



Minnesota Journal

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New National Institute to help set health-policy agenda

The current backlash against managed competition in health care is understandable because “we still haven’t tried it,” according to Alain Enthoven, one of the nation’s leading health-policy experts.

Enthoven is a widely respected author and professor at Stanford University, now on sabbatical at the London School of Public Health. His comments on the current state of health-care reform were delivered March 3 in Minneapolis at the inaugural symposium of the new National Institute of Health Policy, headed by former

by Dana Schroeder

U.S. Sen. Dave Durenberger.

According to Enthoven, both provider and consumer concerns about managed competition result from what he called “the inevitable introduction of financial restraint into health care...something that just had to happen.”

To cushion these restraints, Enthoven said, he and other architects of managed care wrongly presumed that doctors would organize themselves into medical groups

that would “take charge of improving quality and improving costs, so nobody else had to do it to them.”

Enthoven also said he thinks consumers would be less resistant to limitations of managed competition if they were able to select from competing health plans, including those costing more, but offering free choice of providers.

“I think we wouldn’t have had nearly the backlash on the consumer end,” he said, “if everyone

in managed care was there by choice.”

But, that didn’t happen either, Enthoven said, noting that “fewer than 10 percent of Americans have choices among health plans and full economic responsibility for the differences in premiums.”

The new National Institute of Health Policy is a partnership of Minnesota’s two largest public and private higher education institutions, the University of Minnesota and the University of St. Thomas.

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State must give districts capacity to meet standards

by Ted Kolderie

On the education agenda the central question at the Capitol this year is not the Profile of Learning—not “accountability” at all.

It’s whether the Legislature is going to give districts the capacity to meet the standards for which they’re going to be held accountable.

Enough of an “accountability” program is already in place to force a crisis. These are the eighth-grade tests of basic skills. Kids have to pass those in order to graduate.

Way too many kids are not passing. It’s worst in the big cities. But even in good, solid Lake Wobegone towns way too many kids are not on track to graduate. If that happens, consequences will also fall on board members and on superintendents.

So the state is halfway across the river, standing on a slippery rock. It has put in the standards, but not yet given the districts what they need to meet those standards.

Now it has to decide whether to go

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State tax policy must allow for effective citizen control

by Dan Salomone and Lynn Reed

When Minnesotans are asked which tax they would like changed, or (especially this session) what kind of tax rebate they want, they often don’t have much in the way of a theoretical framework for making an informed choice. Understandably, their choice often comes down to how any proposal affects their personal pocketbooks. The proposal that most lowers their tax bills or returns the most money to them is the one they prefer.

Even when policymakers evaluate

tax-reform and rebate proposals, their choices can be made largely on calculations of political advantage, rather than on tax-policy principles. We are not so naïve as to believe that tax-policy principles will ever be the only framework used in evaluating tax-reform proposals. Reasoned debate within the context of some jockeying for political advantage can still produce sound tax policy. We do believe, however, that the more that policymakers consider fundamentally

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Ventura's budget principles can help region compete

In his first state of the state speech, Gov. Ventura outlined a set of important budget principles that will set the tone for the next four years. Getting these priorities implemented will be a much more difficult task, but the Governor has assembled a strong group of leaders to assist with implementation.

Possibly more important, however, will be to quickly coalesce this group of leaders to look at some of the troubling cracks in an otherwise healthy state and regional economy. Paying attention to the priorities Gov. Ventura laid out in his speech would be a good start:

- Be fiscally prudent, prevent future costs where possible, balance projected budgets over four years and return any surpluses to the people at the end;
- Do the right things and do them well, start evaluating programs for results and reform or eliminate programs if they are not producing results;
- Create incentives instead of penalties for governments and individuals to do the right thing; competition works and is good for government; allow no unfunded mandates from one unit of government to the next;
- Move decisions closer to the people, creatively leverage private and nonprofit support and support fees over general taxes where users have a voice.

Of course, getting these principles

fully implemented will require a great deal of heavy lifting. For example, there are a lot of public spending systems that continue to get funds largely without regard to their performance and state statutory limits that shield agencies from competition. Education for low-income children is despicable, despite K-12 education consuming 34 percent of the state budget.

The list of challenges is long and there is much to be done. It is important to remember no idea is so powerful that it cannot be subverted in implementation. The announced budget principles will need a lot of work to make a difference and be sustained.

But we can't afford to take our eyes off these high principles. On March 3, the Twin Cities International Roundtable presented the results of 78 interviews with local executives on vision, strategy and critical factors for regional competitiveness in the global economy. There was a lot of good news about the region's standing in the national economy, but also a few warning signs. While the region is currently quite competitive, its competitive base is eroding.

Causes for that erosion are diverse: the fragmentation of 189 political jurisdictions and 80 economic development programs; a shortage of professional and skilled workers;

and an adversarial relationship among business, government and the media. In the words of the survey, our region was seen as "insular, smug and complacent." So, despite current good news on the economic front, there may well be storm clouds ahead.

An action agenda for the region and state demands leadership. If early indicators are useful as long-term barometers, Gov. Ventura has put together an administration of thoughtful independents capable of implementing a smart, but aggressive vision for the future.

For example, under the leadership of new Metropolitan Council Chair Ted Mondale, there is a real opportunity to bring together leaders from diverse communities to forge a vision for the region's economic and social future.

Under new leadership, the state might finally undertake a formal economic development strategy. As the Citizens League called for several years ago, we should revisit and refine the state's "game plan" for investing the billions of dollars currently spent on economic development, workforce training and infrastructure. Neither a strategy of blanket subsidies for job creation nor episodic bailouts of large enterprises will serve us well in a new economy short on both skilled workers and strategies to help grow

small and medium-sized businesses.

The Roundtable report ranked Minnesota low on a national in research and development, which makes additional efforts to strengthen our hand in the "new economy" even more urgent. One area of critical importance is a skilled workforce. The recent League report on the labor shortage suggests that we need to get serious not only about changing the paradigm for economic development, but about how to help workers and businesses to move up the economic "food chain" through responsive, relevant and effective training systems.

It looks like workforce quality and supply will be one of the core issues for the early part of the 21st century. We need the 2000 Legislature to do some "heavy lifting" to align job-training systems and refocus economic development on increasing overall productivity. The League has some ideas and will be looking for partners to help move ahead.

Despite the current good fortune of most Minnesotans, we should rest on our laurels. We might as well remember this quotation from Charles Darwin: "It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change." The future of our state depends on how responsive and wise we are in responding to new challenges.

Lyle Wray is executive director of the Citizens League.

Editors want Profiles of Learning fixed, not dumped

On Balance

Editors pass: They can express their opinions and back them up.

Duluth News-Tribune said (Feb. 11) the Legislature should keep Profiles of Learning alive, perhaps fine tuning the number of performance standards. St. Cloud Times called for (Feb. 23) support for a compromise between two proposals before the Legislature: one, by the Ventura administration, to subject schools not meeting state goals within six years to drastic, state-mandated overhaul and the other, by Rep. Joe Opatz (DFL-St. Cloud) that gives teachers, parents and legislators time to debate consequences when schools don't meet state performance expectations. "Some compromise version between the two would take the state to the next stage of accountability. The newspaper said (Feb. 22) the Legislature should not abandon "the commitment to create higher standards for Minnesota students." It said, though, that responsibility for drawing up a methodology for achieving each standard should rest with local schools, rather than with the state. "Let the locals decide how best to teach students to meet the high standards."

Star Tribune said (Feb. 14), "After years of study and discussion, and a state investment of more than \$200 million, the program should be simplified, not scrapped...Legislators ought to listen to teachers and students who have taken the best of the Profile and used it effectively. The state

should then craft clear, concise guidelines about measuring students' performance while still allowing for local flexibility." Mankato Free Press said (Feb. 13), "[W]hile the performance packages as they exist are too bureaucratic and time-consuming, they can be modified without being scrapped." Worthington Daily Globe said (Feb. 16) the Profiles of Learning need some "fine-tuning," perhaps by altering the scope of the performance packages and lessening the cumbersome documentation for teachers. "But to scrap a system 10 years in the making without giving it a solid chance to work is a total overreaction to complaints." Red Wing Republican Eagle said (Feb. 19) schools should expect the profile to be amended, but not to be eliminated. "The state needs a consistent measure of graduates just as it now has consistent measurement of basic skills through statewide testing."

Duluth News-Tribune endorsed (Feb. 19) a bill that would allow one-fifth of the charter school teachers in a given building to be unlicensed. The bill would require that unlicensed teachers be supervised by a licensed teacher. "[P]erhaps the time has come for the state to consider a system of alternative teacher licensing in

which people qualified in other ways than traditional education backgrounds could be screened and licensed in their areas of expertise."

St. Paul Pioneer Press said (Feb. 15) Gov. Jesse Ventura's transportation funding policy is "incomplete, inconsistent and inadequate." It said Ventura's proposal to cut auto license fees could "add to the enormous backlog of state highway and bridge projects." The paper was critical of Ventura's proposal to reserve \$60 million in state funds for the light-rail line in south Minneapolis, yet give only a \$15 million increase to the metro area's bus system. St. Cloud Times said (Feb. 8) cutting annual license tab fees is not the way to go about cutting taxes. "Current license tab fees provide the kind of stable, long-term funding we need for transportation."

St. Cloud Times urged (Mar. 2) support for the 66-mile Northstar Corridor commuter rail project from Minneapolis to St. Cloud, which would run nine round trips daily.

Duluth News-Tribune said (Feb. 20) the Legislature should not relax its five-year-old ban on accepting gifts from lobbyists or community clubs or anyone else who has an

interest in state policy. The paper said (Feb. 17) a study by the Washington-based Center for Public Integrity that ranked Minnesota 35th among the states for the quality of financial disclosures required of top public officials shows the state needs to "tighten up." Free Press agreed (Feb. 18) that the state's gift ban must stay in place. It also said the state needs to strengthen financial reporting requirements so the public will know if a legislator is voting on a program or appropriation that could benefit him or her financially. Fergus Falls Daily Journal said (Feb. 19) "the problems that would arise from loosening the [gift] ban, even to the limited extent proposed, far outweigh the advantages of doing so." St. Cloud Times said (Feb. 27), "We've lived with the law the way it is for five years. It has worked. Leave it alone."

Fergus Falls Daily Journal supported (Feb. 25) Gov. Ventura's proposal for creating a unicameral legislature. "Creating a single-house legislature would eliminate that most dubious and backward of lawmaking traditions—the conference committee. Duluth News-Tribune said (Feb. 25), "Initiative and referendum is a bad idea...It's far better to enact laws the old-fashioned way, through the legislative process, and the system of checks and balances."

enforce the laws against drugs and drug dealing...we must address the demand side...I have four suggestions.

First, evidence suggests that drug treatment—even when repeated—is more cost-effective than incarceration. We must work with health-care providers to examine the capacity of the system to perform adequate, timely assessments and provide appropriate treatment to all in need.

Second,...We must begin to develop community-level interventions to help young people develop the personal assets and life skills they need to make good decisions.

Third, we must identify the condi-

tions which most often correlate with drug use among young people and develop a coordinated prevention strategy including the schools, community institutions and government.

Finally, we must tap into appropriate public education campaigns to promote healthy lifestyles or, if necessary, partner with others to create our own...

Making Minneapolis a city that puts children first has been, and will remain, a priority for my administration...

Nurturing, safe families, self-sufficient parents, stable housing, quality education and day care...these

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City works, but needs work on crime, families, job skills

From "Minneapolis: A City that Works," 1999 State of the City Address by Mayor Sharon Sayles Belton on Feb. 11.

...Our strong economy, the development and revitalization projects underway and our prudent city government paint a picture of a city that works...

In spite of all these great accomplishments, we have still more work to do...These are our opportunities:

- To make our streets and our city safer for all citizens;
- To give every family and every child the tools to achieve success;
- To help people who want a job get the skills they need to be gainfully employed and achieve self-sufficiency...

Over the past six years, we've invested over \$20 million in our police department, seizing the opportunity to make our streets safer. We've bought new equip-

ment, hired officers, and civilianized positions to put more police officers on the streets. Through CODEFOR, the MPD is using data and new technology to change the way officers are deployed. The goal? To reduce crime. The result? The largest one-year drop in serious crime in 20 years! Serious crime was down 16 percent last year...

We must continue to reinforce good police practices, policies and training. We must ensure that CODEFOR's emphasis on misdemeanor enforcement is not directed at indi-

viduals, but at illegal behavior...

While we have greatly improved public safety, we cannot ignore an emerging trend. In 1998, arrests for young people were up 23 percent. Some of the most significant increases occurred for the most violent crimes...We've embraced and implemented successful, cooperative and focused strategies to reduce crime committed by adults; we must bring that same focus and resolve to reduce juvenile crime.

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The Minnesota Journal

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March 16, 1999

Tax policy

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sound tax-policy principles in those debates, the better the results will be.

We believe that effective citizen control over governmental processes and finance is one such fundamentally sound principle. What could effective citizen control possibly have to do with tax policy? The connection is this: the more taxes are hidden from the majority of voters, the less accountable our tax system is and the less inclined citizens will be to exercise the oversight necessary to maintain a healthy, self-governing society.

Consider Minnesota's state and local fiscal system. It is essentially at cross-purposes with the principle of effective citizen control. The system is designed primarily to equalize revenue resources of local governments around the state. But that design factor has the notable side effect of protecting the majority of voters from the cost of government programs. This protection takes three major forms in Minnesota:

A heavy reliance on intergovernmental transfers to finance state and local government. Data from the State Auditor's office show that in 1996, 30.4 percent of cities' and 40.0 percent of counties' revenues came from state and federal aid. 1998 studies showed the percentage of school districts' 1994 revenues coming from nonlocal sources at nearly 70 percent. So when Minnesota city (or county) governments spend one dollar, they have to raise only 70 cents (60 cents for counties) from their own constituents—those able to vote them out of office. Less than one in three dollars spent by local school districts comes from their own voters.

A system of taxation that inoculates the majority of voters against the burden of financing government spending. The Minnesota Department of Revenue's 1997 Tax Incidence Study shows that in 1994, 74.8 percent of all state and local taxes in Minnesota were paid by the top 40 percent of income earners (those with over \$32,108 of household income). The bottom 60 percent of income earners, then, pay 25.2 percent of all taxes. Though their shares of total taxes are roughly proportional to

their shares of income, these ratios make it frighteningly easy for 60 percent of potential voters to lobby for, or at least not resist, increases in government services for which they would pay only a quarter of the cost.

A tendency to view taxes on business as morally superior to taxes on individuals. Economists agree that business taxes are always passed on to consumers, workers or investors. Ultimately, all taxes are taxes on individuals. The only real difference between business taxes and individual taxes is their pattern of incidence on individuals or households. The Tax Incidence Study shows that taxes on business are regressive, falling more heavily on low-income households than on high-income ones. What makes business taxes seemingly more attractive to some legislators is the fact that individuals vote and companies don't, and that most individuals are not aware that they also bear the burden of business taxes.

According to the Revenue study, business pays 38.3 percent of the \$12.5 billion in taxes studied in their report. That's \$4.8 billion in taxes that eventually show up as higher product prices, lower wages or lower returns on invested capital. In a sense business taxes are taxes on people hidden from citizens' view.

Liabilities, dangers

There are liabilities and dangers in a state and local finance system that relies so heavily on intergovernmental transfers and hidden taxes. Among them:

Loss of citizen control. This is perhaps the most serious liability. The citizen who tries to find who is responsible for the growing cost of government is confronted with a bewildering array of complexities that hinder the investigation and discourage further involvement. Only those who are paid to do so (both public and private lobbyists), become informed and confident enough to engage public officials. And, quite naturally, they are confined to promoting their more narrow interests, rather than those of the public at large.

Incentives to spend. Common sense dictates that the more heavily subsidized a local government unit is, the more that unit will likely spend. Many aids come with matching rev-

enue requirements, which also tend to stimulate spending. What is true of governments is also true of individuals. The more the cost of government services is borne by others in the

minority, the more likely the majority is to want additional services. For those who doubt this, consider the voters' reaction if the approximately \$800 million property-tax subsidy to homeowners in Minnesota in 1998 were suddenly removed. Or what if the nearly \$500 million paid in income taxes by the top two-tenths of the population that is above their share of household income were shifted to the other eight-tenths of the population?

Loss of local self-government.

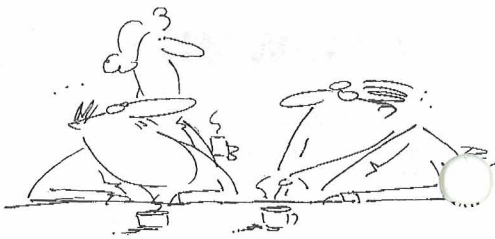
With an abundance of state and federal aid comes an abundance of rules and regulations on how that money is to be spent, with a consequent loss of discretion at the lowest levels of government.

Recommendations

In view of these dangers inherent in Minnesota's current fiscal system and with many proposals under consideration for its reform, we recommend the following framework of policy guidelines for reform:

1. Provide intergovernmental transfers to cities, counties and school districts based on a clear set of objectives. In our view, transfers should be provided to (1) eliminate local fiscal disadvantages in providing "basic" services, and (2) to pay for state mandates on local government. All other local spending should be financed 100 percent locally. State aid to cities, counties or schools should not be provided for the purpose of hiding the cost of local government from local taxpayers. Too much of the current local government aid formula, for example, remains distributed on the basis of past spending, rather than on some more objective measure of need.

2. Do not increase the overall progressivity of Minnesota's state and local tax system as it relates to taxes paid directly by individuals. The Tax Incidence Study shows that the combination of state taxes on individuals and property taxes on homeowners is already progressive, varying from 7.5 per-



"What we really need is tax reform that makes everybody suffer equally, but nobody knows it!"

cent of income for taxpayers in the second population decile to 9.9 percent of income for taxpayers in the tenth population decile. It is only when the incidence of taxes on businesses is assigned to individuals and added to the overall tax burden that Minnesota's revenue system becomes slightly regressive. We oppose changes in the direction of more progressivity on individuals and homeowners. This means that income-tax rate cuts should be proportional at least. Bills that call for reducing the lower rates more than the higher rates are not consistent with this recommendation.

3. Do not enact new taxes or expand existing taxes on businesses. As stated previously, nearly two out of five tax dollars are paid by businesses, but borne ultimately by individuals. Individuals for most part do not realize they are paying these taxes. The Revenue Department's study further shows that their incidence is regressive, ranging from 3.0 percent of the second population decile's income down to 1.4 percent of the tenth decile's income. Adding new business taxes or expanding existing ones merely hides the cost from voters and keeps them from making informed choices on the level of services they wish to pay for.

We believe that effective citizen control is crucial to the continued enjoyment of the privileges and responsibilities of self-government. Any changes in incentives should be toward encouraging citizen involvement and increasing accountability. We urge legislators to consider these recommendations before making any changes in the state and local finance system.

Dan Salomone is executive director and Lynn Reed is research director of the Minnesota Taxpayers Association. Portions of the article were taken from a 1996 position paper of the MTA, with data updated in October 1998. The MTA can be reached at 651-224-7477.

Education

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ward: to give the districts what it takes to get student performance up fast enough. Or to go back to the other side: to drop the standards and testing—perhaps in the hope that if nobody sees low student performance any more, nobody will care about low student performance any more.

The state can't stay where it is, trying to balance on that slippery rock. It won't work, and it isn't fair, to try to hold people accountable for something you don't give them the ability to do. Either the Legislature expands capacity, or its effort at standards and accountability comes crashing down in '99.

The district system does not have that capacity today. It was not built for the job it now has to do. It was built for an earlier, simpler world in which kids went to school, the state gave districts money, districts promised that kids would learn and nobody really checked.

Now—at the same time—the kids have become a much tougher challenge and the state has gotten serious about them having to learn—serious, too, about consequences for adults, if they don't.

Not knowing for sure what to do, the districts—quite logically—must now try a lot of different things, and quickly. They have to change programs, change people, change practices much more rapidly than ever before.

And they can't. The school district organization is good at many things, but not at change. Assured its customers and its revenues, it lacks the dynamics that make change imperative for organizations in other parts of society. And without the pressure of some outside necessity, it cannot generate internally the will to face the hard decisions that change requires.

The district is not basically in the business of student learning. Primarily, it is in the business of owning and operating schools. If kids are not learning in its schools, it has a problem. Can it admit that its schools are failing? Even if it can, does it have a way to close the

schools in which kids are not learning and bring in other schools in which kids may learn better?

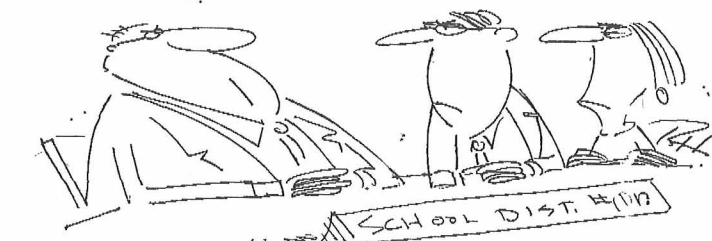
Equally important: Districts cannot easily find, or cannot protect, the money to pay for innovation and change—and for the training that change requires.

As many board members will say in private—and as the Minnesota Association of School Administrators said in public in a report in 1992—districts are unable to control their costs.

Boards will not take a strike, so will neither push for changes that might cause a strike nor resist employee demands, if resisting might cause a strike. As a result districts routinely overspend the new revenue the Legislature provides. To finance the reallocation,

districts have to "cut" program and increase class size. In this process it is almost impossible to protect money for research, for innovation, for training, etc. Everyone around the Legislature understands this, though many do not wish to talk about it.

Board members and superintendents hate this unending reallocation to teacher compensation from program and class-size—away from kids, to adults. Year by year it simply recurs at higher and higher levels of total expenditure. It means, as one candid superintendent says, "We tell lies." We say we "had to cut." We say the Legislature made us do it, by not keeping the formula up with inflation. He hates the way the reallocation requires districts to lay off the newer teachers: "The system eating its young."



"If we're going to meet the state's new educational standards we're going to have to...I can hardly say it out loud... CHANGE the way we do things..."

Some of the leadership within K-12 has begun to move out ahead of the education organizations to ask for that fundamental change.

This is the thrust certainly of the "Minnesota Agenda," a plea for greater flexibility put together by a group assembled a year ago by Don Helmstetter, superintendent in Spring Lake Park, when he was president of the Minnesota Association of School Administrators. (See "School Districts Need Flexibility to Change," *Minnesota Journal*, Nov. 18, 1998.)

Two bills that attempt to provide districts with the capacity to succeed in the new world of standards-and-testing and accountability are now introduced in both houses. Both are in effect "local control" bills, expanding the authority of local boards.

"The district system...was not built for the job it now has to do."

The first would give boards clear authority to bring in different and, hopefully, better learning programs (schools) on contract. It would even permit a board, at its option, to get entirely out of owning and running the schools and to become fully an arranger of learning programs; a "broker" board, as Sen. Larry Pogemiller (DFL-Minneapolis) said at a Citizens League forum last fall. The bill is introduced in the House by Rep. Ken Wolf (R-Burnsville) and in the Senate by Sen. Martha Robertson (R-Minnetonka).

The second would shift Minnesota from a district-based to a student-based system of education finance: the per-pupil amounts would be budgeted to the schools the students attend. The idea is partly to bring out into the open the trade-off between teacher compensation on the one hand and program and

class-size on the other.

The district board would still have full authority to spend whatever it wants on whatever it wants for district services and for the salary settlement. But it would have to do so in the open, assessing these costs against the schools. House authors are Wolf and Rep. Mindy Greiling (DFL-Roseville); the Senate authors are Robertson and Pogemiller.

The big education organizations—mainly the Minnesota School Boards Association, the Minnesota Association of School Administrators and the teachers' union (now known as "Education Minnesota")—are opposed. As in most years their notion of "adequate financing" is for the Legislature to put new money into K-12 faster than the money can run out through the salary settlement, especially in a year when so much money is around. Also, they tend to react to a proposal for change in terms of the way it might affect their control in the system.

The two big lawsuits in Minneapolis and St. Paul may or may not affect which way the Legislature goes: back away from standards, toward the old money-for-promises game, or on toward the concept of a system inherently capable of putting student interests first.

The case brought by the Saint Paul district is candidly about money. It is not clear how a district that has not used the authority available to increase its own financing (through referendum) can win an argument that the state is not giving it enough—or why the state should want to settle that case short of trial.

The case brought out of Minneapolis by the National Association for the Advancement of Colored People (NAACP) and related parents is different. It goes to the structure of K-12, arguing the system provided by the state is not "thorough and efficient" and is inherently incapable of accomplishing the result intended.

The state might be considerably more at risk were this case to proceed to trial. The NAACP on Feb. 19 did, however, put a proposal for settlement before the Legislature. It asks for the opportunity for parents to choose the school their children

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Education

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attend, in the city or in the suburbs, with money following to the chosen school.

State of city

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are the resources our children need to achieve their full potential...

The quality of life in a city also has everything to do with the quality of its public schools...We're returning to community schools. Jordan and Perkins Hill will open in September—and we have pushed back start times. Performance is improving.

Tonight, I am excited to announce *Everybody Reads*, an initiative that will leverage community resources to help young people read by third grade. Reading by third grade is a key gauge of future academic success.

Next month, *Everybody Reads* will begin at Bethune and Lincoln ele-

Since 1985 the Legislature has been gradually remaking the K-12 institution—with open enrollment, charter schools, tax credits, the requirement to allocate compensatory revenue where the students attend. These changes have almost

mentary schools, where 66 percent of the students in third grade are not reading at grade level. Community volunteers tutoring these children for a few hours a week can close this gap...

Putting our children first also means giving them a voice. Tonight I am pleased to announce a second new initiative to support young people, the Mayor's Youth Council...

This past year, a crisis in affordable housing reached new proportions...

To identify and guide the City's affordable housing agenda, the Affordable Housing Task Force was established...

Even as the Task Force works, Minneapolis is taking concrete action to develop mixed-income neighborhoods and increase the supply of affordable housing. Efforts are underway to prevent

always happened over the objections of the big interest groups.

This year the Senate especially seems to want to stick with standards and accountability. If so, it is likely to understand the need to

hundreds of subsidized units from converting to market rate...

We also have many unique and innovative programs to help more people achieve the dream of homeownership...

We are at a unique time in our city's economic history. Our economy is the strongest it's been in 25 years. Unemployment is low and we see help wanted signs through Minneapolis...

[W]e must recruit and train our un- and under-employed population to fill and keep the jobs that are available. Our labor shortage is driven by a lack of basic and technical skills. We must teach skills and provide resources, such as transportation and daycare, that enable individuals to get, do, and keep a job...

To focus this effort, we're developing training partnerships to support

give districts the capacity to change. So the session may move this direction. Things that are necessary do tend to happen.

Ted Kolderie is contributing editor of the Minnesota Journal.

five industry clusters: printing, computers, medical devices and machinery, the building trades and hospitality services. Each of these industries pays better than average wages or offers opportunities for advancement and each is growing...

Commercial corridors are the lifelines of our neighborhoods. Thriving commercial corridors create jobs, strengthen the surrounding residential neighborhood, demonstrate the best in urban living and pedestrian environments, provide goods and services to those living along them and are destination points for citizens from around the Twin Cities...

The City can spur commercial corridor revitalization by providing amenities such as improved street lighting, municipal parking solutions or business loans and redevelopment assistance.

tle or no choice of health insurance plans. People without choices are much more likely to be dissatisfied with their health insurance.

To understand how it might have been different, imagine that everyone got their health insurance through an arrangement like the federal employees' health benefits program, in which everyone receives a defined dollar contribution toward the purchase of the plan of their choice. And, if they chose a plan costing more than that, then they would pay the difference. And, everyone would receive a wide range of choice of plans ranging from traditional fee-for-service to various kinds of [managed competition plans], as long as those choices survived in the marketplace.

In that case, people would have seen that they could have saved substantial amounts of money by accepting the limitations of man-

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Institute

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d care. Yet those strongly preferring the freedoms of fee for service could have chosen to stay there, provided they were willing to pay the extra cost. That's a rational model of responsible economic choices.

So, the backlash is mainly the consequence of the inevitable introduction of financial restraint into health care...something that just had to happen. Doctors could have avoided the distasteful loss of authority if they had accepted responsibility to control costs themselves and surrendered their autonomy to their peers in an organized effort to manage care, as some distinguished doctors have done in this community.

Patients would have experienced much less dissatisfaction if they'd gotten to managed care through informed responsible personal choices that they saw as in their own best interest. While managed-care organizations are inevitably imperfect human institutions that sometimes make mistakes, I do not believe that the backlash stems primarily from the specific failings of managed care.

Dave Durenberger, chair, National Institute of Health Policy: It has been wisely stated that we have 100 good answers in health policy and no good questions. That is symptomatic of our era of specialization, segmentation and every association for itself in the public-policy arena. As the ancient Greeks said, "If you don't know what harbor you are heading for, every wind is an ill wind."

Right at its beginning the National Institute of Health Policy has sifted through dozens of health-policy questions to come up with what we think is the most important question in American health policy: "How do we create mutual trust in the relationship between health professionals and people in need of care?"

At its most basic level, the only independent variables in the health equation are physicians and other professionals and people who come into the system because of

illness, injury or disability.

It is that relationship and the role of third parties to it and in it which is a tradition in our Upper Midwest. But it is so poorly understood as to lead us here, and as a nation, to policies that do not enhance the value of health or the quality of health services or the effectiveness and efficiency of health systems.

This university partnership intends to change all that. Despite our characteristic Minnesota modesty, we did not hesitate a moment to call our enterprise the National Institute of Health Policy. That's because experience has taught us that if you wait a little while, local practice in Minnesota and among our Upper Midwest neighbors soon becomes national policy. If you need proof, take even a brief look at this century, from the contributions of the Brothers Mayo and University of Minnesota to the nationally recognized leadership of our present time.

Mark Yudof, president, University of Minnesota: We all know that there is some disarray in the health-care marketplace. I discovered that myself when I tried to explain our appropriations proposals to the Legislature. It's unbelievably complex to explain what it means to move from acute care to community-based care, what it means to move from traditional drug strategies to genomics.

There is so much that's happening and there's so much confusion about what's happening, that this [Institute] is the very type of organization that can stand back and say what makes sense as state, national and even international health-care policy.

This new Institute demonstrates a commitment to values. None of us can know 50 years from now what this business is going to look like and what the health needs of the country will be. But we know that if we are sensitive to the concerns of the patients, if we conduct ourselves with integrity, if we're committed to universal access to health care, if we adhere to those values, we'll be able to solve those problems as the years go by.

Dennis Dease, president, University of St. Thomas: This partnership that has been formed between the University of Minnesota and

the University of St. Thomas is nothing less than a milestone for both institutions. For St. Thomas the development of this Institute marks another step in an effort to provide health-care education opportunities to a growing number of graduate-degree students, as well as physicians and other professionals. And we feel fortunate to be able to take this step with a partner as strong as the University of Minnesota.

We cannot underestimate the value added by this new dimension in public policy with the emphasis today on cost control and cost containment. There also needs to be a re-emphasis on the values of the profession and the relationship between health professionals and patients and society.

The more we can remove the barriers created in the past by public policy, the more success we will have in our efforts to enhance relationships and develop a health-care system that works more effectively on behalf of all of us.

Governor Jesse Ventura: This is a fine day for all of us who care about health here in the state of Minnesota. In my state of the state address, I asked the question, "What price tag do you put on your health?" We Minnesotans put a whopping price tag on good health, as individuals and as a state. We're constantly either first or second in the national list of the healthiest states. I'm proud of that.

When you're leading, you never rest on those laurels. We're getting older, more diverse, more urban as every year goes by. All of this adds up to costs for providing that health care. Few things put more pressure on budgets than health-care costs that we can't control. There are still people without insurance, people struggling to afford their portion of the premium and seniors who can't pay for prescription drugs. And government isn't going to find all of the answers.

We must focus on broader issues of how government and the health-care community can work together to improve the lives of Min-



"...I guess maybe we docs should have gotten our act together and organized this thing ourselves before it got organized for us!"

nesotans. That's why we need research institutes like this one, to look at tough questions and pose solutions. I wish this new effort every bit of success.

One of the biggest questions before us today is "What do we do with the one-time tobacco money?" My commitment to endowing the tobacco settlement money is tied to my belief in self-sufficiency and improving the lives of Minnesotans. Those payments totaling \$1.3 billion over five years are a windfall to the state of Minnesota. It is a once in a lifetime opportunity to invest in ourselves and our future.

I have proposed that the interest earnings on this endowment be spent in four areas of self-sufficiency: to help individuals and families reduce their dependency on government; to support local public health networks; to support health education and research at the University of Minnesota and the Mayo Clinic; and to support teaching hospitals and clinics around the state and ensure that important medical research on serious health issues takes place. It is my hope and expectation that this Legislature will consider and agree that there is every reason to invest these resources for the betterment of our health and humanity.

Dana Schroeder is editor of the Minnesota Journal. For more information or for a copy of the published proceedings of the inaugural symposium, call the National Institute of Health Policy at 651-962-4630.

Aging population could double state spending by 2030

It's been well documented that the state's population is not-so-slowly turning gray. (See the Citizens League/Department of Human Services recent *New Wrinkle* report).

The Minnesota Taxpayers Association (MTA) recently found that as people over 65 make up an increasing percentage of the population, program costs could swell state spending to twice its current size by the year 2030.

MTA analyzed per-client costs and historic growth rates of state program areas from 1990 to 1996 and compared them with personal income growth. From 1990 to 1996, health and human services made up less than 20 percent of the state's budget. But if per-client costs and growth rates were projected out, the rapid growth of older people would cause these same programs to gobble up almost 65 percent of all state spending. Conversely, education's chunk of state spending would decline from 37 percent (in 1990-96) to just 14 percent (in 2030), due mostly to a slow but steady decline in overall enrollment.

Under such a scenario, state spending could consume about 17 percent of all personal income, compared to eight percent today, if no structural changes are made.—Ron Wirtz.

The MTA also released an analysis of state aids and public payrolls that found local governments in Greater Minnesota much more dependent on state and federal aid than cities and counties in the seven-county metro region.

On average, cities in Greater Minnesota received almost 30 percent of their total revenue from government aid, compared to an average of only 17 percent in metro-area cities. Similarly, nonmetro counties received 45 percent of all revenues through government-aid programs, compared with 35 percent for metro counties.

The economies of nonmetro counties were also 60 percent more dependent on public-sector wages than the economies of metro counties. Wages from public-sector jobs constituted almost one-fifth of all wages earned in Greater Minnesota counties, compared with 13 percent for metro counties.—R.W.

Take Note

"Old age is the most unexpected of all the things that happen to a man."—L. Trotsky

There is something wonderfully ironic, isn't there, about a governor who says "the free ride is over" and in the same speech comes out for light-rail transit and commuter rail?—Ted Kolderie.

Americans who look admiringly to Europe as a model of urban planning and development should look more carefully, argues Ken Orski in the current newsletter he writes on land use and transportation. European himself, Orski notes:

"Between 1970 and 1990 the share of population living in the central city has declined in virtually every European city...despite the fact that local governments have more control over land use, public transit is far more extensive and suburban home ownership is not subsidized by the tax code.

"The old-style cities we see on postcards and from sightseeing buses are isolated pockets of urbanity inhabited by students, young professionals and the very rich. Europe's middle class has moved to the suburbs; where they shop in malls, live in auto-oriented subdivisions and drive on traffic-clogged arteries. Most tourists are not aware of this: They tend to stay in the historic city centers."—T.K.

At a recent Mind-Opener meeting, John Brandl (former Citizens League president and current dean of the Humphrey Institute) had some interesting statistics about public education in the 20th century.

First, he noted that from 1960-1990, the nation tripled per-student spending for K-12 *after* adjusting for inflation. Second, 100 years ago, the average class size in this country was 37 kids. Fifty years ago it was 27 kids. Today, if you count all the kids and all the teachers—including those "unassigned" to a particular classroom and those with administrative duties—you'd have 17 kids per teacher, which is what we are hoping to get in every Minnesota classroom over the next few years.

So despite tripling the amount of

money spent per child and significantly cutting class sizes, the latest education proposals being discussed at the Capitol to improve education outcomes are increasing spending per child and reducing class sizes.—Kris Lyndon.

Speaking of reducing class size, increasing spending to buy more teachers is one way to get there—not the only way, just the most expensive. Another way is to move the "specialist" teachers into the regular classroom. Montlake elementary school in Seattle did that famously some years back and performance rose.

You hear less about that because, like all reallocation strategies, it affects jobs. So the opening proposal is always to reduce class-size by raising spending—to see if the public will pay. Remember: There *are* other ways.—T.K.

Elementary schools in South Korea are facing a massive shortage of teachers, according to the *Korea Herald*. Class sizes are increasing steeply, teaching hours are up and music and art specialists are being assigned to teach general subjects.

The shortage is mainly due to recent legislation that lowered teacher retirement ages from 65 to 63, coupled with a growing preference for early retirements among teachers. In Seoul alone more than 1,600 elementary teachers quit through regular or early retirement at the end of February. Education ministry offi-

cials estimate another 12,000 teachers nationwide will quit in August. Meanwhile, applications to education colleges are declining.

Seems Minnesota is not alone in coping with a teacher shortage.—Janet Dudrow.

A recent U.S. News & World Report article on higher education enrollment noted that many classrooms at universities nationwide are now dominated by women. The article credited the surge with greatly improved opportunities for women and an increasing percentage of men opting out of higher education for the immediate pay-off of work, often in high-tech industries.

But Minnesota enrollment trends throw some contrasting light on this national trend. For one, college enrollment among Minnesota females is on the decline, dropping from 52 percent of female high school graduates in 1987 (and 45 percent for males) to 43 percent for females in 1996 and 38 percent for males. More glaringly, the rate for female graduates in rural school districts went from 53 percent to just 35 percent in the same nine-year period.

These enrollment trends have convinced the Minnesota System of Colleges and Universities (MnSCU) to undertake a major initiative to increase student recruitment and retention rates—this on the heels of a 4.3 percent decrease in MnSCU students last fall.—R.W.

"Take Note" contributors this month include Minnesota Journal and Citizens League staff members and Janet Dudrow, policy analyst at Dorsey and Whitney.

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Minneapolis, MN 55415**

PERIODICALS
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Citizens League Matters

March 16, 1999

News for Citizens League Members

Welcome

New and returning members

Buzz Anderson
Katie Hatt
Becky Kelso
Jim Koppel
Pradeep Kotamraju
Joe Martin
Douglas McCarthy
Nicholas Puzak
Steve Sviggum
Laurie Davis Van Wert

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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.

The Citizens League is an open membership organization. Suggested dues for membership are \$50 for individuals and \$75 for families. Please call 338-0791 for more information about membership.

Citizens League Public Affairs Directory is available — to order call 612-338-0791.

New voices and *new visions* March Mind-Openers feature new state leaders

With the appointment of new commissioners and agency heads, Governor Ventura's administration has begun to take shape. His appointees bring a variety of political backgrounds and personal experiences to their posts and will have a significant impact on state policies over the next four years.

The March Mind-Opener series will feature five of the Governor's recent appointments in areas of particular interest to the Citizens League: transportation, education, health, planning and regional governance. Please join us as these new policy leaders share their vision for the agencies they lead.

All meetings in this series will be held from 7:30 - 8:30 a.m. at the University Club, 420 Summit Ave., St. Paul. Cost per meeting is \$10 for Citizens League members, and \$15 for non-members. Unless of course you take advantage of the March Madness promotion. To register or for more information please call 612-338-0791, or email us at info@citizensleague.net.

Tuesday, March 16

Elwyn Tinklenberg
Commissioner, Minnesota
Department of
Transportation

Tuesday, March 23

Christine Jax
Commissioner, Minnesota
Department of Children,
Families and Learning

Thursday, March 25

Jan Malcolm
Commissioner, Minn.
Department of Health

Tuesday, March 30

Dean Barkley
Director, MN Planning

Tuesday, April 6

Ted Mondale
Chair, Metropolitan Council

March Membership Madness

League members —

bring a non-member as your guest to any session of the March Mind-Opener series, "New Voices, New Visions" for

FREE

and

if your guest decides to become a member, you will each receive a coupon for a FREE Mind-Opener.

Just include your guest's name when you register and indicate that you are taking advantage of *March Membership Madness*.

SAVE THIS DATE

TUESDAY, MAY 4

for the League's 46th
ANNUAL MEETING

featuring
TIM PENNY

The League's annual meeting surfaces, explores and provokes discussion of issues of public life. In recent years, Robert Putnam, Alan Erhenhalt, Haynes Johnson and David Broder have all addressed our annual meeting. Last year, panelists Al Quie, Rev. Curtiss DeYoung, Matthew Ramadan, Alfred Babington-Johnson and Anita Pampusch discussed the role of communities of faith in public leadership.

This year former Congressman Tim Penny will talk about the emerging policy opportunities that result from the changed political landscape and our ongoing economic prosperity. And he will speculate on the implications of Governor Ventura's election on engaging young people in politics and public life. *Details will be announced soon.*

Industry Cluster Study Update

Staff members are continuing to conduct pre-committee meetings to assemble background information and to help clarify and frame the charge for the League's new study on industry clusters.

League members can expect committee sign-up information to arrive soon. For more information, please call Ron Wirtz at 612-338-0791.

Conversations at the Crossroads

Community Circle Dialogues on Education, Housing and Race

This spring, hundreds of people are participating in more than 40 community-based conversations to discuss:

How we can make our communities more stable, livable and accessible through fair and affordable housing; How we can create housing choices that better connect citizens who need jobs with employers who need workers; How we can reshape our schools so that all children can learn together and succeed.

The circles are composed of about 10 citizen who agree to meet five times for two hours. An experienced facilitator moderates each session. The discussions will culminate in a Citizens Summit later this year.

For information, contact Dick Little at the Education & Housing Equity Project at 612-330-1505. In St. Paul contact Barb Rose of the Wilder Foundation at 651-659-6031.

League to conduct study on aging and disabilities

The Citizens League's latest policy study will focus on the topic "Aging and Disabilities in 2030." The study is a follow-up to the League's recent work with Project 2030: A New Wrinkle on Aging, and is being done through a contract with the Minnesota State Council on Disabilities. It will examine issues similar to those studied for A New Wrinkle on Aging, such as transportation, health care, housing and services, but with a particular emphasis on seniors with disabilities.

One-third to one-half of all people over the age of 65 have a certified disability, defined as the inability to complete at least one task required for independent daily living. Thanks to medical advances, the rate of dis-

ability among older people has actually gone down in recent years. However, due to demographic trends, the overall number of disabled people will continue to increase as a result of the huge wave of aging baby boomers.

As the number of disabled people grows, so too must the systems designed to care for and otherwise support these individuals. By many accounts, the current system falls short of meeting the demands of today, and is ill-equipped to meet the rapidly growing needs of tomorrow.

This League committee will examine data about the number and condition of seniors with disabilities and look for trends that might inform poli-

cy makers and the private market as they prepare for the future. The committee will also analyze the service needs of seniors with disabilities, including the utilization and geographic distribution of existing services, in order to determine the system's ability to meet future demands.

League Board member **Emily Anne Tuttle** has agreed to serve as co-chair of the study, and efforts are currently underway to select a second co-chair. Committee work is expected to begin in early April and conclude by the end of June.

If you are interested in serving on this study committee, please fill out the form below. For more information, call Kris Lyndon at 612-338-0791.

Committee Membership Application

If you are interested in serving on the League study on seniors with disabilities in 2030, please fill out the form below and mail it to the League office or send us an email.

Name _____ Occupation _____
Address _____ Employer _____
_____ work address _____
City, St, Zip _____ City, St, Zip _____
email _____
daytime phone _____

Mail to Citizens League 708 South 3rd Street, #500, Minneapolis, MN 55415 or email info@citizensleague.net