifically trained, English-speaking people is in India.—J.D.

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

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Citizens League Matters

July 23, 1996

News for Citizens League Members

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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. Suggested dues for membership are \$50 for individuals and \$75 for a family membership. Other categories are also available. For more information on membership, please call 338-0791.

League members elect eight new directors

Nearly 600 Citizens League members cast their ballots during the League's annual election of the Board of Directors.

Elected this year for terms that expire in 1999 are: **Mary Anderson**, Golden Valley Mayor; **Cal Clark**, Economic Development Director, Utilicorp United in Minnesota; **Suzanne Fuller-Terrill**, Associate Director, General Mills Foundation; **Peter Gove**, Vice President, Corporate Relations, St. Jude Medical, Inc.; **Marie Grimm**, independent consultant; **Pam Neary**, doctoral candidate at the University of Minnesota; **Matthew Ramadan**, Executive Director, Northside Residents Redevelopment Council; **Christine Roberts**, Deputy to the Chancellor for Public Affairs, MN State Colleges and Universities.

Mary Anderson was elected to her second consecutive three-year term. Four of the newly elected directors (Gove, Grimm, Neary and Roberts) are finishing one-year stints as appointed Board members. Ramadan and Fuller-Terrill are new to the League Board.

The League Board is composed of up to 38 members, 24 of whom are directly elected by the full membership to staggered three-year terms. The Board can appoint up to 10 additional directors plus four officers.

The newly-elected directors will assume their positions at the annual transitional Board meeting which is scheduled for August 27, 1996 at the Nicollet Island Inn. Officers for the 1996-97 year will be elected by the new Board at that meeting.

Because the League has term limits, the transitional meeting will also mark the end of Board terms for a very distinguished group of directors.

(League by-laws stipulate that no member may serve more than six consecutive years on the Board of Directors.)

The elected directors leaving the Board this year are **Peter Bell**, **Chuck Denny** and **Penny Hunt** and past presidents **Becky Malkerson**, **John Brandl** and **Kent Eklund**.

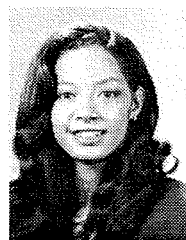
That's a lot of experience and leadership leaving the Board this year. These retiring Board members will certainly be missed. Many thanks to them for their great service to the League and to the community.



Anderson



Clark



Fuller-Terrill



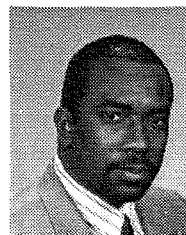
Gove



Grimm



Neary



Ramadan



Roberts

Mind-Opener topics cover all the bases—and score some runs too

Nearly 2,000 people attended the 36 Mind-Opener meetings held this season, an average of 53 per meeting.

There were many great moments during this very successful season. But undoubtedly the highlight of the season was the record breaking series (for attendance) on regional growth which featured speakers from Toronto, Portland and Indianapolis.

Here's a list of the speakers and topics for the 1995-96 Mind-Opener series:

Communities vs. Crime:

Robert Olson, Minneapolis Police Chief; **Richard Solum**, Hennepin County District Court; **Frank Wood**, Commissioner, MN Department of Corrections.

The Federal Spending Crunch:

Coral Houle, Bloomington Mayor; **Maria Gomez**, Commissioner, MN Department of Human Services; **Ann Schuler**, Acting Commissioner, MN Department of Education; **Peter McLaughlin**, Chair, Hennepin County Board of

Commissioners; **James Denn**, Commissioner, MN Department of Transportation.

Minnesota Higher Education:

Making the Grade?:

Reverend Dennis Dease, President, University of St. Thomas; **Nils Hasselmo**, President, University of Minnesota; **Judith Eaton**, Chancellor, MN State Colleges and Universities.

Government and Professional Sports:

Art Rolnick, Senior Vice President & Director of Research, Federal Reserve Bank of Minneapolis; **Jay Weiner**, Staff Writer, *StarTribune*; **Wheelock Whitney**, Chairman, Whitney Management Company and part owner of the Minnesota Vikings.

Senior Health Care at the Crossroads:

Deborah Paone, Vice President of Member Services, National Chronic Care Consortium; **Patsy Riley**, Vice President of Government Programs, Allina Health System; **Elaine Timmer**, Assistant Commissioner, MN Department of Human Services; **Jeanne Lally**, Vice President, Continuum Operations,

Fairview Health System.

The Youth Community:

Laura Lee Geraghty, Director, Healthy Communities for Youth Initiative, Search Institute; **Colleen Moriarty**, Executive Director, Minneapolis Youth Coordinating Board; **Delroy Calhoun**, Director, Bethlehem Community Center; **Kathy Marker**, Youth Development Specialist, YMCA.

Education, University of Minnesota; **Sheldon Mains**, Coordinator, Minnesota E-Democracy.

Policing the 'Net:

Mick Souder, Internet Curriculum Specialist, TIES, and President, Minnesota Citizens On-Line; **Hubert Humphrey III**, Attorney General, State of Minnesota.

A Tale of Three Cities:

Managing Urban Growth: **Phil Wickern**, University of Manitoba; **Ken Greenberg**, Berridge Lewinberg Greenberg Dark Gabor Ltd.; **Beverly Stein**, Chair, Multnomah County (Portland, OR) Board of Commissioners; **John Krauss**, Senior Fellow and Associate Director, Center for Urban Policy and the Environment, Indiana University; **David Gurin**, Acting Commissioner of Planning, Metropolitan Toronto.

Workforce 2000 and the

Harder-to-Employ:

Steve Rothschild, Founder and President, Twin Cities RISE!; **David Johnson**, Director, National Transition Network, Institute of Community Integration, University of Minnesota; **Jane Samargia**, Executive Director, HIRED.

Moderators keep things moving

Thanks to the moderators who helped make this yet another successful season:

Jim Terwedo, **Mike Christenson**, **Tony Morley**, **Bob de la Vega**, **Rick Heydinger**, **Buzz Cummins**, **Jane Vanderpoel**, **Jean King**, **Barbara Lukermann**, **Tom Swain**, **Kent Eklund**, **Marie Grimm**, **Milda Hedblom**, **Steve Kelley**, **Jim Dorsey**, **Curt Johnson** and **Jan Hively**.

The Information Revolution:

Randy Young, Government Accounts Manager, MEANS, Inc.; **Pat Kovel-Jarboe**, former Coordinator for Distance

Tired of the quality of political campaigns?

If so, the Minnesota Compact wants you. Earlier this year a coalition of civic groups launched the Minnesota Compact, a project designed to raise the level of discourse in political campaigns.

The Minnesota Compact challenges politicians and journalists to a higher standard of political discourse. But at its heart it's really about reinvigorating active citizenship. The goal is to encourage Minnesotans to participate in citizen conversation groups that will discuss candidates and issues.

Compact organizers are organizing these citizen conversation groups. If you would be willing to host a group in your home on the night of the Senate and/or House debates scheduled for September and October, please call the Minnesota Compact Coalition at 612-625-2530. Or write the Compact, c/o the Humphrey Institute Policy Forum, 301 19th Avenue South, Minneapolis, MN 55455. You can also e-mail (compact@tc.umn.edu) or visit the web page (<http://www.umn.edu/compact>).

Thanks to the Election Committee

Ever wonder what happens to your ballot when you fold it up and put it in that tiny envelope?

An Election Committee, appointed by the Board, removes each ballot, tallies up each nominee's total and certifies the final results. Over the years a few "regulars" have volunteered for the Election Committee, making the last Friday in June an enjoyable day for the staff as the volunteers do the important work of overseeing the election results while renewing old friendships.

Members of this year's Election Committee were: **Peggy Alnes**, **Ruth Hass**, **John Knutson**, **Patricia Leary**, **John Parsons**, **Bill Tarbell** and **Gertrude Ulrich**.

Thank you!