



# Minnesota Journal

## Inside This Issue

A publication of the Citizens League

Self-sufficient families. — Page 2.

Healing health care. — Page 6.

Incumbents still the winners. — Page 8.

Volume 10, Number 6  
June 15, 1993

## Minnesota's highway aid system needs overhaul

Intense metropolitan-rural disagreements stalemated large increases in transportation funding in each of the last three sessions of the Minnesota Legislature. But the lawmakers are likely to find agreement in 1994 or 1995.

T road users will pony up a whole lot more (barring a veto, as threatened by Gov. Arne Carlson this year). And the metropolitan area likely will pay twice: more money for transit and crowded highways in the Twin Cities area and more money for little-traveled state highways and county roads in greater Minnesota.

The reasons?

- Metropolitan legislators most active in the transportation debate

are pressing for more state funding for transit (light rail and buses) in the metro area; this is their quid pro quo for the big highway spending increase rural legislators want.

- Metro legislators are not insisting on reform of the state's inefficient, inequitable and outmoded highway-financing system, under which their constituents provide heavy subsidies to sparsely populated rural areas with light traffic.

This system is based on conditions nearly a half-century old, when greater Minnesota held big legislative majorities; when the Twin Cities area represented only one-third of the state's population (today it is more than half); when

suburbs, which now hold fully a third of Minnesota's population, hardly existed; and when the extensive population movement out of the countryside and into the Twin Cities area and a few regional centers in greater Minnesota had hardly begun.

- Rural legislators reflect their constituents' historic thirst for larger, better state highways and county roads. They like the current financing system. They argue for much higher highway taxes to produce even more highway-building money, and they strongly oppose sharing it with transit.

- Both sides agree, academically, that the county aid formula for

roads is unfair. (See Table 1.) Still, rural legislators adamantly oppose giving up much—or any—of their largesse to the more populated counties with significant road and transit needs.

- Neither side displays much interest in modifying the system to distribute *existing* highway taxes more equitably, to stretch them further before raising them. Any such change would shift funds from rural to urban areas, because that's where the people, the cars and the greatest need for transit and roads are.

These forces all were present at the Capitol during the 1993 legislative session, when complex maneuver-

Continued on page 6

## Counties can promote innovation, coordination

by Patricia Conley and Lois McCarron

The origins of county government can be traced to the English shire of a thousand years ago, which functioned both as an administrative arm of the national government and as a local unit of government.

Those dual roles of county government continue today in both the United Kingdom and the United States. As constitutionally established and protected subdivisions of state governments, counties serve

as an administrative arm of the state to provide state-defined services.

But, as a primary unit of local government responsible directly to the electorate, counties are obligated to represent the needs of this electorate and to set local public policy. They can levy and appropriate funds, enact ordinances to guard

Continued on page 4

## Career teacher program links school, families

by Dana Schroeder

Assume you are Minnesota's education czar. Given \$33 million to spend, would you:

- Add a day and a half to the school year?
- Or—for the same amount of money—assign each child in the state a "career teacher," who would be available to the child's family day or night throughout the entire

year to advise and assist them with any issues or concerns that might affect the child's ability to learn?

For Pam Erickson, a Minnetonka parent of two school-aged children, the choice would be a simple one.

"The career teacher program helps the entire family," she said. "The

Continued on page 5



# Building family economic self-sufficiency in the '90s

During the past legislative session we heard much about the need to address public safety, crime and racism. As we look forward to what remains to be done in the next session, we should look at what we need to do to help individuals and families overcome economic disadvantage and become more economically self-sufficient.

We can take some guidance from work such as that by Lisbeth Schorr in her book *Within Our Reach*. This work challenges the widely held assumption that "nothing works" in the area of welfare reform and details a number of successful approaches by private and governmental entities to give people a hand up and out of poverty.

In the coming sessions the Legislature should address economic disadvantage by focusing on the areas of economic development, income transfers, social services and community building.

**Economic development.** A key element of economic development should be creating jobs that pay enough for individuals to support families without subsidies. Tens of thousands of disengaged poor youth in our two core cities are neither in school nor employed. Even more adults are unemployed or underemployed. We face this employment challenge in a rapidly

## Viewpoint

by Lyle Wray

changing context of free-trade agreements and a globalizing economy. Experts predict that we will lose our status as the largest economy in the world within the decade.

Helping people get the skills to justify these wage levels and seeing to it that potential workers can get to areas of job growth are important topics for future legislative action. Efforts made this legislative session on apprenticeships are a step in this direction.

**Income transfer programs.** The level of payments for poor children and parents has not kept pace with inflation. Although we have one of the more generous welfare programs in this country, we are about half that of our neighbor to the north. While these programs for most should be a bridge to self-sufficiency, we must question whether they are adequate to support children while they are being educated to get out of poverty.

We have a long way to go in removing disincentives for independence from our welfare system. Many of the key decisions are in federal hands, and progress has been slow in moving toward true reform at the state level. We need to move more aggressively than

we have on welfare reform, building on programs such as STRIDE to encourage economic self-sufficiency.

**Social services.** In many cases, individuals and families faced with economic disadvantage also have needs beyond income transfers and job skills training. To meet these needs we will need to develop new models of service.

One example is the Choice Program in Baltimore County, a non-traditional program for youth who would otherwise be placed in juvenile institutions. Instead of incarceration, the program uses constant supervision, tutoring, and, in some cases, job training and mental health intervention. Counselors work in teams of three as probation officers, counselors and mentors and see their charges face to face three to five times per day, seven days a week, for three to six months. The program is a cost-effective alternative to institutional placement. We will need a great deal of this type of "thinking out of the box" as we address our social issues.

We need to better coordinate and integrate social, educational and economic support services. We should aggressively explore efforts

in Hennepin County and elsewhere to link school and social services as ways of better organizing services around individual and family needs rather than program gories.

**Culture, values and community building.** We often speak of strengthening the capacity of families and communities to solve their own problems. While this goal is noble, in many cases we find that there is little "community" left in the community. Rebuilding communities' capacity to identify their needs and to act on them locally is an important part of the self-sufficiency movement. Programs such as the CARE program in Minneapolis, which engages a neighborhood in directing resources to community needs, is one example. We need to work more with communities to help them define and reinforce their values, so people can provide for and raise healthy families.

Effectively dealing with economic disadvantage requires that we address each of these four elements. One alone will not be sufficient. The urgency of the problems—with record levels of childhood poverty as one painful example—should be compelling, as we prepare for the next session of the Legislature.

Lyle Wray is executive director of the Citizens League.

# Property tax system makes education funding unfair

Edited excerpts of remarks by John James, Fredrickson & Byron, to the Citizens League on May 18.

We have a major public policy problem. The problem is the linkage between the education funding system and the property tax system. It is a problem because of the multiple class rate structure of the property tax system.

The problem is that the tax classification rates distort the property tax. They break the relationship between the real market value of the property and the taxes sought, so they distort the measures of tax effort that Minnesotans make. The local tax rate,

which purports to measure local effort, does not measure local effort in any meaningful sense, because it's related to the arbitrary tax capacity number, not to the meaningful real value number of estimated market value.

The education funding system seems to require each and every school district to make an equal effort to support the education of its children. One would think it would provide more state aid for poorer districts than for richer ones.

Here's what it really does. It requires some districts to make greater efforts than others to support

the education of their children. Secondly, the system provides state aid that's not correlated with the district's wealth. It's correlated with the district's tax capacity. Third, it throws up a higher hurdle for low tax capacity districts than high tax capacity districts to enact referendum levies.

The pernicious link is this: That local tax rate and tax capacity, two arbitrary numbers not meaningfully correlated with property values and the real wealth of communities in Minnesota, link the education funding system and the property tax system. That link makes the purported equalization of the education fund-

ing system a sham. It makes it more difficult for low tax capacity school districts to pass referendum levies.

**What's the solution?** The solution to make our education funding system work is a one-class local property tax. You'd need three little twists on it. Exempt farmland from the school tax. Second, have a big circuit breaker for homes. Third, you need some kind of a new business tax to prevent a gigantic windfall. That could be a state-level property tax instead of a local one. Or you could do some serious reform and surgery on our tax system.

# Many editors criticize Legislature and special session

## On Balance

Editors were generally critical of the Legislature and the need for a special session. **St. Cloud Times** said (May 29) "The list of blunders attributable to the annual rush to close grows longer each session. You'd think someone would figure it out." **Rochester Post-Bulletin** said (May 20) "this was a dismal legislative session. It reinforces the view of a disenchanted electorate that the state's elected officials are self-serving and out of touch."

However, the Legislature was praised for passing laws on "zero tolerance" for drinking and driving by teenagers (**International Falls Daily Journal**, May 18), raising the limit on the number of charter schools to 20 (**Red Wing Republican Eagle**, May 13) and passing a bill that allows counties to consolidate some elected offices (**International Falls Daily Journal**, May 7).

**St. Cloud Times** called (May 31) on the Legislature to put in place "solid, statistical evaluation of the effectiveness of state programs—then require that state departments set evaluations in motion... The real measure of programs (such as the post-secondary enrollment option) should lie in the performance of those who take advantage of the opportunity."

Fargo **Forum** criticized (May 30) legislative attempts to deregulate and re-regulate milk prices. "Legislators looking for a way to stem the loss of three dairy farms a day figured they needed to do something... At best, the new regulations

"Politics: A strife of interest masquerading as a contest of principles." —A. Bierce

are a Band-Aid for milk pricing problems that require fundamental changes at the federal level."

**Duluth News-Tribune** was skeptical (May 31) about the need for anti-stalking laws. "Warning a likely victim when a stalker is released from jail... might save lives or avoid injuries. Anti-stalking laws are less likely to help."

**Worthington Daily Globe** warned (May 28) that signing the 1993 Minnesota Care law was only a "first step" toward controlling the health care industry and lowering costs. It "sounds good, but will it produce results?... Implementation will be another matter."

**Mankato Free Press** concluded (May 19) that there are still "no compelling arguments to keep openly gay soldiers from serving in the military." Similarly, **Duluth News-Tribune** urged (May 20) President Clinton to "stay the course" and lift the ban. "It's too bad Congress has so much trouble understanding that protection of basic civil rights isn't a selective thing."

**Globe** hailed (May 29) the agreement between Northwest Airlines and its two largest unions. "Employees must be aware that, in this time of depressed airline

employment, they must give up something for future job security and a piece of the action."

**Republican Eagle** expressed concern (May 27) about "mixed signals" from Sen. Paul Wellstone on energy policy. He says "deregulation of natural gas prices is destined to bring pain to citizens in this energy-poor state," yet Wellstone supports President Clinton's proposal for "heavy, new tax" on energy.

**Free Press** noted (May 26) that Sen. Dave Durenberger could play a significant role in getting campaign reform legislation through the Senate. "We hope Durenberger and the others are sincere in their desire to

work with Democrats on passing campaign reform... But if it comes down to a choice between the Clinton bill as it is, or no legislation at all, Durenberger... would best serve the public by supporting the existing bill." **St. Cloud Times** called on (May 28) Durenberger to step down, or "at least face reality" and declare whether he intends to run for reelection.

**Post-Bulletin** praised (May 29) Rep. Tim Penny for "his commitment to belt tightening... Penny has made a name for himself, in Congress and in the national press, as an important player in budget matters." Similarly, **Free Press** said that Penny's current prominence was "good news for all taxpayers, who will benefit from Penny's strong voice of fiscal restraint."

# Medical account could redefine health system

Edited excerpts of remarks by Sen. Duane Benson (IR-Lanesboro) to the Citizens League on May 11.

We don't do nearly enough to argue that while health care might be a right, it's a responsibility. People are going to have to be more responsible.

A provision I have in is an individual medical savings account. Say my employer pays \$4,500 for coverage for my family. They could take \$2,500 of that and buy a catastrophic plan. The other \$2,000 would go into an individual medical savings account in my name. Out of that I would take care of the common cold, all the preventative care, pap smears, physicals. The better job I do, the more I will save. In other words, bring that individual more into the equation.

Our current system is an overconsumed system, face-to-face with an overpriced system, buffered by a third party. And then we wonder why costs are high. This redefines that and says you can get some-

thing out of the system by positive behavior, by taking good care of yourself and your family.

We didn't take all of the Health Care Commission's recommendations. We didn't take up helmets for motorcyclists, for example, largely because those of us in the Legislature did not want our car doors welded shut.

The idea is to create as many possibilities as we can—as many integrated service networks as we can, an all-payer system—and see who can do the best job.

There's certainly a rush in the Minnesota Legislature to go to a single-payer system. I don't think anyone should be misled. It's a simplistic solution to a complex problem.

I think the best ISNs are the ones that will be operated by providers. They will do a better job if it's left up to them. The HMO model tends to be more of screw down providers.

## The Minnesota Journal

Publisher — Lyle Wray  
Editor — Dana M. Schroeder  
Contributing Editor — Ted Kolderie  
Sketches — Ray Hanson

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, John Brandl, 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.

Subscription rate for nonmembers is \$40 issues. Orders may be placed at 612/338-0791 or by mail at the above address.

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

## Choice

From remarks by Sen. Ember Reichgott (DFL-New Hope) to the Citizens League on May 25.

I don't think open enrollment will ever serve more than two to three percent of the students in our state. To me the point is that every single student in the state has the choice, should they wish to exercise it. The impact has been so much greater because of the response of the system to open enrollment.



# Counties

Continued from page 1

the public's safety and health, regulate zoning or undertake a number of other activities. This role of the county is especially important in Minnesota, a state with wide diversity.

Not only is Minnesota a diverse state, but unlike most other states, it relies heavily on county government to plan, administer and fund a broad range of services: tax assessment and administration, elections, record keeping, transportation, planning and zoning, environmental and solid waste regulation, parks and water management, law enforcement, correctional and probation services, health, social services and welfare administration. Most of these services are dictated by state and federal law; however, some are established by the county board. And counties often initiate innovative programs eventually picked up at the state level.

How heavily does Minnesota rely on counties for services? Costs of social service programming were divided as follows for 1991: 23.5 percent federal, 35.5 percent state, and 38.1 percent county. In the criminal justice area, Minnesota had the lowest state share of expenditures of any state in the nation in 1990: 33 percent of the total criminal justice expenditures came from the state, while 67 percent were local expenditures—again expenditures from property taxes.

Given the populist history of Minnesota—a strong belief that services are best determined and delivered as close to the people as possible—local governments have always played a strong role in planning, delivering and funding local services. This allows greater accountability to the electorate for expenditures of property taxes and development of programs and services. It also assumes that decentralization and the lack of uniformity

ty that may result are acceptable.

Has local government provided innovation in service delivery? Two examples:

- In 1980, the Legislature authorized pilot projects in St. Louis and Blue Earth Counties to develop alternative care services to keep elderly people at home instead of in nursing homes. The Legislature then expanded the pilot programs to a statewide program under the authority of each county board—first on a permissive basis and then as a requirement. State support of the concept grew with the recognition that community-based alternative care services led to savings in the state's Medical Assistance budget.

- Ramsey County's electronic benefits transfer system, through which welfare recipients receive benefits using a debit card, is another nationally renowned innovation—the subject of Vice President Al Gore's recent visit. Food stamp recipients simply use the card in local grocery stores to access the funds remaining in their Food Stamp allotment and welfare families can receive their benefits using electronic banking facilities.

## Recent proposals for change

Beginning a few years ago with Rep. Phyllis Kahn's proposal that Minnesota move from the current 87 counties to only 10 (matching judicial district boundaries), private citizen organizations, the Legislature and the state executive branch have made numerous proposals to redesign, restructure or even reframe county government. This avalanche of offers to "reinvent" government probably has several motivations, ranging from straightforward attempts to provide meaningful solutions to outright opportunistic power plays and survival strategies.

In general, society agrees that something is broken and needs to be fixed. But is it county government that is broken? Or is the public reflecting dissatisfaction with government services generally at all levels of government? The real issue is to determine *what* is broken, and which *fix* will actually correct the problem without creating more problems. Some of the impetus for change obviously

results from the fiscal crisis and funding shortage.

The rush for change and reorganization is directed not only at the structure of county government, but also at the functions and responsibilities of county boards. Reorganization proposals discussed in 1992 and 1993 focus on all areas of county government operations—from transportation and environmental protection to health and human services.

- In 1992 the Citizens League studied the local government service delivery system and recommended that governments shed some of their operating responsibilities and operate as sophisticated buyers of services.

- The 1993 reports of the Commission on Reform and Efficiency (CORE) recommended eco-regions for environmental programming and health and human service districts.

- The 1993 Legislature enacted several proposals that will affect county service delivery: Chapter 139 permits state agencies to contract with regional entities, rather than counties, to provide services; and Chapter 224 encourages counties, schools and public health agencies to join together to provide coordinated children and family services.

- Several current proposals advocate contracting with public or private "managing entities" to provide human service programs and promote the creation of nonelected entities charged with human services administration, planning and funding.

While it is essential that government respond to the need for change, it is even more important to clearly keep in mind the inherent purpose and function of government. A review of the numerous proposals and discussions surrounding these issues reveals some confusion about the role of political entities and elected boards, a lack of awareness and understanding about the county role specifically, and a tendency to offer a top-down approach.

Counties are partners with the state and federal governments, working to meet the needs of the citizens,

trying to make better use of limited resources without raising taxes. Counties must defend the critical role they play in determining local needs, defining local policy and authorizing funding to provide needed services. This role must continue to be greater than setting the levy and sending the check. If it isn't, counties have failed to carry out their responsibilities to the voters.

In the governor's budget address, he asked if we can "continue to afford our current system of government, in which we have 87 counties, nearly 400 school districts, 855 cities, 1,801 townships, 41 watershed districts and so on." The solution seems obvious. Unless Minnesota government is reorganized along watershed districts, the lowest common denominator is 87 counties. Counties *are* "regional" government. If counties focus on coordination with school districts and communities, government could be reinvented through a grass-roots, bottom-up approach.

Counties are in the ideal position to promote a comprehensive, unfragmented system of services. In providing this leadership, counties could demonstrate efficiencies and economies of scale within county boundaries. If, and when, some programs or services require a larger population base or geographic area, counties are very familiar with utilizing multi-county joint powers agreements to achieve broader goals. Todd and Wadena Counties, for example, operate a county nursing home under a joint powers agreement. A number of counties have created joint powers agreements to handle waste management.

In the book *Reinventing Government*, the authors specifically wrote about the need to *renew*, not *replace* government through restructuring or creating additional levels of bureaucracy. Furthermore, at a time when the need for *local* initiative and responsibility is being stressed, it appears counterproductive to establish larger, regional entities that are further removed from the people.

Patricia Conley is chief policy analyst and Lois McCarron fiscal/policy analyst, both at the Association of Minnesota Counties (AMC). Portions of this article appeared in

# Teacher

Continued from page 1

benefits are so much more far reaching than having another day of school. It's definitely a cost-effective, high quality program."

Erickson speaks from experience. The career teacher program at Tanglen Elementary in the Hopkins school district offered a lifeline to her family after a fire destroyed their home in 1990. (See accompanying article.)

With a K through 6 enrollment of 790 students in 1992-93, Tanglen has designated seven of its 46 teachers as career teachers. Each receives three weeks extra pay for their duties (four weeks for George Holtan, the school's lead career teacher).

Each career teacher is assigned about 120 to 125 children from 80 to 85 families. The teacher follows those students from kindergarten through sixth grade and is available to assist families day or night throughout the entire year, whether or not school is in session. Every classroom in the building has a phone, and families are given the home number of their career teachers.

Career teachers are trained to be experts in a wide variety of services and resources available to families. A classroom teacher who sees a child having a hard time might con-

sult the career teacher. Parents might invite their career teacher to join in their regular conferences with their children's classroom teachers. Sometimes the career teacher helps parents decide which classroom teacher they should request for their child.

The career teachers at Tanglen have undertaken a number of initiatives in addition to their ongoing contact with students and their families. They have started support groups for divorced and separated families and for families with children who are

*"Instead of the parents coming to the school, we go to them."*

—George Holtan, career teacher

severely disabled, published a newsletter, and sponsored babysitting classes, meetings to help with the transition to junior high, and a number of parent education meetings.

Holtan is particularly proud of their outreach efforts at a group of seven apartment buildings—somewhat isolated from the rest of the community—that are home to many single-parent families. Once a month the career teachers sponsor a dinner for parents and children at one of the buildings, followed by a parent education meeting.

## Trial by fire

Pam Erickson of Minnetonka has always been involved in the education of her two sons, who have just completed fifth and eighth grades. She is currently a member of the Parent Involvement Task Force in the Hopkins School District.

Three years ago, when she attended a meeting about the new career teacher program at her sons' school, Tanglen Elementary, she was impressed but thought the program would have little relevance for her strong, intact family.

Two months later, on Christmas Eve, Erickson and her family lost everything in a house fire. The day her children returned to school, George Holtan, the family's career teacher, met Erickson and her sons at the entryway of the school with hugs.

"During the next four to six weeks, the career teachers took care of my kids' emotional needs," she said. "They were there offering support." Holtan found crisis counseling for the family and made sure the boys received free school lunches for a month.

The career teachers encouraged the other children to bring in baseball cards and toys to help replace those the boys had lost. They asked the children to talk about things that made Christmas less than perfect that year, making it easier for Erickson's sons to talk about their loss.

"I thank God we were at this school when we had our fire," Erickson said.

"The parent population there is becoming more involved," he said. "Instead of the parents coming to the school, we go to them. When you empower parents, you also empower kids. When this happens, kids' educational performance goes up."

Erickson said the program encourages parental involvement different from traditional volunteering—which, she hastens to add, is also valuable, but not possible for every parent. "The career teacher program asks the parents to be involved in their kids' education, not necessarily

ly in their *school*. As a working parent, it's hard to be involved at school, but I'm very involved in my kids' education. The program has bypassed the walls of the schools and reached into the homes and into the family's lives."

"The other teachers in the building absolutely love the program," Erickson said. "The academic teacher now has another ally in the school." First-year Tanglen Principal Susan Anderson agrees. "The other teachers see it as a big help. I see teachers seeking out career teachers for support if they have concerns about a child."

Hopkins Community Education Director Ted Sauer said the program at Tanglen cost about \$37,000 this year. "It's great money spent," Anderson said. "They're a wonderful resource. I marvel at how much time they devote to the program for the small stipend."

Anderson and Sauer praised the school district's strong support for the career teacher program. "We made a \$1.4 million budget cut in Hopkins this year, and we didn't cut the career teacher program," Sauer said. But without some financial incentive, he said, the district cannot expand the program.

Erickson, for one, would like to see the program in other schools. She misses it for her older son now that he is in junior high. "I'm an involved parent, and I feel very far apart" at the junior high, she said. "Parents who are intimidated must feel light-years away." She said she



has occasionally consulted Holtan, her career teacher at Tanglen, about her junior high student.

## History

The career teacher program is a pet project of former state Sen. Jerry Hughes, now head of the Minnesota Education Foundation. The career teacher becomes the family's mentor, much like a primary physician, Hughes said. It's a way, he believes, for teachers to advance in their profession. "We underutilize good faculty," he said. "We need to focus on the significant role of the teacher in society."

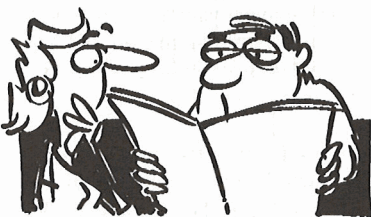
The career teacher legislation was originally passed in 1989 with partial state funding for pilot programs. Seventeen districts—including Hopkins—had pilot programs until the Gov. Arne Carlson line-item vetoed the funding in 1991. Hopkins then picked up all the costs for the program at Tanglen, while other districts dropped their programs.

"More and more families are facing issues that, unless they are effectively dealt with, become barriers to education," Sauer said. "If we can help the community and the family resolve some of the issues, the kids will be better prepared to learn."

He estimated it would cost \$33 million to provide one career teacher for every 125 Minnesota children through to age 18—about the cost of extending the school year by a day and a half.

"If we extend the school year and the school day and do little things in curriculum, we're going to make no difference if a growing number of kids are not prepared to do their best in school," he said. "If we're going to make an impact in education, we need to design a system that gets school and home together. The career teacher program is the most cost-effective way of doing that."

Dana Schroeder is editor of the Minnesota Journal.





First fix health markets, then add universal coverage

Edited excerpts of remarks by Sen. Dave Durenberger (R-Minn.) to the Citizens League on June 2.

Along with the president and many Democrats, we agree our national goal in health care is universal access to high quality care, through a system of universal coverage of financial risk. There are two main things we disagree on. Who manages the competition? How do we pay for universal coverage and how quickly do we go to it?

Some people favor state or federal government regulation of prices for health-care services. There is so much government in their proposals that there is no competition. On the other side, some Republicans stress competition over management. They believe that people, completely unassisted, could manage competition.

In my view, neither of these approaches will work. The most competitive plans will link the financing and administration of ser-

vices with the medical caregiver. The caregiver would be paid by an annual premium, not fee for services. They will have the incentive to deliver high quality, cost-effective care. Rewarding good physician behavior is the key to higher quality and lower costs.

The system I've just described generally goes by the name of managed competition. Under managed competition, decisions about the appropriate use of specialists, technology, hospitals, and other care settings are made by the medical providers. Decisions about satisfaction and value—and that includes price—are made by consumers.

A second difference is how we're going to pay for universal coverage. Pres. Clinton and the Democrats want universal coverage legislated this year and in place by 1996. They seem to be willing to raise taxes by \$100 billion a year to accomplish that goal.

The Republicans oppose immediate universal coverage for several reasons. First, the enactment of immediate universal coverage would mean that the states where medical practice has been conservative or in which there have been successful reform efforts would be spending large amounts of tax money to reward states in which communities and caregivers have been inefficient.

Secondly, adding millions of people to third-party coverage in these and other states would run up the costs and the utilization beyond expectations. And third, the imposition of universal coverage in the current marketplace will impede and probably defeat efforts to bring down costs through market reform.

The second key difference on universal coverage is the mandate that all employers provide accountable health plans. That is a critical part of keeping down the tax cost of universal coverage, to hide the cost in the employer-employee relationship.

Republicans support a mandate that individuals have to own a health plan, but we believe it should only come into effect once market reform is underway. We believe employers should be required to offer health plans, but some of us believe there should be a choice of health plans presented. We simply don't believe that employers should be forced to "play or pay."

The final important difference has to do with price controls and global budgets. The President is still talking about annual limits on state health spending through fixed budgets and voluntary or involuntary price controls.

We do not want to discourage efficient providers of high-value health plans from getting more business. If incentives are properly designed, we will get cost reductions. The results of top-down budgeting will be gamesmanship, rationing and reduced quality, not real reform.

Roads

Continued from page 1

ing ended in defeat of a proposal for a large tax increase for highways (more than \$200 million a biennium, or 25 percent) and a smaller one (about \$60 million) for transit. Its author was Sen. Keith Langseth (DFL-Glyndon), a leading player on highway finance.

Langseth also proposed to use part of the increase in highway money to protect low-traffic rural areas from losing any state aid while making small equity adjustments in the distribution of state money for county roads. Although this change was far less sweeping than the metro counties had proposed, it earned Langseth bitter criticism from Sen. Florian Chmielewski (DFL-Sturgeon Lake), chair of the Senate Transportation Committee. (His home county, Pine, fares well under the current formula. See Table 2.)

Today's funding system traces to three constitutional amendments in the 1920s and one in 1956.

Together, they specify over half the trunk highway system, much of it in routes that seem less important today than in 1920—such as one joining Deer River and Big Falls—and dedicate the gas tax to build trunk highways (62 percent of the revenues), county state-aid roads (29 percent) and municipal streets (nine percent).

A 1953 legislative highway commission recommended a 12,200-mile state trunk highway system, even though the consultant who did its technical work could find only about 7,500 miles of state significance, and nearly 30,000 miles of county state-aid roads, to be partly subsidized by state funds.

The size and location of these two systems, plus the formula for distributing money to county roads, guaranteed that a good deal of Minnesota spending would be on low-traffic roads, leaving less money for highly traveled routes and forcing the state repeatedly to seek highway tax increases.

Minnesota has a very large total road system, some 130,000 miles,

much of it lightly traveled; only five states have more. The 12,200-mile state trunk highway system is not itself unusually large, when compared to other states and considering this state's comparatively low population density.

Nevertheless, Minnesota consistently spends about 50 percent more per person for roads—some half a billion dollars more annually—than the average for states. And much of the trunk system

serves in reality not as state highways at all, but as local roads. Based on "function"—the kind of trips drivers actually make—between 40 and 60 percent of the 12,200 miles are simply local roads. Every analysis of the system since that 1953 consultant's report has come to this conclusion. A 1985 legislative commission, for example, said that "there is clearly good reason to believe that

Continued on page 7

TABLE 1: 1993 STATE AID FOR COUNTY ROADS

	Seven-County Twin Cities Metropolitan Area	Greater Minnesota
State Aid (in millions)	\$ 41.3	\$ 203.2
Percent of Total Aid	17 %	83 %
Percent of Population	52 %	48 %
Percent of Registered Vehicles	49 %	51 %
Percent of Vehicle Miles on County Roads	46 %	54 %
State Aid/Person for County Roads	\$ 18	\$ 97
State Aid/Vehicle for County Roads	\$ 20	\$ 93
State Aid/Vehicle-Mile for County Roads	\$ 3.60	\$ 15.36

SOURCES: 1990 U.S. Census and Minnesota Dept. of Transportation.

Roads

Continued from page 6

the system should be realigned," a conclusion "buttressed by all subsequent functional classification studies" after 1953. Building and maintaining that system to high trunk highway engineering standards is far more expensive than necessary for local roads.

In 1983, a Citizens League study concluded that even if the state system were to include every trunk highway carrying as little as 2,000 vehicles daily and connect every city down to 1,000 population, it would need to contain only 6,875 miles.

But removing the extremely low-traffic local roads from the state trunk system would reduce or end their state subsidy and force local users to pay for them. So it is anathema to rural legislators and never pushed, and almost never even suggested, by urban lawmakers.

County roads

The situation on the 30,000-mile county state-aid road system is basically the same, but complicated by a four-part formula in state law that dictates distribution of the state money to the counties. It is heavily weighted toward sparsely populated counties with low traffic, but lots of county roads. Perversely, the formula means that counties with more miles of little-used roads (which wear out most slowly) get more state money. (See Table 2. Lake of the Woods County is included as an example of sparse population and little traffic.)

When this system was instituted, the seven Twin Cities metropolitan counties contained only about one third of Minnesota's population and received about one-sixth of the county state-aid money; today they have 52 percent of the population and still receive only 17 percent of the money. Population is a good indicator of true need for road dollars; it relates closely to the number of cars, vehicle miles and, consequently, wear and tear on roads.

The 1953 highway study commission estimated that by 1968 all the 30,000 miles of county state-aid roads could be built to "minimum condition." According to a Legislative Auditor's report, by 1987—a third of a century and \$2 billion later—only 10,000 miles met what road engineers then defined as minimum standards. The counties estimated they would need \$4.8 billion more to achieve those standards.

The report said the allocation formula "provides excessive aid to some counties with large numbers of low-traffic roads" and "does not reflect true needs." It said that the state and counties had adopted successively higher engineering standards for county roads, justifying costly improvements even where traffic did not increase.

The report also showed that the distribution formula is essentially fraudulent. Fully a third of the counties get half their apportionment of state aid for improvements to low-use roads that they will never make. (Instead, they spend the money on somewhat busier, though often still sparsely traveled, roads.)

TABLE 2: ACTUAL STATE AID FOR COUNTY ROADS IN 1993 COMPARED TO TWO OTHER POSSIBLE METHODS OF DISTRIBUTION (IN MILLIONS)

County	Actual Aid, 1993	Aid if based on population	Percent Change	Aid if based on vehicle miles*	Percent Change
Anoka	\$ 3.8	\$ 13.6	+ 258 %	\$ 14.9	+ 293 %
Carver	2.2	2.7	+ 22	2.4	+ 12
Dakota	4.7	15.3	+ 225	16.3	+ 245
Hennepin	16.8	57.5	+ 241	51.8	+ 207
Ramsey	7.8	27.0	+ 247	17.0	+ 119
Scott	2.8	3.2	+ 13	4.1	+ 47
Washington	3.1	8.1	+ 159	6.4	+ 103
METRO TOTAL	\$ 41.3	\$127.7	+ 209 %	\$113.0	+ 174 %
Pine	\$ 4.2	\$ 1.2	- 72 %	\$ 2.1	- 50 %
Lake of the Woods	1.8	.22	- 88	.29	- 84
STATE TOTAL	\$244.5				

\*1990 vehicle miles, except 1989 in Pine County.

In fact, although counties have widened, straightened and paved about three-fourths of the county state-aid system since 1956, most of it is little traveled. Only 4,500 of the 30,000 miles carry more than 750 vehicles a day, and 6,000 miles see fewer than 100 cars a day (one every 15 minutes, on average).

Clearly, much of the county state-aid system is lightly used (it resembles neighborhood streets in cities, which do not receive state aid) and is maintained to much higher design standards than needed. This, in turn, is far more costly than necessary.

The Legislature should move these little-used county roads off the state aid system or require relaxed (and less expensive) design standards for them. It has made a small start on the latter by creating two subcategories of county roads: national preservation routes, built to lower standards in order to avoid destroying the environment; and minimum maintenance roads, which counties leave unimproved. Both provide a way to drop roads out of the expensive high-standards-with-no exceptions systems.

Many legislators believe that the relatively high per capita cost of roads in counties with very low population densities suggests that some subsidy is justifiable and desirable as a matter of equity. Most Minnesotans probably would agree.

The real questions, though, are: When does equitable support become an inefficient, blatantly unfair subsidy? And, why shouldn't the metropolitan area stop trying to fund transit from a state tax, if the tradeoff is much higher road taxes, and just pay for its own transit itself?

Pete Vanderpoel is former communications director of the Citizens League.

Correction

The complete identification of Robert Miller was inadvertently omitted from the community policing article in last month's *Journal*. He is executive director of the Neighborhood Revitalization Program in Minneapolis.



...One car every 15 minutes? Let's face it!..We'll starve to death sitting here waiting for road kill!..



# Campaign finance law still leaves incumbents ahead

**Although hailed** as the biggest change in 20 years in the way politicians finance campaigns, the 1993 campaign finance bill signed by Gov. Carlson falls short of leveling the advantages incumbents hold over challengers.

Legislators left virtually unchanged the way public subsidies are distributed to candidates who agree to campaign spending limits. As it is, the distribution of money that taxpayers check off on their tax forms typically results in more public subsidy going to incumbent candidates in safe districts and less to their challengers.

Although urged by Common Cause, the Citizens League and others to change this situation, legislators offered only a crumb where a whole loaf was needed. A new provision limits a candidate's public subsidy to half the candidate's spending limit. Any subsidy over that limit will be redistributed among all other eligible candidates, presumably the challengers. However, if the past is any indication, only a handful of candidates will receive subsidies that high, rendering the change meaningless to most challengers.

Some changes, such as allowing first-time candidates to spend somewhat more than others, represent good first steps but do not go far enough to lessen the disadvantages challengers face when running against incumbents.—*Jody A. Hauer.*

**The Legislature** made a mixed bag of changes in the state's charter school legislation this session.

It increased the maximum number of charter schools from eight to 20 and the number a school board may authorize from two to five. And it allowed charter proponents to appeal a school board's rejection of a charter request to the State Board of Education, assuming at least two members of the school board voted for sponsorship.

But the Legislature also tightened up restrictions.

- It made it harder to convert an existing school to a charter school and to get a charter when a school is threatened with closing.

- It required that a charter school be located in the sponsoring district, unless another district agrees to

accept the school. If a request is denied, the sponsor may appeal to the state board.

- It restricted the use of outside money given to a charter school to planning and start-up costs.

Department of Education Enrollment Options Coordinator Peggy Hunter—pleased with some changes, unhappy about others—believes the Legislature is still interested in educational change. She hopes the increased number of charters and the state board appeal provision will result in more charter schools for the broader population. Six of the eight schools already approved are for targeted populations, less a competitive threat to school boards.—*Dana Schroeder.*

**It looks as if** Minnesota's charter schools idea, enacted here in 1991 and in California in 1992, has been introduced in 1993 in the legislatures of Arizona, Colorado, Connecticut, Florida, Georgia, Louisiana, Idaho, Massachusetts, Michigan, New Jersey, New Mexico, New York, Oregon, Pennsylvania, Tennessee, Vermont and Wisconsin.

It was enacted in Georgia, New Mexico and Colorado. It will definitely not pass this year in some states but may pass in others before the sessions end.—*Ted Kolderie.*

**Two members** of Minnesota's Congressional delegation are on different sides of one health reform issue. Rep. Martin Sabo, chair of the House Budget Committee, amended the budget bill passed in late May to waive provisions of a key federal law for Minnesota and a few other states. The law (ERISA) preempts state regulation of self-funded employer health plans. Minnesota's new tax on health services provided to enrollees in those plans is likely to be struck down in federal court because of ERISA.

Sen. Dave Durenberger says he will oppose this state-by-state approach to solving the problems ERISA creates for states and will seek a comprehensive approach. Waivers from ERISA are generally opposed both by labor unions (who operate their

## Take Note

*Ideas to ponder while idling at a highway construction site.*

own benefit plans free from state regulation) and large national employers (who don't want to comply with the requirements of numerous states).—*Allan Baumgarten.*

**Canada's** *City Magazine* recently decried what it called the "Minneapolisization of downtown," the nationwide trend toward climate-controlled pedestrian linkages—"pedways," in Canadian.

The Regina (Saskatchewan) City Council approved a plan in November for a new pedway system. The plan also required developers to consider the impact on street-level retail activity, but associate editor Barton Reid said that provision was "clearly a sop" and that planned renovations for the street-level pedestrian mall were "little more than a \$700,000 dress-up job on a corpse."

The only major downtown in Canada's prairies without a formal policy of providing pedways is Saskatoon, but even there, Reid said, "planners seem to have Minneapolis-St. Paul on their minds when they envisage the downtown of the future—not Toronto, New York or San Francisco." On the west coast, Vancouver now has an explicit policy to discourage new pedways, in what Reid called a "postmodernist embrace of the pedestrian and the street."—*Janet Dudrow.*

**Legislators** in 1993 reversed a trend they had established over the last few sessions in valuing property for tax purposes.

In one instance, legislators limited the yearly increase in value for taxation purposes of homes, cabins and agricultural property to no more than either 10 percent or one-third, whichever is greater. A \$92,000 home, for instance, that increases in value by \$10,000 next year will be assessed for taxation purposes as if it had increased only \$9,200. This exclusion, in effect through 1998, does not affect increases in value due to property improvements.

Legislators also excluded increases in value (up to a certain maximum) due to improvements on older homes. The exclusion lasts 10 years; then the value is gradually added back to the home's assessment.

Both measures artificially restrict how much residential tax base is available for property taxation and shift the tax burden onto owners of other types of property, such as rental and commercial property. This is contrary to the direction set in recent years, when legislators took steps to even the tax burden among different types of property.—

**Alert followers** of the Citizens League should have recognized a proposal offered by former Revenue Commissioner John James at a recent League breakfast meeting. (See page 2.) A 1987 League report recommended a one-class property tax system, with a statewide tax on business property—the same solution James proposes to make the education funding system more equitable.—*D.S.*

*Contributors this month include Minnesota Journal and Citizens League staff members and Jody A. Hauer, State Auditor's Office.*

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

SECOND CLASS  
POSTAGE PAID  
AT MINNEAPOLIS  
MINNESOTA